
MassMutual buys Great American Life for \$3.5 billion

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Massachusetts Mutual Life Insurance Company has agreed to buy Great American Life Insurance Company, a leading issuer of fixed and fixed indexed annuities, from American Financial Group, Inc. (NYSE:AFG), a company controlled by the billionaire Lindner family of Cincinnati.

The purchase price is \$3.5 billion, subject to adjustment at closing, according to a news release. The transaction is expected to close in the second quarter of 2021, subject to regulatory and other necessary approvals. Great American Life will operate as an independent subsidiary of MassMutual.

MassMutual was the US sales leader in fixed-rate deferred annuities through the first nine months of 2020, with \$5.18 billion in sales. This acquisition makes it an instant player in the fixed indexed annuity business as well. Great American sold \$1.77 billion worth of FIAs in the first three quarters of 2020, ranking ninth.

“This transaction is symbiotic,” Sheryl Moore, CEO of Wink Inc., the annuity data and marketing shop in Des Moines. “MassMutual, in addition to having a robust life insurance line, dominates the multi-year guaranteed annuity market and has competitive variable annuities too. Great American complements them with its strong market share in the fixed, indexed, and structured annuity segments. Plus, each company is strong in different distribution channels. Between them, they have every distribution covered except direct response.”

The deal also helps strengthen AFG’s position as a publicly held property/casualty company, according to a release from ALIRT, which analyzes the life insurance business.

“AFG has a large commercial lines property/casualty business, with an emphasis in specialty business lines,” the ALIRT [release](#) said. “AFG’s property/casualty business is substantially larger than its annuity operations, and in addition the property/casualty business is viewed much more favorably by investors in publicly traded stocks, for many of the reasons noted above, as well as the more pronounced effect of the low interest rates on spread based businesses such as annuities.

“Thus, investors in AFG stock (and AFG management) may prefer using capital presently allocated to GALIC (and AILIC) either to grow its core property/casualty business, and/or for shareholder remuneration,” ALIRT said.

ALIRT added, “AFG’s sale of GALIC is yet another transaction in a long list of companies that have sold part or all of their US individual life insurance or annuity businesses, and/or altered their product strategies. These groups include but are not limited to the following (and some groups executed more than one transaction):

AIG / American General Life	ING USA	Prudential U.K.
Allstate	Jackson National	Sun Life of Canada
Aviva	Liberty Mutual	Symetra
AXA	Lincoln Benefit	Talcott Resolution
Equitable	MetLife	TransAmerica
Great American	Ohio National Life	UNUM
Great-West	Phoenix	Voya
Hartford Fin’l Services Group	Prudential (U.S.)	

“The long-dated liabilities associated with many life insurance and annuity contracts are under ongoing pressure from the falling investment returns, while other businesses (property/casualty insurance, group retirement and accident & health businesses, international operations, etc.) are now viewed more favorably by institutional investors in publicly-traded stocks.”

AFG is led by co-presidents and co-CEOs Carl H. Lindner III and his brother Stephen Craig Lindner, who own 12.87% and 5.63% of the company’s outstanding shares, according to Standard & Poor’s. The late Carl H. Lindner, Jr., acquired American Financial Group in 1973, after having grown his 1940 ice cream and dairy processing operation into a business empire.

Carl Jr. owned the Cincinnati Reds baseball team from 1999 to 2005, and Carl III owns FC Cincinnati, a major league soccer team. In the past two days, AFG shares rose from almost \$80 to just under \$93, giving the company a current market capitalization of more than \$8 billion.

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