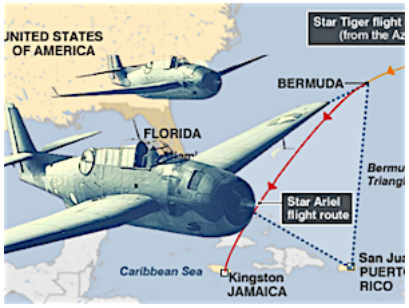
Meet MassMutual's Bermuda Reinsurer

By Kerry Pechter *Thu, Mar 10, 2022*

MassMutual helped finance Martello Re, the $1.65bn Bermuda reinsurer that just reinsured $14bn worth of MassMutual's in-force fixed-rate and fixed index annuities, and recruited Dennis Ho to be its CEO.



"If you're going to be in the annuity space, you will need a reinsurance strategy in order to be competitive," Dennis Ho told *RIJ* recently. Ho is the CEO of Martello Re, a new Bermuda-based reinsurer that just reinsured $14 billion worth of fixed-rate and fixed indexed annuities (FIAs) for Massachusetts Mutual Life Insurance Company.

Competing with the likes of FIA industry leaders Athene Life & Annuity, F&G Guaranty Life, American Equity, Global Atlantic and others for a bigger share of leadership in the fixed indexed annuity market appears to be what MassMutual intends. Athene led the industry with FIA sales of $7.8 billion last year.

In early 2021, MassMutual bought FIA-issuer Great American Life, helped finance Martello Re and recruited Ho to run it. MassMutual and other investors capitalized the reinsurer with $1.65 billion. In 2021, MassMutual ranked 11th in FIA sales in 2021, according to WinkIntel, with $2.45 billion.

"MassMutual is an investor in Martello Re and helped set us up," Ho said during a call from his US headquarters in New Jersey. "But we're wholly independent. They wanted a real company with whom they could do an arms-length transaction. None of our managers are from MassMutual."

Last week, MassMutual announced that, in addition to reinsuring $14 billion worth of annuities in Bermuda, it has engaged the services of $25 billion private credit expert Centerbridge Partners to help MassMutual's in-house asset manager, Barings, sharpen the life insurer's investment game.

MassMutual has now assembled all three elements of what *RIJ* calls the "Bermuda Triangle" business strategy. The triangle's three corners are a US-based life insurer that issues or has issued FIAs, a global asset manager with expertise in private credit and alternative asset management, and a reinsurer domiciled in a jurisdiction where the reinsurer can use GAAP instead of SAP accounting; GAAP offers life insurers opportunities to estimate liabilities at

lower values and conserve capital.

"Reinsurance helps you manage your risk. It can also give you access to broader investing and underwriting capabilities," Ho told *RIJ*. "When I look at the FIA or FA space, if you're working on your own [without reinsurance], you won't have as broad a toolkit as others, and you may not have the capital you need to grow at the rate you want. The annuities can also overtake the other business on your books and make you overweight. Reinsurance helps you address both of those issues."

Dennis Ho

Annuity issuers that can orchestrate the financial, accounting, regulatory, and legal subtleties of this complex strategy have steadily climbed the annuity sales leaderboard over the past decade. As traditional annuity issuers have retreated from or exited annuity sales, Bermuda Triangle practitioners have filled the vacuum they left behind.

Apollo Asset Management was a pioneer in this strategy, using life insurers Athene Annuity and Life in Iowa, Athene Annuity and Life Assurance in Delaware, and reinsurer Athene Re in Bermuda. Since 2013, other asset managers—notably KKR, Blackstone, Carlyle Group, Brookfield, Ares—have followed Athene into this space, acquiring, creating or partnering with life insurers and reinsurers. A few smaller companies have tried to emulate the

strategy, with mixed success.

"In some cases, insurers use reinsurance to partner with somebody who has investing capabilities they don't have," Ho told *RIJ*. "They might be able to invest in things you can't source. In most cases, even though the liability is reinsured, the original insurer still wants to make sure that the reinsurer isn't taking too much risk. So the insurer and reinsurer will set investment guidelines that the insurer's state regulator is comfortable with."

Ho's career and the evolution of the Bermuda Triangle strategy have grown almost in lockstep. An actuary with a degree from the University of Manitoba (1999), he was the life insurance solutions team leader at Deutsche Bank, then head of North America Insurance Strategy for BlackRock's Client Solutions Team. In 2015, he was recruited by Willis Towers Watson to be CEO of WTW's Longitude Re in Bermuda.

In 2018, Ho departed Longitude Re to start and run Saturday Insurance, an online insurance agent. "We sold all kinds of income annuities. We had eight insurers on the platform. But we didn't have enough capital to grow quickly. That's when MassMutual said, 'Will you come work with us?' I was a consultant for MassMutual last year, and once we launched Martello Re in January, I became CEO."

Martello Re Limited is a licensed Class E Bermuda-based life and annuity reinsurance company. Its initial equity of $1.65 billion was provided by MassMutual, Centerbridge Partners, Brown Brothers Harriman, and HSCM Bermuda (the re/insurance business of Hudson Structured Capital Management Ltd.), and a group of institutional investors and family offices.

Barings, which is part of MassMutual, and Centerbridge will manage the assets within the strategy. Centerbridge will provide access to "public and private asset origination and underwriting capabilities across all asset classes," according to MassMutual's press release.

MassMutual didn't report the amount of excess capital that the reinsurance deal with Martello Re would release, or how MassMutual would use the cash. Many insurers use released capital to buy back stock from shareholders. As a mutual insurer, MassMutual has no equity shareholders. It is owned by its policyholders.

In addition to their current reinsurance deal, MassMutual and its life insurer subsidiaries will also enter into a "flow arrangement" with Martello Re to reinsure new annuity business, according to MassMutual's release.

Martello Re plans to serve a wider client. It will initially focus on providing MassMutual and its subsidiaries with reinsurance capacity on current product offerings, after which it will offer its services selectively to other top insurers in the life and annuity space, the release said.

In addition to Ho, Martello Re's leadership team includes

- Jeremy Coquinco, Head of Investment Strategy
- Justin Mosbo, Chief Actuary
- Alana Rathbun, Chief Risk Officer
- Gregory Tyers, Chief Financial Officer

The initial members of the Martello Re board of directors include Chairwoman Ellen Conlin from MassMutual and Michael Baumstein of Barings, Matthew Kabaker and Eric Hoffman from Centerbridge, Jeff Meskin and Taylor Bodman from Brown Brothers Harriman, and Mr. Ho.

"It's an attractive space for a lot of folks," Ho told *RIJ*, but "you need a certain amount of scale to be good. We're building a reinsurer that can stand the test to time."

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