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## Honorable Mention

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By Editorial Staff     Sat, Feb 1, 2025

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*Merit Life reincarnated as Knighthead Life; Morgan Stanley to distribute five Allianz Life index annuities; BlackRock's LifePath Paycheck reaches \$16 billion in AUM.*

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### **Merit Life reincarnated as Knighthead Life**

Cayman-based Knighthead Insurance Group has acquired Merit Life Insurance Co. and rebranded it as a Knighthead Life. Headquartered in Charlotte, NC, Knighthead Life will be led by Edward Massaro, who remains CEO and chief investment officer of Knighthead Insurance.

Knighthead Insurance Group includes Knighthead International, Knighthead Re, and Knighthead Life. Knighthead Life is the brand name of Knighthead US Holdings, Inc. and its subsidiaries, Merit Life Insurance Co. and Knighthead American Life Insurance Company.

The acquisition of Merit Life followed Knighthead's infusion of capital into the distressed annuity issuer last year, which coincided with Knighthead Insurance Group raising \$550 million in new capital. Knighthead called the acquisition "key to the group's strategy of being an annuity market leader across its international, U.S. and reinsurance lines of business."

Knighthead Insurance was founded in 2014 with the incorporation of Knighthead Annuity & Life Assurance Company, a Class D Cayman insurer and reinsurer. Now managing about \$5.5 billion of annuity reserves, it was created to sell "fixed annuities to international clients and reinsurance of similar liabilities to U.S. cedents" (i.e., U.S. annuity issuers wishing to reinsure annuity business). It is affiliated with New York hedge fund Knighthead Capital, founded in 2008 by Ara Cohen and Thomas Wagner.

With its combination of alternative asset management experience, affiliated reinsurance operations in the Cayman Islands or Bermuda, and U.S. retail annuity sales, Knighthead appears to have adopted what *RIJ* calls the "Bermuda Triangle" strategy.

This three-way strategy is designed to use U.S. fixed deferred annuity sales as a feeder of cash to global asset managers to fund private credit deals, while reducing the capital requirements of new annuity sales through offshore reinsurance (sometimes called "asset-intensive reinsurance" because it involves the reinsurance of financial risk rather than

biometric risk).

Knighthead Insurance markets a multi-year guaranteed fixed annuity (MYGA) and a fixed indexed annuity (FIA). The MYGA offers 3-, 5-, 7- and 10-year contract terms. The FIA offers 3-, 5-, and 7-year contract terms. Performance is linked to the S&P 500, MSCI-EAFE, MSCI-EM Indices or to a fixed account.

#### **Merit Life and 777 Re**

Merit Life has changed hands before. In 2020, Brickell Insurance Holdings, purchased it from OneMain Holdings, a lender to “nonprime consumers.” Brickell was also the holding company for 777 Re, whose risky investment practices (including purchases of European soccer clubs) eventually got it into trouble.

In late 2023, the Bermuda Monetary Authority (BMA) [expressed](#) “significant concerns with [777 Re’s] corporate governance, risk management and decision-making functions, along with an inability to secure adequate capital and liquidity support from its parent company.” In October 2024, BMA cancelled 777 Re’s registration in Bermuda.

In April 2024, when 777 Re was in trouble, AM Best downgraded Merit Life’s Financial Strength Rating to B++ (Good) from A– (Excellent) and the Long-Term Issuer Credit Rating to BBB+ (Good) from A– (Excellent). In May 2024, Knighthead Capital was reported to have bought it.

After a capital infusion from Knighthead in November 2024, AM Best upgraded Merit Life’s Financial Strength Rating to A– (Excellent) from B++ (Good) and the Long-Term Issuer Credit Rating to A– (Excellent) from BBB+ (Good). Then, last month, it was announced that Knighthead Insurance Group had bought Merit Life.

Edward Massaro came to Knighthead Annuity after serving as chief operating officer and head of business Development at Knighthead Capital, which was founded in 2008 by Ara Cohen and Thomas Wagner.

Wagner had been involved in the distressed and high-yield asset business for many years. Earlier, he was a managing director at Goldman Sachs, where he was responsible for running the distressed and high-yield credit trading desks.

Cohen is co-manager of Knighthead’s \$9 billion portfolio, including a long/short Evergreen Hedge Fund, a number of closed-end vehicles including a specialized travel fund, a

dedicated real estate lending business, and an insurance asset management business.

### **Morgan Stanley to distribute five Allianz Life index annuities**

Under a new partnership between the two firms, Morgan Stanley's 16,000 financial advisers and brokers will begin offering five Allianz Life annuity contracts—four variable index annuities and one fixed index annuity (FIA)—to Morgan Stanley clients.

The four variable annuities, or registered index-linked annuities (RILAs), are:

- Allianz Index Advantage+ Variable Annuity
- Allianz Index Advantage+ New York Variable Annuity
- Allianz Index Advantage+ Income Variable Annuity
- Allianz Index Advantage Income ADV Variable Annuity

The RILAs all offer several index as crediting options as well as "Performance Lock," which lets clients "lock in" their gains before the end of the contract's term.

The FIA - Essential Income 7 - offers guaranteed lifetime income with an optional rider, "Increasing Income."

In 2023, Allianz Life distributed more than \$13.73 billion in benefits to owners of its fixed index annuities, registered index-linked annuities, and fixed index universal life insurance contracts. An Allianz Life subsidiary, Allianz Investment Management LLC (AllianzIM), a registered investment advisor, produces a suite of exchange-traded funds (ETFs). Allianz Life and AllianzIM are U.S. subsidiaries of Allianz SE of Germany.

### **BlackRock's LifePath Paycheck reaches \$16 billion in AUM**

BlackRock has announced that its LifePath Paycheck product, a hybrid target date fund (TDF) that includes a mix of investments and an optional rider that lets plan participants lock-in guaranteed lifetime income, now has some \$16 billion under management.

LifePath Paycheck launched in April 2024, and is now offered to more than 200,000 participants in the 401(k) plans of six employers: Avangrid, Adventist HealthCare Retirement Plans, Tennessee Valley Retirement System (TVARS) and BlackRock itself.

Overall, BlackRock's LifePath TDFs have nearly \$500 billion under management, according to a BlackRock spokesperson.

Fidelity Investments and Bank of America have enabled access to the solution on their

recordkeeper platforms, and other recordkeepers, including Voya Financial, are also planning to support their clients' implementation of the LifePath Paycheck solution, BlackRock said in a release.

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