Ties grow between Athene and Jackson National

By Editorial Staff *Thu, Jun 18, 2020*

Athene's $500 million investment and $1.25 billion reinsurance deal with Jackson National is expected to boost Jackson's Risk-Based Capital (RBC) ratio by about 80 percentage points.

Athene Holding Ltd. has agreed to reinsure Jackson National Life's $27.6 billion in-force fixed and fixed index annuity liabilities, effective from June 1, 2020. Athene will pay Jackson a ceding commission of $1.25 billion. Jackson will continue to provide account administration and services for the reinsured policies, a release said.

In addition, Athene will invest $500 million in Jackson and receive an 11.1% financial interest in Jackson and 9.9% of the shareholder voting rights.

Jackson National Life, a unit of Prudential plc of the U.K., is the top issuer of annuities in the U.S., with first-quarter 2020 sales of just under $5 billion. Of that, about $1 billion was fixed and fixed indexed annuities and the rest was variable annuities. Jackson's Perspective II contract is the top-selling variable annuity.

Together, the Athene investment and reinsurance transactions are estimated to boost Jackson's Risk-Based Capital (RBC) ratio by about 80 percentage points. "Today's transactions with Athene… further strengthen our capital position and enhance our ability to grow," said Michael Falcon, CEO of Jackson Holdings LLC.

Insurance companies buy risk (i.e., selling protection against risk), and need to reserve a minimum amount of so-called risk-based capital to increase their capacity to take on new risks (by selling more insurance products). Some products demand more capital than others.

A ceding commission is the fee a reinsurance company (in this case, Athene) pays to a ceding company (Jackson) for administrative, underwriting, and business acquisition expenses. Reinsurers collect premium payments from policyholders and give a portion to the ceding company, along with the ceding commission.