

James Belardi, chairman and CEO, Athene Holding Ltd.

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By David Dankwa

With the backing of a group of institutional investors led by Apollo Global Management LLC, Bermuda-based Athene Holding Ltd. is aggressively pursuing acquisitions in the fixed annuity space.

In April, Athene, incorporated just three years ago, made a big splash when it acquired Liberty Life Insurance Co., an insurer with a \$2.8 billion block of fixed annuities, from an affiliate of Royal Bank of Canada. It quickly followed that transaction up in July with the purchase of Investors Insurance Corp., a Delaware-domiciled carrier with \$1.5 billion in invested assets, nearly all fixed annuities.

In an exclusive interview, Athene's chairman and CEO, James Belardi, formerly president of SunAmerica Life Insurance Co. and chief investment officer of AIG Retirement Services, told SNL that the company is looking to make more acquisitions domestically and internationally.

"We think we are a very a nimble organization that can react quickly to different opportunities, and we believe we have a very healthy risk-return profile," said Belardi, who founded the company with Chip Gillis, CEO of Athene Life Re Ltd.

Below is an edited transcript of the interview.

SNL Financial: Can you talk about the Liberty Life transaction and why you think it is an attractive buy?

James Belardi: First of all, it is a very clean company with very good management. The company has been in business for more than 100 years and is licensed in 49 states. They have a significant block of fixed annuities, nearly \$3 billion. That was certainly of interest to us. They also had some mortality business that we weren't interested in keeping, so we reinsured that business to Protective Life in Alabama.

What about Investors Insurance Corp.? What do you like about that business?

We like it for the same reasons we found Liberty Life attractive. This company has approximately \$1.5 billion in invested assets, almost all of them fixed annuity liabilities. That is the segment we are focused on, and so it is very consistent with our business plan. We are excited about that one as well.

Are you looking at making more acquisitions, and would they look similar to the two deals you mentioned?

We like the deals we've done, and we would like to do more deals just like that. We think we have a very experienced management team with industry-specific experience in running these types of businesses. But, also, we are not afraid to be the first to look at things that are out of the ordinary.

To date the transactions you have done have been in the United States. Are you interested in deals overseas as well?

Absolutely! Our majority shareholder has been very helpful in bringing opportunities there to us. We are looking to pursue similar types of products overseas as well. On the asset side we are already investing all over the globe. We think there are some developing areas that have not been as well-covered. On the liability side, we have looked at select opportunities overseas, although it is true we've seen more opportunities in the United States.

Can you describe the kind of organization you intend on building?

I think of it as a healthy net-investment spread business, which is what we had at SunAmerica, and what we are and growing at Athene. To be successful at this you need diversification of funding sources, which is what we have at Athene. Our first funding source is fixed annuity reinsurance. Our second source is our wholesale operation that issues funding agreements and GIC-backed notes exclusively to institutional investors. We will do that through our Indiana company, Athene Life Insurance Co. Our third source would be the retail annuity issuance that we are starting with Liberty Life. Those three will feed us funds we need to manage and invest in our Los Angeles-based asset management operation. Currently, our assets under management are approaching \$7 billion. We plan to consolidate the U.S. operation in one domicile as well as our asset management portfolios.

What do you like about fixed annuities?

We think that fixed annuities are an attractive investment option for the fastest-growing segment of the United States population, which are baby boomers planning for their retirement. I spent 20 years at SunAmerica and that was a great demographic to focus on and continues to be a great demographic to focus on. They are tax-deferred retirement products and they make a lot of sense. They are also consistent with our strategy to generate net investment spread, which is to make more on our asset than we pay on our liabilities.

What are your views on current valuations in the industry?

It is tough to make a general statement on that because it is a deal-by-deal specific situation. It depends on what is motivating the seller. For instance, if they are exiting a certain line you may find sellers that are more motivated. We obviously spend a lot of time analyzing each deal before we do it. We look at how we are going to invest the money, what kind of liability costs there are, what kind of liquidity needs there are, and all the different risk metrics in order to decide what we could afford to pay and still meet our profit and return criteria.

How would you characterize the current competitive landscape in the space you operate in?

We think we are very well-positioned, and one of very few companies focused exclusively on the fixed annuity space. There is select competition. We see a few companies fairly regularly in deals that we are looking at. It is, however, sporadic. Some of the big players in the reinsurance area have not been as aggressive over the last few years. The wholesale funding market has not been very robust since the 2008 crisis, but that is coming back slowly, and we see a lot of opportunity there. The retail annuity space has a fair amount of competition, but we think our menu of products and our distribution will be very helpful in making in-roads very quickly.

We've seen consolidation in the life reinsurance area and some exits from that space. What do you think about that?

Our path is well-charted. Our direction is not changing. We are focused on retirement savings products, fixed annuities in different forms and flavors. So, to those companies that have different lines that have acquired these types of businesses over time and want to refocus their business, we would love to talk about making a deal. *i*