

Update: Beechwood Re Execs See Growth in Volatile Life Reinsurance Markets

HAMILTON, Bermuda - (Corrects information in the sixth and 10th paragraphs.) The life reinsurance market is getting interesting, with economic disruption caused by persistent low interest rates and fueled by market consolidation and the offloading of large blocks of business. Beechwood Re might say that increased interest is a good thing.



Beechwood Re has come into its own as a life reinsurer amid volatile market conditions, in part due to its willingness to help other companies offload blocks of business, enabling them to reorient their own strategies.

Interest rates continue to be the big story for Cayman Islands-based Beechwood Re, said Scott Taylor, the reinsurer's co-founder and president.

"There's a pervasive feeling in the prolonged low-interest-rate environment that for the more plain-vanilla businesses such as indexed annuities or in-force blocks, people are opportunistically trying to unload such blocks," he told Best's News Service.

Taylor added "even more interest we're seeing today is partners looking to form quota-share partnerships such that they can continue to serve their client bases and engage the marketplace with a product that is engaged and not watered down by virtue of the rate environment."

Mark Feuer, co-founder and current chief executive officer, said a prime example is CNO Financial Group Inc.

In early 2014, CNO subsidiaries ceded \$550 million of reserves and \$40 million of other capital associated with closed blocks of long-term care insurance to Beechwood Re.

"Why it was good for us and for CNO was that this was a book CNO had done a lot of work with for years before we took it over, as they put up some meaningful deficiency reserves prior to our acquiring it," he said. "It was a good trade for them insofar as it was a huge distraction pertaining to the strategic viability of their organization with the analyst community and their shareholders."

Feuer added it was important to CNO "to show that they were taking strong and aggressive action to remedy their long-term care ills. The interest-rate environment wasn't in their favor. They had a lot of capital tied up against that block."

Among CNO's affiliates are well-known brands such as Bankers Life and Casualty Co., Colonial Penn Life Insurance Co. and Washington National Insurance Co.

Feuer added since the CNO transaction, "we've been getting a lot of phone calls from others that have large blocks to see if we can help them with some of their issues. Trading away a long-term care block isn't going to solve all problems. It may solve some but we certainly aren't going to be taking on unfunded liabilities."

He noted “we traded the block several years ago and it worked out for everybody involved. If we see that opportunity again within the long-term care community we’d look at it. It’s very difficult for some of the long-term care blocks.”

Taylor added Beechwood Re hasn’t done another long-term care transaction since the CNO deal. “Right now, only 25% of our business is long-term care,” said Taylor. “The balance of our portfolio is largely annuity-type risks, and we have a small life block.”

For Taylor, the interest-rate issue “is pervasive” in the long-term care market. He added in long-term care “the interest rate is pervasive.”

Taylor noted in long-term care reinsurance there is potential volatility in reserving. “It carries a stigma that if you’re publicly traded you’re going to have to talk to the analyst community. And banks that cover you with a debt offering,” he said.

“The rate environment becomes the backdrop for other tipping points such as lower surplus, analyst community or some sort of distraction,” said Taylor.

Beechwood has been moving on the international front as well. In January Beechwood Re’s sister company, Beechwood Bermuda, completed its acquisition of Old Mutual (Bermuda) Ltd., the Bermuda operations of Old Mutual plc, which itself is breaking up into four entities ([Best’s News Service, March 11, 2016](#)).

Taylor said Beechwood had been working with Old Mutual (Bermuda) “for well over a year to wind down their Bermuda business.”

Old Mutual Bermuda is a provider of insurance and investment products with more than \$1 billion in assets, which closed for new business in 2009.

“We were able to retrocede virtually all of their equity and transactional fixed account, death benefit and other risks,” said Taylor. He added Old Mutual is “trying to remake how they approach the global marketplace and (Beechwood’s role) was just an small part of that.”

Taylor also said Beechwood Bermuda International recently announced a new Middle East operation to market and distribute its investment products in the United Arab Emirates and across the region. He added Beechwood hired Mark Hollis to head the Middle East operation.

Hollis formerly led bank distribution at Standard Life in Dubai. Taylor noted Hollis was regional director of the Middle East and Africa at both P2 International (Bermuda) and Old Mutual (Bermuda). P2 International has ties to South Africa-based financial services group Sanlam Ltd.

Underwriting entities of CNO Financial Group Inc. have current Best’s Financial Strength Ratings of A- (Excellent).

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