

The Insurer That Almost Doubled Annuity Sales. Two Years in a Row.

By Cyril Tuohy January 29, 2020

A Chicago company may have just vaulted its way into the top 50 for U.S. annuity issuers in aggressive fashion: by almost doubling sales for two years in a row.

Kuvare US Holdings, the holding company for United Life, Guaranty Income Life and Lincoln Benefit Life, will report 2019 new sales of about \$800 million, an increase of 85% over 2018, said CEO **Dhiren Jhaveri**. The year before, volume soared 97%, according to data from S&P Global Market Intelligence.

Kuvare's success may be viewed uneasily by traditional insurers, because it shows how private capital has taken root and quickly blossomed in a once-staid industry. The company is headed by a former Sammons executive, but also backed by private equity.

Overall sales of annuities to U.S. individuals rose 15% to \$234 billion in 2018 over 2017. Sales for 2019 will be out next month.

Jhaveri said that, after relying on acquisitions for most of its growth in 2018, last year's boost in volume came entirely from existing operations.

"We added more independent distributors for our products sold by United Life and Guaranty Income Life in 2019," said Jhaveri. About 3,000 agents across several distribution networks sell products by United Life and Guaranty Income Life, he said.

The units distribute products through independent marketing organizations, broker-dealers, registered investment advisors and banks. Neither company has plans to sell through direct-to-consumer platforms right now, he said.

Brad Rosenblatt, president of Kuvare, is also a former Sammons executive. Sammons Financial Group is the holding company for Midland National Life and North American Company for Life and Health.

Aiming for Middle Market

United Life, based in Cedar Rapids, Iowa, and Guaranty Income Life, headquartered in Baton Rouge, La., target middle market households with between \$40,000 and \$150,000 in annual income.

United Life offers whole life, universal life, term life and annuities. Guaranty Income Life offers single and flexible premium deferred annuities, and a long-term-care annuity.

Last year United Life rolled out a new fixed deferred annuity and a new whole life insurance product tailored to banks and broker-dealers. Guaranty Income Life issued a new fixed indexed annuity, a multi-year guaranteed annuity and a fixed deferred annuity, Jhaveri said.

Product launches planned for 2020 include three new annuities and a life insurance contract, he added.

The bulk of new premium for Kuvare comes from annuities.

In 2018, two-thirds of new annuity sales were organic, from its existing business, and one-third could be traced to its acquisition of United Life, he said. About 200 people work for Kuvare and the company expects to hire more this year.

Kuvare's financial backers include Altamont Capital Partners, Makena Capital Management and Access Holdings.

Private equity investments in insurance companies are "a growing trend," said Dafina Dunmore, director of non-bank financial institutions at Fitch Ratings. She cited the investment that Apollo Global Management has made in Athene Holding.

Sometimes private equity firms become part of the life insurance industry, and sometimes they simply angle to manage a carrier's assets.

Insurers are attracted to private equity firms because they want higher portfolio yields in an era of low interest rates, Dunmore said.

"Insurance companies need higher yielding assets and PE firms believe they can provide it," she said.

Underlying investments are structured to deliver regular payments to the insurers, similar to regular fixed-income investments like government Treasuries or corporate bonds would, she said.

Acquisitions Possible

On Dec. 31, Kuvare completed the purchase of Lincoln Benefit Life, a Lincoln, Neb.-based life insurer that is not accepting new applications.

The purchase of Lincoln Benefit, which has about 200,000 policyholders, raised Kuvare's assets to more than \$22 billion. For now, Lincoln Benefit will be in runoff, but Jhaveri has previously left open the possibility that that the 80-year-old company may once more accept new applications.

"That is still how we are looking at it," he said.

Growth plans for Kuvare's units center around selling life and annuity coverage, he said, but the company is open to buying legacy blocks of policies and providing reinsurance.

He declined to be specific about 2020 acquisition plans or deal sizes.

Kuvare acquired Guaranty Income Life in 2016, followed by United Life in 2018 and Lincoln Benefit in 2019. Lincoln Benefit President Carlos Sierra said in a news release that the deal expanded Kuvare's portfolio with "differentiated" annuity and variable life products.

Kuvare has also entered into reinsurance transactions with the help of **Kuvare Life Re**, based in Bermuda.

In a July interview, Fitch Ratings Managing Director Doug Meyer said Kuvare has the capital and financial backing to do more deals.