March 16, 2022

Steven Seitz  
Director  
Federal Insurance Office  
Department of the Treasury, MT 1001  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dean L. Cameron  
President  
National Association of Insurance Commissioners  
444 North Capitol Street NW, Suite 700  
Washington, DC 20001

Dear Director Seitz and President Cameron:

I appreciate the attention that the Federal Insurance Office (FIO) and the National Association of Insurance Commissioners (NAIC) have paid to the growing number of insurance obligations being sold to alternative asset managers, like private equity firms. I am writing to express my concern that insurance investment products workers depend on for their retirement are being transferred to these risky companies that have a track record of undermining pension and retirement programs. In FIO’s most recent report, you pointed out these arrangements have become increasingly common over the last decade.¹

This growth continued through 2021. In August of last year, The Wall Street Journal reported on a “frenzy among investment firms to amass insurance assets” as Brookfield Asset Management bought out American National Group.² Around that same time, Alcoa announced that it would transfer a billion dollars in obligations for defined benefit pension plans to Athene Holding.³

---

while Lockheed Martin transferred almost $5 billion. In November, Allstate completed the sale of its life and annuity businesses to Blackstone, which also purchased a 9.9% equity stake in American International Group’s life and retirement business.

In February 2022, the consulting firm McKinsey & Company noted that if pending deals close, $620 billion of life and annuity assets in the United States will be held by private funds, representing 12 percent of all such assets. It also observed that the five largest private equity firms all now hold life insurance assets, and that 15 alternative asset managers have entered, or announced plans to enter, the insurance market.

Investment firms like asset managers and private equity funds often take on much higher risk strategies than traditional insurance companies, and do not face all of the same capital, liquidity, and policyholder protection requirements as well-regulated insurance companies. Consequently, many workers who chose to invest their retirement savings in conservative and long-lived insurance firms now find themselves paying premiums to much riskier firms with less experience in the insurance business. While investment firms might benefit from huge profits in the short term, failure to adequately manage these risks may ultimately cost policyholders their retirement incomes.

NAIC has also engaged in efforts to identify the challenges and systemic risks presented by this shifting marketplace, specifically with regard to structures that obfuscate regulators’ ability to assess and address emerging risks. At their December Financial Stability Task Force Meeting, they noted that domestic and international regulators are concerned about PE-owned and traditional insurers with complex structures and riskier investment activities that may pose systemic risks.

Given the rapid growth of insurance and retirement products held and managed by investment firms and the potential impact on workers, I am requesting that FIO, in consultation with NAIC, work to collect additional data from insurers and then further study this matter so it may issue a report to Congress no later than May 31, 2022 that evaluates the following concerns:

---

1. What risks do the more aggressive investment strategies pursued by private equity-controlled insurers present to policyholders?

2. What risks do lending and other shadow-bank activities pursued by companies that also own or control significant amounts of life insurance-related assets pose to policyholders?

3. Are there risks to the broader economy related to investment strategies, lending, and other shadow-bank activities pursued by these companies?

4. In cases of pension risk transfer arrangements, what is the impact on protections for pension plan beneficiaries if plans are terminated and replaced with lump-sum payouts or annuity contracts? Specifically, how are protections related to ERISA and PBGC insurance affected in these cases?

5. Given that many private equity firms and asset managers are not public companies, what risks to transparency arise from the transfer of insurance obligations to these firms? Will retirees and the public have visibility into the investment strategies of the firms they are relying on for their retirements?

6. Are state regulatory regimes capable of assessing and managing the risks related to the more complex structures and investment strategies of private equity-controlled insurance companies or obligations? If not, how can FIO work with state regulators to aid in the assessment and management of these risks?

I would appreciate your prompt attention to this matter.

Sincerely,

Sherrod Brown