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ANNUITIES

Athene CEO: Solutions Needed to Help People Live Well in Retirement

By Terrence Dopp

OLDWICK, N.J. //BestWire// - Jim Belardi, co-founder and chief executive officer of Athene Holding Ltd., said his company was started in 2009 with one premise and for one purpose: to provide guaranteed income to retirees.


Jim Belardi

Athene, which was started in partnership with global asset manager Apollo Global Management, grew steadily in the years following the financial crisis of the late 2000s and then took a leap, after its 2013 acquisition of Aviva USA, to $60 billion in total assets. Now the company has $320 billion in total assets largely because of organic growth, Belardi said.

Athene was the largest U.S. issuer of total annuities in 2023, with its $38.2 billion issued giving it a market share of 10.69%, according to BestLink data.

Underwriting entities of Athene Holding Ltd. have current Best's Financial Strength Ratings of A+ (Superior). The ratings reflect Athene's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance.

The following is a transcript of an interview between Belardi and AM Best editors and reporters. It has been edited for length and clarity.

Q: People complain that annuities are too complex. How do you address that?

A: One policyholder's complexity is another policyholder's versatility. So, I like options. I think people like options. Options are a good thing. You don't want to be overwhelmed, but an adviser can go through it in a systematic fashion. The benefits are key. It's principal protection, tax deferral, opportunity for guaranteed lifetime income, and then a variety of different investment options, fixed income, equity, money market. It's a nice package.

Q: Does your company and its product face longevity or other medical, cultural or social risks? How are you responding?

A: We're very disciplined. We know what we do well. Our business model is to make more on our assets than we pay on our liabilities. We don't deviate from that. There's some longevity risk for the company, but not that much. There's very little mortality risk in annuities. And we have a lot of smart actuaries who price appropriately for that. Everything's cured with the pricing. Our main risk is credit risk on the asset side, which we're very good at managing.

And the evidence is that our defaults have been lower than the industry since we started Athene over 15 years ago, while we're outperforming on yield and performance on the asset side, and interest rate risk, matching your assets and your liabilities duration-wise, weighted average life-wise, convexity-wise, which we're as close

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to being matched as you can be on those. So, between managing the credit risk and the interest rate risk, those are the key risks in the annuity business, and I think we're very good at managing those risks. And risk management is embedded in every single thing we do every day.

Q: Do you see any political risk? Is that going to be an issue for you and your policyholders?

A: I feel really good about where we're positioned and the products that we're offering. Like I said, the retirement savings crisis has only gotten a lot worse since we first identified it 40 years ago. And so there has to be a solution for people to live well in retirement, and that's what we're focused on providing. So, there's always political risk on a lot of things, geopolitical risk, etc. And I think on this one, no one is saying that we're not right about there being a retirement savings crisis, and we're in the right place to help with that crisis.

Q: Obviously, there's the Department of Labor fiduciary rule that has gotten pushback from annuities providers. Where do you stand on that, and what do you see as the dynamics there?

A: This has been a long time coming, right? The version of it a few years ago, which was kind of changed and rescinded—we were ready to comply when it first came out, and we're definitely ready to comply now. I don't think they changed much on this current version of it from the original one. Frankly, we think this will result in even more consolidation in the industry because the companies that are most prepared to deal with the new rule are the bigger companies, and we're the biggest annuity provider in the world. So that's not the intent of the rule, but I think that could be one of the by-products of the rule. But we're ready to comply.

Q: And so, the consolidation—how do you see it kicking off? Do you see it sort of happening slowly, or do you see a quick shift?

A: My guess is a lot of companies will wait until the last minute. We've been ready. We were ready before. We're ready now. We're not worried about it. We're ready.

Q: What's your take on the broader life industry these days? Where do you think it seems to be headed? And is it kind of turning into a barbell where you've got the very, very biggest and then the smallest?

A: There is a sense that it has gone through an evolution that's continuing and it might even be picking up. I'll just give you a couple of stats. Since 2010, Athene and Apollo have raised more than 40% of all the private capital coming into the insurance industry — just our company — and over 50% of the public capital. The insurance industry has returned almost 80% of their market cap in the form of stock buybacks. Talking about the life sector, my point is they're not generating capital, they're returning capital. So, you need capital to grow. Athene and Apollo, with a few others, are really the leaders in generating, bringing in new capital, and growing profitably. But the industry as a whole hasn't and isn't, and I'm not sure that's going to change.

Q: Do you see a correlation between interest rates, inflation, and activity? When rates get better, CDs look better, some of the investment-type products, money markets, things like that. Does that change your business?

A: We try to use a healthy dose of common sense every day, and I think it's sometimes in short supply. Policyholders like 5% more than 4%. Just like bank CDs are more attractive at higher rates, a lot of our products are more attractive at higher rates. We like to say that everything is better at Athene when rates are higher. The only thing that's not is the unrealized gain or loss on our fixed income portfolio. But on the margin, everything is better in a higher yield environment.

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Even though for several years, rates were close to zero, and it's only been the last year and a half or so when rates have risen. But it has helped generate more business for us, our volumes. We take pride in the fact that our business model works in any environment—low rates, medium rates, high rates. And that's been the experience. Every year we've set a new record for organic volumes and profitability. Right through COVID, we did the largest block reinsurance deal ever with Jackson National in 2020. We were able to execute because of our excess capital, excess liquidity and being a solutions provider for what Jackson wanted to accomplish.

Q: How has pension risk transfer changed in the last few years?

A: Higher rates make it more attractive for some of these plan sponsors to reduce the cost they have and get out from under their pension obligations. We've been the major player for the last few years in this business. We like the business. It's long term. It's right in our wheelhouse about being a solutions provider to them, whether they're buy-ins or buyouts.

Q: Looking out five years, what are the most significant challenges for you as CEO and Athene as an insurance organization?

A: I feel fortunate to be leading a winning company, and our challenge is to never get complacent and continue to serve the evolving needs of our customers. We see vast opportunity with both an increasing retirement population and increasing retirement need as we continue to live longer. We are looking at solutions to provide guaranteed yield but also offer consumers the opportunity to obtain more yield and participate more directly with investment products.

There is a retirement savings crisis everywhere in the world, and our offerings will continue to evolve to serve this need. The next frontier for Athene is to develop a broader product suite as well as solutions for the defined benefit and defined contribution market. These plans present opportunities for long-dated, fixed income in guaranteed and nonguaranteed formats, which allows for greater yield and more direct participation, providing retirees with more options.

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