IS ALTERNATIVE ASSET MANAGER-BACKED[1] OWNERSHIP INCOMPATIBLE WITH PROVIDING LONG-TERM SECURITY TO U.S. LIFE INSURANCE POLICYHOLDERS? WHAT TWO DECADES OF EXPERIENCE SHOW US ABOUT AAM-BACKED LIFE COMPANIES.

A THOUGHT PIECE, SEPTEMBER 1, 2026

For 63 years, Valmark has helped its member firms advise on, place, and service more than $70 billion in life insurance death benefits and over $4 billion in annuity values. Throughout, our guiding aspiration has been to recommend only those companies whose contracts we would be willing to place with our own families. Call it the Golden Rule applied to carrier selection. We are raising this issue now because insurance professionals need to choose their carrier partners carefully and understand the ownership structure behind them. That is especially true for policies whose promises depend on the strength of the general account.

This concern is not new for us. It dates to the aftermath of the 2008–2009 financial crisis, when legacy carriers under strain, among them State Mutual and Indianapolis Life, began finding their way into the hands of buyers willing to take on blocks of business that banks and traditional insurers no longer wanted. In much of the market since, private equity has functioned less as an ownership model chosen at the outset and more as the buyer of last resort for precisely this kind of legacy business. That in itself is worth asking about. More recently, Valmark formally intervened on behalf of policyholders in the Colorado regulatory proceeding over the sale of Security Life of Denver and other Voya-controlled insurance companies to Resolution Life. A decade later, the same pattern was playing out again.

Alternative Asset Management-backed (AAM-backed) life insurers are not simply another category of carrier alongside mutuals and publicly traded stock companies. They often represent a fundamentally different ownership structure, built around a different set of interests. A mutual insurer is owned by its own policyholders, which aligns the owner's stake directly with the promises being made. A traditional stock insurer owned by a publicly traded parent files audited GAAP financials and reports quarterly to the SEC. That discipline creates real incentives to keep the numbers accurate and transparent, both for company executives, who face civil and criminal

exposure for misstatements, and for the Big Four accounting firms that audit those insurers and have their own franchise on the line. An AAM-backed insurer often has neither discipline. And for those privately held AAM-backed insurers, reporting is only on a statutory basis, often layered with fund-level leverage, and likely owned by a fund with a seven-to-ten-year life built to generate a return and exit. The promise it stands behind may not come due for thirty or forty years. AAM-backed ownership of life and annuity companies is also no longer a marginal corner of the industry. Federal Reserve researchers reported that AAM-backed insurers already held roughly $4.1 trillion in general account assets at the end of 2023, close to 72 percent of the industry total. Aquarian Capital's pending $4.1 billion acquisition of Brighthouse Financial would move another $125 billion of general account assets, about two percent of the industry, into that column. The concentration is not approaching. It arrived some time ago.[2] The risks described below recur because the owner and obligation are mismatched at the root.

Major problems can appear much more suddenly with AAM-backed insurers than with other forms of ownership, as recent headlines illustrate. Risk-based capital is supposed to flag these problems early and trigger regulatory intervention. That early-warning function has been short-circuited. Phoenix Home Life Variable Insurance Company (PHLV), formerly owned by Nassau Financial Group, went from positive surplus to a reported $2.4 billion deficit within four years, driven by problems at captive reinsurance counterparties. Atlantic Coast Life, one of the Advantage Capital (A-CAP) carriers, saw its RBC ratio collapse from roughly +628% to approximately −19,734%.[3] Delaware Life's affiliated-investment disclosure moved just as abruptly, from roughly $751 million to $18.3 billion. Numbers of that size do not move that fast unless the risk was never accurately reflected on the balance sheet in the first place, and a forced event finally made it impossible to hide.

None of this is a standalone glitch. It is what happens when several of the six structural risk factors detailed below combine at once. Private-letter ratings (Risk Factor 2) keep an NAIC designation and, therefore, the RBC charge is artificially low for years before an impairment forces a reassessment. Reinsurance-based capital relief (Risk Factor 3) is not actually outside the NAIC framework. A ceding insurer can take full reserve credit for business ceded to a qualifying reinsurer under NAIC credit-for-reinsurance rules. Dodd-Frank's Nonadmitted and Reinsurance Reform Act federalized those rules in 2010, and regulators then progressively loosened them. A 2011 revision created a "certified reinsurer" category, allowing collateral reductions to as

little as 0–20%. Covered Agreements and Model Act revisions between 2017 and 2019 eliminated collateral requirements entirely for reinsurers domiciled in jurisdictions the NAIC now designates "reciprocal," Bermuda among them.[4] The same law sold to the public as post-2008 consumer protection thus helped build the legal scaffolding for the offshore-reinsurance model at issue here. What moves offshore under that scaffolding is the reinsurer itself. It sits outside the direct jurisdiction of the ceding company's domestic regulator and typically operates under more lenient local accounting and capital rules. The ceding company's RBC ratio looks stable, while the underlying risk simply relocates to a counterparty state that regulators cannot examine. Layer on thinner capitalization (Risk Factor 4) to begin with, and these individually legal factors combine into a way for an AAM-backed insurer to run, legally and indirectly, with less real capital behind riskier assets than its reported RBC ratio would suggest. The deterioration surfaces only when a whistleblower, a court filing, or a forced restatement makes it impossible to defer any longer. By then, the capital hole is already too large.

These problems are surfacing amid a strong economy and a bull market in stocks and publicly traded investment-grade bonds, with low unemployment, calm credit markets, and no recession. Even so, Delaware Life Insurance and Clear Spring Life and Annuity, both part of the Group 1001/TWG Global complex tied to Guggenheim Partners CEO Mark Walter, face a joint DOJ/SEC investigation into affiliated-loan reclassification,[5] echoing Greg Lindberg's fraud at his North Carolina insurers a decade earlier. PHLV is in Connecticut rehabilitation with a reported $2.4 billion capital deficit. Security Benefit's owner and associates donated over $300,000 to the Kansas Insurance Commissioner's gubernatorial campaign shortly before her office helped delay a capital rule that would have hit the carrier hardest. And while 777 Re was incurring downgrades by AM Best in stages, first from A- to B and then from B to C-,[6] A-CAP used state courts to block Utah and South Carolina regulators from acting. In every one of these cases, state supervision was not the detection mechanism. A whistleblower, a prosecutor on an unrelated case, or an investigative journalist was. Valmark's own tracking identifies 63 AAM-backed carriers across roughly three dozen sponsor groups, most of them private equity sponsors. Problems of this kind are likely not the exception in that population.

Problems Surface as Investigation Widens

The investigation keeps widening. Amistad Financial Group (EquiTrust Life, Atlanta Life, Heritage Life) is now under scrutiny as well, with loan proceeds

reportedly passing through Amistad-controlled entities. Fitch had already flagged roughly $3 billion of debt at Amistad in a negative outlook revision for EquiTrust back in May, before the Guggenheim probe surfaced.[7] The restated affiliated-loan total now stands at $20 billion, $17 billion of it private credit, with Delaware Life's affiliated share jumping from 1.6% to 42%. Delaware Life is cutting $6.5 billion of that exposure through a TWG asset swap, and Clear Spring has cut $90 million.[8]

A harder question, raised but not resolved by a short-seller report from Hunterbrook Media, which disclosed a short position in Sammons bonds, is whether this reaches further, to Sammons Enterprises/Sammons Financial Group (Midland National, North American Company for Life and Health). Sammons is a large Guggenheim shareholder that restructured its stake in 2024 to drop Guggenheim's "affiliate" label.[9] Sammons says the answer is no. It holds only a non-voting, non-controlling interest and has no ability to control Guggenheim or TWG. Evercore's early analyst read calls the broader affiliated-investment issue "largely idiosyncratic" to Delaware Life rather than industry-wide, though it flagged a possible delay to the pending Aquarian/Brighthouse deal. We do not know the answer yet. We do know that Security Benefit alone already holds 51% of the entire industry's collateral loan exposure,[10] which is a reminder that concentration risk exists whether or not this particular question resolves in the affirmative.

Six Structural Risk Factors

- **Conflicted private-credit investment.** Moody's data indicate that the ten largest U.S. life insurers held approximately $352 billion of the industry's $807 billion in private illiquid bonds—roughly 44% of the total. Several of those insurers are owned or backed by private-equity or other alternative-asset managers, creating a significant concentration of private-market exposure within a relatively small group of carriers,[11] which concentrates shock risk in a handful of names. Private-equity affiliated insurers also tilt toward higher-yield, less-liquid, more-opaque assets.[12] Athene holds roughly 27% in private or illiquid credit, and Security Benefit roughly 26%, much of it loans backed by its own owner's affiliates.

- **Private ratings that understate risk.** AAM-backed insurers rely heavily on unpublished "private-letter" ratings that often assign more favorable designations than the underlying risk warrants. The preliminary Columbia Business School paper discussed below documents the pattern in detail.

- **Questionable capital relief from reinsurance.** Privately-owned insurers use 360% more leverage from affiliated reinsurance than others, according to ALIRT.[13] And that leverage is only as good as the counterparty behind it. 777 Partners' co-founder resigned in 2024 amid controversy, the SEC announced fraud charges in October 2025, and the firm filed for Chapter 11 on August 9, 2026,[14] owing A-CAP $1.2 billion, down from a peak of roughly $2.3 billion. That is what happens when the counterparty turns out not to be there.

- **Thinner capitalization.** An April 2025 ALIRT report found that privately-owned insurers carry roughly one-third less statutory capital than other U.S. life companies,[15] a gap made more troubling by their reliance on affiliated reinsurance. ALIRT measures privately-owned insurers rather than the AAM-backed universe defined in this paper, and the two populations overlap substantially but are not identical. PHLV's $2.4 billion deficit vividly illustrates the risk to policyholders.

- **Reduced issuer-level public disclosure in some ownership structures.** There are often no SEC filings, no analyst or short-seller scrutiny, and, as noted above, increasingly no public ratings for the hardest-to-value assets. A public company carries the countervailing discipline of quarterly SEC filings and Big Four audits. A privately held insurer files only statutory financial statements with its home-state regulator, where its assets are often carried at cost for statutory purposes.

- **Regulatory arbitrage.** These companies domicile-shop for a friendlier regulatory posture. Iowa now regulates roughly $1.3 trillion in insurance assets and is the domicile of choice for Athene, Transamerica, F&G, American Equity, and the Sammons insurers, while New York's stricter rules make it a domicile many avoid. They then reinsure much of the resulting liability offshore through structures engineered to fall just short of legal "affiliation." Security Benefit's own Bermuda sidecar, SkyRidge Re, assumed roughly 80% of the carrier's ceded reserves while claiming non-affiliated status, even though Security Benefit's parent holds a stake in SkyRidge's parent.[16] The record here cuts both ways. A-CAP successfully blocked state regulators in Utah and South Carolina from suspending further sales, and yet 777 Partners — the counterparty at the center of both cases — filed for Chapter 11 on August 9, 2026, still owing A-CAP $1.2 billion. When the underlying risk is real, but the legal case cannot be made to stick, that tells us something about the adequacy of the available tools.

The Research Case: Three New Working Papers Point to the Scale of the Problem

Three independent papers from 2025 and 2026 quantify the scale of this problem. One is a preliminary study, one will be included in a forthcoming volume of the California Law Review, and one is a working paper; none has yet been published in a peer-reviewed journal. Rating Without Market Discipline (Li, Oh, and Ricciardi, Columbia Business School; preliminary, not peer-reviewed)[17] documents a tenfold rise in insurers' use of unpublished "private-letter" ratings since 2018, concentrated among AAM-backed insurers. Privately rated bonds are twice as likely to be impaired within the same nominal rating, yet they are not downgraded more often, and closing that gap would raise required capital by an estimated $4.5B per year. Private Credit's State Backstop (Drall and Granato, 115 California Law Review ___ forthcoming 2027)[18] explains why PE ownership is attractive independent of underwriting skill, pointing to three subsidies: opacity, weak monitoring incentives (guaranty funds blunt policyholder scrutiny, and a tax credit blunts insurers' incentive to watch each other), and mispriced guaranty-fund assessments levied by premium volume rather than risk. Its authors propose FDIC-style risk-based pricing, an end to the tax credit, and parent-company liability for a failed affiliate's guaranty-fund costs. The third paper, Permanent Capital Meets Private Markets (Cheema-Fox, Czasonis, Kontu, and Serafeim of Harvard Business School and State Street Associates; working paper),[19] comes from inside the finance industry itself. It finds that AAM-backed platforms already write 35% of new U.S. fixed and fixed-indexed annuity sales, up from 7% in 2011. Public markets nonetheless apply a lower valuation multiple to insurance-heavy managers than to asset-light peers, pricing in a discount for the complexity, even as these firms take on higher rate sensitivity and tighter market co-movement rather than less. Taken together, the three papers describe sponsors flattering their return ratios by holding less equity capital while reaching for yield in conflicted, affiliate-managed private credit. The sponsor's reported returns improve, and policyholders absorb the added risk.

Even as preliminary and not yet peer-reviewed research, these three papers empirically reinforce what a rising drumbeat of headlines from Group 1001, Security Benefit, PHLV, and 777 Re has been showing anecdotally. The NAIC's response so far has consisted of incremental disclosure tweaks, working-group studies, and statutory definitions left unchanged. It is too slow and too tepid to rely on for protection in the meantime.[20]

Why This Can't Wait for a Downturn

Valmark has been tracking this cohort since the aftermath of the 2008–2009 financial crisis, nearly two decades. Of the 63 AAM-backed companies we

currently identify, a striking share have produced exactly the kind of anomalies and incidents cataloged in this paper. If this much turbulence is already visible in a strong economy, the harder question is what a downturn produces.

A downturn is not required for any of this to be a problem, but a downturn would make it considerably worse. Private credit funds often borrow against their loan portfolios at loan-to-value ratios of 60–70%,[21] a level of financing no retail investment borrower could obtain. That leverage is procyclical. When forced loan sales occur during periods of redemption stress, they are priced at discounts, and other holders of similar assets — insurers among them — must mark down their own holdings in tandem.

Retail-facing interval funds and Business Development Companies (BDCs) compound the problem by offering liquidity that the underlying assets were never designed to support. Payment-in-kind loans, which defer the recognition of financial stress, add to the problem as well; their use rose nearly 67% between 2022 and 2026.[22]

This asset class consists of privately originated, often affiliate-directed, credit and real-estate-backed collateral. Defaults, restructurings, and foreclosures are notably more likely to affect it than they are to affect publicly traded investment-grade bonds or conventionally underwritten secured real estate.[23] A downturn would not create that risk, but it would expose how long today's Risk-Based Capital (RBC) ratios have been deferring recognition of it.

Where This Leaves Us

We framed the title as a yes-or-no question because that is how the industry tends to ask it. The honest answer is conditional. None of this proves that every AAM-backed carrier is mismanaged or that every sponsor is acting in bad faith. Nor do all AAM-backed insurers share the same ownership structure, investment practices, capitalization, or reinsurance arrangements. Delaware Life says it did not know. A-CAP successfully challenged regulatory actions in Utah and South Carolina. Rating agencies, auditors, and state examiners have all been part of the supervisory framework. Even so, the same types of concerns continue to recur: capital can appear adequate until new information changes the picture; reinsurance relationships can prove more complex than their initial classification suggests; and counterparties that appear financially sound can deteriorate rapidly. One interpretation is that these are the growing pains of a relatively young and rapidly evolving segment of the insurance market. Another is that certain ownership, investment, and reinsurance

structures create risks that are more persistent and structural in nature. We believe the latter possibility deserves greater attention.

The central challenge is transparency. We cannot evaluate what we cannot adequately see. In some AAM-backed structures, advisors and policyholders may have less access to issuer-level GAAP financial reporting, public-market scrutiny, analyst coverage, public ratings on certain assets, or other sources of information that can help identify emerging risks. Those limitations become more significant when combined with affiliated investments, private-credit exposure, complex reinsurance arrangements, thinner capitalization, or concentrated counterparties. For that reason, ownership structure should be treated as a material due-diligence factor rather than as either a blanket reason for rejection or a label to ignore.

Where a client's long-term benefits depend materially on an insurer's general account, advisors should look beyond the headline financial-strength rating and examine capitalization trends, asset composition and liquidity, affiliated exposures, reinsurance counterparties and jurisdictions, concentration risk, and the quality of available financial disclosure. Different ownership models can produce strong or weak insurers, and an AAM-backed carrier should be evaluated on its particular facts. But where two carriers offer reasonably comparable solutions, meaningful differences in transparency, capitalization, asset quality, or structural complexity should matter in the selection process. In circumstances where a client has limited alternatives, such as when underwriting considerations materially restrict the available carriers, other product structures may also warrant evaluation. A separate-account product, where appropriate and available, may provide different exposure to general-account risks.[24]

An A- from AM Best remains an important data point, but it is not, by itself, a guarantee of future claims-paying ability. The ownership question is not the end of due diligence; it is the one question that should begin it.

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1. For purposes of this paper, we use the term "alternative asset manager-backed" or "AAM-backed" to describe insurers owned, controlled, sponsored, or materially influenced by alternative investment organizations, including private equity firms, private credit managers, and diversified alternative asset managers. Private equity ownership is an important part of this trend, but it is not the only structure represented in the market today. The ownership, capital, governance, and investment relationships among these organizations vary significantly, and the risks discussed in this paper should therefore be evaluated at the level of individual carriers and ownership structures rather than assumed to apply uniformly to every AAM-backed insurer. Where this paper cites third-party research, we retain the terminology the source itself used. ALIRT reports on privately-owned insurers, and several of the academic studies address private equity ownership specifically. Those populations overlap heavily with the AAM-backed universe defined here, but they are not identical, and the figures should be read as directional.

2. Carrier count based on ALIRT Insurance Research. Life Insurance Industry in Transition: 2022–2026. May 8, 2026. Adjusted to add additional carriers identified as AAM-backed and pending transactions under regulatory review. Carlino, Sydney, Nathan Foley-Fisher, Nathan Heinrich, and Stéphane Verani. "Life Insurers' Role in the Intermediation Chain of Public and Private Credit to Risky Firms." FEDS Notes. Washington: Board of Governors of the Federal Reserve System, March 21, 2025, reporting approximately $4.1 trillion in general account assets, or roughly 72 percent of the industry total, held by AAM-backed insurers as of year-end 2023. Brighthouse general account figure per company reporting.

3. Samuelson, Bobby. "A Question of Value." The Life Product Review, December 10, 2024. RBC figures for Atlantic Coast Life are also reported in "A-CAP Carriers' RBC Ratios Plunged into the Abyss After Filing Figures." Life Annuity Review. The $2.4 billion figure reflects recent filings; earlier filings reported $2.2 billion. PHL Variable Insurance Company, In Rehabilitation, Statutory Financial Statements and Supplemental Schedules, December 31, 2025, 2024, and 2023, Form N-VPFS (Washington, DC: U.S. Securities and Exchange Commission, filed 2026), https://www.sec.gov/Archives/edgar/data/934344/000110465926050101/tm2610824d1_nvpfs.htm.

4. Nonadmitted and Reinsurance Reform Act of 2010, Dodd-Frank Act, Title V, Subtitle B, §§531–532 (§531: a ceding insurer's NAIC-accredited domiciliary state's recognition of reinsurance credit is binding on all other states; §532: the reinsurer's domiciliary state has sole solvency-regulation authority). This federal preemption let the NAIC's Credit for Reinsurance Model Law and Model Regulation (#785/#786) apply uniformly across states, and set up two further loosenings: 2011 revisions creating a "certified reinsurer" category with collateral reductions to 0–20% for qualifying non-U.S. reinsurers, and the 2017 U.S.–EU and 2018 U.S.–UK Covered Agreements (negotiated by the Federal Insurance Office), which eliminated collateral requirements entirely for qualifying reinsurers; 2019 Model Act revisions extended equivalent treatment to reinsurers in NAIC-designated "reciprocal jurisdictions," which now include Bermuda, Japan, and Switzerland.

5. "Federal Probe into Dodgers Owner's Financial Empire Was Sparked by Whistleblower." The Wall Street Journal, July 27, 2026.

6. AM Best, AM Best Downgrades Credit Ratings of 777 Re. Ltd.; Places Credit Ratings Under Review With Negative Implications, Best's News & Research Service (Nov. 8, 2023); AM Best, AM Best Downgrades Credit Ratings of 777 Re. Ltd.; Maintains Under Review With Negative Implications Status, Best's News & Research Service (Feb. 16, 2024).

7. Tuohy, Cyril. "Investors Fear More Contagion from Mark Walter Probe as He Races to Clean up Loan Book." Life Annuity Specialist, August 19, 2026.

8. Id.

9. DeLorenzo, Daniel, with Sam Koppelman, Matthew Termine, and JD Jean-Jacques. "Guggenheim's Quiet Owner: $130B Insurance Giant Dodges Walter Drama Tied to Lakers Sale." Hunterbrook Media, August 16, 2026. Hunterbrook disclosed a short position in Sammons Financial Group bonds at the time of publication.

10. Tuohy, "Investors Fear More Contagion from Mark Walter Probe."

11. Moody's Investors Service, reporting that the ten largest U.S. life insurers held approximately $352 billion of the industry's $807 billion of private illiquid bonds — roughly 44% of total holdings. Compiled in internal Valmark analysis, July 31, 2026.

12. Kirti, Divya, and Natasha Sarin. "What Private Equity Does Differently: Evidence from Life Insurance." Review of Financial Studies 37, no. 1 (2024): 201–230. Cited via Li, Oh, and Ricciardi (2026). Not independently verified by Valmark.

13. ALIRT Insurance Research. Comparing Privately-Owned Insurers in the U.S. Life Insurance Industry. April 2025.

14. U.S. Securities and Exchange Commission, fraud charges announced October 2025; 777 Partners LLC, Chapter 11 petition filed August 9, 2026. Timeline per SEC and bankruptcy court filings. Not independently verified by Valmark.

15. ALIRT Insurance Research, Comparing Privately-Owned Insurers.

16. Hersch, Warren S. "Complex Reinsurance Structures Challenge Affiliate Rules." ThinkAdvisor, July 31, 2026. Citing attorney Barry Weissman of Carlton Fields on the 9.9% ownership-structuring practice, and reporting on Security Benefit/SkyRidge Re, including a 2024 Milliman sidecar report listing Security Benefit and Eldridge as SkyRidge's sponsors.

17. Li, Xuelin, Sangmin S. Oh, and Giacomo Ricciardi. "Rating Without Market Discipline." Columbia Business School working paper, June 2026. Not yet peer-reviewed.

18. Drall, Pranjal, and Andrew Granato. "Private Credit's State Backstop: How Private Equity Socializes Risk Through Insurers." (July 21, 2026). 115 California Law Review ___ (forthcoming 2027).

19. Cheema-Fox, Alex, Megan Czasonis, Piyush Kontu, and George Serafeim. "Permanent Capital Meets Private Markets: The Transformation of Alternative Asset Managers." Harvard Business School / State Street Associates Working Paper 26-008, 2025.

20. Valmark recognizes that, in June 2026, the NAIC adopted revisions involving collateral loans and CLO RBC treatment, with some changes effective for the 2026 year-end and collateral-loan changes effective for the 2027 year-end.

21. Financial Stability Board. 2026. Report on Vulnerabilities in Private Credit. Basel: Financial Stability Board. https://www.fsb.org/uploads/P060526.pdf.

22. Fillat, José L., et al. Early Warning Signals in Private Credit? What BDC Portfolios Reveal about Emerging Risks. Federal Reserve Bank of Boston, 5 Aug. 2026.

23. Wirz, Matt. 2026. "Private Credit Is Under Growing Strain, Despite Industry's Upbeat Tone." The Wall Street Journal, August 9, 2026.

24. Separate-account assets are maintained separately from an insurer's general account, but they are not uniformly insulated from claims by general-account creditors. Under applicable state law and the terms of the particular product, some separate-account contracts provide legal insulation while others do not. Accordingly, any protection from affiliated lending as described in this paper or other general-account risks must be evaluated based on the specific contract, insurer, and governing state law.

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