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## MARKETS

# Athene's James Belardi, a Controversial Player, Gets Into the Annuities Game

Apollo Global-Funded Outfit Is Pursuing a Product Usually Left to More-Placid Investors



Insurance executive James Belardi in Manhattan Beach, Calif., near his home. The leukemia survivor is making a big bet on fixed annuities. MICHAL CZERWONKA FOR THE WALL STREET JOURNAL

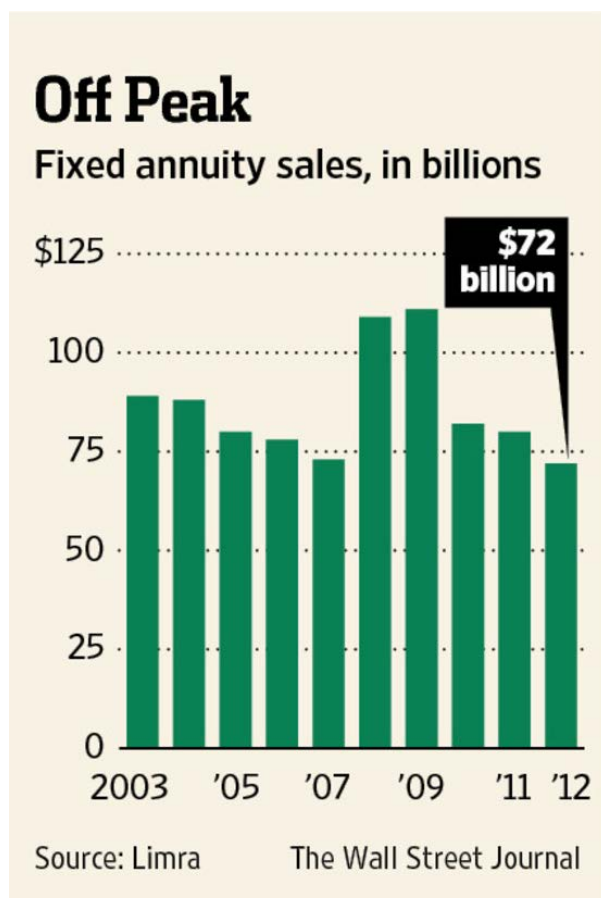
By Leslie Scism

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LOS ANGELES—After racking up a collection of world swimming records in his age group, insurance executive James Belardi is used to being in front of the competition.

Some regulators question whether the 56-year-old is straying into dangerous waters. Athene Holding Ltd., an insurance holding company where Mr. Belardi is chairman and chief executive, is making a big bet on fixed annuities, one of the best-selling sources of income for American retirees.

Because Athene's funding comes largely from an affiliate of [Apollo Global Management APO](#) LLC, a giant private-equity and investment firm, regulators have been probing whether Apollo and other nontraditional buyers of annuities businesses may be taking excessive risks in pursuit of short-term profits. The regulators' concern, which surfaced in a speech this spring by New York Department of Financial Services Superintendent Benjamin Lawsky, is that these new owners may be trying to meet the short-term, high-return expectations of their own investors, which could increase the possibility an insurer fails.



"We're completely cooperating" with the regulators, Mr. Belardi said in an interview at an office in Manhattan Beach, Calif., last month just before Athene moved into bigger quarters in nearby El Segundo. "We spend a lot of time on risk management and making sure we understand how [investments] will perform," he said, noting Athene follows the same rules that govern traditional insurers. An Apollo spokesman said Athene has ample capital.

Mr. Belardi, who survived a 2007 fight with leukemia, doesn't apologize for acting urgently to expand.

His illness gave him the realization that

"things can change quickly; when you have an opportunity, seize it," he said. "We are at the right place at the right time in the right niche."



Insurance executive James Belardi competes in a 2002 swim meet. JAMES BELARDI

Fixed annuities are savings contracts that promise to pay buyers interest. Insurers profit by earning more on investments backing the products than what they pay out. Many insurers have been unloading their annuity businesses at cut-rate prices because ultralow interest rates in the U.S. have made it tougher to make money on them.

Mr. Belardi is among those gladly picking up the scraps. Athene has a \$1.55 billion deal pending to buy the U.S. operations of U.K. insurer [Aviva PLC](#), which focus on fixed annuities. It is set to be its fourth and biggest acquisition since 2011. The Aviva deal would increase to more than \$50 billion the total annuity liabilities bought by Athene in the past two years.

First, though, Mr. Belardi needs to get past regulators. Mr. Lawsby dispatched subpoenas to Apollo and several other investment firms in May to determine whether stiffer regulations were needed. The National Association of Insurance Commissioners said in a public conference call last week that it is also studying whether the bar should be raised for approval of deals.

Mr. Lawsby's department oversees a small Aviva unit based in New York and, in reviewing its proposed sale, is pushing Apollo for disclosure and capital conditions that don't apply to traditional insurers, people familiar with the matter have said. Regulators in Iowa, where most of Aviva's operations are based, are continuing their review, a spokesman for the regulator said Monday. Athene Holding is based in Bermuda, while the main office of its Athene Annuity & Life Assurance unit is in South Carolina. An Aviva spokeswoman declined to comment on discussions with regulators.

Athene's money comes from an Apollo-affiliated, publicly traded vehicle "with no time frame" for exiting from the investment, not an Apollo private-equity fund, Mr. Belardi said. That means it can structure a portfolio with "predictable buy-and-hold fixed-income" assets, he said. He added that his goal is to create a lasting firm that will go public. "Policyholder protection is the No. 1 goal," he said.

The Apollo spokesman noted Athene won approval from Mr. Lawsby's office in December to acquire a New York insurer.

In general, industry analysts said, the newcomers believe they have the savvy to identify safe, higher-yielding mortgage bonds that many small and midsize insurers aren't comfortable holding.

In building Athene, Mr. Belardi said he is drawing on two decades of experience working for California billionaire Eli Broad, longtime head of life insurer SunAmerica, which [American International Group](#) Inc. acquired in 1999 as the core of its retirement-savings business.

At SunAmerica, Mr. Belardi helped expand the sale of notes backed by guaranteed investment contracts. "He's very creative," Mr. Broad said. "In all the years I've known him, he's managed risk extremely well."

Mr. Belardi was president of a life-insurance unit and chief investment officer of AIG's retirement-services unit before leaving in 2006 for his new venture.

In spring 2007, after setting a national record in the 200-yard butterfly for 50- to 54-year-old men, the former Stanford University and Olympic trials' swimmer couldn't shake a fever. As Mr. Belardi drove home one day, his doctor called with results of blood tests. "You have to turn around and go to the cancer center," he said he was told. He was diagnosed with acute lymphocytic leukemia and needed a bone-marrow transplant.

Now, Mr. Belardi sees a silver lining. Sickness delayed the launch of Athene's operations until 2009, after the worst of the financial crisis. Many insurers were dumping mortgage bonds at discount prices and auctioning off fixed-annuity businesses as interest rates declined sharply.

Mr. Belardi is happy to be moving forward again. At 5:30 a.m., three days a week, he dives into an outdoor pool at Loyola Marymount University for hourlong workouts. He still is building his strength and doubts any records are in his future. That doesn't bother him. "I'm lucky to be alive," he said.

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