



KNIGHTHEAD™

ANNUITY & LIFE ASSURANCE COMPANY

Reinsurance Solutions

About Knighthead Annuity

Knighthead Annuity & Life Assurance Company™ ("Knighthead Annuity") is a Cayman Islands-based insurance and reinsurance company.

Knighthead Annuity has two lines of business:

- primary issuance of fixed, fixed index and immediate annuity products to non-US individuals through 45+ US banks and broker dealers; and
- reinsurance of fixed and fixed indexed annuity liabilities ceded by US domiciled insurers

The company has substantial financial strength with equity of approximately \$280 million and total assets of more than \$2.5 billion.

Shareholders, Directors & Management

Knighthead Holdings Ltd., parent of Knighthead Annuity & Life Assurance Company, is owned by more than 30 investors comprised of high net worth families and individuals providing a broad, stable and committed shareholder base.

Ownership is made up of many of the wealthiest families in the United States. Many own consumer brands, sports teams or other businesses that are globally recognized.

Knighthead Annuity has implemented a robust corporate governance framework that includes a high quality Board of Directors, including the former President of Prudential Annuities and the former Chief Investment Officer of Zurich Insurance Group.

Management has experience building and operating global re/insurers at some of the largest and most successful companies in the industry.

The company's robust Enterprise Risk Management framework was noted as a strength by both AM Best and KBRA.

Knighthead Annuity does not outsource administration. All client servicing, policy administration, financial reporting, pricing and actuarial work are conducted from the Cayman office.

Ratings

In a market where many off-shore insurers and reinsurers have no ratings, we take great pride in providing our reinsurance partners with transparency into our financial strength and the validation that comes from independent ratings issued by Kroll Bond Rating Agency ("KBRA") and AM Best.

Knighthead Annuity holds a A- (Excellent) financial strength rating by AM Best with a "Stable" Outlook.

KBRA assigned an A-(Sound) rating to the company with a "Stable" outlook.

Both agencies rate the balance sheet strength of Knighthead Annuity in the "Strong" category.

Ratings provide transparency into the business plan, management, corporate governance, risk management practices, operations, investment strategy and regulatory framework.

In assigning the ratings, detailed projections with numerous and severe stress scenarios were analyzed by experienced insurance and investment analysts to assess counter-party protections in a range of market conditions.



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Reinsurance Structure

Knighthead Annuity's preferred structure is a "Funds Withheld" coinsurance arrangement, which is designed to ensure reinsurance credit and minimize risk to the cedent.

The "Funds Withheld" structure keeps the assets backing the statutory reserves in the legal name and control of the cedent. The assets remain on the balance sheet of the ceding company.

- Cedent retain visibility into assets and value.
- In the event of a recapture, cedent does not have to wait for reinsurer to return assets and be concerned about quality of assets provided (as could occur with other structures).
- In addition to fully funding the statutory reserves, Knighthead Annuity offers *additional* collateral in the form of a reasonable percentage of statutory assets in a *marked to market* Trust.

Investment Management

Investment management is performed by Knighthead Capital Management, LLC, a highly respected SEC registered investment manager based in New York.


Knighthead Capital has experience managing the retirement assets of some of the largest state and federal pension funds as well as pension assets for several private companies.

The assets of Knighthead Annuity are invested in a variety of assets including investment grade bonds, first lien mortgages, a small allocation to high yield and, when appropriate, in limited partnerships focused on value investing and preservation of capital.

Investment portfolios supporting all reinsurance transactions must consist of admitted assets and be in compliance with the applicable state regulations of the ceding insurance company.

Advantages

Knighthead Annuity has unique advantages to offer reinsurance partners:

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- ▶ As a direct annuity writer to the international segment, Knighthead Annuity brings a high level of knowledge with respect to product design, client behavior and distribution
 - ▶ Knighthead Annuity is not a competitor to its ceding partners
 - ▶ Knighthead Annuity's structural advantages and asset management capabilities permit highly competitive pricing
 - ▶ Knighthead Annuity readily supports flow transactions and does not focus solely on block transactions
 - ▶ Knighthead Annuity's multiple ratings, financial strength and existing profitable business over many years are well received by on-shore regulators
 - ▶ Regular reporting is provided to cedents, including US GAAP Financial Statements audited by EY, eliminating potential confusion caused by interpreting foreign accounting standards or statutory financials
 - ▶ A responsive corporate culture to provide ongoing support of a cedent's crediting or cap rate in a rapidly changing market and interest rate environment

Knighthead Annuity products are not offered for sale to any resident or citizen of the United States, in the United States or in any jurisdiction where prohibited. This document is for summary information use only and any binding terms or factual representations are governed solely by a formal contract. Ratings effective June 2018. For up to date rating information visit www.kbra.com or www.ambest.com.

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