

A TRANSPARENCY TASK FORCE EVENT:

## The Financialisation about Financial Reporting

**Concentrations of Risk by For-Profit & Private Equity-Controlled Life and Annuity Insurance Companies that Threaten Savings of Millions of Policyholders, Annuitants, Pensioners and Taxpayers**

**Thomas D. Gober, CFE, Panelist**

June 13, 2023



6pm-7:30pm  
BST

**The  
Financialisation  
about Financial  
Reporting**

“Financial regulators are like archeologists  
- they will tell you after the company  
collapsed what the problem was”

- **Jim Chanos, Money Manager and Yale lecturer:**

“A History of Financial Market Fraud”; **Predicted Baldwin United Collapse**

# For Chief Counsel, U.S. Senate Banking Committee – March 1, 2023

## Gober – Background:

- ❑ 37 Years - Never Veered Off My Professional Path;
- ❑ My Objectives & Testimony Have Never Waivered & are Etched in Stone
- ❑ Examiner (age 25) All Relevant Statutes, Accting Standards / Regulatory Process;
- ❑ Learned What Executives **Required** to Do But Especially **How They Avoid It**;
- ❑ 10 Years – Consulting Expert for US DOJ & FBI on White-Collar Criminal Cases;
- ❑ Schemes Became Much More Clever, Complex and Well-Hidden...
- ❑ W/ FGJ Subpoena Power, I Saw the Tender Underbelly of these Execs;

Post 2008, the Office of Inspector General auditors saw, firsthand, how systemic the risks were at MetLife & Pru. They labeled them the dreaded **S.I.F.I. – Systemically Important Financial Institution** ...and began, for the **first time in history**, to wrap their arms around the insurers and their substantial non-arms-length transactions with affiliates.

**Then Eugene Scalia happened...**

**A Colleague Saw My Reins Fraud PPT – the Lead OIG Auditor of MetLife SIFI Review said was “shocked”**

SHERROD BROWN, OHIO, CHAIRMAN  
JACK REED, RHODE ISLAND  
ROBERT MENENDEZ, NEW JERSEY  
JON TESTER, MONTANA  
MARK WARNER, VIRGINIA  
ELIZABETH WARREN, MASSACHUSETTS  
CHRIS VAN HOLLEN, MARYLAND  
CATHERINE CORTEZ MASTO, NEVADA  
TINA SMITH, MINNESOTA  
KYRSTEN SINEMA, ARIZONA  
JON OSSOFF, GEORGIA  
RAPHAEL G. WARNOCK, GEORGIA  
PATRICK J. TOOMEY, PENNSYLVANIA  
RICHARD C. SHELBY, ALABAMA  
MIKE CRAPO, IDAHO  
TIM SCOTT, SOUTH CAROLINA  
MIKE ROUNDS, SOUTH DAKOTA  
THOM TILLIS, NORTH CAROLINA  
JOHN KENNEDY, LOUISIANA  
BILL HAGERTY, TENNESSEE  
CYNTHIA M. LUMMIS, WYOMING  
JERRY MORAN, KANSAS  
KEVIN CRAMER, NORTH DAKOTA  
STEVE DAINES, MONTANA  
LAURA SWANSON, STAFF DIRECTOR  
BRAD GRANTZ, REPUBLICAN STAFF DIRECTOR

**United States Senate**  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS  
WASHINGTON, DC 20510-6075

**Higher-Risk, Less-Liquid, More Complex, Often w/ Inadequate Valuation**

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?

**Yes...and I'm not alone here...  
Recent reports incl SEC...Moody's**

**"Sleight-of-hand" Reinsurance  
Captives On and Offshore – Zero  
to Poor Transparency**



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 FID work with state regulators to aid in the assessment and management of these risks?

**Assisting  
the DOL  
now &  
giving oral  
testimony  
July 18.**

I would appreciate your prompt attention to this matter.

Sincerely,



Sherrod Brown

**It is My Professional  
Opinion that there  
Must Be Overarching  
Federal Oversight...**

**Riskier Investments: Far more growth in the HIGHEST Risks. Must Compare to SURPLUS.**

**SHADOWS: Excessive Amts of Affiliated Opaque Reins - BUT WORSE: Top Life Re Ricocheted**

**M. Wagner: The Health of the Pension System is Directly Tied to the Health of the Annuity System**

**Given the Global Reach, Especially Offshore Risks....I have some concerns. No secret they are Understaffed. Underfunded. Not Examining the Offshore Affiliated Reinsurers...**

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

Sincerely,



Sherrod Brown

**I am Proud of This Senator Taking on This Complex but Extremely Crucial Issue**

## Press Release

---

# SEC Adopts Amendments to Remove References to Credit Ratings From Regulation M

**FOR IMMEDIATE RELEASE**  
**2023-105**

*Washington D.C., June 7, 2023* — The Securities and Exchange Commission today adopted rule changes to remove and replace references to credit ratings from existing exceptions provided in Rule 101 and Rule 102 of Regulation M, a set of rules that prohibits activities that could artificially influence the market for an offered security.

“This adoption fulfills Congress’s wishes in the wake of the 2008 financial crisis, ensuring we don’t embed in our ruleset a reliance on credit ratings – and instead have appropriate alternative measures of creditworthiness,” said SEC Chair Gary Gensler. “This adoption will be the sixth and final of the SEC’s rulemakings to implement this mandate.”



12/31/2021 Reinsurance Flows

The [Redacted] LTD & [Redacted] Life - (JAPAN)

[Redacted] Reinsurance Company (Bermuda)

\$30 Bn Ceded to [Redacted]

\$12.35 Bn Ceded to [Redacted]

[Redacted] Company [Surplus = \$19.1 Bn]

\$49.1 Bn to [Redacted]

[Redacted] Insurance Co. [Surplus = \$5.9 Bn]

\$10.17 Bn Res & ModCo

[Redacted] Ins. Co. [Surplus = \$400 Mn]

\$17.5 Bn Ceded to [Redacted]

\$587 Mn Ceded to [Redacted]

\$3 Bn Res Cr & ModCo

\$139 Mn Ceded to [Redacted]

\$269 Mn Ceded to [Redacted]

\$4.26 Bn Ceded to [Redacted]

\$3.3 Bn Ceded to [Redacted]

\$1.2 Bn Ceded to [Redacted]

\$226 Mn Ceded to [Redacted]

\$5.4 Bn Ceded to [Redacted]

-\$0- Sold Co. To [Redacted]

\$3.2 Bn Ceded to [Redacted]

\$1 Bn Ceded to [Redacted]

\$822 Mn Ceded to [Redacted]

[Redacted] [AZ CAPTIVE]

[Redacted] Reins Captive Co [AZ CAPTIVE]

[Redacted] Reins Term Co [AZ CAPTIVE]

[Redacted] Reins Co [AZ CAPTIVE]

[Redacted] Reins Co [AZ CAPTIVE]

[Redacted] Life Reins Co [AZ CAPTIVE]

[Redacted] Reins Term Co [AZ CAPTIVE]

[Redacted] AZ [Surplus=\$1.01 Bn]

- [White Box] = U.S. Captive
- [Orange Box] = Offshore Affil.
- [Yellow Box] = Japanese Affils.

TOTAL LIABS TO CEDENTS: \$ 149,741,730,417

If 5.2% is Not Recoverable  
Surplus Drops to -\$0-

831  
Distinct  
Insurers

550 Total Life  
Ins Customers

**RGA Re**  
NAIC 93572

231 Total Life  
Ins Customers

**Hannover**  
NAIC 88340

385 Total Life  
Ins Customers

**Swiss Re**  
NAIC 82627

47 Total Life  
Ins Customers

**Wilton Re**  
NAIC 66133

198 Total Life  
Ins Customers

**SCOR Am**  
NAIC 64668

252 Total Life  
Ins Customers

**Munich Re**  
NAIC 66346

194 Total Life  
Ins Customers

**SCOR USA**  
NAIC 97071

Retroceded  
to Opaque  
Affiliated  
Captives &  
Offshore  
Reinsurers:  
  
\$133,464,879,520  
  
These do Not  
Report Under SAP

All 7 Combined Surplus: \$ 6,856,103,976

Thanks for Your Patience  
With these Important  
but Highly Complex Issues

Email: [tomgober@live.com](mailto:tomgober@live.com)