
Aegon reduces longevity risk exposure in Netherlands

By Kerry Pechter *Fri, Dec 6, 2013*

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Aegon has completed a second capital markets transaction to reduce its risk from future improvements in longevity in the Netherlands, the company said in a release.

The transaction is the latest step in Aegon's strategy to open new capital markets outlets to lay off longevity risk and further strengthens its leadership in the Dutch pension market. The impact on Aegon's earnings is limited as this transaction was done at an attractive cost of capital.

The transaction has a maturity of 20 years with a commutation covering exposures that run longer than 20 years. It covers underlying longevity reserves in the Netherlands of €1.4 billion. The transaction is the second undertaken by Aegon to reduce longevity risk in Aegon's pension business in the Netherlands, following a longevity hedge on €12 billion of reserves completed in January 2012.

Aegon's partners in the transaction are Société Générale in the role of intermediary and Risk Management Solutions as modeling agent. The risk is assumed by third-party investors and reinsurers, including SCOR, the world's fifth largest reinsurer. SCOR is a €32.6 billion reinsurer operating in 31 countries, with three main business, SCOR Global Life, SCOR Global P&C and SCOR Global Investments.

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