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## **In UK, Aegon shifts focus from annuities to web-mediated advice**

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By Editorial Staff    *Thu, May 26, 2016*

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Aiming to free up capital from non-core businesses, Aegon announced the sale of £3 billion in annuity liabilities to Legal & General. The transaction, along with the recent sale of Aegon's £6 billion UK annuity portfolio, completes the divestment of the insurer's annuity portfolio, *IPE.com* reported.

In 2010, Aegon decided to start withdrawing from the UK annuity market, believing that annuities wouldn't meet its long-term risk adjusted return requirements. The divestment reduces Aegon's exposure to longevity and credit risk and fits the company's continued shift to capital-light businesses.

The divestment of the annuity portfolio enables Aegon to focus on its internet platform, which helps plan participants and consumers to build their savings across their working lives, and then manage an income in retirement with the support of a financial adviser or directly online. The UK platform-based pension market is said to be growing fast.

Under the terms of the agreement, Aegon will initially reinsure £3 billion of liabilities to Legal & General followed by a Part VII transfer. Aegon will administer the annuity portfolio until the completion of the transfer.

The Solvency II ratio of Aegon's operations in the United Kingdom is expected to increase by about 15 percentage points following the reinsurance transaction with Legal & General, and another five percentage points following the Part VII transfer.

Aegon now has approximately £1 billion annuity liabilities remaining through an inward reinsurance transaction. The expected Solvency II capital release following the completion of the transaction announced today is approximately £275 million.

Aegon expects annual capital generation from its UK operations to be reduced by approximately £30 million (€38 million) as a result of the transaction announced today. Underlying earnings before tax are expected to fall by about £16 million (€20 million) per annum. The reinsurance transaction is expected to result in an IFRS loss of approximately £215 million (€273 million), which will be reported in other charges in the

second quarter of 2016.

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