
Significantly, pension risk-transfer goes Dutch

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The UK's Legal & General insurance company, which partnered with Prudential Financial on the recent conversion of part of Philips Electronics of North America's defined benefit to a group annuity, will reinsure €200m of the Dutch firm ASR Nederland's pension obligations, IPE.com reported this week.

The expansion of the pension risk-transfer business beyond US, UK and Canada pension funds for the first time is a “significant milestone,” Legal & General Re chief executive Manfred Maske said in a release. It was the first deal executed through L&G Re, set up in 2014.

Prudential, active in the de-risking market both in North America and the UK, has long predicted de-risking would spread across Continental Europe. The firm's head of longevity insurance, Amy Kessler, addressed the topic at the International Longevity Risk and Capital Markets Solutions in Lyon in September.

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James Mullins, head of risk transfer at UK consultancy Hymans Robertson, the ASR deal confirmed there was now a global market for risk transfer.

“With more choice of markets, reinsurers that are taking on longevity risk may look to increase pricing over the longer term,” he said. “But that goes against the trend we have seen for some time now of reinsurers keeping prices low. Strong competition, intense interest in the sector and appetite for deals has kept it that way.”

“The potential market for pension risk transfer in the US, UK and Europe is huge and will play out over many decades.” Kerrigan Procter, managing director at Legal & General Retirement, told IPE.com.