On August 9, 2011, SCOR SE, a global reinsurer with offices in more than 31 countries, acquired substantially all of the life reinsurance business, operations and staff of Transamerica Reinsurance, the life reinsurance division of the AEGON companies. The business of Transamerica Reinsurance will now be conducted through the SCOR Global Life companies, and Transamerica Reinsurance is no longer affiliated with the AEGON companies.

While articles, treaties and some historic materials may continue to bear the name Transamerica, AEGON is no longer producing new reinsurance business.

Archive Materials

Client Needs for Inforce Reinsurance Capacity
Reprinted from the October 2004 Messenger newsletter

by David O’Brien, Deputy Managing Director, Asia

We observed significant change in the supply of and demand for reinsurance capacity for in-force individual life insurance portfolios in 2003. On the demand side, the need for reinsurance capacity sharply increased as many insurers sought to reinsure risk for recaptured business. In response, Transamerica Reinsurance decided to re-enter this market.

Our customers offer several reasons for reinsuring in-force risk such as
• Requirement to minimize volatility of reported earnings from all sources, including mortality
• Expectation of earning risk-free profit margin on the gap between priced for experience and reinsurance market price
• Capital scarcity with reinsurance reserve relief viewed as an attractively priced and accessible alternative to debt or equity
• Need to replace credit impaired reinsurance to ensure continued relief from XXX reserve strain on term insurance portfolios

Also contributing to our decision to reenter this market was contraction on the supply side, with some active reinsurers choosing to focus their capital and pricing resources elsewhere. Anecdotal evidence suggests this may be driven by poorer than expected emerging experience on prior years’ in-force transactions, together with the significant opportunity cost of additional pricing analysis needed relative to that for quoting on new business pools.

A selective approach to the marketplace is essential — our experience is that each in-force transaction requires 300 percent to 400 percent more analysis than that needed for a similar size conventional reinsurance proposal covering a new business block.

Reinsurers are more cautious about accepting in-force risk. To minimize the level of conservatism in pricing, we have found it helpful to work with customers to obtain additional data that can help our understanding of their business; for example, conducting an underwriting audit on a relevant sample of policies or completing a detailed review of the
mortality study supplied. In general, the better a customer’s data, the better the reinsurance terms offered. Based on our experience in 2003, we have observed that customers who are willing to discuss their decision criteria for choosing a reinsurance solution are much more likely to successfully implement a reinsurance transaction.

Throughout the year, we encountered and overcame many obstacles in our re-entry into the inforce reinsurance market. Reinsurance “price” (defined as the level of renewal allowances) for coinsurance of term policies is highly sensitive to the average duration in force of the portfolio. We worked with clients to fund some or all of the economic reserve strain for blocks reinsured. Finally, we learned that managing the structure of the reinsurance transaction and its impact on the customer’s income statement and balance sheet can be a significant exercise that requires patience and frequent, candid communication.