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Mexican-Dutch Joint Venture to Offer Life Insurance in Mexico

by LADB Staff

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In early October, Mexico's Grupo Financiero Banamex- Accival (Banacci) and the Dutch-based insurance company Aegon finalized a joint venture to provide life insurance in Mexico. Under the agreement, Aegon will enter the Mexican insurance business through the purchase of a 49% share in Banacci's subsidiary Seguros Banamex. The two companies had entered into a preliminary agreement in November 1994, but postponed the final accord because of the devaluation of the peso a month later and the economic crisis that followed.

Company officials said the economic situation in Mexico has stabilized sufficiently for the two companies to proceed with their joint venture, dubbed Seguros Banamex Aegon. Terms of the agreement were left unchanged from the initial accord signed in November. Aegon's initial investment in the joint venture will be US\$109 million. The company has the option to provide another US\$58 million to support the joint venture over the next 10 years, depending on the growth and profitability of Seguros Banamex Aegon during the initial life of the venture, which ends in the year 2005.

Under the accord, Aegon also acquired US\$216 million in bonds issued by Banacci's banking subsidiary Banamex. According to company spokespersons, Seguros Banamex Aegon expects to offer insurance rates that are up to 30% below those offered by most competing insurance companies in Mexico, depending on the type of service used. The alliance with Banamex fits well with Aegon's global practice of providing insurance through banking networks and other financial providers. "This partnership fits well with Aegon's strategy to expand our life insurance and investment options," said Aegon executive Kees Storm. Aegon already operates insurance providers in the Netherlands, Britain, Spain, Hungary, and the US.

Indeed, the financial services sector remains an attractive option for foreign companies seeking direct investment in Mexico. In late September, the Finance Secretariat (SHCP) awarded an operating permit to Canada's Dresdner Bank. To operate in the Mexican market, the bank formed a subsidiary, named Dresdner Bank Mexico, which will be based in Mexico City. According to the SHCP, Dresdner Mexico will start operations with 152.5 million nuevo pesos (US\$22.6 million) in capital. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Oct. 10, reported at 6.74 nuevo pesos per US\$1.00] (Sources: Notimex, 09/25/95; Agence France-Presse, 09/25/95, 10/02/95; Reforma, 10/03/95; Excelsior, 10/04/95)

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