

Credit Analysis



Moody's Insurance Health

October 2009

AEGON USA Life Group (Cons)

Cedar Rapids, Iowa, United States

Summary Rating Rationale

Moody's A1 insurance financial strength (IFS) rating (outlook: negative) of the seven key operating life insurance companies in the AEGON USA Life Group (AEGON USA) is based on the group's leading position in the U.S. life insurance and asset accumulation markets, strong business line and distribution diversification, and generally good profitability in its core businesses. The rating also reflects the group's importance to its ultimate parent company, AEGON N.V. (AEGON), as the largest component of its global assets, revenue, and income.

These strengths are mitigated by the group's significant exposure to higher risk securities (including U.S. financial sector securities, residential mortgage-backed and asset-backed securities (RMBS and ABS, respectively), commercial mortgage-backed, and alternative investments). We expect these securities, as well as direct commercial mortgage loans, to be the source of continuing asset losses and ratings migrations in 2009. This, together with an increasing reliance on financing solutions (e.g., to support term and universal life insurance products with secondary guarantees), is likely to continue to put pressures on the group's current regulatory capital levels and financial flexibility over the longer term. Other challenges are the company's exposure to the equity markets, primarily from its large book of variable annuities (albeit hedged), and to both retail and institutional spread-based liabilities (which the company began downsizing in 2009), with their inherent interest rate, liquidity, and disintermediation risks.

AEGON NV was the beneficiary of Euro 3bn of Dutch government capital support in 4Q08. AEGON USA received a \$1.3 billion capital contribution during 2008.

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Aegon USA Life Group (Cons) and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

AEGON USA Life Group (Cons)

Group Overview

Organizationally, AEGON operates out of a few business units: Americas, the Netherlands, United Kingdom, Other Countries, and Holdings and Other Activities. Although AEGON operates throughout the world, its largest single operation is its Americas segment (predominantly its U.S. operation, as well as a businesses in Canada and Latin America), which generated over 75% of its consolidated pre-tax operating income (on an IFRS basis) in 2007¹.

AEGON USA was formed in 1989 and currently holds its operations under one holding company, Transamerica Corporation. The following seven companies - referred to collectively as AEGON USA Life Group (AEGON USA) – account for the majority of both AEGON USA and AEGON's global assets: Merrill Lynch Life Insurance Company, ML Life Insurance Company of New York, Monumental Life Insurance Company (Monumental), Stonebridge Life Insurance Company, Transamerica Financial Life Insurance Company, Transamerica Life Insurance Company (TLIC), and Western Reserve Life Assurance Co. of Ohio. An eighth company – Transamerica International Re (Bermuda), Ltd., is an important captive reinsurer for the group (not rated by Moody's). These companies, many of which share distribution channels, focus primarily on life insurance, health insurance, and asset accumulation products, as well as reinsurance. Until recently, AEGON USA was also an important player in the market for institutional investment products (IIPs – including GICs, funding agreements, and funding agreement-backed notes). However, given the recent market illiquidity, weighty IIP capital requirements, and de-risking initiatives, the company has announced plans to scale this business back, as well as structured products and alternative investments in the future.

AEGON USA has grown significantly in size in recent years, largely due to acquisitions. These include the life insurance operations of Providian Corporation in 1997, Transamerica Corporation in 1999, and J.C. Penney's direct marketing insurance operations in 2001. On December 28, 2007, the company completed its acquisition of the operations of Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York (ML, collectively) from Merrill Lynch. These various acquisitions have added scale, product diversity, and distribution to AEGON USA's existing business.

Analysis of Rating Considerations

Business Profile Drivers

Market Position and Brand

AEGON USA enjoys strong market positions in its major business lines. These include individual life insurance, where it ranks among the top ten (i.e., in universal life, equity-indexed life, and term life); individual annuities, where it is a top-two player through banks; and IIP products, where, until the recent IIP market freeze, it ranked among the top three players. The company is also an important U.S. life reinsurer, and operates a life insurance company in Canada. We believe that the group's strong market position, together with a brand that is recognized and respected among product distributors and retail consumers will be unaffected by the downsizing of its IIP business--an opportunistically-sold business that we deem non core--remaining consistent with its Aa-rated peers for this factor.

In December 2007, AEGON USA completed its acquisition of Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York (ML, collectively) from Merrill Lynch for \$1.3 billion in cash (including excess surplus of \$425 million in the companies). The ML operation, which had focused largely on the sale of variable annuities (VAs), and held approximately \$12 billion of variable annuity assets on its books at year-end 2007, added scale, as well as incremental new sales via a distribution agreement with Merrill Lynch's financial advisor network for ML variable annuities (in exclusivity).

We believe that AEGON USA is likely to continue to add growth through acquisitions, such as the ML transaction, to complement internal growth and expand its share in core product markets, once the current stressful economic period has ended.

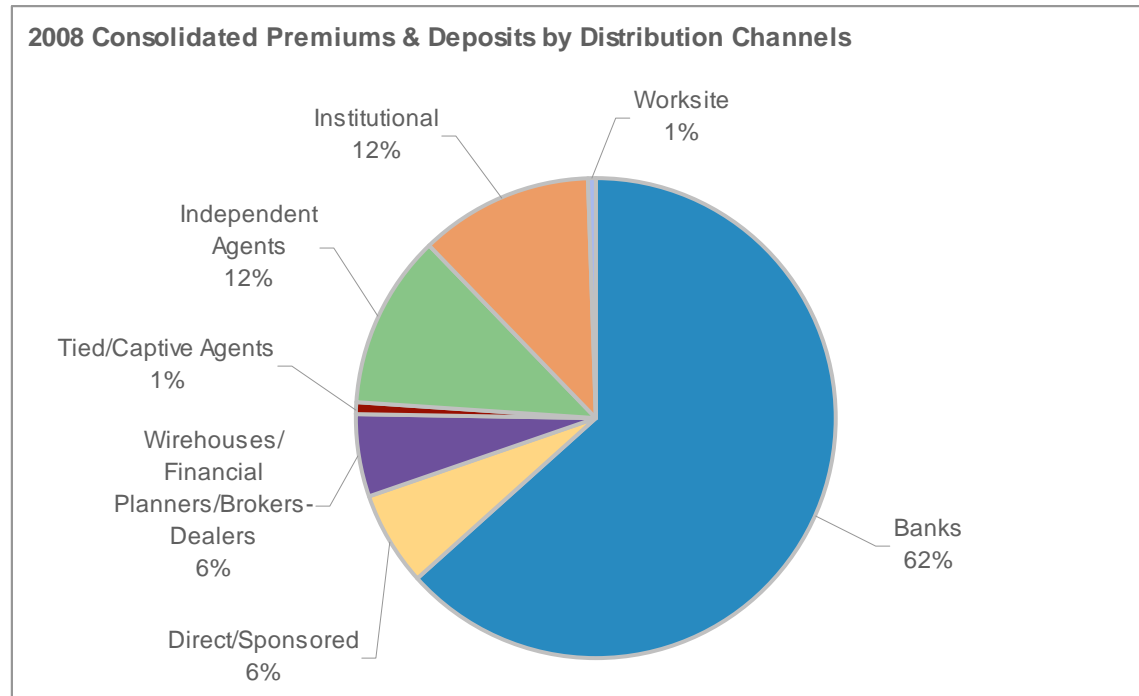
¹ Pre-tax operating income was negative in 2008.

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Distribution

Distribution remains diverse, although largely independent

Figure 1



AEGON USA has strong distribution diversity, with key channels that focus on financial institutions and independent agents, as well as direct marketing, wirehouses, and captive agents, consistent with Aa-rated peers. While AEGON USA's distribution network is largely independent, which affords it less control generally less robust policyholder persistency than a captive-driven distribution model, the group's multiplicity of channels has helped it extend its distribution reach significantly. In addition, it has been able to "replicate" some of the benefits of a more captive distribution model through ownership of broker dealers and marketing organizations with significant proportions of AEGON production, a broad product portfolio, competitive pricing, and attractive agent compensation arrangements (including agent participation in reinsurance programs), although the latter can be expensive. A chart of AEGON USA's mix across distribution channels is shown above. We note that the bank channel came to dominate the mix in 2008, at 63% of total 2008 premiums and deposits (vs. 37% in 2007). We would expect this channel's relative importance to fluctuate over time, depending on the attractiveness of the fixed annuity sales environment (i.e., interest rates, availability of attractive assets to invest in, etc.).

Product Focus and Diversification

Product portfolio is broad and varied, but contains significant embedded secondary guarantees

AEGON USA has strong product line diversification within the U.S. life insurance sector, which, together with its current product risk profile (discussed below), is in line with our expectations for a Aa-rated company. From a diversity point of view, the group's key products are individual life (with a focus on universal life products, such as indexed universal, variable universal and universal life with secondary guarantees, and term life), individual variable annuities, 403(b)/401(k) products, institutional investment products (IIP) (including GICs, muni GICs, long- and short-term funding agreement-backed notes, including puttable securities), which the company began downsizing in 2009), fixed annuities, and accident and health insurance. Life insurance has consistently been the single largest driver of AEGON operating earnings (on an IFRS basis).

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While AEGON USA is very well diversified from a product offering standpoint, each of the companies' life insurance and annuity business lines are subject to some degree of product risk (although managed in line with Aa-rated companies). These include interest rate risk and spread compression (from fixed rate life and annuity products); rollover, reinvestment, and liquidity risk from its IIP portfolio; and equity market risk, through the company's \$35.6 billion variable annuity portfolio (as of June 30, 2009).

Equity market risk, which many companies have been facing in the stressful equity market environment until recently, has depressed AEGON USA's fees from assets under management, while requiring higher levels of regulatory reserves (under NAIC guideline C3 Phase II to cover potential benefit claims under secondary guarantees, such as guaranteed minimum death benefits (GMDBs), guaranteed living benefits (GLBs), and guaranteed minimum withdrawal benefits (GMWBs)).

Financial Profile Drivers

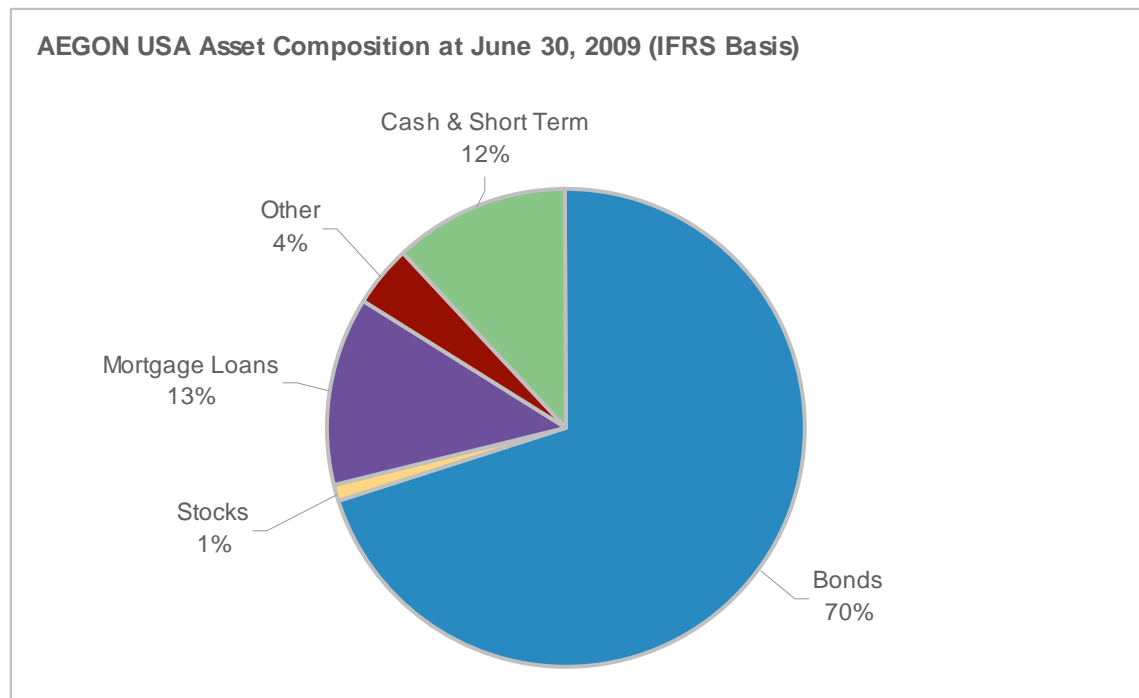
Asset Quality

Portfolio is well-diversified, but with significant exposure to higher risk asset classes

AEGON USA's asset quality is consistent with companies rated in the A-range. The bond portfolio is generally well-diversified and has an average rating in the A-range. However, the company has a sizable exposure to higher risk assets, which are not reflected by the simple unadjusted scorecard metric.

As of June 30, 2009, total consolidated invested assets on an IFRS basis for AEGON Americas companies totaled about \$123 billion. The composition of AEGON USA's portfolio is similar to that of the overall U.S. life insurance industry, with bonds at approximately 70% of total invested assets. Nominal commercial mortgage loans were (13%), with preferred and common stock at 1%. The bonds are largely publicly traded and high quality, with below investment-grade securities amounting to close to 4% of total.

Figure 2



AEGON USA does, however, hold a higher percentage of international bonds than most domestic players. These securities include emerging market bonds, as well as the hybrid securities of European financial institutions. The latter have been under increasing stress in recent quarters and at risk of coupon deferral,

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given recent EU directives; many have been downgraded as a result, in recent quarters, and remain under pressure. Other invested assets, which include higher-risk and less liquid alternative assets, such as hedge funds, private equity, mezzanine investments, and real estate are also notable, at roughly 4% of total invested assets. Recent initiatives to cash out of these investments should – to the extent they are successful – reduce these risks.

AEGON USA has a sizable holding of mortgage-backed, asset-backed, and commercial mortgage-backed securities (MBS, ABS, and CMBS), totaling almost 20% of the group's combined statutory investments at year-end 2008. These securities include a significant exposure to subprime residential mortgage-backed securities through Alt-A securities, and within its home equity loan ABS and CDO holdings. We believe that losses are likely to continue to emerge over time from these assets, largely from holdings of mezzanine Hybrid/ARMS, as they have in recent quarters. Although AEGON USA's commercial mortgage portfolio is modest, its agri-loan exposure of \$700 million has a higher risk profile than the rest of the portfolio. We expect losses to arise from this segment, as well. Given the company's negative rating outlook, pressure on the rating will result if losses exceed our expectations (i.e., ultimate realized losses - from sale or credit losses) on AEGON USA's subprime, Alt-A, and other assets of over \$1 billion pre-tax or more in 2009).

Capital Adequacy

Capital adequacy under greater pressure than in the past

While AEGON USA's unadjusted scorecard metric of equity-to-total assets suggests a lower rating (consistent with Baa rating), we believe that the NAIC risk-based capital (RBC) ratio is a better indicator of U.S. life insurers' capitalization, and have moved upward the company's score for this factor. AEGON USA's consolidated year-end 2008 NAIC RBC, on a weighted-average basis was approximately 312%, which is usually consistent with Aa-rated companies. However, without the benefit of approximately \$1.3 billion of capital contributions from the group's Dutch parent (which, in turn, had received Euro 3 billion of Dutch government aid in 2008), this ratio would have been much weaker. In addition, we expect that continuing asset losses, lower earnings, and ratings migration during 2009 will put further significant pressure on the ratio in 2009, as will the need to complete a significant volume of capital raising initiatives (e.g., third party and inter-company reinsurance, among other things) to maintain current levels of RBC capital (including capital Moody's implicitly allocates to it from the AEGON holding company in stress scenarios). For this reason, we have lowered the rating to the A-range.

AEGON experiences capital strain from its long-term term life and universal life products with secondary guarantees, subject to reserving guidelines (XXX and AXXX). A \$550 million insurance-linked capital markets transaction largely transferred associated reserve and capital strain from the company's balance sheet to investors in 2007. However, since then, AEGON USA has become increasingly dependent on a variety of private structured transactions with financial institutions to support new product sales – a risky proposition, as the recent shut down of the capital markets has shown.

Figure 3

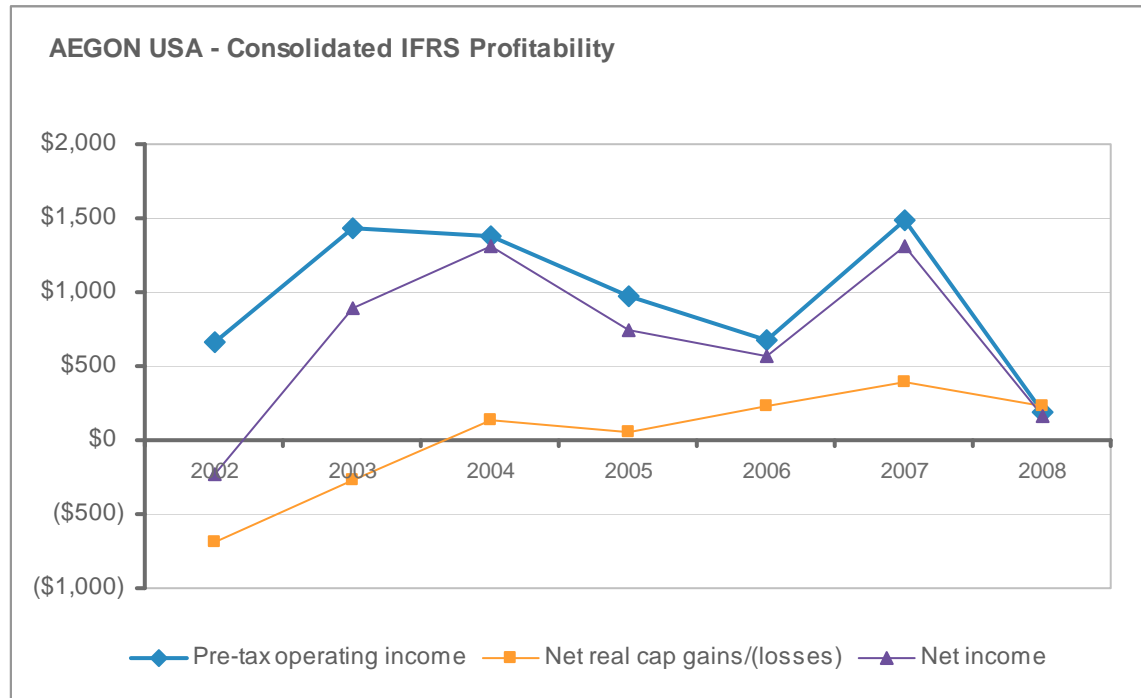
Principal Rated AEGON USA Subsidiaries			
NAIC RBC Ratio at Year End	2006	2007	2008
Monumental Life	336%	278%	460%
Transamerica Life	312%	293%	412%
Transamerica Financial	543%	518%	328%

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Profitability

Earnings will be lower in the continuing recessionary operating environment

Figure 4



AEGON USA's profitability, which has been strong historically, has suffered significantly in the weak economic and market environment, generating net losses in 2008 and in the first quarter of 2009--although profitability returned in 2Q09. We believe that earnings weakness is likely to persist in 2009. We believe that AEGON USA's recent initiatives to preserve capital and de-risk its investment portfolio are a positive for the group, and will lower its overall risk profile in the long term. However, although much of earnings capacity is likely to recover when the economy improves, these de-risking initiatives, which include asset sales, the exit from certain businesses (i.e., the IIP business and structured product activities), and the high cost of VA hedging, will lower its earnings until new sources of replacement income can be found. For these reasons, we believe AEGON USA is better positioned in the A-range for profitability for the time being.

Liquidity & Asset Liability Management

Sources of liquidity are ample, but equity market risks complicate ALM

AEGON USA's level of liquid assets as a percentage of reserves at approximately 101% is consistent with Aaa-rated companies, on an unadjusted basis. However, we have adjusted the rating down to A for this factor, since, in our view, AEGON USA's ALM is complicated by its VA product offering that includes various death and living guarantees, fixed annuities, and no lapse universal life.

The following chart shows the sharp increase in the net amount at risk (NAR)² related to various VA guarantees that AEGON Americas segment has experienced in the last four quarters, peaking with the equity market low in 1Q09.

² The NAR measures the intrinsic value that AEGON USA would be liable for in the highly unlikely event that the options offered in the different contracts were exercised at the same time.

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Figure 5

AEGON Americas*				
(USD Millions, IFRS basis)				
Variable Annuity-Net Amount at Risk (NAR)	3Q08	4Q08	1Q09	2Q09
GMDB only	3,421	4,989	5,271	4,536
GMDB and GMLB	2,711	4,612	5,326	4,066
GMLB only	197	200	234	158
Canada Seg Funds DB/LB	1,250	1,417	1,428	1,345
TOTAL NAR	7,579	11,218	12,259	10,105

* The AEGON Americas IFRS Segment is largely composed of AEGON USA's operations

Notably, AEGON USA has no reinsurance protection for these liabilities, although it addresses these risks through a comprehensive and sophisticated hedging program. Moody's believes that the group's establishment of a hedging program was prudent. However, the recent market turbulence has demonstrated that no hedge program is perfect: specifically, AEGON USA has experienced significant "breakage" costs (i.e., basis mismatch costs) associated with both its direct VA book of business, and its reinsured VA block. However, the company has taken steps to mitigate its VA volatility by adding new hedges in 2009.

The company's alternative investments portfolio - which includes hedge fund guarantees and liquidity facilities to asset-backed CP programs - were also largely illiquid in the recent frozen asset market environment. Large volumes of fixed annuity sales in recent quarters (invested in cash and short-term assets) have eased liquidity and have helped pay IIP liabilities, without necessitating asset sales (the latter resulting in asset losses, given recent asset market illiquidity).

For example, IIP liquidity concerns became manifest for AEGON USA and some of its peers, as economic jitters caused holders of extendible FANIPs to "non-extend" (i.e., surrender) most of their contracts, starting with the subprime crisis in the summer of 2007. These surrenders have, in turn, put pressure on IIP segment liquidity as related assets froze, IIP and capital markets shut down from 4Q08 to 2Q09 (albeit mitigated for the near term by increasing cash balances from, among other things, fixed annuity sales). As of June 30, 2009, AEGON USA had approximately \$40 billion (nominal IIPs from your global IIP spread survey, translated into USD) in total spread-based IIP liabilities - both onshore and offshore. Downsizing initiatives of IIP activities should reduce the associated IIP risks -- to the extent these initiatives are permanent.

We note, however, inter-segment asset borrowing is an interim measure that may disrupt the ALM and liquidity management of the lending business segment in the future.

Financial Flexibility

Financial flexibility has weakened

AEGON USA's financial flexibility is analyzed at the AEGON N.V. level on a consolidated basis. AEGON N.V.'s financial flexibility weakened somewhat in 2008, as a result of: (i) deteriorating fixed charge coverage caused by declining profitability, and (ii) increasing financial leverage caused by the increased negative revaluation reserve and the net loss reported in 2008. In the first half of 2009, financial flexibility slightly improved as a result of a senior debt issuance (EUR 1.0 billion) and an equity raise (EUR 1.0 billion). Fixed charge interest coverage remains depressed though the first half of 2009, given the loss of EUR 334 million by the group.

It is anticipated that the holding company's flexibility will be more constrained in the near to intermediate term than in prior years as earnings at the operating companies remain under pressure and the companies need to reduce dividends in order to preserve capital. As a result, AEGON NV's financial flexibility is currently aligned with A-rated peers.

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Other Credit Considerations

Ownership and implicit support

AEGON USA has clearly benefited in the past from the ownership and support of its parent, AEGON N.V. and its strong financial flexibility, as seen in 2002 when large losses at AEGON USA were offset by large capital contributions from AEGON N.V. However, since AEGON USA accounts for about two-thirds of AEGON N.V.'s global operations and AEGON N.V.'s A3 senior debt rating is primarily driven by its U.S. operations, we do not believe that AEGON USA's stand-alone A1 rating should be uplifted due to the ownership by AEGON N.V.

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Company Annual Statistics

Monumental Life Insurance Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Company Fundamentals (\$mil)					
General account assets	26,720	26,178	19,637	19,955	18,361
Total assets	35,531	37,935	19,898	20,222	19,261
Surplus	1,236	732	876	885	937
Investment reserve (AVR)	231	433	204	201	162
50% of dividend reserve liab.	1	1	1	1	1
Total capital	1,468	1,165	1,081	1,087	1,099
Insurance revenues	2,230	2,447	1,226	1,251	1,336
Net investment income	1,323	1,465	1,081	969	905
Total revenues	3,386	9,919	6,836	5,505	6,527
Gain fr ops pre - tax & div.	578	370	49	273	367
Gain before real. capital gains	529	285	92	266	300
Net Income	344	361	155	252	328
Segment analysis (as % of policy res. & liabs)					
Individual life	13.6%	40.0%	44.6%	41.2%	38.0%
Individual health	3.8%	2.7%	2.4%	1.7%	1.3%
Individual annuities	32.9%	22.9%	22.0%	23.4%	23.6%
Group life	6.9%	4.8%	1.2%	0.8%	0.7%
Group health	1.7%	1.2%	1.0%	0.9%	0.8%
Group pension	13.8%	11.8%	8.7%	8.0%	7.4%
Deposit-type contracts	25.5%	15.0%	17.9%	23.9%	28.1%
Segment analysis (as % of premiums & deposits)					
Individual life	8.8%	7.1%	6.4%	7.5%	11.4%
Individual health	4.2%	2.8%	2.3%	2.9%	3.3%
Individual annuities	10.0%	10.9%	0.9%	2.2%	6.2%
Group life	1.5%	1.1%	1.1%	1.3%	1.5%
Group health	6.5%	4.7%	6.5%	8.0%	6.9%
Group pension	4.9%	1.7%	6.6%	8.1%	7.2%
Deposit-type contracts	63.5%	71.2%	76.3%	69.9%	63.3%
Investment Profile (as % of cash & inv. assets)					
Public bonds	52.2%	55.8%	56.5%	56.7%	55.3%
Private bonds	17.7%	21.3%	19.7%	23.1%	24.9%
Affiliated common stock	0.1%	0.0%	1.2%	0.6%	0.3%
Unaffiliated common stock	0.1%	0.1%	0.2%	0.5%	0.4%
Preferred stock	3.8%	4.3%	5.3%	0.1%	0.2%
Total Mortgage loans	12.0%	12.6%	10.8%	11.1%	13.2%
Real estate	0.0%	0.0%	0.0%	0.0%	0.0%
Policy loans	1.9%	1.9%	1.8%	1.8%	1.9%
Cash & short term investment	8.0%	0.6%	0.0%	2.0%	-0.1%
Other invested assets	4.2%	3.3%	4.4%	4.1%	4.1%
Asset Quality					

AEGON USA Life Group (Cons)

Monumental Life Insurance Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
High risk assets/inv. assets	10.2%	8.6%	11.9%	11.4%	11.7%
High risk assets/capital	179.1%	186.1%	204.6%	199.9%	188.6%
Below inv grade bonds/Inv. assets	6.8%	5.1%	6.1%	6.2%	7.1%
Residential MBS/inv. Assets	4.3%	9.5%	9.1%	8.1%	4.8%
Commerical MBS and ABS/inv. assets	13.4%	10.2%	12.8%	15.1%	14.9%
Capital Adequacy/Capital Growth					
Capital/Assets	4.1%	3.1%	5.4%	5.4%	5.7%
Capital/general account assets	5.5%	4.5%	5.5%	5.4%	6.0%
Growth of capital (%)	26.0%	7.8%	-0.6%	-1.1%	-7.4%
Change in capital % Net Income	88.2%	23.3%	-3.9%	-4.9%	-26.6%
Dividends to stockholders during the year		1,200	190	255	710
Paid-in capital and surplus during the year	70	521	4	-	
Profitability					
Net income/avg assets	0.9%	1.2%	0.8%	1.3%	1.7%
Net income/avg capital	26.1%	32.2%	14.3%	23.1%	28.7%
Operating return on avg assets	1.4%	1.0%	0.5%	1.3%	1.6%
Operating return on avg capital	40.2%	25.4%	8.5%	24.3%	26.2%
Renewal premium persistency	90.7%	101.2%	91.3%	91.2%	91.5%
Indiv. annuity persistency ratio	92.7%	92.0%	86.5%	84.4%	91.9%
Net investment yield	5.3%	6.8%	5.9%	5.3%	5.3%
General exp & commissions/Premis & Dept-type funds	9.8%	7.4%	12.1%	11.5%	14.6%
Total general expenses/Avg assets	0.8%	1.1%	1.3%	1.2%	1.3%
Gain (loss) from operations (\$mil)					
Individual life	243	136	81	208	199
Individual health	43	(33)	(27)	3	(2)
Individual annuities	17	75	19	31	(23)
Group life	29	38	3	13	13
Group health	54	43	(8)	37	21
Group pension	100	(14)	81	(31)	87
Other	44	40	(56)	4	4
Liquidity and ALM:					
Liquid Assets/policyholder reserves	189.7%	132.5%	118.1%	117.7%	102.0%

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Transamerica Financial Life Ins Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Company Fundamentals (\$mil)					
General account assets	9,684	8,340	8,245	8,102	8,098
Total assets	18,792	17,772	16,803	16,513	15,790
Surplus	806	813	888	802	691
Investment reserve (AVR)	84	101	90	80	68
50% of dividend reserve liab.	0	0	0	0	0
Total capital	890	914	979	882	758
Insurance revenues	4,597	3,539	2,587	2,522	2,138
Net investment income	465	427	418	421	418
Total revenues	5,316	4,192	3,188	3,198	2,940
Gain fr ops pre - tax & div.	(400)	153	126	150	126
Gain before real. capital gains	(324)	117	98	118	110
Net Income	(297)	125	93	117	79
Segment analysis (as % of policy res. & liabs)					
Individual life	12.4%	13.7%	14.0%	13.2%	12.8%
Individual health	0.3%	0.3%	0.4%	0.3%	0.3%
Individual annuities	25.8%	17.2%	21.1%	23.9%	25.7%
Group life	0.3%	0.3%	0.2%	0.1%	0.1%
Group health	1.0%	0.2%	0.2%	0.2%	0.2%
Group pension	56.1%	63.7%	59.9%	58.2%	57.8%
Deposit-type contracts	3.7%	4.0%	3.9%	3.9%	2.9%
Segment analysis (as % of premiums & deposits)					
Individual life	7.7%	9.9%	14.0%	9.1%	12.7%
Individual health	0.7%	0.9%	1.1%	1.2%	1.3%
Individual annuities	17.8%	1.9%	2.0%	1.9%	1.6%
Group life	0.3%	0.3%	0.4%	0.4%	0.4%
Group health	0.5%	0.6%	0.9%	1.0%	1.1%
Group pension	71.3%	84.4%	80.4%	83.6%	77.6%
Deposit-type contracts	1.7%	1.7%	1.1%	2.7%	5.2%
Investment Profile (as % of cash & inv. assets)					
Public bonds	56.0%	53.0%	62.6%	69.2%	71.8%
Private bonds	14.2%	18.8%	17.0%	16.4%	14.6%
Affiliated common stock	0.0%	0.0%	0.0%	0.0%	0.0%
Unaffiliated common stock	0.0%	0.2%	0.7%	1.1%	0.5%
Preferred stock	1.9%	1.9%	1.8%	0.1%	0.1%
Total Mortgage loans	12.8%	14.7%	13.5%	10.1%	8.0%
Real estate	0.1%	0.0%	0.0%	0.0%	0.0%
Policy loans	0.6%	0.6%	0.6%	0.6%	0.5%
Cash & short term investment	10.2%	9.3%	2.5%	2.1%	3.9%
Other invested assets	4.1%	1.4%	1.2%	0.5%	0.5%

AEGON USA Life Group (Cons)

Transamerica Financial Life Ins Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Asset Quality					
High risk assets/inv. assets	7.4%	6.3%	8.0%	7.7%	7.1%
High risk assets/captial	76.1%	54.8%	64.4%	68.0%	72.8%
Below inv grade bonds/Inv. assets	5.8%	4.7%	6.2%	6.2%	6.2%
Residential MBS/inv. Assets	8.5%	11.2%	9.7%	6.9%	7.5%
Commerical MBS and ABS/inv. assets	15.7%	15.0%	15.8%	16.5%	14.6%
Capital Adequacy/Capital Growth					
Capital/Assets	4.7%	5.1%	5.8%	5.3%	4.8%
Capital/general account assets	9.2%	11.0%	11.9%	10.9%	9.4%
Growth of capital (%)	-2.6%	-6.5%	10.9%	16.3%	11.3%
Change in capital % Net Income	8.1%	-51.4%	103.5%	106.0%	96.9%
Dividends to stockholders during the year	300	200	-	5	-
Paid-in capital and surplus during the year	248	(1)	2	-	-
Profitability					
Net income/avg assets	-1.6%	0.7%	0.6%	0.7%	0.5%
Net income/avg capital	-32.9%	13.2%	10.0%	14.2%	11.0%
Operating return on avg assets	-1.8%	0.7%	0.6%	0.7%	0.7%
Operating return on avg capital	-35.9%	12.3%	10.6%	14.4%	15.3%
Renewal premium persistency	89.3%	82.6%	85.4%	85.3%	87.1%
Indiv. annuity persistency ratio	87.0%	86.9%	87.1%	92.3%	97.6%
Net investment yield	5.5%	5.5%	5.4%	5.5%	5.6%
General exp & commissions/ Prens & Dept-type funds	6.3%	6.7%	8.9%	10.6%	9.2%
Total general expenses/Avg assets	0.8%	0.7%	0.6%	0.6%	0.7%
Gain (loss) from operations (\$mil)					
Individual life	9	29	17	14	10
Individual health	(1)	2	(2)	0	1
Individual annuities	(340)	10	13	15	13
Group life	7	3	3	3	2
Group health	(39)	1	2	4	3
Group pension	33	73	72	81	80
Other	7	(1)	(6)	1	1
Liquidity and ALM:					
Liquid Assets/policyholder reserves	82.6%	87.1%	88.7%	92.4%	91.8%

AEGON USA Life Group (Cons)

Transamerica Life Ins Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Company Fundamentals (\$mil)					
General account assets	76,467	40,749	45,055	45,265	30,207
Total assets	103,872	73,509	73,930	68,927	44,085
Surplus	4,927	1,990	2,043	2,418	1,864
Investment reserve (AVR)	1,273	816	803	663	344
50% of dividend reserve liab.	6	0	0	0	0
Total capital	6,206	2,806	2,846	3,081	2,209
Insurance revenues	7,518	5,480	4,910	5,105	3,683
Net investment income	3,887	2,293	2,377	2,390	1,375
Total revenues	17,574	13,150	12,543	10,126	5,986
Gain fr ops pre - tax & div.	(1,008)	68	355	294	107
Gain before real. capital gains	(895)	12	218	289	89
Net Income	(528)	241	332	299	129
Segment analysis (as % of policy res. & liabs)					
Individual life	24.6%	11.7%	10.3%	9.1%	13.7%
Individual health	5.1%	2.6%	2.0%	1.5%	2.0%
Individual annuities	29.9%	42.6%	45.3%	48.5%	53.2%
Group life	1.9%	1.0%	0.8%	0.7%	1.0%
Group health	0.8%	0.5%	0.5%	0.4%	0.6%
Group pension	12.7%	21.8%	20.9%	20.1%	4.4%
Deposit-type contracts	24.8%	19.8%	20.2%	19.7%	25.2%
Segment analysis (as % of premiums & deposits)					
Individual life	13.4%	0.5%	3.9%	8.5%	28.3%
Individual health	3.6%	1.5%	1.6%	1.7%	3.3%
Individual annuities	13.0%	22.2%	19.7%	21.5%	50.3%
Group life	1.2%	0.6%	0.7%	1.0%	2.2%
Group health	1.4%	0.8%	0.8%	0.7%	1.3%
Group pension	20.2%	36.9%	32.8%	35.0%	12.4%
Deposit-type contracts	47.1%	37.5%	40.6%	31.7%	2.2%
Investment Profile (as % of cash & inv. assets)					
Public bonds	53.3%	52.9%	55.8%	62.4%	63.8%
Private bonds	17.2%	19.0%	19.2%	19.2%	15.1%
Affiliated common stock	0.9%	0.2%	0.2%	0.2%	0.0%
Unaffiliated common stock	0.5%	0.4%	0.9%	0.6%	0.6%
Preferred stock	2.5%	3.4%	3.9%	0.8%	0.4%
Total Mortgage loans	14.9%	15.2%	13.3%	13.1%	13.2%
Real estate	0.2%	0.1%	0.1%	0.1%	0.1%
Policy loans	1.0%	0.2%	0.3%	0.3%	0.3%
Cash & short term investment	4.6%	3.0%	2.8%	0.7%	3.7%
Other invested assets	4.9%	5.6%	3.6%	2.6%	3.0%

AEGON USA Life Group (Cons)

Transamerica Life Ins Co

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Asset Quality					
High risk assets/inv. assets	12.5%	11.2%	10.5%	9.0%	9.8%
High risk assets/capital	147.0%	158.7%	160.1%	128.7%	131.5%
Below inv grade bonds/Inv. assets	6.6%	5.1%	5.8%	5.6%	6.3%
Residential MBS/inv. Assets	11.1%	11.5%	10.1%	7.5%	11.1%
Commerical MBS and ABS/inv. assets	12.4%	12.7%	13.7%	15.0%	14.4%
Capital Adequacy/Capital Growth					
Capital/Assets	6.0%	3.8%	3.8%	4.5%	5.0%
Capital/general account assets	8.1%	6.9%	6.3%	6.8%	7.3%
Growth of capital (%)	121.1%	-1.4%	-7.6%	39.5%	49.1%
Change in capital % Net Income	-643.3%	-16.5%	-70.8%	292.2%	565.0%
Dividends to stockholders during the year	316	52	70	-	-
Paid-in capital and surplus during the year	493	0	1	(348)	490
Profitability					
Net income/avg assets	-0.6%	0.3%	0.5%	0.5%	0.3%
Net income/avg capital	-11.7%	8.5%	11.2%	11.3%	7.0%
Operating return on avg assets	-1.0%	0.0%	0.3%	0.5%	0.2%
Operating return on avg capital	-19.9%	0.4%	7.4%	10.9%	4.8%
Renewal premium persistency	942.5%	58.6%	75.4%	57.7%	61.6%
Indiv. annuity persistency ratio	81.4%	87.2%	86.3%	78.2%	93.0%
Net investment yield	7.1%	5.6%	5.5%	6.6%	5.1%
General exp & commissions/Premis & Dept-type funds	15.9%	9.1%	9.5%	10.3%	15.1%
Total general expenses/Avg assets	0.9%	0.5%	0.5%	0.6%	0.4%
Gain (loss) from operations (\$mil)					
Individual life	(97)	(2)	85	42	(12)
Individual health	135	(2)	(20)	(28)	(27)
Individual annuities	(1,083)	42	64	75	87
Group life	67	1	6	2	(5)
Group health	320	(1)	3	(3)	(53)
Group pension	(242)	(27)	79	201	99
Other	6	-	-	-	-
Liquidity and ALM:					
Liquid Assets/policyholder reserves	88.9%	92.0%	92.8%	87.0%	86.7%

AEGON USA Life Group (Cons)

Western Reserve Life Asr Co of Ohio

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Company Fundamentals (\$mil)					
General account assets	1,852	1,395	1,332	1,250	1,224
Total assets	8,128	11,769	11,529	10,698	10,099
Surplus	280	489	467	391	278
Investment reserve (AVR)	4	7	6	13	10
50% of dividend reserve liab.	-	-	-	-	-
Total capital	284	496	473	404	288
Insurance revenues	789	1,014	1,167	1,147	1,149
Net investment income	72	69	64	87	91
Total revenues	2,991	1,300	1,433	1,377	1,355
Gain fr ops pre - tax & div.	(114)	196	180	145	164
Gain before real. capital gains	(59)	134	112	105	121
Net Income	(59)	132	112	105	121
Segment analysis (as % of policy res. & liabs)					
Individual life	62.7%	62.4%	59.0%	38.8%	35.5%
Individual health	0.0%	0.0%	0.0%	0.0%	0.0%
Individual annuities	34.8%	31.6%	35.0%	52.9%	57.4%
Group life	0.9%	0.9%	0.9%	1.3%	1.1%
Group health	0.0%	0.0%	0.0%	0.0%	0.0%
Group pension	0.7%	4.1%	4.1%	5.3%	4.8%
Deposit-type contracts	0.8%	1.0%	1.0%	1.8%	1.2%
Segment analysis (as % of premiums & deposits)					
Individual life	72.1%	56.9%	49.3%	49.6%	49.4%
Individual health	0.0%	0.0%	0.0%	0.0%	0.0%
Individual annuities	23.2%	39.2%	47.2%	46.3%	46.5%
Group life	0.0%	0.0%	0.0%	0.0%	0.0%
Group health	0.1%	0.0%	0.0%	0.0%	0.0%
Group pension	3.8%	2.8%	2.5%	2.5%	3.2%
Deposit-type contracts	0.8%	1.1%	1.0%	1.5%	0.8%
Investment Profile (as % of cash & inv. assets)					
Public bonds	27.1%	46.5%	48.0%	52.0%	57.5%
Private bonds	16.4%	9.0%	4.6%	8.1%	4.5%
Affiliated common stock	1.8%	1.9%	1.9%	4.4%	2.8%
Unaffiliated common stock	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred stock	0.3%	0.4%	0.4%	0.0%	0.0%
Total Mortgage loans	0.9%	2.0%	2.2%	1.6%	1.6%
Real estate	2.7%	3.1%	3.3%	3.6%	3.8%
Policy loans	28.8%	32.7%	29.1%	26.5%	25.9%
Cash & short term investment	19.6%	3.6%	9.5%	2.7%	2.2%
Other invested assets	2.4%	0.8%	1.0%	1.3%	1.7%
Asset Quality					
High risk assets/inv. assets	8.2%	8.2%	9.0%	13.7%	10.4%
High risk assets/capital	40.9%	20.7%	22.5%	38.4%	39.1%

AEGON USA Life Group (Cons)

Western Reserve Life Asr Co of Ohio

Statutory Insurance Statistics	2008	2007	2006	2005	2004
Below inv grade bonds/Inv. assets	3.1%	2.3%	2.7%	4.5%	2.1%
Residential MBS/inv. Assets	10.2%	12.2%	11.4%	7.3%	7.6%
Commerical MBS and ABS/inv. assets	11.0%	12.8%	17.1%	22.5%	13.3%
Capital Adequacy/Capital Growth					
Capital/Assets	3.5%	4.2%	4.1%	3.8%	2.9%
Capital/general account assets	15.4%	35.5%	35.5%	32.4%	23.5%
Growth of capital (%)	-42.6%	4.8%	17.0%	40.4%	-18.0%
Change in capital % Net Income	357.4%	17.4%	61.3%	111.3%	-52.0%
Dividends to stockholders during the year	200	110	2	-	200
Paid-in capital and surplus during the year	(2)	(1)	2	-	-
Profitability					
Net income/avg assets	-0.6%	1.1%	1.0%	1.0%	1.2%
Net income/avg capital	-15.2%	27.2%	25.5%	30.2%	38.0%
Operating return on avg assets	-0.6%	1.2%	1.0%	1.0%	1.2%
Operating return on avg capital	-15.3%	27.7%	25.5%	30.4%	38.0%
Renewal premium persistency	80.0%	78.4%	82.1%	82.0%	85.8%
Indiv. annuity persistency ratio	88.1%	88.1%	89.1%	89.7%	90.6%
Net investment yield	5.5%	5.8%	5.7%	8.1%	8.4%
General exp & commissions/Prem's & Dept-type funds	35.0%	28.4%	23.3%	21.9%	21.1%
Total general expenses/Avg assets	1.2%	1.0%	1.0%	0.9%	1.0%
Gain (loss) from operations (\$mil)					
Individual life	41	106	79	113	126
Individual health	-	-	-	-	-
Individual annuities	(101)	25	31	(6)	(3)
Group life	0	(1)	0	(1)	(1)
Group health	0.070	-	-	-	-
Group pension	(0)	4	1	(1)	(1)
Other	-	-	-	-	-
Liquidity and ALM:					
Liquid Assets/policyholder reserves	48.5%	42.1%	42.9%	54.8%	53.5%

AEGON USA Life Group (Cons)

Moody's Related Research**Credit Opinion:**

- AEGON USA Life Group (Cons), August 2008

Industry Outlook:

- U.S. Life Insurance: Industry Pressures Prompt Negative Outlook, October 2008 (111649)
- Global Reinsurance Outlook, September 2009 (119883)

Special Comment:

- Moody's Approach to Stress Testing Life Insurers, May 2009 (117454)
- Life Insurer Creditworthiness: Moody's Credit Ratings vs. Market Measures, October 2009 (119745)

Rating Methodology:

- Moody's Global Rating Methodology for Life Insurers, September 2006 (98207)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

AEGON USA Life Group (Cons)

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