



BEST'S COMPANY REPORT

AEGON USA GROUP

AMB #: 069707

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

Transamerica Finl Life Ins Co	A
Transamerica Life Insurance Co	A



Best's Credit Rating Effective Date

November 03, 2022

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Aegon USA Group

AMB #: 069707

Associated Ultimate Parent: AMB # 085244 - Aegon N.V.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable Action: Affirmed

Issuer Credit Rating (ICR)

a+
Excellent
Outlook: Stable Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Favorable
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Aegon USA Group | **AMB #:** 069707

AMB # 007267 **Rating Unit Members** Transamerica Finl Life Ins Co

AMB # 006095 **Rating Unit Members** Transamerica Life Insurance Co

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Aegon USA maintains the strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), along with a continued positive level of good liquidity.
- Quality of capital improvement, with no longer having parental guarantees in place on any of the remaining captive entities, is offset somewhat by the significant usage of special purpose financial captives, which are slowly diminishing as they mature in line with expectations.
- Higher growth in the group's fee-based product lines is part of a continued longer-term strategic focus on building a less capital-intensive book of business.

Operating Performance: **Adequate**

- Some volatility in earnings continues despite divestment of certain run-off blocks of business and further impact by non-economic losses on interest rate hedges from an accounting mismatch on an IFRS basis.
- Continued positive earnings on an IFRS basis as margins on new business should maintain profitability as the business grows, mainly as a result of continued aggressive expense reductions, and operating results are normalizing with less impact from the pandemic moving forward.
- Although ordinary life direct premiums have grown slightly in recent years, overall top-line growth has been inconsistent as total gross deposits declined again during 2021; earnings were negatively impacted by some unfavorable mortality experience and impacts from quickly rising interest rates and increasing inflation.
- Operating results before tax have been directly impacted by the decline in the equity markets during the first half of 2022, which has reduced overall operating results through lower fee income; this includes realized losses on investments protecting liquidity in a rising interest rate environment.

Business Profile: **Favorable**

- The group's business profile strength includes its geographical and product diversification, supported by its broad and diverse distribution channels providing a foundation for future growth, but offset with some products viewed as less creditworthy by AM Best.
- Competitive market share positions in many life and annuity products with an integrated worksite strategy that leverages the group's broad market presence.
- As part of the de-risking strategy, certain variable annuities, fixed indexed annuities and stand-alone long-term care businesses were closed in 2021. Further actions involved a lump-sum offer to buy out certain variable annuities with guaranteed minimum income benefit (GMIB) riders and the expansion of the existing dynamic hedge program to guaranteed minimum income and death benefit riders in the variable annuities business.

Enterprise Risk Management: **Appropriate**

- Along with its parent company, the group maintains a comprehensive, disciplined, and generally well-integrated risk management framework.
- Key risks and risk appetites have been clearly identified and quantified.
- Formal compliance attestation on all risk policies in place with clearly defined responsibilities that are well prepared to manage adverse market risk scenarios.
- Core to the group's risk mitigation strategy is to reduce interest rate exposure in the general account, with additional actions taken to hedge the interest rate risk embedded in the guarantees of the legacy variable annuities block.

Outlook

- The stable outlooks reflect AM Best's expectation that the group's rating fundamentals will remain unchanged over the intermediate term with a balance sheet strength assessment expected to remain at the very strong level through the support of adequate operating results and the continued favorable business profile fundamental metrics.

Rating Drivers

- A negative rating action could result if there is a significant and sustained decline in consolidated risk-adjusted capitalization as measured by Best's Capital Adequacy Model.

- An unsuccessful execution of announced initiatives, resulting in a material decline in earnings and/or business profile fundamentals could result in a negative rating action.
- A negative rating action can also occur if there is a material change in the strategic focus for the U.S. operations by the ultimate parent, Aegon N.V.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	45.1	32.9	27.6	26.2

Source: Best's Capital Adequacy Ratio Model - L/H, US

Key Financial Indicators USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Assets:							
General Account	84,398,137	88,158,384	85,586,707	87,810,017	78,781,545	80,054,855	80,675,065
Separate Accounts	120,197,082	152,901,412	152,751,343	145,972,729	135,753,011	121,149,400	136,900,786
Total	204,595,219	241,059,797	238,338,050	233,782,746	214,534,556	201,204,255	217,575,851
Liabilities:							
Net Life Reserves	52,971,530	51,163,730	52,239,239	51,649,843	44,136,773	44,656,181	43,037,534
Net Accident & Health Reserves	7,740,359	7,605,954	7,717,738	7,657,071	7,420,053	7,247,452	7,033,590
Liability for Deposit Contracts	868,467	892,401	858,379	976,182	977,456	1,581,954	1,790,284
Asset Valuation Reserve	1,118,565	1,372,431	1,353,271	1,315,087	1,396,997	1,132,770	1,115,888
Other General Account	14,055,797	17,698,125	15,052,611	17,024,624	15,043,356	16,236,227	19,038,436
Total	196,951,797	231,634,048	229,972,578	224,595,532	204,727,642	192,003,980	208,916,516
Total Capital and Surplus	7,643,423	9,425,749	8,365,472	9,187,214	9,806,914	9,200,275	8,659,335
Net Income	-1,547,203	141,329	342,986	1,369,957	4,224,535	-684,572	406,612
Net Premiums Earned	10,496,925	11,439,975	19,470,158	21,751,845	21,668,460	20,582,503	4,147,237
Net Investment Income	1,743,207	1,531,030	3,417,028	3,566,769	2,960,971	2,920,584	3,567,143

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	6-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Operating Return on Revenue	6.1	17.1	8.9	3.8	13.5	0.5	7.1	6.6
Operating Return on Capital and Surplus	22.0	53.2	27.1	12.7	39.7	1.5	8.8	18.2
Net Investment Yield	4.4	3.7	4.2	4.6	4.1	4.1	4.7	4.4
Pre-Tax Investment Total Return	0.7	0.2	2.8	5.0	4.6	4.4	8.4	5.0

Source: BestLink® - Best's Financial Suite

Leverage (%)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
General Account Liabilities to Capital and Surplus	10.0	8.4	9.2	8.6	7.0	7.7	8.3
Higher Risk Assets to Capital and Surplus:							
Mortgages Not in Good Standing	...	...	0.2	1.3	1.3	0.5	1.0
All Other Higher Risk Assets	74.3	64.8	69.7	70.4	66.2	67.4	75.4

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Current Liquidity (%)	73.9	76.9	76.8	76.8	77.0	78.2	80.3
Net Operating Cash Flow USD (000)	1,368,551	2,155,114	3,509,076	5,424,717	1,774,632	1,296,128	520,798

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Aegon USA (Transamerica) has strong liquidity and financial flexibility along with adequate cash and liquid assets to protect against adverse liquidity scenarios, leading to a very strong balance sheet strength assessment position. The company manages its liquidity requirements in order to meet stress scenarios which factor in a combination of events over monthly horizon points over an extended period of time. Liquidity impacts due to rating downgrades are also factored into the company's stress testing. Transamerica's liquidity is also supported by EUR 2.0 billion in available syndicated borrowings for emergency use in committed bank lines through the ultimate parent, AEGON, N.V. Transamerica also has access to FHLB as well as other normal operating lines of credit outside of emergency use funding. Management actions, such as buyouts of variable annuities, has caused the related net amount at risk before hedging and reinsurance as a percent of account value and surplus to decline significantly over the past several years. The General Account portfolio has sustained the pandemic market shocks well, along with credit downgrades and impairments that have been trending downwards since the peak in second quarter of 2020.

Capitalization

Transamerica's overall risk-based capitalization is still strongest and supportive of its current insurance and investment risks. Although Capital & Surplus declined by another 8% to \$8.3 billion as of year-end 2021 from the \$9.1 billion at year-end 2020, primarily due to adverse mortality claims experience and market volatility. AM Best still believes the company has sufficient statutory earnings capacity to support its capital position going forward. AM Best also notes that prior to the implementation of Actuarial Guideline 48 and Principles-Based Reserving (PBR), Transamerica has relied heavily on captive reinsurance to fund its reserves associated with term life insurance and universal life with secondary guarantees. As part of our assessment of a rating unit's balance sheet strength, AM Best considers not only the capital adequacy ratios, but also the quality of capital supporting such ratios. AM Best believes that the quality of capital for an operating company that has ceded XXX and/or AXXX reserves to a domestic or offshore captive as not as strong as for an operating company with similar risk-adjusted capital ratios that self-funds its XXX and AXXX reserves. Finally, Transamerica has received capital contributions in the past from its ultimate parent, Aegon N.V. given its strategic importance. AM Best also believes that Aegon N.V. would likely provide additional capital if needed in the future. Transamerica has reduced captive exposure over time and it remains an objective of the company, given the implementation in the U.S. of PBR. Quality of capital has improved somewhat with no longer having any parental guarantees in place on remaining captive entities.

Capital Generation Analysis USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Beginning Capital and Surplus	8,365,472	9,187,214	9,187,214	10,328,331	9,200,275	9,860,986	8,568,615
Net Operating Gain	880,499	2,477,798	2,382,054	1,201,725	3,769,242	132,775	761,902
Net Realized Capital Gains (Losses)	-2,427,702	-2,336,469	-2,039,068	168,231	455,293	-817,347	-355,290
Net Unrealized Capital Gains (Losses)	890,773	801,975	469,888	-157,787	-312,106	1,330,308	838,506
Net Change in Paid-In Capital and Surplus	90,545	-7,429	2,571	549,904	-530,108	-606,183	40,382
Stockholder Dividends	-300,000	-450,000	-961,486	-1,275,000	-799,369	-715,443	-1,111,156
Other Changes in Capital and Surplus	143,836	-247,340	-675,700	-1,628,191	-1,976,313	15,180	-83,625
Net Change in Capital and Surplus	-722,049	238,535	-821,742	-1,141,117	606,639	-660,711	90,720
Ending Capital and Surplus	7,643,423	9,425,749	8,365,472	9,187,214	9,806,914	9,200,275	8,659,335
Net Change in Capital and Surplus (%)	-8.6	2.6	-8.9	-6.3	6.6	6.2	1.1
Net Change in Capital and Surplus (5 yr CAGR)	...	...	-0.5	...	...	...	...

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Transamerica employs an Asset Liability Management-focused investment strategy utilizing fixed income securities for a majority of its general account assets. However, a small portion of the investments are managed on a total return basis utilizing hedge funds. Almost the entire investment portfolio is managed by Aegon Asset Management. As of year-end 2021, bonds represented around 67.5% of the investment portfolio, 95% of which are investment grade. Common stocks are still at 4.4% of the portfolio, much of which is affiliated. Direct commercial mortgage loans comprise 13.1% of invested assets and are backed principally by office, retail, industrial, and multi-family apartment properties. The commercial loan portfolio has performed well despite the pandemic, with the vast majority of loans in good standing. Overall exposure to alternative assets consists of investments in higher risk and less liquid assets, such as hedge funds, private equity, mezzanine debt, and real estate. AM Best notes that the alternative asset exposure remains less than 5% of the investment portfolio. In recent years, Transamerica has taken steps to improve the risk profile of its investment portfolio, with below investment grade (BIG) bonds and other high-risk assets playing less of a role. BIGs as a percent of total capital was about 29% as of year-end 2021, still lower from a high of 60% back in 2012 and below industry average of around 36%, although the NAIC 2

Balance Sheet Strength (Continued...)

percentage within the investment grade portfolio has been slowly rising. While the asset allocation within Transamerica's investment portfolio is typical for the U.S. life industry, there is some continued exposure to higher risk assets.

Transamerica uses derivatives, such as swaps, options, futures, and forward contracts primarily to hedge some of the contract exposures related to interest rate and equity markets. AM Best notes as a positive the use of equity futures contracts to hedge liability risk with the equity sensitive products, such as variable annuities. While this strategy may help mitigate some of the tail risk associated with these liabilities, there is still the presence of policyholder behavior risk, which cannot be hedged. As a result, there is the possibility of hedge breakage in a stressed market environment.

Composition of Cash and Invested Assets	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Total Cash and Invested Assets USD (000)	81,048,451	85,449,603	82,496,800	84,532,983	74,426,959	75,539,518	75,850,023
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	2.5	3.9	3.0	2.7	3.4	4.0	4.4
Bonds	66.3	65.6	67.5	66.7	65.3	66.3	67.7
Stocks	0.3	0.4	0.4	0.4	0.4	0.5	0.5
Mortgage Loans	13.8	12.3	13.1	12.5	12.6	11.3	10.2
Other Invested Assets	11.5	12.1	10.1	11.6	11.0	11.8	10.9
Total Unaffiliated	94.4	94.3	94.1	93.9	92.7	93.9	93.8
Investments in Affiliates	5.7	5.8	5.9	6.2	7.4	7.0	7.3
Non-Admitted	-0.1	-0.1	...	...	...	...	...
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	0.1	0.6	0.7	3.9	9.6	20.5
Government Agencies and Municipal Bonds	0.1	0.2	0.3	1.4	3.4	20.5
Industrial and Miscellaneous Bonds	2.8	14.4	22.1	19.8	20.1	12.8
Bank Loans	...	0.1	...	...	...	6.0
Hybrid Securities	...	0.1	0.1	0.1	0.3	15.6
Total Bonds	3.0	15.3	23.2	25.2	33.3	14.3

Source: BestLink® - Best's Financial Suite

Bonds - Distribution by Issuer	Year End - December 31				
	2021	2020	2019	2018	2017
Bonds USD (000)	55,715,693	56,356,309	48,623,200	50,090,758	51,360,044
US Government (%)	13.7	13.9	13.2	17.6	20.2
Foreign Government (%)	1.2	1.0	1.2	1.4	1.5
Foreign - All Other (%)	15.9	15.5	16.9	17.0	15.8
State, Municipal & Special Revenue (%)	5.3	5.4	4.6	2.3	3.5
Industrial & Miscellaneous (%)	63.3	63.0	62.7	60.2	57.2
Hybrid Securities (%)	0.7	1.2	1.4	1.5	1.7
Total Bonds (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

While loss reserving practices have not been a material concern from a ratings perspective, Transamerica's reserve profile is changing as the company focuses on selling fee-based products, especially variable annuities without significant interest sensitive riders. An additional aspect of this shift is that mortality reserves also are playing a less dominant role than in the past. Some positive trends as it relates to the improved risk profile of the company's legacy block of variable annuities with living benefit riders are noted. Management

Balance Sheet Strength (Continued...)

actions, such as buyouts of variable annuities, has caused the related net amount at risk before hedging and reinsurance as a percent of account value and surplus to decline significantly over the past several years.

Holding Company Assessment

On October 27th, 2022, Aegon announced that it has reached an agreement with a.s.r. to combine its Dutch pension, life and non-life insurance, banking, and mortgage origination activities with a.s.r. The combination will create a leading Dutch insurance company. Aegon will receive EUR 2.5 billion in gross cash proceeds, and a 29.99% strategic stake in a.s.r. The anticipated intention is to use the cash proceeds to return EUR 1.5 billion to shareholders, and potentially reduce its gross financial leverage by up to EUR 700 million. Aegon will retain its Dutch asset management business and enter into a long-term asset management agreement with a.s.r. to manage parts of the combined general account investments. Combination of the two companies should lead to some cost synergies and diversification of benefits, with a.s.r. becoming the leading brand, although the Aegon brand will remain in use in the pension and mortgage markets for three years after closing of the transaction. In the UK, Aegon is expected to continue to grow its retirement platform business. As far as the U.S. market business segment is concerned, Aegon is still committed to building upon its Transamerica brand in both individual life insurance solutions and workplace pension and employee benefits business. The company plans to invest additional capital to profitably grow its market share in selected product lines. The transaction is expected to close in the second half of 2023. AM Best expects it to have a neutral to a possible positive impact to the overall Aegon U.S. operations of Transamerica going forward with additional support and will continue to monitor the developing transaction.

Operating Performance

Aegon USA Group (Transamerica) has one of the more diversified earnings profiles in the industry with earnings being generated from life insurance products and increasingly from fee-based income from variable and investment-type products. Aegon USA Group reported a pre-tax statutory operating gain of \$2.2 billion in 2021 as compared to \$1.1 billion in 2020, mainly caused by some favorable morbidity experience, impact of favorable market performance, and lower expenses. Gross deposits are still strong but further decreased to \$38.9 billion in 2021 compared with \$41.5 billion in 2020, as gross deposits decreased in all products. The group's net investment yield of 4.2% was actually in-line with the industry average in 2021. Life sales increased to \$360 million in 2021, driven by increased indexed UL, additional products repricing, expanded product suite, and creation of new pooled retirement plan partnerships, along with growth in agents creating additional productivity. Transamerica has had very favorable net operating gains over the past six years mainly as a result of aggressive expense reductions, along with claims and market experience.

AM Best expects that Transamerica will continue to maintain an underlying trend of profitability on both a statutory and IFRS basis. The company up-streamed approximately \$961 million of dividends in 2021 to parent company Aegon NV. For 2021, overall direct premium growth was down by 7.5%, with a 5 yr. CAGR of only 2.4% as compared to the industry of 18.5% on a statutory basis. The equity market decline in the first half of 2022 has reduced operating results through lower fee income, along with some realized losses on investments from sale of bonds, protecting the liquidity position in a rising interest rate environment impacting net result. Future margins may be challenged by the rapidly rising interest rate environment, as well as rising inflation, and increased competition in the marketplace.

	Year End - December 31				
Net Operating Gain By LOB USD (000)	2021	2020	2019	2018	2017
Individual Life	-1,052,614	161,077	-154,349	-120,645	-2,151,194
Group Life	20,423	49,256	53,894	53,852	34,620
Individual Annuities	2,591,783	269,474	3,084,417	-191,566	2,023,840
Group Annuities	334,011	247,309	306,663	307,650	374,159
Accident & Health	448,858	368,256	248,354	239,173	-222,534
Other Lines of Business	...	...	...	-155,689	703,011
YRT Mortality Risk Only	39,592	106,354	230,263	...	...
Total	2,382,054	1,201,725	3,769,242	132,775	761,902

Source: BestLink® - Best's Financial Suite

Operating Performance (Continued...)

Accident & Health Statistics	Year End - December 31				
	2021	2020	2019	2018	2017
Net Premiums Written USD (000)	1,423,025	1,482,825	1,495,963	1,725,231	1,869,912
Net Premiums Earned USD (000)	1,414,841	1,492,790	1,502,620	1,731,196	1,878,933
Claims and Cost Containment Ratio (%)	79.9	88.1	89.4	82.4	82.2
Expense Ratio (%)	35.0	35.3	24.3	25.6	55.1
Combined Ratio (%)	115.0	123.4	113.7	108.0	137.2
Underwriting Results USD (000)	-214,401	-346,030	-204,450	-136,873	-694,291

Source: BestLink® - Best's Financial Suite

Business Profile

Aegon USA is one of the leading life insurance organizations in the U.S. with more than seventeen million customers and provides a wide range of life insurance, pensions, long-term savings and investment products. Business is conducted through two primary insurance subsidiaries: Transamerica Life Insurance Company and Transamerica Financial Life Insurance Company, collectively known as Aegon USA, Group. The Aegon USA group of companies is fully integrated and share senior and investment management along with support services. Aegon USA uses a variety of distribution channels, each of which conducts business through one or more of the Aegon USA life insurance companies. The channels are both owned and non-owned and include career agents as well as financial planners, banks, brokers and independent consultants. It is also prominent in the home service market and focused on agent-sold business as well as the worksite, employer-based market. The broad product offerings and brand recognition combined with an extensive distribution network helps Aegon USA maintain a strong competitive position in key markets. The overall business profile remains favorable with having a longer-term strategic focus of building a less capital-intensive book of business, and the expected execution of the overall revised business plan objectives and subsequent transition.

As part of the de-risking strategy, certain variable annuities, fixed indexed annuities and stand-alone long-term care businesses were closed during the first quarter of 2021. Further actions involved a lump-sum offer to buy out certain variable annuities with guaranteed minimum income benefit riders and the expansion of the existing dynamic hedge program to guaranteed minimum income and death benefit riders in the variable annuities business. Aegon USA has decided to focus on active management of the de-risked portfolio of variable annuities business, and to not pursue a third party transaction in the near-term. AM Best views variable annuities with living benefit riders as displaying some of the highest risk characteristics, as well as being vulnerable to tail risks, which could lead to an increase in required capital. The company currently has no immediate plans to move closed block businesses off the books, with additional potential earnings reductions going forward. The mix of reserves leaning more towards ordinary life at around 47% as compared to 41% for annuities as year-end 2021. The current product offerings are well diversified across the spectrum.

Transamerica's sales mix is one of the most diversified in the industry. Transamerica's total individual annuity sales ranked in the top 20 industry-wide, with variable annuity sales ranking falling to number 14. There was continued improvement in the Retirement Plans Middle Market net deposits through the first half of 2022 after outflows in 2021, where Transamerica aims to compete as a top-5 player.

Written sales usually translate into gross deposits after six-eighteen months. Additional investments in innovation and analytics are also expected to drive future growth, including modernization of products, processes and enhanced customer engagement. Transamerica acquired TAG resources to further accelerate the retirement pooled plan growth in 2022. Overall retirement plans sales were up 5% in second quarter of 2022 versus the same time period last year.

Life products accounted for about 22% of Total Direct Premiums Written (DPW) in 2021, with Ordinary Life accounting for almost 21%. All A&H products accounted for 6.8% of Total DPW. Individual Annuities accounted for 6.8%, with Group Annuities at almost 65% of DPW. Investment & Retirement accounted for about 72% of Total DPW in 2021.

Business Profile (Continued...)

2021 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Ordinary Life	4,624,507	20.5	1,507,945	97.0	4,306,172	92.2	1,826,280	9.4	29.8
Group Life	292,828	1.3	2,165	0.1	58,010	1.2	236,984	1.2	80.3
Credit Life	923	...	62	...	19	...	966	...	98.1
Individual Annuities	1,541,471	6.8	17,456	1.1	159,416	3.4	1,399,511	7.2	89.8
Group Annuities	14,576,234	64.6	71	...	6,362	0.1	14,569,943	74.9	100.0
Individual Accident & Health	854,621	3.8	11,871	0.8	62,221	1.3	804,272	4.1	92.8
Group Accident & Health	674,997	3.0	15,239	1.0	77,732	1.7	612,504	3.1	88.7
Credit Accident & Health	211	...	1	...	13	...	199	...	94.0
Industrial Life	421	...	...	...	...	...	421	...	100.0
Total	22,566,214	100.0	1,554,809	100.0	4,669,943	100.0	19,451,080	100.0	80.6

Source: BestLink® - Best's Financial Suite

Year End - December 31

Geographic Breakdown by Direct Premiums Written and Deposit-Type Contracts USD (000)

	2021	2020	2019	2018	2017
Iowa	5,138,516	5,233,598	3,820,376	3,093,125	1,450,391
California	3,053,874	3,461,061	4,147,017	3,694,009	3,773,331
Illinois	1,762,423	1,125,195	673,873	615,146	711,349
Florida	1,361,567	1,464,783	1,251,659	1,673,895	1,231,670
New York	1,293,345	1,284,821	1,228,989	1,400,246	1,988,594
Top 5 States	12,609,725	12,569,458	11,121,914	10,476,421	9,155,334
All Other	10,016,524	11,857,482	12,819,637	13,671,327	14,137,804
Total	22,626,248	24,426,940	23,941,551	24,147,748	23,293,138
Geographic Concentration Index	0.09	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Aegon USA has a fully integrated enterprise risk management (ERM) framework in place to assess current and emerging risk, as well as govern future decisions. The company's risk management framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the company. Within this program, objectives and risk tolerances are set and roles and responsibilities are clearly defined across all levels of the organization. Aegon USA's ERM program is overseen by a governance structure at the parent company that has three basic layers: A Supervisory Board Risk Committee, the Executive Board and an ERM & Group Risk & Capital Committee. Aegon USA's governance structure includes a Financial Risk Committee and an Operational Risk Committee along with other sub-committees that provide an effective and multi-disciplinary risk structure for the organization. Since 2016, the company has a formal compliance attestation process on all risk policies with an intent on streamlining and strengthening the governance structure. AM Best views Aegon USA's overall ERM capabilities to be appropriate for its current risk profile.

Reinsurance Summary

Prior to the implementation of Principle-Based Reserving and Actuarial Guideline 48, Aegon USA Group relied heavily on captive reinsurance to finance mostly the reserves generated from term life and universal life insurance with secondary guarantees. The company makes use of affiliated captive entities and to a smaller degree a non-affiliated and non-rated reinsurer. Reserves Credits for reinsurance are comprised of both XXX and AXXX reserve financing.

Enterprise Risk Management (Continued...)

Environmental, Social & Governance

The company has been addressing environmental risk and responsibility, with solid progress made in the portfolio of reduction in first half of 2022 of bonds with high emissions and replaced them with bonds from environmental-friendly issuers moving well ahead of the plan. ESG is now integrated into the investment research processes as applicable to the asset class. As of now ESG factors are unlikely to impact the credit quality of the company over the short-term, with low risk.

Financial Statements

	6-Months		Year End - December 31			
	2022		2021		2020	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	2,047,943	1.0	2,468,265	1.0	2,430,036	1.0
Bonds	53,707,566	26.3	55,715,693	23.4	56,356,299	24.1
Preferred and Common Stock	3,272,029	1.6	3,662,326	1.5	3,677,892	1.6
Other Invested Assets	22,020,914	10.8	20,650,516	8.7	22,068,756	9.4
Total Cash and Invested Assets	81,048,451	39.6	82,496,800	34.6	84,532,983	36.2
Premium Balances	187,288	0.1	189,039	0.1	250,970	0.1
Net Deferred Tax Asset	895,613	0.4	851,726	0.4	845,248	0.4
Other Assets	2,266,785	1.1	2,049,142	0.9	2,180,816	0.9
Total General Account Assets	84,398,137	41.3	85,586,707	35.9	87,810,017	37.6
Separate Account Assets	120,197,082	58.7	152,751,343	64.1	145,972,729	62.4
Total Assets	204,595,219	100.0	238,338,050	100.0	233,782,746	100.0
Net Life Reserves	52,971,530	25.9	52,239,239	21.9	51,649,843	22.1
Net Accident & Health Reserves	7,740,359	3.8	7,717,738	3.2	7,657,071	3.3
Liability for Deposit Contracts	868,467	0.4	858,379	0.4	976,182	0.4
Asset Valuation Reserve	1,118,565	0.5	1,353,271	0.6	1,315,087	0.6
Other Liabilities	14,055,797	6.9	15,052,611	6.3	17,024,624	7.3
Total General Account Liabilities	76,754,718	37.5	77,221,239	32.4	78,622,807	33.6
Separate Account Liabilities	120,197,079	58.7	152,751,339	64.1	145,972,725	62.4
Total Liabilities	196,951,797	96.3	229,972,578	96.5	224,595,532	96.1
Capital Stock	8,645	...	8,645	...	8,645	...
Paid-In and Contributed Surplus	5,339,446	2.6	5,248,902	2.2	5,246,331	2.2
Unassigned Surplus	2,021,140	1.0	3,342,158	1.4	4,064,097	1.7
Other Surplus	274,191	0.1	-234,233	-0.1	-131,859	-0.1
Total Capital and Surplus	7,643,423	3.7	8,365,472	3.5	9,187,214	3.9
Total Liabilities, Capital and Surplus	204,595,219	100.0	238,338,050	100.0	233,782,746	100.0

Source: BestLink® - Best's Financial Suite

Income Statement USD (000)	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Earned:				
Individual Life	...	...	1,834,619	2,423,825
Group Life	...	...	236,953	230,987
Individual Annuities	...	...	1,399,500	2,820,075
Group Annuities	...	...	14,569,943	14,778,417
Accident & Health	...	...	1,416,988	1,488,462
Other Lines of Business	...	...	...	...
YRT Mortality Risk Only	...	...	12,154	10,080
Total Net Premiums Earned	10,496,925	11,439,975	19,470,158	21,751,845
Net Investment Income	1,743,207	1,531,030	3,417,028	3,566,769
Reserve Adjustments on Reinsurance Ceded	-102,537	-131,452	-259,852	-469,152
Other Income	2,375,550	1,610,391	4,051,348	6,364,203
Total Revenue	14,513,145	14,449,944	26,678,682	31,213,666
Policy Benefits	16,086,038	14,624,049	30,749,235	33,941,550
Commissions and Expense Allowances	701,175	735,000	1,479,086	1,628,008
Insurance and Other Expense	784,457	743,676	1,493,340	1,694,122
Net Transfers to (from) Separate Accounts	-3,848,600	-4,115,782	-9,267,699	-7,172,676
Dividends to Policyholders	3,275	7,516	9,966	10,182
Pre-Tax Net Operating Gain	786,800	2,455,486	2,214,754	1,112,478
Income Taxes Incurred	-93,699	-22,311	-167,300	-89,247
Net Operating Gain	880,499	2,477,798	2,382,054	1,201,725
Net Realized Capital Gains	-2,427,702	-2,336,469	-2,039,068	168,231
Net Income	-1,547,203	141,329	342,986	1,369,957

Source: BestLink® - Best's Financial Suite

Statement of Operating Cash Flows USD (000)	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Collected	10,603,399	11,612,987	21,203,370	22,375,721
Net Investment Income	1,707,571	1,550,456	3,453,499	3,080,210
Other Income Received	1,428,481	1,330,889	2,315,615	2,786,433
Total Collected Operating Revenue	13,739,451	14,494,333	26,972,484	28,242,364
Net Benefits and Loss Related Payments	14,765,866	15,139,675	30,032,284	27,054,838
Commissions and Other Expenses Paid	1,556,818	1,514,565	3,016,763	3,118,695
Net Transfers to (from) Separate Accounts	-3,917,653	-4,182,729	-9,447,750	-7,353,936
Dividends to Policyholders	3,083	3,235	6,214	6,526
Income Taxes Paid (Recovered)	-37,214	-135,528	-144,103	-8,477
Total Paid Expenses and Transfers	12,370,899	12,339,219	23,463,408	22,817,647
Net Operating Cash Flow	1,368,551	2,155,114	3,509,076	5,424,717

Source: BestLink® - Best's Financial Suite

Last Update

November 03, 2022

Identifiers

AMB #: 069707

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Life, Annuity, and Accident business of AMB#: [085244 Aegon N.V.](#)

AMB#: [006095 Transamerica Life Insurance Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Aegon USA Group

Operations

Date Incorporated: April 19, 1961

Domiciled: Iowa, United States

Business Type: Life, Annuity, and Accident

Organization Type: Stock

Marketing Type: Independent Agency

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: November 03, 2022

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 069707 - Aegon USA Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
007267	Transamerica Finl Life Ins Co	A	a+
006095	Transamerica Life Insurance Co	A	a+

Corporate Structure

Associated Ultimate Parent: AMB # 085244 - Aegon N.V.

Based on AM Best's analysis, AMB# 085244 Aegon N.V. is the Associated Ultimate Parent to this group. Its current data structure is based on the corporate structure for the associated ultimate parent and the non-legal entities such as data records and AM Best Groups. Access current [Data Structure](#) in BestLink.

History

Aegon USA was founded 1989 when Aegon N.V. (Aegon) decided to bring all of its operating companies in the U.S. under a single financial services holding company, Transamerica Corporation. In 2020, the Aegon USA companies were divisionally organized into two primary business divisions: Individual Solutions and Workplace Solutions.

Reinsurance Summary: Prior to the implementation of Principle-Based Reserving and Actuarial Guideline 48, Aegon USA Group relied heavily on captive reinsurance to finance mostly the reserves generated from term life and universal life insurance with secondary guarantees. The company makes use of affiliated captive entities. Reserves Credits for reinsurance are comprised of both XXX and AXXX reserve financing.

Affiliations

Aegon USA has a limited amount of country risk exposure as the company's operations are mainly based in the U.S. However, Aegon Americas which includes all of the North American and Latin American operations of Aegon has a modest amount of country risk exposure with its life insurance operations in Latin America with Mexico and Brazil. In 2009, Aegon acquired a 50% interest in Mongeral S.A. Seguros e Previdencia, Brazil's 6th largest independent life insurer. The U.S. and Canada are considered "Tier 1" by A.M. Best's Country Risk Group with Mexico being "Tier 3" and Brazil considered "Tier 4".

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent AM Best consolidated statements available in BestLink - Best's Statement File – L/H, US. Access [Quantitative Analytical Report \(QAR\) Annual](#) and [Quarterly](#) for additional details.

Currency: US Dollars

Balance Sheet Highlights

	Year End - December 31				
Ceded Reinsurance Analysis	2021	2020	2019	2018	2017
Aegon USA Group					
Face Amount Reinsurance Ceded USD (000)	787,767,648	845,971,407	953,223,684	1,039,549,415	1,111,429,825
Affiliated Reinsurance Recoverable / Capital & Surplus (%)	2.3	2.0	5.0	4.8	5.0
Unaffiliated Reinsurance Recoverable / Capital & Surplus (%)	13.0	10.8	10.2	11.6	8.4
Total Reinsurance Recoverable / Capital & Surplus (%)	15.3	12.9	15.1	16.4	13.4
Surplus Relief (%)	2.5	8.2	9.2	11.0	8.9
Reinsurance Leverage (%)	478.7	442.1	528.4	574.2	587.9
Group Annuity Composite					
Total Reinsurance Recoverable / Capital & Surplus (%)	5.9	6.5	5.7	5.3	4.9
Reinsurance Leverage (%)	219.8	244.1	248.3	245.3	241.7

Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Asset Liability Management | Investments

	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Bond Portfolio							
Bonds & Short Term Investments USD (000)	53,935,829	56,196,729	55,835,002	56,880,498	49,194,097	50,745,101	52,114,973
Unaffiliated Bonds:							
US Government	...	...	13.7	13.9	13.2	17.6	20.2
Foreign Government	...	...	1.2	1.0	1.2	1.4	1.5
Foreign – All Other	...	...	15.9	15.5	16.9	17.0	15.8
State, Municipal & Special Revenue	...	...	5.3	5.4	4.6	2.3	3.5
Industrial & Miscellaneous	...	...	63.3	63.0	62.7	60.2	57.2
Hybrid Securities	...	...	0.7	1.2	1.4	1.5	1.7
Total Bonds	...	...	100.0	100.0	100.0	100.0	100.0
By Private vs Public (%)							
Private issues	...	...	29.1	27.2	28.7	26.2	24.6
Public issues	...	...	70.9	72.8	71.3	73.8	75.4
By Quality (%)							
Class 1	55.4	55.4	56.1	56.7	60.0	59.4	62.5
Class 2	39.8	39.5	39.0	37.7	34.2	34.0	30.7
Class 3	2.9	3.4	3.3	3.7	2.9	3.3	3.2
Class 4	1.3	1.1	1.1	1.2	2.0	2.4	2.6
Class 5	0.4	0.4	0.4	0.5	0.7	0.7	0.7
Class 6	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Below Investment Grade (NAIC 3-6)	4.7	5.0	4.9	5.6	5.8	6.6	6.8
Below Investment Grade - % of Capital & Surplus	33.3	30.1	28.2	30.3	25.3	32.4	36.1

Source: BestLink® - Best's Financial Suite

	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Stock Portfolio							
Stocks USD(000)	3,272,029	3,706,148	3,662,326	3,677,892	3,423,516	3,140,620	3,078,859
By Type (%)							
Unaffiliated Common	...	...	5.6	5.2	4.2	7.6	8.9
Affiliated Common	...	...	90.9	91.8	92.3	88.6	87.3
Unaffiliated Preferred	...	...	3.5	3.0	3.5	3.8	3.8

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

A&H Current Year Experience	Premiums Written USD(000)	Premiums Earned USD(000)	Loss Ratio (%)	Expense Ratio (%)	Underwriting Results USD(000)
Group	614,498	613,998	53.7	37.3	55,469
Credit (Group and Individual)	199	416	46.0	999.9	-1,816
Individual:					
Non-cancelable	16,266	16,356	29.6	10.8	9,758
Guaranteed renewable	789,160	781,071	102.0	33.8	-282,109
Non-renewable for stated reasons only	-422	-415	...	256.9	669
Other accident only	2,236	2,326	-21.5	7.5	2,657
All other	1,088	1,090	0.2	10.7	971

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence

	Year End - December 31				
	2021	2020	2019	2018	2017
By Line Breakdown - NPW USD (000)					
Individual Life	1,834,619	2,423,825	2,830,669	1,837,930	-6,778,165
Group Life	231,919	224,743	220,906	222,593	221,443
Individual Annuities	1,399,500	2,820,075	3,745,648	3,283,355	-3,648,415
Group Annuities	14,569,943	14,778,417	13,357,500	13,512,723	12,476,882
Accident & Health	1,416,988	1,488,462	1,497,932	1,723,414	1,872,409
YRT Mortality Risk Only	12,154	10,080	10,215	...	...
Total	19,470,158	21,751,845	21,668,460	20,582,503	4,147,237

Source: BestLink® - Best's Financial Suite

Geographic Breakdown by Direct Premiums Written and Deposit-Type Contracts USD (000)

	2021	2020	2019	2018	2017
Iowa	5,138,516	5,233,598	3,820,376	3,093,125	1,450,391
California	3,053,874	3,461,061	4,147,017	3,694,009	3,773,331
Illinois	1,762,423	1,125,195	673,873	615,146	711,349
Florida	1,361,567	1,464,783	1,251,659	1,673,895	1,231,670
New York	1,293,345	1,284,821	1,228,989	1,400,246	1,988,594
Texas	1,014,663	1,055,232	1,243,963	1,137,495	1,721,820
Georgia	612,474	580,346	674,827	510,521	722,825
Missouri	567,366	1,535,679	587,303	1,421,808	505,340
New Jersey	533,906	577,869	1,088,701	646,068	579,423
Tennessee	491,763	529,406	426,981	439,508	452,522
All Other	6,796,351	7,578,951	8,797,863	9,515,927	10,155,875
Total	22,626,248	24,426,940	23,941,551	24,147,748	23,293,138
Geographic Concentration Index	0.09	...	...	...	...

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
	2021	2020	2019	2018	2017
By Line Reserves USD (000)					
Individual Life	26,611,382	25,596,581	21,597,913	20,742,367	20,477,227
Individual Annuities	9,919,445	11,517,683	10,568,187	11,067,541	9,847,040
Group Life	1,626,863	1,609,887	1,585,474	1,574,771	1,593,436
Group Annuities	13,317,209	12,146,403	9,834,395	9,843,927	9,907,958
Deposit Type Contracts	858,379	976,182	977,456	1,581,954	1,790,284
Accident & Health	7,261,388	7,135,164	6,998,689	6,820,804	6,589,777
Other	...	...	...	850,838	749,959
Total (including Supplemental Contracts)	59,594,666	58,981,900	51,562,115	52,482,202	50,955,682

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence (Continued...)

	Year End - December 31				
	2021	2020	2019	2018	2017
Life Policies Statistics					
Ordinary Policies					
Issued	182,505	179,997	226,152	255,165	298,308
In Force	8,394,819	9,028,804	9,508,599	10,432,722	10,944,847
Group Policies					
Issued	7	5	9	26	21
In Force	21,124	19,356	20,858	20,763	20,661
Group Certificates					
Issued	85,966	75,613	70,466	84,134	67,413
In Force	740,159	754,140	788,255	838,991	873,098
Life Insurance In Force USD (000)					
Whole Life & Endowment & Additions	333,118,487	325,017,065	324,192,420	321,177,124	320,937,008
Term	878,670,058	917,432,855	947,291,570	1,019,524,831	1,071,251,499
Credit	95,158	176,728	294,283	532,555	955,703
Group	26,982,468	26,347,330	25,610,360	27,170,432	27,808,261
Industrial	416,854	431,223	480,556	538,456	559,457
New Life Business Issued USD (000)					
Whole Life & Endowment & Additions	26,536,292	19,922,702	19,781,096	20,674,088	23,202,660
Term	30,238,288	35,890,596	18,223,860	20,197,792	28,958,479
Credit	808	770	1,828	1,649	2,024
Group	3,632,262	3,340,972	3,108,907	3,632,121	2,923,980

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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