



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

December 20, 2023

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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 Ltd.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

<p>A</p> <p>Excellent</p> <p>Outlook: Stable Action: Affirmed</p>

Issuer Credit Rating (ICR)

<p>a+</p> <p>Excellent</p> <p>Outlook: Stable Action: Affirmed</p>
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Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Strong
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 is assessed at a strong 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 continued decline in special purpose financial captives.
- Higher growth in strategic product lines as part of a continued longer-term strategic focus is on building life and retirement businesses.

Operating Performance: **Strong**

- Continued positive earnings as margins on new business should maintain profitability and the organization continues expense reductions.
- Although ordinary life direct premiums have grown slightly in recent years, overall top-line growth has been inconsistent.
- Statutory earnings in recent years were negatively impacted by some unfavorable mortality experience and market impacts.

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 it is offset with some products viewed as less creditworthy by AM Best.
- Competitive market share positions in many life and select annuity products with an integrated workplace 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 and the existing dynamic hedge program of guaranteed minimum income and death benefit riders in the variable annuities business was expanded. Further actions in 2022 and 2023 involved a lump-sum offer to buy out certain variable annuities with guaranteed minimum income benefit (GMIB) riders as well as the buy out and reinsurance of universal life policies with secondary guarantees (ULSG).

Enterprise Risk Management: **Appropriate**

- 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 has been to reduce interest rate exposure in the general account, with additional actions taken to hedge the interest rate and equity risks 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 strong 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 Ratio (BCAR).
- A negative rating action could occur if there is material decline in business profile fundamentals resulting from the unsuccessful execution of planned initiatives.
- A negative rating action could occur if there is a decline in operating earnings.
- While unlikely, a positive rating action could occur if there is improvement in balance sheet strength metrics

Key Financial Indicators

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	26.3	11.1	4.6	2.9

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

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Assets:							
General Account	83,109,891	85,420,689	88,680,865	85,586,707	87,810,017	78,781,545	80,054,855
Separate Accounts	108,975,093	113,232,265	107,905,916	152,751,343	145,972,729	135,753,011	121,149,400
Total	192,084,985	198,652,954	196,586,781	238,338,050	233,782,746	214,534,556	201,204,255
Liabilities:							
Net Life Reserves	55,805,230	52,655,265	57,811,243	52,239,239	51,649,843	44,136,773	44,656,181
Net Accident & Health Reserves	7,845,475	7,794,269	7,817,923	7,717,738	7,657,071	7,420,053	7,247,452
Liability for Deposit Contracts	769,712	856,047	796,135	858,379	976,182	977,456	1,581,954
Asset Valuation Reserve	1,377,033	1,102,121	1,217,012	1,353,271	1,315,087	1,396,997	1,132,770
Other General Account	10,734,729	15,781,330	14,527,952	15,052,611	17,024,624	15,043,356	16,236,227
Total	185,507,269	191,421,295	190,076,177	229,972,578	224,595,532	204,727,642	192,003,980
Total Capital and Surplus	6,577,715	7,231,659	6,510,603	8,365,472	9,187,214	9,806,914	9,200,275
Net Income	273,494	-1,628,094	-2,123,323	342,986	1,369,957	4,224,535	-684,572
Net Premiums Earned	12,667,979	15,191,510	24,785,387	19,470,158	21,751,845	21,668,460	20,582,503
Net Investment Income	2,820,059	2,711,193	3,540,172	3,417,028	3,566,769	2,960,971	2,920,584

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Operating Return on Revenue	15.5	9.5	7.1	8.9	3.8	13.5	0.5	6.7
Operating Return on Capital and Surplus	55.5	33.9	30.5	27.1	12.7	39.7	1.5	22.1
Net Investment Yield	4.7	4.6	4.4	4.2	4.6	4.1	4.1	4.3
Pre-Tax Investment Total Return	2.4	...	-0.4	2.8	5.0	4.6	4.4	3.2

Source: BestLink® - Best's Financial Suite

Leverage (%)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
General Account Liabilities to Capital and Surplus	11.6	10.8	12.6	9.2	8.6	7.0	7.7
Higher Risk Assets to Capital and Surplus:							
Mortgages Not in Good Standing	...	...	...	0.2	1.3	1.3	0.5
All Other Higher Risk Assets	90.1	77.3	90.0	69.7	70.4	66.2	67.4

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Current Liquidity (%)	73.2	72.6	73.0	76.8	76.8	77.0	78.2
Net Operating Cash Flow USD (000)	1,352,997	2,064,030	2,476,050	3,509,076	5,424,717	1,774,632	1,296,128

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

Balance Sheet Strength (Continued...)

period of time. Liquidity impacts due to rating downgrades are also factored into the company's stress testing. 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 and universal life with secondary guarantees, 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 low 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. Capital & Surplus declined from \$8.3 billion in 2021 to \$6.5 billion in 2022, primarily due to adverse mortality claims experience and realized losses from the sale of assets. 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. 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 with continued decline in special purpose financial captives.

Capital Generation Analysis USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Beginning Capital and Surplus	6,510,603	8,365,472	8,365,472	9,187,214	10,328,331	9,200,275	9,860,986
Net Operating Gain	2,723,665	1,983,389	2,267,560	2,382,054	1,201,725	3,769,242	132,775
Net Realized Capital Gains (Losses)	-2,450,171	-3,611,483	-4,390,883	-2,039,068	168,231	455,293	-817,347
Net Unrealized Capital Gains (Losses)	956,054	811,580	984,040	469,888	-157,787	-312,106	1,330,308
Net Change in Paid-In Capital and Surplus	527	94,795	99,333	2,571	549,904	-530,108	-606,183
Stockholder Dividends	-727,500	-450,000	-725,000	-961,486	-1,275,000	-799,369	-715,443
Other Changes in Capital and Surplus	-435,463	37,907	-89,919	-675,700	-1,628,191	-1,976,313	15,180
Net Change in Capital and Surplus	67,112	-1,133,813	-1,854,869	-821,742	-1,141,117	606,639	-660,711
Ending Capital and Surplus	6,577,715	7,231,659	6,510,603	8,365,472	9,187,214	9,806,914	9,200,275
Net Change in Capital and Surplus (%)	1.0	-13.6	-22.2	-8.9	-6.3	6.6	6.2
Net Change in Capital and Surplus (5 yr CAGR)	...	...	-5.5	...	...	...	...

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. Almost the entire investment portfolio is managed by Aegon Asset Management. As of year-end 2022, bonds represented 66% of the investment portfolio and 95% are investment grade. Common stocks are at approximately 4% of the portfolio, much of which is affiliated. Direct commercial mortgage loans comprise 13% 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 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 34% as of year-end 2022, still lower from a high of 60% back in 2012 and below industry average of around 36%. The NAIC 2 percentage within the investment grade portfolio has trended higher over the past five years. 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.

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Total Cash and Invested Assets USD (000)	79,181,938	81,839,340	84,942,622	82,496,800	84,532,983	74,426,959	75,539,518
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	1.7	2.2	3.1	3.0	2.7	3.4	4.0
Bonds	67.7	66.0	66.4	67.5	66.7	65.3	66.3
Stocks	0.2	0.3	0.3	0.4	0.4	0.4	0.5
Mortgage Loans	14.3	13.5	13.1	13.1	12.5	12.6	11.3
Other Invested Assets	9.3	12.5	11.5	10.1	11.6	11.0	11.8
Total Unaffiliated	93.3	94.5	94.3	94.1	93.9	92.7	93.9
Investments in Affiliates	6.8	5.6	5.8	5.9	6.2	7.4	7.0
Non-Admitted	-0.1	-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	0.3	0.7	3.5	8.5	20.7
Government Agencies and Municipal Bonds	0.1	0.2	0.3	1.4	2.7	19.5
Industrial and Miscellaneous Bonds	3.7	18.6	21.3	19.3	18.4	11.9
Bank Loans	...	0.1	...	...	...	3.2
Hybrid Securities	...	0.1	0.1	0.1	0.4	17.4
Total Bonds	3.9	19.3	22.4	24.4	30.1	13.4

Source: BestLink® - Best's Financial Suite

Bonds - Distribution by Issuer	Year End - December 31				
	2022	2021	2020	2019	2018
Bonds USD (000)	56,386,938	55,715,693	56,356,309	48,623,200	50,090,758
US Government (%)	11.6	13.7	13.9	13.2	17.6
Foreign Government (%)	1.6	1.2	1.0	1.2	1.4
Foreign - All Other (%)	15.8	15.9	15.5	16.9	17.0
State, Municipal & Special Revenue (%)	4.6	5.3	5.4	4.6	2.3
Industrial & Miscellaneous (%)	65.5	63.3	63.0	62.7	60.2
Hybrid Securities (%)	0.8	0.7	1.2	1.4	1.5
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 less capital-intensive products. 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 actions, such as buyouts of variable annuities and universal life with secondary guarantees, 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.

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 gains of \$2.2 billion in 2022 and 2021 as compared to \$1.1 billion in 2020.

Operating Performance (Continued...)

The group's net investment yield of 4.4% was in-line with the industry average in 2022, and up from 4.2% in 2021. Life sales increased by approximately 8% CAGR between 2019-2022, driven by increased indexed UL, additional products repricing, expanded product suite, 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. The company up-streamed approximately \$961 million of dividends in 2021 and \$725 million of dividends in 2022 to the US holding companies, with \$500 million in 2021 and \$550 million in 2022 of this being up-streamed to parent company Aegon Ltd. For 2022, overall direct premium growth was down by approximately 7%, after a drop of 7.5% in 2021.

Life products accounted for about 24% of Total Direct Premiums Written (DPW) in 2022 (up from 22% in 2021). All A&H products accounted for 7.2% of Total DPW. Individual Annuities accounted for 4.4% (down from 6.8%), with Group Annuities at almost 65% of DPW. Investment & Retirement accounted for about 69% of Total DPW in 2022.

In 2022, net income was negatively impacted by realized losses in the fixed income portfolio that were related to divestments made to maintain the group's liquidity position in line with its liquidity framework. Future margins may be challenged by the higher interest rate environment and increased competition in the marketplace.

Year End - December 31

Net Operating Gain By LOB USD (000)	2022	2021	2020	2019	2018
Individual Life	151,290	-1,052,614	161,077	-154,349	-120,645
Group Life	69,152	20,423	49,256	53,894	53,852
Individual Annuities	878,078	2,591,783	269,474	3,084,417	-191,566
Group Annuities	340,482	334,011	247,309	306,663	307,650
Accident & Health	168,226	448,858	368,256	248,354	239,173
Other Lines of Business	...	...	...	...	-155,689
YRT Mortality Risk Only	660,331	39,592	106,354	230,263	...
Total	2,267,560	2,382,054	1,201,725	3,769,242	132,775

Source: BestLink® - Best's Financial Suite

Year End - December 31

Accident & Health Statistics	2022	2021	2020	2019	2018
Net Premiums Written USD (000)	1,381,575	1,423,025	1,482,825	1,495,963	1,725,231
Net Premiums Earned USD (000)	1,386,479	1,414,841	1,492,790	1,502,620	1,731,196
Claims and Cost Containment Ratio (%)	87.2	79.9	88.1	89.4	82.4
Expense Ratio (%)	34.6	35.0	35.3	24.3	25.6
Combined Ratio (%)	121.8	115.0	123.4	113.7	108.0
Underwriting Results USD (000)	-300,572	-214,401	-346,030	-204,450	-136,873

Source: BestLink® - Best's Financial Suite

Business Profile

Aegon USA is one of the leading life insurance organizations in the U.S. with around eleven 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 the lead insurance entities following the re-domicile of ultimate parent company Aegon Ltd.

On October 27, 2022, Aegon announced the transfer of the entirety of its Dutch insurance, banking, and mortgage business to ASR Nederland N.V.. The remaining businesses were Transamerica operations in the USA, Aegon's UK operations and Aegon's asset

Business Profile (Continued...)

management and International operations. This deal closed on July 4, 2023. On September 30, 2023, Aegon's Extraordinary General Meeting of shareholders (EGM) approved its cross-border conversion into a Bermuda Limited company. After the completion of the EGM, the change of Aegon's legal seat to Bermuda has been effectuated, as a result of which the company became a Bermuda entity: Aegon Ltd. As of October 1, 2023, the Bermuda Monetary Authority is Aegon Ltd's group supervisor.

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 offer to buy out certain variable annuities with guaranteed minimum income benefit riders (GMIB), the buy out and reinsurance of universal life policies with secondary guarantees (ULSG), as well as 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 life at around 52% at year end 2022, as compared to 47% for annuities as year-end 2021 and 43% in 2018. The current product offerings are well diversified across the spectrum.

Transamerica's sales mix is one of the most diversified in the industry. Transamerica is a top-10 player in Life insurance, with Indexed Universal Life being in a top-5 position. In the Retirement Plans Middle Market, where Transamerica is 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.

2022 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	4,733,212	22.6	6,548,532	99.4	2,534,689	92.3	8,747,056	35.3	77.5
Group Life	306,033	1.5	1,877	...	55,091	2.0	252,820	1.0	82.1
Credit Life	787	...	106	...	10	...	883	...	98.9
Individual Annuities	929,036	4.4	16,354	0.2	12,001	0.4	933,389	3.8	98.7
Group Annuities	13,472,085	64.3	493	...	4,099	0.1	13,468,479	54.3	100.0
Individual Accident & Health	827,503	4.0	12,118	0.2	60,480	2.2	779,141	3.1	92.8
Group Accident & Health	671,144	3.2	11,791	0.2	79,832	2.9	603,103	2.4	88.3
Credit Accident & Health	156	...	1	...	4	...	153	...	97.6
Industrial Life	352	...	...	...	...	...	352	...	100.0
Total	20,940,308	100.0	6,591,272	100.0	2,746,205	100.0	24,785,375	100.0	90.0

Source: BestLink® - Best's Financial Suite

Year End - December 31

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

	2022	2021	2020	2019	2018
Iowa	4,960,253	5,138,516	5,233,598	3,820,376	3,093,125
California	2,873,449	3,053,874	3,461,061	4,147,017	3,694,009
New York	1,498,719	1,293,345	1,284,821	1,228,989	1,400,246
Florida	1,115,495	1,361,567	1,464,783	1,251,659	1,673,895
Texas	997,894	1,014,663	1,055,232	1,243,963	1,137,495
Top 5 States	11,445,811	11,861,965	12,499,495	11,692,003	10,998,771
All Other	9,474,296	10,764,283	11,927,445	12,249,548	13,148,977
Total	20,920,107	22,626,248	24,426,940	23,941,551	24,147,748
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 Risk Committee, the Board and an Group Risk & Capital Committee. Aegon USA's governance structure includes a Transamerica Risk and Capital Committee, along with numerous 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.

Environmental, Social & Governance

The company has been addressing environmental risk and responsibility, with progress made in the portfolio towards the reduction of bonds with high emissions and replacing them with bonds from environmental-friendly issuers. 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

	9-Months		Year End - December 31			
	2023		2022		2021	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	1,383,635	0.7	2,625,473	1.3	2,468,265	1.0
Bonds	53,634,663	27.9	56,374,261	28.7	55,715,693	23.4
Preferred and Common Stock	3,333,576	1.7	3,321,947	1.7	3,662,326	1.5
Other Invested Assets	20,830,064	10.8	22,620,940	11.5	20,650,516	8.7
Total Cash and Invested Assets	79,181,938	41.2	84,942,622	43.2	82,496,800	34.6
Premium Balances	158,639	0.1	177,116	0.1	189,039	0.1
Net Deferred Tax Asset	771,744	0.4	768,495	0.4	851,726	0.4
Other Assets	2,997,571	1.6	2,792,632	1.4	2,049,142	0.9
Total General Account Assets	83,109,891	43.3	88,680,865	45.1	85,586,707	35.9
Separate Account Assets	108,975,093	56.7	107,905,916	54.9	152,751,343	64.1
Total Assets	192,084,985	100.0	196,586,781	100.0	238,338,050	100.0
Net Life Reserves	55,805,230	29.1	57,811,243	29.4	52,239,239	21.9
Net Accident & Health Reserves	7,845,475	4.1	7,817,923	4.0	7,717,738	3.2
Liability for Deposit Contracts	769,712	0.4	796,135	0.4	858,379	0.4
Asset Valuation Reserve	1,377,033	0.7	1,217,012	0.6	1,353,271	0.6
Other Liabilities	10,734,729	5.6	14,527,952	7.4	15,052,611	6.3
Total General Account Liabilities	76,532,180	39.8	82,170,265	41.8	77,221,239	32.4
Separate Account Liabilities	108,975,090	56.7	107,905,912	54.9	152,751,339	64.1
Total Liabilities	185,507,269	96.6	190,076,177	96.7	229,972,578	96.5
Capital Stock	8,645	...	8,645	...	8,645	...
Paid-In and Contributed Surplus	5,348,761	2.8	5,348,235	2.7	5,248,902	2.2
Unassigned Surplus	666,405	0.3	766,399	0.4	3,342,158	1.4
Other Surplus	553,903	0.3	387,324	0.2	-234,233	-0.1
Total Capital and Surplus	6,577,715	3.4	6,510,603	3.3	8,365,472	3.5
Total Liabilities, Capital and Surplus	192,084,985	100.0	196,586,781	100.0	238,338,050	100.0

Source: BestLink® - Best's Financial Suite

Income Statement USD (000)	9-Months		Year End - December 31	
	2023	2022	2022	2021
Net Premiums Earned:				
Individual Life	...	...	8,733,663	1,834,619
Group Life	...	...	253,692	236,953
Individual Annuities	...	...	933,402	1,399,500
Group Annuities	...	...	13,468,479	14,569,943
Accident & Health	...	...	1,382,407	1,416,988
Other Lines of Business	...	...	...	...
YRT Mortality Risk Only	...	...	13,745	12,154
Total Net Premiums Earned	12,667,979	15,191,510	24,785,387	19,470,158
Net Investment Income	2,820,059	2,711,193	3,540,172	3,417,028
Reserve Adjustments on Reinsurance Ceded	-107,843	-128,030	-147,082	-259,852
Other Income	2,208,073	3,144,976	3,820,762	4,051,348
Total Revenue	17,588,268	20,919,649	31,999,240	26,678,682
Policy Benefits	15,865,863	21,621,719	43,432,921	30,749,235
Commissions and Expense Allowances	1,063,611	1,039,143	1,774,978	1,479,086
Insurance and Other Expense	1,446,103	1,178,071	1,163,200	1,493,340
Net Transfers to (from) Separate Accounts	-3,564,607	-4,819,905	-16,569,243	-9,267,699
Dividends to Policyholders	6,939	7,922	9,511	9,966
Pre-Tax Net Operating Gain	2,770,359	1,892,698	2,187,872	2,214,754
Income Taxes Incurred	46,695	-90,691	-79,688	-167,300
Net Operating Gain	2,723,665	1,983,389	2,267,560	2,382,054
Net Realized Capital Gains	-2,450,171	-3,611,483	-4,390,883	-2,039,068
Net Income	273,494	-1,628,094	-2,123,323	342,986

Source: BestLink® - Best's Financial Suite

Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2023	2022	2022	2021
Net Premiums Collected	12,874,095	15,362,376	19,791,376	21,203,370
Net Investment Income	2,833,975	2,668,403	3,476,824	3,453,499
Other Income Received	1,462,151	1,899,785	2,502,001	2,315,615
Total Collected Operating Revenue	17,170,221	19,930,564	25,770,201	26,972,484
Net Benefits and Loss Related Payments	17,159,792	20,634,348	37,194,623	30,032,284
Commissions and Other Expenses Paid	2,288,504	2,283,679	3,004,199	3,016,763
Net Transfers to (from) Separate Accounts	-3,638,341	-4,962,650	-16,726,363	-9,447,750
Dividends to Policyholders	4,015	4,508	5,945	6,214
Income Taxes Paid (Recovered)	3,255	-93,350	-184,253	-144,103
Total Paid Expenses and Transfers	15,817,224	17,866,534	23,294,151	23,463,408
Net Operating Cash Flow	1,352,997	2,064,030	2,476,050	3,509,076

Source: BestLink® - Best's Financial Suite

Last Update

December 20, 2023

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 Ltd.](#)

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: December 20, 2023

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 Ltd.

Based on AM Best's analysis, AMB# 085244 Aegon Ltd. 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 units: Individual Solutions and Workplace Solutions.

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	2022	2021	2020	2019	2018
Aegon USA Group					
Face Amount Reinsurance Ceded USD (000)	679,523,678	787,767,648	845,971,407	953,223,684	1,039,549,415
Affiliated Reinsurance Recoverable / Capital & Surplus (%)	2.2	2.3	2.0	5.0	4.8
Unaffiliated Reinsurance Recoverable / Capital & Surplus (%)	15.3	13.0	10.8	10.2	11.6
Total Reinsurance Recoverable / Capital & Surplus (%)	17.5	15.3	12.9	15.1	16.4
Surplus Relief (%)	16.8	2.5	8.2	9.2	11.0
Reinsurance Leverage (%)	577.3	478.7	442.1	528.4	574.2
Group Annuity Composite					
Total Reinsurance Recoverable / Capital & Surplus (%)	5.2	5.3	5.6	4.5	4.2
Reinsurance Leverage (%)	211.9	178.7	206.8	204.0	198.4

Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Asset Liability Management | Investments

	9-Months		2022	Year End - December 31			
	2023	2022		2021	2020	2019	2018
Bond Portfolio							
Bonds & Short Term Investments USD (000)	53,832,204	54,229,866	56,484,110	55,835,002	56,880,498	49,194,097	50,745,101
Unaffiliated Bonds:							
US Government	...	...	11.6	13.7	13.9	13.2	17.6
Foreign Government	...	...	1.6	1.2	1.0	1.2	1.4
Foreign – All Other	...	...	15.8	15.9	15.5	16.9	17.0
State, Municipal & Special Revenue	...	...	4.6	5.3	5.4	4.6	2.3
Industrial & Miscellaneous	...	...	65.5	63.3	63.0	62.7	60.2
Hybrid Securities	...	...	0.8	0.7	1.2	1.4	1.5
Total Bonds	...	...	100.0	100.0	100.0	100.0	100.0
By Private vs Public (%)							
Private issues	...	...	32.5	29.1	27.2	28.7	26.2
Public issues	...	...	67.5	70.9	72.8	71.3	73.8
By Quality (%)							
Class 1	57.1	56.3	55.6	56.1	56.7	60.0	59.4
Class 2	38.7	39.1	39.8	39.0	37.7	34.2	34.0
Class 3	2.3	2.8	2.9	3.3	3.7	2.9	3.3
Class 4	1.3	1.2	1.2	1.1	1.2	2.0	2.4
Class 5	0.5	0.4	0.4	0.4	0.5	0.7	0.7
Class 6	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Below Investment Grade (NAIC 3-6)	4.2	4.6	4.6	4.9	5.6	5.8	6.6
Below Investment Grade - % of Capital & Surplus	34.7	34.5	33.7	28.2	30.3	25.3	32.4

Source: BestLink® - Best's Financial Suite

	9-Months		2022	Year End - December 31			
	2023	2022		2021	2020	2019	2018
Stock Portfolio							
Stocks USD(000)	3,333,576	3,210,584	3,321,947	3,662,326	3,677,892	3,423,516	3,140,620
By Type (%)							
Unaffiliated Common	...	...	4.7	5.6	5.2	4.2	7.6
Affiliated Common	...	...	93.3	90.9	91.8	92.3	88.6
Unaffiliated Preferred	...	...	2.0	3.5	3.0	3.5	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)
Credit (Group and Individual)	153	188	64.9	999.9	-1,527

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence

	Year End - December 31				
	2022	2021	2020	2019	2018
By Line Breakdown - NPW USD (000)					
Individual Life	8,733,663	1,834,619	2,423,825	2,830,669	1,837,930
Group Life	249,121	231,919	224,743	220,906	222,593
Individual Annuities	933,402	1,399,500	2,820,075	3,745,648	3,283,355
Group Annuities	13,468,479	14,569,943	14,778,417	13,357,500	13,512,723
Accident & Health	1,382,407	1,416,988	1,488,462	1,497,932	1,723,414
YRT Mortality Risk Only	13,745	12,154	10,080	10,215	...
Total	24,785,387	19,470,158	21,751,845	21,668,460	20,582,503

Source: BestLink® - Best's Financial Suite

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

	2022	2021	2020	2019	2018
Iowa	4,960,253	5,138,516	5,233,598	3,820,376	3,093,125
California	2,873,449	3,053,874	3,461,061	4,147,017	3,694,009
New York	1,498,719	1,293,345	1,284,821	1,228,989	1,400,246
Florida	1,115,495	1,361,567	1,464,783	1,251,659	1,673,895
Texas	997,894	1,014,663	1,055,232	1,243,963	1,137,495
Illinois	886,368	1,762,423	1,125,195	673,873	615,146
Georgia	591,206	612,474	580,346	674,827	510,521
New Jersey	565,516	533,906	577,869	1,088,701	646,068
Missouri	560,980	567,366	1,535,679	587,303	1,421,808
Massachusetts	496,440	440,710	442,039	530,859	424,910
All Other	6,373,785	6,847,404	7,666,317	8,693,985	9,530,525
Total	20,920,107	22,626,248	24,426,940	23,941,551	24,147,748
Geographic Concentration Index	0.09	...	...	...	...

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
	2022	2021	2020	2019	2018
By Line Reserves USD (000)					
Individual Life	32,320,088	26,611,382	25,596,581	21,597,913	20,742,367
Individual Annuities	9,857,211	9,919,445	11,517,683	10,568,187	11,067,541
Group Life	1,636,498	1,626,863	1,609,887	1,585,474	1,574,771
Group Annuities	13,295,722	13,317,209	12,146,403	9,834,395	9,843,927
Deposit Type Contracts	796,135	858,379	976,182	977,456	1,581,954
Accident & Health	7,386,613	7,261,388	7,135,164	6,998,689	6,820,804
Other	...	...	...	...	850,838
Total (including Supplemental Contracts)	65,292,266	59,594,666	58,981,900	51,562,115	52,482,202

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence (Continued...)

	Year End - December 31				
	2022	2021	2020	2019	2018
Life Policies Statistics					
Ordinary Policies					
Issued	184,748	182,505	179,997	226,152	255,165
In Force	7,351,761	8,394,819	9,028,804	9,508,599	10,432,722
Group Policies					
Issued	...	7	5	9	26
In Force	21,107	21,124	19,356	20,858	20,763
Group Certificates					
Issued	93,997	85,966	75,613	70,466	84,134
In Force	734,067	740,159	754,140	788,255	838,991
Life Insurance In Force USD (000)					
Whole Life & Endowment & Additions	377,775,617	333,118,487	325,017,065	324,192,420	321,177,124
Term	775,738,442	878,670,058	917,432,855	947,291,570	1,019,524,831
Credit	93,376	95,158	176,728	294,283	532,555
Group	28,028,014	26,982,468	26,347,330	25,610,360	27,170,432
Industrial	403,039	416,854	431,223	480,556	538,456
New Life Business Issued USD (000)					
Whole Life & Endowment & Additions	48,579,748	26,536,292	19,922,702	19,781,096	20,674,088
Term	10,215,910	30,238,288	35,890,596	18,223,860	20,197,792
Credit	...	808	770	1,828	1,649
Group	4,202,229	3,632,262	3,340,972	3,108,907	3,632,121

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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