

EXAMINATION REPORT OF
TLIC RIVERWOOD REINSURANCE, INC.
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2014

Cedar Rapids, Iowa
May 11, 2016

HONORABLE NICK GERHART
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an Examination has been made of the records, affairs and financial condition of

TLIC RIVERWOOD REINSURANCE, INC.

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2014

at the Company's Home Office located at 4333 Edgewood Road Northeast, Cedar Rapids, Iowa. The report thereof containing applicable comments, explanations and financial data is presented herewith.

INTRODUCTION

TLIC Riverwood Reinsurance, Inc., hereinafter will be referred to as the "Company." This is the initial examination of the company which was examined as of December 31, 2014 under the Association Plan. The examination reported herein was part of a coordinated examination of seven life insurance companies and one property and casualty company of The AEGON Trust. The state insurance departments of Iowa, New York, Ohio, Arkansas and Vermont participated in this coordinated examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the period from August 29, 2011 to the close of business on December 31, 2014, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires the examination to be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the organization were considered in accordance with the risk-focused examination process. The Company's assets were verified and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2014.

HISTORY

Pursuant to the approval of the Iowa Insurance Division, the Company was formed on August 29, 2011 by Transamerica Life Insurance Company ("TLIC") as a limited purpose subsidiary life insurance company. On September 27, 2011, TLIC made a capital contribution to the Company in the amount of \$255,000,000.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The Company had 25,000 common shares authorized, issued and outstanding with a par value of \$100 per share.

No dividends have been paid during the exam period.

HOLDING COMPANY ACT

For each year during the examination period, the Company filed the appropriate statement as required by statute for insurance holding company systems.

Organizational Chart

The Company has numerous affiliates. A partial organizational chart follows:

ULTIMATE PARENT

VERENIGING AEGON, NETHERLANDS MEMBERSHIP ASSOCIATION

SUBSIDIARY OF VERENIGING AEGON, NETHERLANDS MEMBERSHIP ASSOCIATION

AEGON N.V. - Netherlands Corporation 32.047%

SUBSIDIARIES OF AEGON N.V.

AEGON NEDERLAND N.V. - Netherlands Corporation

AEGON NEVAK HOLDING B.V. - Netherlands Corporation

BLUE SQUARE RE N.V. - Netherlands Corporation

AEGON DERIVATIVES N.V. - Netherlands Corporation

AEGON INTERNATIONAL B.V. - Netherlands Corporation

SUBSIDIARIES OF AEGON INTERNATIONAL B.V.

THE AEGON TRUST - Delaware Corporation

Aegon DMS HOLDING B.V. - Netherlands Corporation

Aegon CANADA HOLDING B.V.

SUBSIDIARY OF THE AEGON TRUST

TRANSAMERICA CORPORATION - Delaware Corporation

SUBSIDIARIES OF TRANSAMERICA CORPORATION

AEGON U.S. HOLDING CORPORATION - Delaware Corporation

SUBSIDIARY OF AEGON U.S. HOLDING CORPORATION

AEGON USA, LLC - Iowa Corporation

SUBSIDIARIES OF AEGON USA, LLC

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY (TFLIC) - New York Corporation (1)

TRANSAMERICA INTERNATIONAL HOLDINGS, INC. - Delaware Corporation

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY (TALIC) - Arkansas Corporation

TRANSAMERICA CASUALTY INSURANCE COMPANY - Ohio Corporation

COMMONWEALTH GENERAL CORPORATION - Delaware Corporation

SUBSIDIARIES OF TRANSAMERICA INTERNATIONAL HOLDINGS, INC.

TRANSAMERICA LIFE INSURANCE COMPANY (TLIC) - Iowa Corporation (2)

SUBSIDIARIES OF COMMONWEALTH GENERAL CORPORATION

TRANSAMERICA PREMIER LIFE INSURANCE COMPANY (TPLIC) - Iowa Corporation

STONEBRIDGE LIFE INSURANCE COMPANY - Vermont Corporation

SUBSIDIARY OF Transamerica Life Insurance Company

TLIC OAKBROOK REINSURANCE, INC. - Iowa Corporation

TLIC RIVERWOOD REINSURANCE, INC. - Iowa Corporation

- (1) 15,067 shares common stock and 40,415 shares preferred stock owned by Aegon USA, Inc.; 2,075 shares common stock and 5,566 shares preferred stock owned by Transamerica Life Insurance Company.
- (2) 676,190 shares common stock owned by Transamerica International Holdings, Inc.; 86,590 shares preferred stock owned by Transamerica Corporation; 30,564 shares preferred stock owned by Aegon USA, LLC.

MANAGEMENT AND CONTROL

STOCKHOLDERS

The Articles of Incorporation provide that the annual meeting of the stockholders shall be held at the office of the Corporation on the first day of April in each year at Cedar Rapids, Iowa or in such other place as the Board of Directors may deem more convenient to a majority of the stockholders

The By-laws provide for Special meetings of the stockholders for any purpose or purposes other than those regulated by statute otherwise, may be called by the President upon written notice to be given not less than ten days nor more than thirty days before said special meeting is to be held. Special meetings shall also be called by the President or Secretary at the request, in writing, of stockholders owning at least one-third of the entire capital stock of the corporation issued and outstanding and entitled to vote.

At any meeting of the stockholders, the holders of a majority of the shares of the capital stock of the corporation, issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes.

Except as otherwise provided in the Certificate of Incorporation or by law, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, prior notice or a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of all the outstanding shares entitled to vote thereon.

BOARD OF DIRECTORS

The By-Laws provide that the business and the property of the Corporation shall be managed and controlled by a Board of not less than five nor more than twelve Directors. The Directors shall be elected by ballot, by plurality vote of the stockholders, to serve for the term of one year and until their successors shall be elected and qualify, except as hereinafter otherwise provided for filling vacancies.

The Bylaws state that regular meetings of the Board of Directors shall be held at such times and locations as the Board of Directors may designate. The Secretary shall serve a written notice of each regular meeting addressed to the members of the Board of Directors

not less than five days before the date set for such meeting, unless the Board of Directors by resolution shall otherwise direct.

A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

The directors serving as of December 31, 2014 were as follows:

<u>Name and Address</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
James Beardsworth Cedar Rapids, IA	Senior Vice President - Corporate Development Aegon Americas, President of the Company	2015
Christopher H. Garrett Marion, IA	Vice President Aegon Americas	2015
C. Michiel van Katwijk Baltimore, MD	Chief Financial Officer Aegon Americas	2015
Charles F. Hill Paget, Bermuda	President Transamerica Life International (Bermuda) Ltd.	2015
Craig Vermie Cedar Rapids, IA	Senior VP, General Counsel and Secretary Aegon Americas	2015*

- Craig Vermie resigned on 6/27/14 and was replaced by Jason Orlandi at the next Board meeting held on 4/1/15.

Committees

The Bylaws provide that the Board of Directors may designate three directors to constitute an Executive Committee of the Board of Directors, which committee shall have and may exercise all the powers of the Board of Directors. The Board of Directors shall not be required to constitute an Executive Committee and did not have one during the examination period.

Officers

The Bylaws of the Company provide the executive officers of the corporation shall be a Chairman of the Board of Directors, a President, a Vice President, a Treasurer, and a Secretary. The Chairman of the Board and President are to be members of the Board of Directors.

The officers contained on the jurat page of the annual statement elected by the Board for the year ended December 31, 2014 were as follows:

<u>Name</u>	<u>Title</u>
James A. Beardsworth	President & Chairman of the Board
Jason Orlandi	Senior VP, Secretary and General Counsel
Eric John Martin	Senior VP, Corporate Controller, Treasurer

The salaries of the officers shown on the jurat page of the annual statement are contained in Exhibit "A" which will be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure whereby its directors, officers and key employees annually disclose any actual or potential conflicts of interest. A review of the signed conflict of interest statements submitted for each of the years covered by this examination revealed no material conflicts of interest.

CORPORATE RECORDS

The minutes of the meetings of the stockholders, the Board of Directors and the committees of the Board were reviewed for the examination period. All minutes were signed and properly attested.

The Company's Articles of Incorporation and Bylaws were initialized in 2011 and were not amended during the exam period.

FIDELITY BONDS AND OTHER INSURANCE

A review of the insurance coverages maintained for the United States domiciled AEGON companies found adequate coverage is maintained protecting the Company's various interests.

EMPLOYEE WELFARE

The Company has no employees.

AGENT WELFARE

The Company only assumes business and has no agents.

REINSURANCE

The reinsurance contract of the Company was examined and no contract provisions were found to be outside the custom of the industry. The contract had acceptable insolvency clauses and transfer of risk.

ASSUMED

The Company does not have any direct business. All of the business assumed by the Company was written by an affiliate. The Company retains all risks assumed from the affiliate. During the examination period, the Company entered into two reinsurance treaties to gain risk transfer and accounting and tax benefits. The Company has assumed, on a coinsurance with funds withheld basis, specified in-force level term life policies issued by an affiliate. At December 31, 2014 assumed reserves under the two treaties were \$2,580,312,413. Individual coinsurance reserves accounted for \$2,577,750,635 of this total, while group coinsurance reserves were \$2,561,778.

ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. At certain divisions, an imaging software system is used to maintain documents on the computer system rather than as hard copies (paper, microfiche, microfilm, etc.) in storage.

Trial balances of the Company's general ledger accounts were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

During the course of the examination, no statutory compliance issues were noted nor material aggregate surplus differences identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2014.

GROWTH OF THE COMPANY

The following significant data, taken from the annual statements for the years indicated, reflects the growth of the Company. The figures shown omit thousands of dollars.

<u>YEAR</u>	<u>TOTAL ADMITTED ASSETS</u>	<u>AGGREGATE LIFE RESERVES</u>	<u>CAPITAL AND SURPLUS</u>	<u>LIFE AND ANNUITY PREMIUM</u>	<u>LIFE INSURANCE IN-FORCE</u>
2011	2,510,906	1,772,762	675,044	309,941	132,287,411
2012	2,852,021	2,048,873	724,720	362,716	124,576,216
2013	3,169,069	2,334,750	751,027	346,813	118,002,196
2014	3,483,143	2,580,312	817,284	329,349	112,046,024

SUBSEQUENT EVENTS

In January 2016, the Aegon Group announced a reorganization. The Company is merging all Divisions into one corporate-wide division. The merging process will begin in March, 2016.

F I N A N C I A L S T A T E M E N T S
A N D C O M M E N T S T H E R E O N

Note: The financial statements contained herein reflect only the transactions of the year ended December 31, 2014, and the assets and liabilities as of that date. Schedules may not add or tie precisely due to rounding.

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Non-admitted</u>	Net <u>Admitted Assets</u>
Bonds	\$ 446,158,965	\$	\$ 446,158,965
Cash, Cash Equivalents and Short-term investments	370,551,199		370,551,199
Investment income due and unpaid	4,441,599		4,441,599
Premiums and considerations:			
Uncollected premiums and agents			
Balances in course of collection	15,840,183		15,840,183
Deferred premiums, agents balances	31,228,161		31,228,161
Funds held by or deposited with Reinsured companies	650,514,765		650,514,765
Current Federal and foreign income Tax recoverable	14,583,092		14,583,092
Net deferred tax asset	78,660,805	78,660,805	
Receivable from parent, subsidiary And affiliates	20,000,778		20,000,778
Aggregate write-ins for other than Invested assets:			
Parental guarantee	1,929,797,648		1,929,797,648
Investment receivables	<u>53,930</u>	<u>27,398</u>	<u>26,532</u>
Total Assets	<u>\$3,561,831,125</u>	<u>\$78,688,203</u>	<u>\$3,483,142,922</u>

Liabilities Surplus and other Funds

Aggregate reserve for life contracts	\$2,580,312,413
Contract claims: Life	47,920,255
Premiums and annuity considerations for life and accident and health	
Contracts received in advance	5,858,694
Interest maintenance reserve	80,779
Unearned investment income	2,769
Asset valuation reserve	<u>31,683,394</u>
 Total Liabilities	 <u>2,665,858,304</u>
 Common capital stock	 2,500,000
Gross paid-in and contributed surplus	252,500,000
Unassigned funds	<u>562,284,618</u>
 Total Capital and Surplus	 <u>\$ 817,284,618</u>
 Total Liabilities and Capital	 <u>\$3,483,142,922</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life contracts	\$329,348,678
Net investment income	15,964,297
Amortization of Interest Maintenance Reserve	<u>66,138</u>
Total	<u>\$345,379,113</u>
Death benefits	\$182,588,637
Increase in aggregate reserves for life contracts	<u>241,502,564</u>
Total	<u>424,091,201</u>
Commissions and expense allowances on reinsurance assumed	\$ 35,035,410
General insurance expenses	123,993
Insurance taxes, licenses and fees	217
Increase in loading on deferred and uncollected premiums	(1,925,010)
Aggregate write-ins for deductions	
Fees and penalties	500
Funds withheld ceded investment income	<u>(19,365,420)</u>
Total	<u>437,960,891</u>
Net gain from operations before federal income taxes	(92,581,778)
Federal and foreign income taxes incurred	<u>(73,660,378)</u>
Net gain from operations after dividends to policyholders and federal Income taxes and before realized capital gains or (losses)	(18,921,400)
Net realized capital gains (losses)	<u>(1,954,154)</u>
Net income	<u>\$(20,875,554)</u>

CAPITAL AND SURPLUS

Capital and surplus December 31, prior year	\$751,027,316
Net income	(20,875,554)
Change in net deferred income tax	78,660,806
Change in nonadmitted assets	(78,596,703)
Change in reserve on account of change in valuation basis	(4,059,517)
Change in asset valuation reserve	(1,498,328)
Parental guarantee	<u>92,626,598</u>
Net change in capital and surplus for the year	<u>66,257,302</u>
Capital and surplus, December 31, current year	<u>\$817,284,618</u>

Cash Flow

Cash from operations

Premiums collected net of reinsurance	\$ 335,791,664
Net investment income	<u>22,751,780</u>
Total	<u>\$ 358,543,444</u>
Benefit and loss related payments	333,239,990
Commissions, expenses paid and aggregate write-ins for deductions	15,794,700
Federal and foreign income taxes paid	<u>(65,272,347)</u>
Total	<u>\$ 283,762,343</u>
Net cash from operations	<u>\$ 74,781,101</u>

Cash from investments

Proceeds from investments sold, matured or repaid:

Bonds	\$ 45,481,798
Total investment proceeds	<u>45,481,798</u>
<u>Cost of investments acquired</u>	
Bonds	\$ 232,550,241
Miscellaneous applications	<u>53,931</u>
Total investments acquired	<u>\$ 232,604,172</u>
Net cash from investments	<u>\$(187,122,374)</u>
Cash provided	
Other cash provided	\$ 3,677,215
Net cash from financing and miscellaneous sources	<u>\$ 3,677,215</u>

Reconciliation of cash, cash equivalents and short-term investments

Net change in cash, cash equivalents and short-term investments	\$(108,664,058)
Cash, cash equivalents and short-term investments	
Beginning of year	<u>479,215,257</u>
End of year	<u>\$ 370,551,199</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, the following examiners representing the Iowa Insurance Division participated in certain phases of this examination:

IID:

Dan Mathis, CFE	Assistant Chief Examiner
Jeff Payne, CFE	Examiner-in-Charge
Lindsay Bates, CFE, MCM	Examiner Specialist
Jerry Cihota, CFE	Examiner Specialist
Bob Wong, CFE, CISA	Examiner Specialist
Randy Guzman	Senior Examiner
Alex Matovu	Senior Examiner

The following examiners from Noble Consulting Services, Inc. assisted the Iowa Insurance Division:

Mike Dinius, CPA, CFE	Exam Oversight
Bill O'Connell, CPA, CFE, CIA	Exam Facilitator
TJ Allen, CPA, CFE, CIA	Examiner-in-Charge, TALIC
Jerry Ehlers, CPA, CFE, CISA, AES	Examiner-in-Charge, TFLIC
Brad Neff, CFE, CPA, ARA, AIE, MCM	Senior Examiner
Amy Wong, CPA	Senior Examiner
Kelly Wensing	Exam Administration
Dan Schnepf	Examiner
Michelle Rakatomalala	Examiner
Hannah Hartman	Examiner
Daniel P. McBay, CPA, CFE, Are, MCM	Reinsurance Specialist
Carol Riley, AES, CGEIT, CISA, CRISC	IT Specialist
Stefan Obereicholz-Bangert	IT Examiner

The actuarial portion of this examination was completed by Insurance Strategies Consulting, L.L.C.

Respectfully submitted,

/s/ Jeffrey S. Payne
JEFFREY S. PAYNE, CFE
Examiner-in-charge
Iowa Insurance Division