



# NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE, LTD., LONDON  
A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

## FOR IMMEDIATE RELEASE

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### A.M. Best Downgrades Ratings of AEGON N.V.'s U.S. Operations

**OLDWICK, N.J., Apr. 23, 2009**—A.M. Best Co. has downgraded the financial strength rating (FSR) to A (Excellent) from A+ (Superior) and issuer credit ratings (ICR) to “a+” from “aa” of the primary life/health subsidiaries of **AEGON N.V.’s** (AEGON) (Netherlands) [NYSE: AEG] U.S. operations. AEGON’s U.S. life/health companies are collectively referred to as AEGON USA. In addition, A.M. Best has downgraded the debt ratings to “a+” from “aa” of the outstanding notes issued under funding agreement-backed securities (FABS) programs sponsored by **Monumental Life Insurance Company** (Cedar Rapids, IA), a member of AEGON USA. The outlook for the FSR is stable, while the outlook for the ICRs and debt ratings is negative.

A.M. Best also has downgraded the FSR to A (Excellent) from A+ (Superior) and ICRs to “a+” from “aa-” of **Merrill Lynch Life Insurance Company** (Little Rock, AR) and **ML Life Insurance Company of New York** (New York, NY), which were acquired by AEGON USA at the end of 2007. The outlook for the FSR is stable, while the outlook for the ICRs has been revised to negative from stable. (See link below for a detailed listing of the companies and ratings.)

The rating actions primarily reflect the substantial deterioration in AEGON USA’s profitability and investment performance during 2008. In addition to investment related losses, AEGON USA’s statutory and international financial reporting standards (IFRS) results were

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negatively impacted by the equity market downturn through higher required reserves on variable annuity guarantees and lower asset-based fee income. The rating actions also incorporate A.M. Best's expectation that AEGON USA's financial results will experience further pressure in 2009 due to the likelihood of additional investment losses, reserve increases and reduced fee income.

Pre-tax IFRS asset impairments totaled over USD 1 billion in 2008, and additional realized losses and impairments are likely to occur in 2009 given the current economic environment and AEGON USA's sizable structured asset portfolio. AEGON USA's investments in non-agency mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities (CMBS) totaled approximately USD 28 billion at year-end 2008 (IFRS amortized cost basis). This exposure (of which approximately two-thirds is rated AAA and less than 5% is below investment grade) coupled with direct commercial mortgage loans exceeding USD 15 billion, represented roughly 35% of general account assets at year-end 2008. A.M. Best believes that mortgage and consumer related loans are likely to experience rising defaults in light of the recessionary U.S. economic climate. Although reduced from prior years, AEGON USA's exposure to alternative assets (hedge funds, private equity and mezzanine debt) brings additional risk to the investment portfolio. The company's earnings remain correlated to the equity markets—particularly within its retail variable annuity businesses—which may result in a further erosion of operating earnings.

While AEGON USA's statutory capital ratio at year-end 2008 increased slightly from year-end 2007, A.M. Best notes, in addition to a capital injection from the parent company, the 2008 ratio benefited from a state permitted practice related to deferred tax assets and from internal, offshore reinsurance transactions. With the reliance on internal reinsurance over the last several years, A.M. Best believes that AEGON USA, though with good statutory earnings

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capacity as an organization, will have less statutory financial flexibility going forward.

AEGON USA has been undertaking various initiatives to de-risk its balance sheet and provide capital relief such as reducing hedge fund balances, investing new money flows in U.S. Treasuries and increasing rider charges and implementing additional investment allocation limitations on variable annuities. Additionally, AEGON USA is downsizing its Institutional Markets Division to reduce its exposure to institutional spread-based products. While A.M. Best views this de-leveraging as a positive, in that it reduces credit market risk and required capital, A.M. Best also notes that the actions will result in a contraction of AEGON USA's operating profile, and future earnings will be reduced as the block matures off over time.

AEGON USA's ratings reflect the group's strong market position in a number of U.S. life and annuity market segments, a large multi-channel distribution platform, diversified sources of earnings and strong cash flow generation. The group also benefits from meaningful economies of scale, strong brand recognition and effective asset/liability and liquidity management.

For a complete listing of AEGON USA's FSRs, ICRs and debt ratings, please visit <http://www.ambest.com/press/042303aegon.pdf>.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

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