

# PRESIDENT'S LETTER



*A Message from the President of Transamerica Insurance & Investment Group*

October 2008

With all that's been going on in the financial markets lately, it might seem like there's very little good news. And while this isn't on the order of a multibillion-dollar bail-out, I am pleased to say that thanks to you, our sales are up 15% over September of 2007. With this success comes a challenge: The submitted app count has also risen proportionately (even for July and August, which are typically slow months), and we need to make some adjustments to ensure we can maintain a high level of service (more on that later). But overall, we're in a much better place than we were at this time last year. Our products are stronger and more competitive, and our basic service platform is much improved.

I'll start by providing an update on AEGON's financial position. Then I'll go on to provide more information about TIIG.

## **AEGON's Financial Strength**

On Sept. 16, I sent you a statement from AEGON NV regarding exposure to Lehman Brothers and the corporation's second quarter earnings report. AEGON recently released two more statements, about its exposure to AIG and Washington Mutual. I have attached the three statements regarding exposure. The bottom line is that AEGON continues to have a strong balance sheet, healthy cash flows and ample liquidity.

In a Sept. 19 letter to all AEGON NV stakeholders, CEO Alex Wynaendts said, "AEGON is well capitalized, and our ability to fulfill our obligations to our customers is without question." He went on to say that the company's "financial flexibility of EUR 1.8 billion (US\$ 2.8 billion at an exchange rate of 1.5764) at the end of the second quarter provides additional assurance." (Financial flexibility is the excess capital in AEGON's country units plus leverage capability and cash.) You can view Alex's complete letter on the AEGON Web site, using this link:

<http://www.aegon.com/base/Templates/Standard.aspx?id=207&epslanguage=en&npid=8547&srcid=3>

AEGON's strong risk and asset management expertise has positioned it to weather even these unprecedented conditions.

## **Operations Update**

As you know, Cedar Rapids experienced a flood of epic proportions in June, and 130 employees were displaced from their homes. Fortunately, AEGON's facilities were not damaged and business continuity plans were implemented to ensure minimal interruption. The AEGON Transamerica Foundation Disaster Relief Fund has received \$700,000 in donations (we very much appreciate the contributions from the field), and Pat Baird (CEO, AEGON USA) is taking a lead role in community recovery efforts.

While it's true that we're still catching up with the significant increase in submitted apps, we have seen some solid improvement in service over the last year. The Cedar Rapids management team is working hard to ensure they can support the increase in new business—they're adding staff and current employees are working overtime to handle the business you're bringing in. The next priority is to realign the groups to make it even easier for you to get the information you need.

### **Premium Finance...the UN-STOLI Strategy**

We've been clear about our position on STOLI and the steps we're taking to prevent that business from getting on our books. But we're still committed to the appropriate uses of premium financing. Our Premium Finance team is 100% dedicated to helping the field structure premium financed cases that result from needs-based selling. The Premium Finance department gets—and stays—involved with each case, from application to issue. They offer expert consulting, lender support, and fast response time on proposal requests.

There is a lot to consider before entering this marketplace, but for those producers who take a needs-based approach with the appropriate client base—and who are committed to compliance at all stages—there is significant potential for growth.

### **Advanced Matters**

The Advanced Marketing team has several exciting concepts that leverage Transamerica's product portfolio. For instance, the "Enhanced Charitable Trust" is a three-in-one program that helps an individual with a large income-taxable event (e.g., the sale of real estate or a business) achieve three separate financial goals: a significant contribution to a charitable cause, an income-tax deduction, and an inheritance for beneficiaries.

"Split-funded" defined benefits plans not only help fund an individual's retirement plan, but also provide valuable life insurance protection for his or her family. These qualified retirement plans have investment flexibility and offer business owners retirement savings, life insurance protection, and income-tax deductions.

We're also exploring a new opportunity that has emerged from an accounting rule. "GASB 45" has changed the way states and municipalities account for their commitment to employees with regard to post-retirement medical coverage. Life insurance can be an excellent funding vehicle to help these states and municipalities keep their promises to their employees.

You can look to Transamerica's Advanced Marketing team when you're ready to build and broaden the scope of your business. Call 877-238-6758 for more information.

### **Transamerica Life Solutions Group (TLSG)**

A number of you have expressed interest in hearing more about life settlements. As you know, we established our alliance with LexNet in January. Since then, Jim Duff and his team have worked with LexNet to finalize 40 Master Agency Contracts (with agencies that have committed to this market with at least one full-time staff member), and provided hands-on education via the TLSG Training Academy. Cases are starting to come in.

We're trying to blaze a new trail in this market, and it will take time to gain traction. We remain committed to a best-practices approach when it comes to the disclosure of fees and commissions in the secondary market. We believe we're on the leading edge here, given the significant amount of regulatory activity and the slow but steady movement toward a more compliant and transparent marketplace. For more information, visit the Web site: [www.transamericallifesolutions.com](http://www.transamericallifesolutions.com).

### **Leading Agencies Club Convention: 2008 Revisited and 2010, Coming Soon**

In May we hosted the first Leading Agencies Club Convention on a cruise of the Mediterranean. The scenery was terrific, the cruise ship staff took really good care of us and Taylor Hicks put on a great show. The best part for me? The opportunity to spend time with so many of you.

On the cruise, we announced the destination for 2010: New York City. Why the Big Apple? Because we can show you Manhattan like you've never seen it before. We'll host qualifiers at the New York address for kings, queens and top GAs: the Towers of the Waldorf, within the world-famous Waldorf-Astoria. How will you spend your time? How about an exclusive tour of NBC Studios, the Metropolitan Museum of Art, Carnegie Hall or Lincoln Center? Or meeting the director and producer of your favorite talk show? Or shopping the super chic stores with a professional fashion consultant? You could also jog through Central Park with a NYC marathon runner, try your hand at the trapeze or meet a Rockette. It all depends on your New York state of mind.

We'll also host you for a private evening on Ellis Island, where you can use the computers to research your family history. And, of course, you'll have an evening at the theater, with three Broadway shows to choose from. There's only one New York City and only one chance to experience it the Transamerica way. Keep an eye on TransACT<sup>®</sup>, where the qualification criteria will be posted soon.

### **Looking Ahead**

As we look toward the end of 2008 and the beginning of 2009, we're focused on staying true to our core. Sure, we plan to grow and expand, just like you do. But we also want to be the best in the business when it comes to the basics: strong products, expert underwriting, and excellent service.

With all the complicated and interesting sales concepts and marketing packages available today (many of which are offered by Transamerica), we haven't lost sight of the true purpose of life insurance and the role you and producers play in delivering this extremely valuable benefit to customers.



Ken Kilbane