

Report on the Examination
As of December 31, 2014
of
Stonebridge Life Insurance Company
by the
Vermont Department of Financial Regulation
Division of Insurance



State of Vermont
assistance
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101
www.dfr.vermont.gov

For consumer

[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547

Blake Bostwick
President
Transamerica Life Insurance Company
1801 California Street
Denver, CO 80202

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of Stonebridge Life Insurance Company for the year ending December 31, 2014 is adopted.

Stonebridge Life Insurance Company may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.



Susan L. Donegan, Commissioner

KAJ Samson, Deputy Commissioner
For:

6/13/2016

Date



STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
SCOPE OF EXAMINATION.....	2
SUMMARY OF SIGNIFICANT FINDINGS	3
HISTORY	4
SUBSEQUENT EVENTS	4
MANAGEMENT AND CONTROL	4
Corporate Records	4
Shareholders.....	4
Board of Directors.....	5
Officers	5
Affiliated Companies	6
TERRITORY AND PLAN OF OPERATIONS	8
REINSURANCE.....	8
FINANCIAL STATEMENTS	8
Statement of Admitted Assets.....	9
Statement of Liabilities and Capital and Surplus.....	10
Statement of Operations.....	11
Statement of Changes in Capital and Surplus.....	12
COMMENTS AND RECOMMENDATIONS.....	12
CONCLUSION.....	12



State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101
www.dfr.vermont.gov

For consumer assistance
[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547

May 11, 2016

Susan L. Donegan, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Donegan:

Pursuant to the February 20, 2015 examination order, the Insurance Division's financial examination team has conducted an examination of:

Stonebridge Life Insurance Company
with their statutory home offices located at
187 West Street
Rutland, VT 05701

The examination was performed pursuant to 8 V.S.A. §3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
802-828-3304

Securities
802-828-3420

STONEBRIDGE LIFE INSURANCE COMPANY

EXAMINATION REPORT

AS OF DECEMBER 31, 2014

SCOPE OF EXAMINATION

As of December 31, 2014, the financial examination of Stonebridge Life Insurance Company (the Company) was performed in coordination with the Arkansas, Iowa, New York and Ohio Departments of Insurance, with its concurrent financial examination of Aegon US which includes the following companies:

- Arkansas: Transamerica Advisors Life Insurance Company (“TALIC”) – NAIC #79022
- Iowa: Transamerica Premier Life Insurance Company (“TPLIC”) – NAIC #66281
Transamerica Life Insurance Company (“TLIC”) – NAIC #86231
TLIC Oakbrook Reinsurance, Inc. (“TORI”) – NAIC #15549
TLIC Riverwood Reinsurance, Inc. (“TRRI”) – NAIC #14146
- New York: Transamerica Financial Life Insurance Company (“TFLIC”) – NAIC #70688
- Ohio: Transamerica Casualty Insurance Company (“TCIC”) – NAIC #10952

The Company’s last financial condition examination was as of December 31, 2009 for the previous five year period. The examination was conducted by the Insurance Division of the Vermont Department of Financial Regulation (Department). A separate Examination Report has been issued for each of the entities listed above.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from January 1, 2010 through December 31, 2014. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition and identify prospective risks by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

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, annual statement instructions and state regulations. The examination also included a review of any material transactions and/or events occurring subsequent to the examination date that were noted during the course of this examination. In accordance with the risk-focused examination process, all accounts and activities of the Company were considered.

As required by law and the NAIC standard examination procedures, the Company instructed their independent accounting firm, PricewaterhouseCoopers LLC (PwC), to make available for the Department's review all 2014 work papers concerning procedures followed, tests performed, information obtained and conclusions reached pertinent to the audit of the Company's financial statements for the period covered by the examination. Prior to PwC, the Company used the firm Ernst & Young LLP. The Department reviewed the work papers of PwC to identify additional solvency risk areas and to determine the extent of work performed on high-risk areas, which may have provided insight and efficiencies for the current examination. To the extent possible, the Department utilized the work papers and analyses to supplement the examination work.

The format of this report is designed to explain the procedures employed during the examination and if necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

HISTORY

All outstanding shares of Stonebridge Life Insurance Company are owned by Commonwealth General Corporation (Delaware), which is an indirect and wholly-owned subsidiary of AEGON N.V., a holding company organized under the laws of the Netherlands.

The Company is the parent of three Vermont domiciled captive insurance companies (MLIC Re I, Inc., Pine Falls Re, Inc. and Stonebridge Reinsurance Company), which provide reinsurance to affiliated companies.

SUBSEQUENT EVENTS

Effective October 1, 2015, the Company merged into Transamerica Life Insurance Company, an Iowa corporation, with Transamerica being the surviving entity and the Company ceasing to exist.

MANAGEMENT AND CONTROL

Corporate Records

The Company's registered office is located in Rutland, Vermont. The Company's main administrative offices and the majority of its corporate functions take place in Cedar Rapids, Iowa. Examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support Company transactions and events and that the meetings and minutes are in compliance with the Company's articles and By-Laws.

Shareholders

The Company By-Laws state that the annual meeting of the Shareholders is held for the election of Directors and for the transaction of such other business as may come before the meeting. Meetings are held on the third Tuesday in May each year or on such day as determined by the Board of Directors. The holders of the majority of the issued and outstanding shares of the Company are entitled to vote at the meeting in person or by proxy.

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

Board of Directors

The Company By-laws state that the business and affairs of the Company are managed by the Board of Directors. The number of Directors will be no less than five and no more than fifteen. A majority of the Directors shall constitute a quorum for the transaction of business at any meeting.

The following individuals were elected to the Board of Directors of the Company in accordance with the By-Laws and serving as of December 31, 2014:

<u>Name and Principal Business Association:</u>	<u>Residence:</u>
Scott W. Ham Transamerica Life Insurance Company	Iowa
John R. Hunter Transamerica Life Insurance Company	Illinois
Glyn D. Mangum, Jr. AEGON Direct Marketing Services	Pennsylvania
Martha A. McConnell AEGON Special Markets Group, Inc.	Maryland
Jason Orlandi Transamerica Corporation	Maryland
Brian A. Smith AEGON Direct Marketing Services	Pennsylvania
Edward H. Walker III Transamerica Life Insurance Company	Maryland

Officers

The Company's By-Laws state that the Officers of the Company will be a Chairman of the Board, a President, each of whom will be members of the Board, one or more Vice Presidents, a Treasurer, a Secretary and a Controller.

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

The Officers of the Company as of December 31, 2014 were as follows:

<u>Name</u>	<u>Title</u>
Edward H. Walker III	Chairman of the Board and President
Eric J. Martin	Senior Vice President and Corporate Controller
Jason Orlandi	Senior Vice President, Secretary and General Counsel

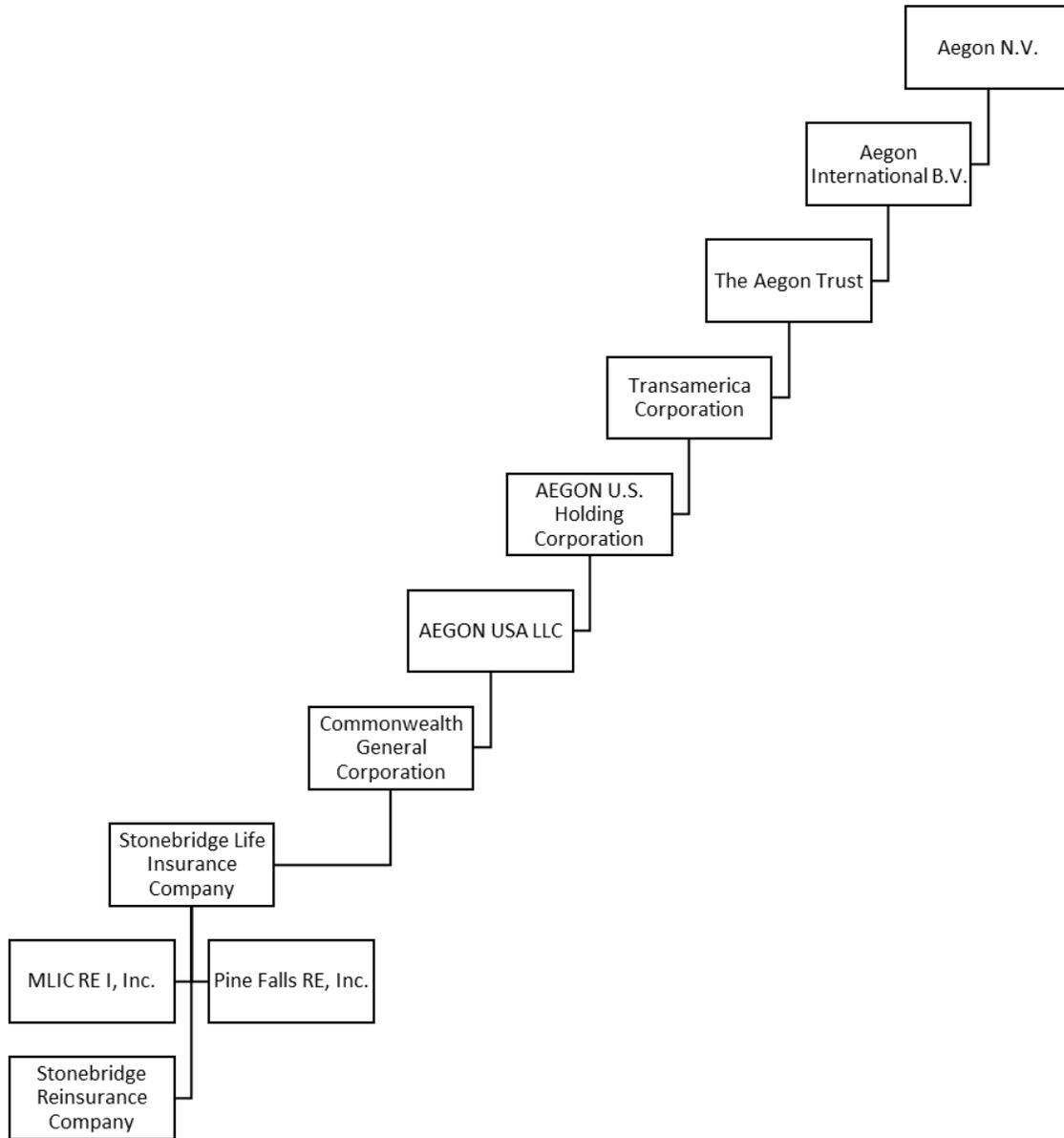
Affiliated Companies

The Company is a member of an Insurance Holding Company System as defined by 8 V.S.A. §3681, et seq. The Company shares certain officers, employees and general expenses with affiliated companies. The Company is a party to a common cost allocation service agreement between AEGON US companies, in which various affiliated companies may perform specified administrative functions in connection with the operation of the Company, in consideration of reimbursement of actual costs of services rendered. The Company is also party to a Management and Administrative and Advisory agreement with AEGON USA Realty Advisors, LLC, whereby the advisor serves as the administrator and advisor for the Company's mortgage loan operations. AEGON USA Investment Management, LLC acts as a discretionary investment manager under an Investment Management Agreement with the Company.

For federal income tax purposes, the Company joins in a consolidated income tax return filing with its indirect parent company, Transamerica Corporation, and other affiliated companies. The method of allocation between the companies is subject to a written tax allocation agreement. Under the terms of the tax allocation agreement, allocations are based on separate income tax return calculations.

**STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014**

Organization Chart



NOTE: The organization chart shows the direct and indirect ownership of the Company, see the Annual Statement for a full organizational chart of Aegon N.V.

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in 49 states and the District of Columbia, and provides traditional ordinary life, credit, and accident and health insurance through credit card issuers.

REINSURANCE

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The Company reinsures portions of the risk on certain insurance policies which exceed its established limits, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Company remains contingently liable with respect to any insurance ceded, and this would become an actual liability in the event that the assuming insurance company became unable to meet its obligations under the reinsurance treaty.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2014.

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

Statement of Admitted Assets

Admitted Assets:

in thousands

Bonds, at amortized cost	\$ 1,243,110
Commn stock	414
Mortgage loans on real estate	147,566
Home office properties	19,989
Investment properties	814
Cash, cash equivalents and short-term investments	10,100
Policy loans	28,175
Securities lending reinvested collateral assets	48,079
Other invested assets	64,935
Subtotals, cash and invested assets	1,563,182
Net deferred income tax asset	52,910
Accrued investment income	16,097
Premiums deferred and uncollected	26,505
Current federal income tax recoverable	3,213
Reinsurance balances recoverable	3,508
Receivable from parent, subsidiaries and affiliates	11,361
Accounts receivable	24,420
Health care receivable	8,997
Other admitted assets	1,064
Total admitted assets	\$ 1,711,257

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

Statement of Liabilities and Capital and Surplus

Liabilities:

in thousands

Aggregate reserves for life and annuity contracts	\$ 205,027
Aggregate reserves for accident and health contracts	561,101
Liability for deposit-type contracts	11,556
Policy and contract claims for life reserves	11,013
Policy and contract claims for accident and health reserves	50,738
Other policyholders' funds	2,642
Reinsurance in unauthorized companies	802
Remittances and items not allocated	6,813
Asset valuation reserve	22,876
Interest maintenance reserve	21,336
Funds held under reinsurance treaties	571,828
Payable for securities lending	48,079
Borrowed money	7,029
General expenses due or accrued	26,548
Other liabilities	13,422
Total liabilities	<u>\$ 1,560,810</u>

Capital and surplus:

Common stock, \$125 par value, 20,000 shares authorized, issued and outstanding	\$ 2,500
Aggregate write-ins for special surplus funds	1,235
Paid-in surplus	33,083
Unassigned surplus	113,629
Total capital and surplus	<u>150,447</u>
Total liabilities and capital and surplus	<u><u>\$ 1,711,257</u></u>

STONEBRIDGE LIFE INSURANCE COMPANY

EXAMINATION REPORT

AS OF DECEMBER 31, 2014

Statement of Operations

Revenues:

in thousands

Life premiums, net of reinsurance	\$ 82,845
Accident and health premiums, net of reinsurance	325,615
Net investment income	72,451
Amortization of interest maintenance reserve	7,482
Commissions and expense allowances on reinsurance ceded	26,704
Other income	39,870
	<hr/>
Total premiums and other revenue	554,967
	<hr/>
Benefits paid or provided:	
Life benefits	40,608
Accident and health benefits	157,137
Surrender benefits	7,946
Other benefits	1,102
Increase in aggregate reserves for policies and contracts	2,808
	<hr/>
Total benefits paid or provided	209,601
	<hr/>
Insurance expenses:	
Commissions	48,421
General insurance expenses	154,155
Taxes, licenses and fees	11,852
Increase in loading on deferred and uncollected premiums	(648)
Funds withheld on ceded investment income	22,206
Other expenses	187
	<hr/>
Total insurance expenses	236,173
	<hr/>
Total benefits and expenses	445,774
	<hr/>
Gain from operations before federal income tax expense and net realized capital gains on investments	109,193
Federal income tax	14,484
	<hr/>
Gain from operations before net realized capital gains on investments	94,709
Net realized capital gains on investments	7,160
	<hr/>
Net Income	\$ 101,869
	<hr/>

STONEBRIDGE LIFE INSURANCE COMPANY
EXAMINATION REPORT
AS OF DECEMBER 31, 2014

Statement of Changes in Capital and Surplus

in thousands

Capital and surplus in regards to policyholders as of December 31, 2013	\$ 108,451
Net income	101,869
Change in net unrealized capital gains/losses, net of tax	3,428
Change in non-admitted assets	24,606
Change in liability for reinsurance in unauthorized companies	(802)
Change in reserve on account of change in valuation basis	282
Change in asset valuation reserve	(4,991)
Change in deferred income tax asset	(19,431)
Change in surplus as a result of reinsurance	(9,782)
Aggregate write-ins for gains and losses in surplus	(3,183)
Dividends to stockholder	<u>(50,000)</u>
Capital and surplus as of December 31, 2014	<u>\$ 150,447</u>

COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination.

CONCLUSION

As a result of this examination, the financial condition of the Company as of December 31, 2014 was determined to be as follows:

in thousands

Admitted Assets	<u>\$ 1,711,257</u>
Liabilities	\$ 1,560,810
Capital and Surplus	<u>\$ 150,447</u>
Total Liabilities, Capital and Surplus	<u>\$ 1,711,257</u>

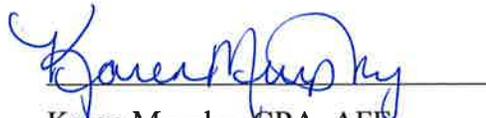
STONEBRIDGE LIFE INSURANCE COMPANY

EXAMINATION REPORT

AS OF DECEMBER 31, 2014

In addition to the undersigned Miranda Cloutier, Examiner in Charge, and regulators and their appointees from Arkansas, Iowa, New York and Ohio also participated in this coordinated examination. Additionally, work completed by the Arkansas, Iowa, New York and Ohio Departments of Insurance in their coordinated examination of the Company was accepted to support conclusions in certain areas of the examination.

Respectfully submitted,



Karen Murphy, CPA, AFE
Chief Examiner, Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Murphy, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 8th day of June, 2016



Notary Public