

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE ACQUISITION OF
CONTROL OF MERRILL LYNCH LIFE
INSURANCE COMPANY BY AEGON N.V. AND
AEGON USA, INC.

A.I.D. NO. 2007-111

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ORDER

On Thursday, December 6, 2007, at 1:00 p.m., in the Hearing Room of the Arkansas Insurance Department (the "Department"), in accordance with the provisions of A.C.A. §§ 23-61-109, 23-61-303, 23-63-510, and other pertinent provisions of the Arkansas Insurance Code, a public hearing was held pursuant to a Form A Acquisition Statement ("Form A") dated September 19, 2007, as amended and supplemented, filed by AEGON N.V. and AEGON USA, Inc. (collectively "AEGON"), seeking approval of the acquisition of control of Merrill Lynch Life Insurance Company ("MLLIC"), as detailed in the Form A. The hearing was held before Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"). The Department was represented by Mr. Bob Alexander, Associate Counsel, and Mr. Mel Anderson, Deputy Commissioner – Financial Regulation/Audit. Present on behalf of AEGON USA, Inc. and AEGON N.V., were Mr. James Beardsworth, Senior Vice President – Corporate Development, and Mr. Craig Vermie, Senior Vice President, Secretary and General Counsel, of AEGON USA, Inc., as well as Mr. John Mallet, who will be on the Board of Directors and the Chief Financial Officer and Treasurer of MLLIC after the acquisition. Also present by teleconference throughout the hearing were two representatives of MLLIC – Mr. Barry Skolnick, Senior Vice President and General Counsel, and Mr. Joseph Justice, Chief Financial Officer.

Doak Foster and Bill Woodyard of the Mitchell, Williams, Selig, Gates & Woodyard law firm, Little Rock, Arkansas, represented AEGON.

FINDINGS OF FACT

From the Form A, testimony of witnesses, and other evidence adduced at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel, and other matters and things considered, the Commissioner finds that:

1. MLLIC is an Arkansas domiciled life insurance company with its administrative office located in Pennington, New Jersey. It is a direct, wholly-owned subsidiary of Merrill Lynch Insurance Group, Inc. (“MLIG”) and an indirect subsidiary of Merrill Lynch & Co., Inc., (“ML& Co.”) a Delaware holding company.

2. AEGON N.V. is a publicly-traded stock company headquartered in the Netherlands, with worldwide subsidiaries focused on the life insurance, pension and asset accumulation markets.

3. AEGON USA, Inc. is a wholly-owned subsidiary of AEGON N.V., and acts as its principal U.S. holding company, operating through a number of U.S. domiciled life insurance company subsidiaries.

4. Mr. Beardsworth testified that control of MLLIC is to be acquired through the purchase by AEGON USA, Inc. from MLIG of all of the issued and outstanding voting stock of MLLIC pursuant to the Purchase Agreement dated August 13, 2007 between MLIG, ML& Co., Inc. and AEGON USA, Inc. (“Purchase Agreement”), that upon consummation of the transaction MLLIC will become a wholly-owned subsidiary of AEGON USA, Inc., and that the purchase price of approximately \$1.3 billion was derived by arms-length negotiation between the parties.

5. Mr. Beardsworth testified that AEGON's purpose in the transaction is not only to acquire the annuity and life insurance business currently on MLLIC's books, but to continue to market MLLIC's current variable annuity products and other products as may be developed pursuant to the Master Distribution Agreement between AEGON USA, Inc. and ML& Co. and MLIG, which agreement is an exhibit to the Purchase Agreement.

6. Mr. Beardsworth further testified that AEGON's plans include replacing MLLIC's current officers and directors with persons who are current officers and directors of other AEGON USA, Inc. subsidiaries and establishing MLLIC's administrative office as being in Cedar Rapids, Iowa, and that upon consummation of the proposed transaction, MLLIC will remain an Arkansas domiciled insurer and that AEGON has no present plans to redomicile MLLIC to any other state.

7. Mr. Beardsworth also testified that, pursuant to the Transition Services Agreement between ML& Co., MLIG and AEGON USA, Inc. (the "TSA") which is attached as an exhibit to the Purchase Agreement, MLIG will continue to provide necessary administrative services to MLLIC to enable MLLIC to continue doing business in an uninterrupted fashion, for a period of up to two years after the closing, during which time these administrative services will be gradually transitioned from MLIG to AEGON-affiliated companies pursuant to the Cost Sharing Agreement described in paragraph 10.(d) below. Accordingly, certain books and records of MLLIC will continue to be located in MLLIC's present offices in Pennington, New Jersey and Jacksonville, Florida, as well as at the new administrative office address in Cedar Rapids, Iowa.

8. Mr. Beardsworth testified that in his opinion the terms of the acquisition are fair and reasonable to AEGON and to MLIG and ML& Co. and that AEGON has no plans to make

any material changes in MLLIC's business or corporate structure that would be unfair or unreasonable to any policyholders of MLLIC or against the public interest.

9. Mr. Mallet testified as to the pro-forma and projected financial statements contained in the Plan of Operations submitted as a part of the Form A, stating that the projections were reasonable, that the level of projected earnings was somewhat offset by the inclusion of hedging costs to be incurred so as to reduce risk to MLLIC and that projected surplus levels were reflective of the surplus management approach taken uniformly as to AEGON USA, Inc. subsidiary insurers – which is to maintain sufficient surplus to maintain ratings of “AA” from Standard and Poors and “A+” from A.M. Best. Mr. Mallet also explained the Derivative Use Plan filed in connection with the Form A and pursuant to which the hedging activity with regard to MLLIC would be conducted.

10. Mr. Vermie testified as to the certain affiliated agreements filed in connection with the Form A and to which MLLIC would become a party as of the closing of the acquisition. These agreements include:

(a) Investment Management Agreement between AEGON USA Investment Management, LLC and MLLIC (“Investment Management Agreement”), which provides for management of MLLIC's general account investment portfolio.

(b) Cost Sharing Agreement between MLLIC and essentially all affiliated insurers and other companies in the AEGON group (“Cost Sharing Agreement”) whereby MLLIC will receive all administrative and corporate services it may need for its operations, as such services are transitioned to AEGON affiliates during the term of the TSA.

Mr. Vermie testified that these two agreements are standard agreements entered into by the other insurance company subsidiaries of AEGON USA, Inc. and that MLLIC would essentially be treated the same as all other AEGON-affiliated insurers under these agreements.

11. Both Mr. Skolnick and Mr. Justice testified that in their opinion the terms of the acquisition are fair and reasonable to MLIG and ML& Co. and that nothing in the Form A filing reflects any plans to make any material changes in MLLIC's business or corporate structure that would be unfair or unreasonable to any policyholders of MLLIC or against the public interest.

12. The date currently scheduled for the closing of the transaction is December 28, 2007.

CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact, the Commissioner concludes as follows:

1. That the Commissioner has jurisdiction over the parties and the subject matter herein.
2. That none of the preclusions of A.C.A. § 23-63-510 exist as to the acquisition of control of MLLIC by AEGON and that, therefore, the acquisition should be approved, inclusive of the Investment Management Agreement and the Cost Sharing Agreement, and the location of books and records in Cedar Rapids, Iowa in addition to the present locations of Pennington, New Jersey and Jacksonville, Florida.

NOW, THEREFORE, IT IS ORDERED that the acquisition of control of MLLIC by AEGON, as described in the Form A and exhibits thereto, is hereby APPROVED. It is also ORDERED that the following affiliated agreements are approved, to be effective as of the closing of the acquisition: the Investment Management Agreement and the Cost Sharing Agreement; and that the location of MLLIC's books and records in Cedar Rapids, Iowa, in

addition to Pennington, New Jersey and Jacksonville, Florida is approved pursuant to A.C.A. § 23-69-134(c).

It is also noted that the customary third party background checks of the individuals who serve on AEGON N.V.'s Executive Board and Supervisory Board (the "Individuals") have not yet been received by the Department as of the date of this Order. It is thus FURTHER ORDERED that these background checks will be delivered to the Department for review as soon as practicable. The Department may request additional information from any of the Individuals within 30 days after the receipt of the background checks. Further, if the competence, experience, or integrity of any of the Individuals is found to be inconsistent with the interests of MLLIC's policyholders and the public, the Department may, within 30 days after receipt of all additional biographical information requested by the Department, place conditions on such Individual's involvement with MLLIC, subject to an opportunity for hearing and appeal of the Department's decision by MLLIC or the Individual(s). The conditions upon the Individual's involvement with MLLIC shall, at minimum, require that the Individual refrain from participating in any decisions regarding the management of MLLIC until any hearing or appeal of the Department's decision is finally resolved.

It is so ORDERED this 21st day of December, 2007.


Julie Benafield Bowman
Insurance Commissioner