



FINANCIAL STATEMENTS

WFG Insurance Agency of Puerto Rico, Inc.

Year Ended December 31, 2016 and 2015

With Report of Independent Auditors

WFG Insurance Agency of Puerto Rico, Inc.

Financial Statements

Year Ended December 31, 2016 and 2015

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Report of Independent Auditors

On Financial Statements Filed with Municipal License Tax, Property Tax or Corporation Income Tax Returns

To the Management of WFG Insurance
Agency of Puerto Rico, Inc.:

We have audited the accompanying financial statements of WFG Insurance Agency of Puerto Rico, Inc., which comprise the balance sheets as of December 31, 2016 and 2015 and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFG Insurance Agency of Puerto Rico, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



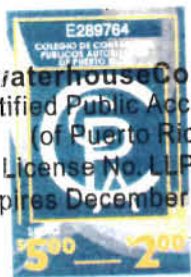
Emphasis of Matter

As discussed in Note 4 to the financial statements, the Company has entered into significant transactions with Transamerica Life Insurance Company and Transamerica Premier Life Insurance Company, both related parties. Our opinion is not modified with respect to this matter.

Other Matter

This report is intended solely for the information and use of the board of directors and management of the Company and the agencies of the Commonwealth of Puerto Rico responsible for the administration of the municipal license tax, property tax or income tax and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP
Certified Public Accountants
(of Puerto Rico)
License No. LLP-216
Expires December 1, 2019



PricewaterhouseCoopers LLP

By Benito Morales
License No. 1897

San Juan, Puerto Rico
July 14, 2017



Report of Independent Auditors

On Financial Statements Filed with Municipal License Tax, Property Tax or Corporation Income Tax Returns

To the Management of WFG Insurance
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFG Insurance Agency of Puerto Rico, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



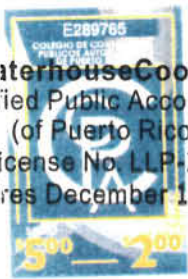
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Other Matter

This report is intended solely for the information and use of the board of directors and management of the Company and the agencies of the Commonwealth of Puerto Rico responsible for the administration of the municipal license tax, property tax or income tax and is not intended to be and should not be used by anyone other than these specified parties.

PriceWaterhouseCoopers LLP
Certified Public Accountants
(of Puerto Rico)
License No. LLP-216
Expires December 1, 2019



PriceWaterhouseCoopers LLP

By Benito morales

License No. 1897

San Juan, Puerto Rico
July 14, 2017



Report of Independent Auditors

On Financial Statements Filed with Municipal License Tax, Property Tax or Corporation Income Tax Returns

To the Management of WFG Insurance
Agency of Puerto Rico, Inc.:

We have audited the accompanying financial statements of WFG Insurance Agency of Puerto Rico, Inc., which comprise the balance sheets as of December 31, 2016 and 2015 and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFG Insurance Agency of Puerto Rico, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 4 to the financial statements, the Company has entered into significant transactions with Transamerica Life Insurance Company and Transamerica Premier Life Insurance Company, both related parties. Our opinion is not modified with respect to this matter.

Other Matter

This report is intended solely for the information and use of the board of directors and management of the Company and the agencies of the Commonwealth of Puerto Rico responsible for the administration of the municipal license tax, property tax or income tax and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP
Certified Public Accountants
(of the Commonwealth of Puerto Rico)
License No. 1897
Expires December 1, 2019



PricewaterhouseCoopers LLP

By Benito morales
License No. 1897

San Juan, Puerto Rico
July 14, 2017



Report of Independent Auditors

On Balance Sheets Filed with the Department of State

To the Management of WFG Insurance
Agency of Puerto Rico, Inc.:

We have audited the accompanying balance sheets of WFG Insurance Agency of Puerto Rico, Inc. as of December 31, 2016 and 2015.

Management's Responsibility for the Balance Sheets

Management is responsible for the preparation and fair presentation of the balance sheets in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of balance sheets that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the balance sheets based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheets are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheets. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the balance sheets, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the balance sheets in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the balance sheets. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheets referred to above present fairly, in all material respects, the financial position of WFG Insurance Agency of Puerto Rico, Inc. as of December 31, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 4 to the balance sheets, the Company has entered into significant transactions with Transamerica Life Insurance Company and Transamerica Premier Life Insurance Company, both related parties. Our opinion is not modified with respect to this matter.

Other Matter

This report is intended solely for the information and use of the board of directors and management of the Company and the Department of State of the Commonwealth of Puerto Rico and is not intended to be and should not be used by anyone other than these specified parties.

Price Waterhouse Coopers LLP
Certified Public Accountants
(of Puerto Rico)
License No. 1897-216
Expires December 1, 2019



Price Waterhouse Coopers LLP

By Benito Morales
License No. 1897

San Juan, Puerto Rico
July 14, 2017

WFG Insurance Agency of Puerto Rico, Inc.

Balance Sheets
(Dollars in thousands)

	December 31,	
	2016	2015
Assets		
Agents advance balance, net of allowance (2016: \$13, 2015: \$64)	\$ 2,287	\$ 2,545
Cash	1,370	1,141
Agents debit balance, net of allowance (2016: \$155, 2015: \$107)	786	533
Deferred tax asset	153	120
Commissions receivable from affiliates, net of allowance (2015: \$17)	70	344
Commissions receivable from non-affiliates, net of allowance (2015: \$11)	-	-
Due from affiliate	53	-
Other assets	3	4
Total assets	\$ 4,722	\$ 4,687
Liabilities and shareholder's equity		
Liabilities		
Commissions advanced from providers	\$ 2,922	\$ 3,390
Accounts payable	249	100
Current income tax payable	97	92
Commissions payable to agents	92	96
Taxes withheld from agents and employees	22	37
Accrued expenses	2	44
Payable due to affiliates	-	202
Total liabilities	\$ 3,384	\$ 3,961
Shareholder's equity:		
Common stock - no par value with nil stated value; authorized 100 shares; nil issued and outstanding	\$ -	\$ -
Additional paid-in capital	150	150
Retained earnings	1,188	576
Total shareholder's equity	1,338	726
Total liabilities and shareholder's equity	\$ 4,722	\$ 4,687

See accompanying notes.

WFG Insurance Agency of Puerto Rico, Inc.

Statement of Operations
(Dollars in thousands)

	For the Years Ended December 31,	
	2016	2015
Revenues		
Commission revenues from affiliates	\$ 5,262	\$ 3,266
Commission revenues from non-affiliates	256	178
Less: Commission expenses	(4,305)	(2,681)
Total net revenues	\$ 1,213	\$ 763
Expenses		
Professional fees	\$ 123	\$ 107
Salaries and benefits	64	64
Rent	38	37
Other operating expenses	15	28
Interest and penalties on taxes	-	19
Total expenses	\$ 240	\$ 255
Income before income taxes	\$ 973	\$ 508
Income tax expense (benefit)		
Current tax expense	\$ 394	\$ 227
Deferred tax benefit	(33)	(40)
Income tax expense	361	187
Net income	\$ 612	\$ 321

See accompanying notes.

WFG Insurance Agency of Puerto Rico, Inc.

Statement of Changes in Shareholder's Equity
(Dollars in thousands)

	For the Years Ended December 31,	
	2016	2015
Common Stock		
Balance at beginning of year	\$ -	\$ -
Balance at end of year	\$ -	\$ -
Additional Paid-in Capital		
Balance at beginning of year	\$ 150	150
Balance at end of year	\$ 150	\$ 150
Retained Earnings		
Balance at beginning of year	\$ 576	\$ 255
Net income	612	321
Balance at end of year	\$ 1,188	\$ 576
Total Shareholder's Equity	\$ 1,338	\$ 726

See accompanying notes.

WFG Insurance Agency of Puerto Rico, Inc.

Statement of Cash Flows
(Dollars in thousands)

	For the Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 612	\$ 321
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax benefit	(33)	(40)
Changes in:		
Agents advance balance, net of allowance	258	(1,631)
Agents debit balance, net of allowance	(253)	(346)
Commissions receivable from affiliates	274	(38)
Due from affiliate	(53)	-
Other assets	1	(1)
Commissions advanced from providers	(468)	2,141
Accounts payable	149	100
Current income tax payable	5	(28)
Commissions payable to agents	(4)	55
Taxes withheld from agents and employees	(15)	14
Accrued expenses	(42)	19
Payable due to affiliate	(202)	44
Net cash provided by operating activities	\$ 229	\$ 610
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash used in financing activities	-	-
Net increase in cash	\$ 229	\$ 610
Cash, beginning of year	1,141	531
Cash, end of year	\$ 1,370	\$ 1,141
Supplemental cash flow information		
Net cash paid during the year for income taxes	\$ 390	\$ 255

See accompanying notes.

WFG Insurance Agency of Puerto Rico, Inc.

Notes to the Financial Statements (Dollars in thousands)

1. Organization

WFG Insurance Agency of Puerto Rico, Inc. (the “Company”) is a wholly owned subsidiary of World Financial Group Insurance Agency, Inc. (“WFGIA”), which is a direct wholly owned subsidiary of Transamerica Premier Life Insurance Company (“TPLIC”). TPLIC is an indirect wholly owned subsidiary Transamerica Corporation (“Transamerica”). Transamerica is an indirect wholly owned subsidiary of AEGON N.V. (“AEGON”), a limited liability share company organized under the laws of the Netherlands. The Company was organized under the laws of the Commonwealth of Puerto Rico on June 6, 2002. The Company functions as an insurance agency for the life insurance and annuities sold through World Financial Group, Inc. independent associates (“Agents”) licensed in Puerto Rico.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared in conformity with U.S. generally accepted accounting principles (“US GAAP”).

Use of Estimates

The preparation of financial statement in accordance with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are made for the allowance for doubtful accounts.

Cash

Cash includes cash on hand and on deposit.

Agents Advance Balance

Agents advance balance represents amounts that are paid to Agents by the Company as an advance against their commissions, which are yet to be earned. Amounts are carried at their face amount and are considered collectible less an allowance for cancelled or withdrawn policies.

Agents Debit Balance

Agents debit balance represents expenses, fees and commissions payable from Agents to the Company less earned and unpaid commissions payable to Agents. Amounts payable from Agents to the Company includes errors and omissions expenses, license and affiliation fees, commissions for adjusted policies and commissions for cancelled, withdrawn and lapsed policies. Amounts are carried at their face amount and are considered collectible less an allowance for terminated Agents’ balances.

Commissions Receivable

Commissions receivable include receivables due from the provider companies (“Providers”) that the Company has agreements with for payment of commissions. Amounts are carried at their face amount.

Allowance for Doubtful Accounts

The allowance for doubtful accounts represents a provision for uncollectible Agents’ and receivable accounts and is estimated based upon the Company’s assessment of the collectability of the Agents’ advance and debit balances and commissions receivable. The allowance for doubtful accounts is maintained at a level deemed appropriate by management to provide for known and inherent risks in the amounts advanced to Agents and receivable from Agents and Providers. Advance, debit and commission receivable balance sheet accounts are shown net of the respective allowance for doubtful accounts amounts. The total allowance for doubtful accounts balance as of December 31, 2016 and 2015 is \$168 and \$199, respectively.

Commissions Advanced from Providers

Commissions advanced from providers represents unearned commission revenue from the Providers.

Commissions Payable to Agents

Commissions payable represents amounts due and unpaid to Agents for commissions processed for advanced and earned commission activity.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period.

Commission Revenue and Expense

Sales commissions (commission revenues) along with related commission expenses for life insurance policies are recorded as earned and for annuity policies are recorded as issued. Commission revenue earned on sales of life insurance and annuity policies is determined as a percentage of premiums. Commission expense paid to Agents for the sales of those policies are determined as a percentage of commission revenue using a product commission rate schedule.

Subsequent Events

Management has evaluated subsequent events between the balance sheet date and the date when the financial statements are issued. No subsequent events have been identified for the year ended December 31, 2016 through July 14, 2017.

Current Accounting Guidance

Accounting Standards Update (“ASU”) 2014-15, Presentation of the Financial Statements-Going Concern (ASU Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern (ASU Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. This guidance requires an entity’s management to evaluate whether there are conditions or events that, considered in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. It also requires disclosures under certain circumstances. The guidance is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company implemented policies and procedures in compliance with the new guidance and adoption of the ASU did not have an impact on the Company’s financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this Update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance unless the contracts are within the scope of other standards (for example, financial instruments, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance establishes a five-step process to achieve this core principle. An entity may use either of two transition methods: retrospective to each prior reporting period presented with certain practical expedients, or retrospective with the cumulative effect of initial application recognized at the date of initial application subject to certain additional disclosures. The Company has not yet selected a transition method. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations in Topic 606. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, which clarifies the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in a few narrow areas and adds some practical expedients to the guidance. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, which affects narrow aspects of the guidance issued in Update 2014-09. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date, which defers the effective date by one year. As a result, these Updates will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application of these Updates is permitted only as of fiscal years beginning after December 15, 2016. The Company is currently evaluating the impact that adoption of these Updates will have on its Financial Statements.

3. Income Taxes

For federal income tax purposes, the Company files a separate Puerto Rico income tax return.

The provision for income tax expense (benefit) consists of the following for the year ended December 31, 2016 and 2015:

	2016	2015
Current tax expense	\$ 394	\$ 227
Deferred tax benefit	(33)	(40)
Total income tax expense	<u><u>\$ 361</u></u>	<u><u>\$ 187</u></u>
Effective Tax rate	37%	37%

The difference between the 39% statutory tax rate and the 37% effective tax rate is mainly due to the surtax income tax deduction.

The Company provides for deferred income taxes resulting from temporary differences that arise from recording certain transactions in different years for income tax reporting purposes than for financial reporting purposes. This includes allowance for bad debts (\$66 in 2016 and \$78 in 2015) and accrued audit fees not deductible until future periods for tax purposes (\$84 in 2016 and \$39 in 2015).

Net income tax assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Deferred tax assets	\$ 153	\$ 120
Less: valuation allowance	-	-
Net deferred tax asset	<u><u>153</u></u>	<u><u>120</u></u>
Deferred tax liabilities	-	-
Net deferred tax asset	<u><u>\$ 153</u></u>	<u><u>\$ 120</u></u>

The Company has paid \$390 and \$255 in income taxes during 2016 and 2015, respectively.

The valuation allowance for deferred tax assets at December 31, 2016 and 2015 was \$0. The Company has analyzed all material tax positions under the guidance of ASC 740, *Income Taxes*, related to the accounting for uncertainty in income tax and has determined that there are no tax benefits that should not be recognized as of December 31, 2016 and 2015. There are no unrecognized tax benefits that would affect the effective tax rates. It is not anticipated that the total amounts of unrecognized tax benefits will significantly increase within 12 months of the reporting date.

The Company classifies interest and penalties related to income taxes as interest expense and penalty expense, respectively. The Company has accrued interest of \$8 and penalties of \$33 as of December 31, 2016 and 2015. The Company recognized interest of \$2 and a penalty of \$16 in 2015. The Company did not recognize penalty or interest expense in its financial statements as of December 31, 2016, as such does not apply.

The Company's federal income tax returns have not been examined by the Commonwealth of Puerto Rico. The years open to examination are 2012 through 2016.

4. Related-Party Transactions

The Company is a member of a group of affiliated companies that are engaged in the sale of life insurance and annuities. The majority of the Company's commission revenue, related commission expense and commission receivable is written through two affiliated companies, TPLIC, the parent of WFGIA, and Transamerica Life Insurance Company ("TLIC"). The portion of the Company's commission revenue with affiliates was \$5,262 and \$3,266 for the years ended December 31, 2016 and 2015, respectively with \$70 in commissions receivable due from TPLIC as of December 31, 2016 and \$361 in commissions receivable due from TPLIC and TLIC as of December 31, 2015.

The Company is party to a cost-sharing agreement between Transamerica affiliated companies, providing general administrative services as needed. A portion of the Company's operating expenses is paid to subsidiaries of Transamerica and represents both items specifically identifiable as attributable to the Company and an allocation of shared expenses among several affiliates. The Company's portion of these shared expenses, which approximates the cost to the affiliates, was \$11 for the year ended December 31, 2016, and is included in salaries and benefits, rent and other operating expenses on the Statement of Operations. The balance due from affiliates at December 31, 2016 was \$53 and due to affiliates at December 31, 2015 was \$202.

5. Commitments and Contingencies

As of December 31, 2016, there was no litigation pending against the Company nor were there any asserted claims.