REINSURANCE GROUP OF AMERICA INC
Form 10-K
February 28, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007**

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission file number 1-11848
REINSURANCE GROUP OF AMERICA, INCORPORATED
(Exact name of registrant as specified in its charter)

Missouri	**43-1627032**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1370 Timberlake Manor Parkway, Chesterfield, Missouri	**63017**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(636) 736-7000**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01	New York Stock Exchange
Trust Preferred Income Equity Redeemable Securities (PIERS [sm]) Units	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company. Yes o No þ

The aggregate market value of the stock held by non-affiliates of the registrant, based upon the closing sale price of the Common Stock on June 30, 2007, as reported on the New York Stock Exchange was approximately $1.8 billion.

As of January 31, 2008, Registrant had outstanding 62,047,409 shares of common stock.

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DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Definitive Proxy Statement in connection with the 2008 Annual Meeting of Shareholders (the Proxy Statement) which will be filed with the Securities and Exchange Commission not later than 120 days after the Registrant s fiscal year ended December 31, 2007, are incorporated by reference in Part III of this Form 10-K.

REINSURANCE GROUP OF AMERICA, INCORPORATED
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YEAR ENDED DECEMBER 31, 2007
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First Amendment dated as of December 20, 2007 to Credit Agreement
Subsidiaries of RGA
Consent of Deloitte & Touche LLP
Powers of Attorney
Certification of CEO Pursuant to Section 302
Certification of CFO Pursuant to Section 302
Certification of CEO Pursuant to Section 906
Certification of CFO Pursuant to Section 906

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Item 1. BUSINESS

A. Overview

Reinsurance Group of America, Incorporated (RGA) is an insurance holding company that was formed on December 31, 1992. As of December 31, 2007, General American Life Insurance Company (General American), a Missouri life insurance company, directly owned approximately 52.0% of the outstanding shares of common stock of RGA. General American is a wholly-owned subsidiary of MetLife, Inc. (MetLife), a New York-based insurance and financial services holding company.

The consolidated financial statements herein include the assets, liabilities, and results of operations of RGA, RGA Reinsurance Company (RGA Reinsurance), RGA Reinsurance Company (Barbados) Ltd. (RGA Barbados), RGA Americas Reinsurance Company, Ltd. (RGA Americas), RGA Life Reinsurance Company of Canada (RGA Canada), RGA Reinsurance Company of Australia, Limited (RGA Australia), RGA Reinsurance UK Limited (RGA UK) and RGA Atlantic Reinsurance Company, Ltd. (RGA Atlantic) as well as several other subsidiaries subject to an ownership position of greater than fifty percent (collectively, the Company).

The Company is primarily engaged in traditional individual life, asset-intensive, critical illness and financial reinsurance. RGA and its predecessor, the Reinsurance Division of General American, have been engaged in the business of life reinsurance since 1973. The Company s more established operations in the U.S. and Canada contributed approximately 68.5% of its consolidated net premiums during 2007. In 1994, the Company began expanding into international markets and now has subsidiaries, branch operations, or representative offices in Australia, Barbados, Bermuda, China, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Mexico, Poland, South Africa, South Korea, Spain, Taiwan and the United Kingdom (UK). RGA is considered to be one of the leading life reinsurers in the North American market based on premiums and the amount of life reinsurance in force. As of December 31, 2007, the Company had approximately $2.1 trillion of life reinsurance in force and $21.6 billion in consolidated assets.

Reinsurance is an arrangement under which an insurance company, the reinsurer, agrees to indemnify another insurance company, the ceding company, for all or a portion of the insurance risks underwritten by the ceding company. Reinsurance is designed to (i) reduce the net liability on individual risks, thereby enabling the ceding company to increase the volume of business it can underwrite, as well as increase the maximum risk it can underwrite on a single life or risk; (ii) stabilize operating results by leveling fluctuations in the ceding company s loss experience; (iii) assist the ceding company in meeting applicable regulatory requirements; and (iv) enhance the ceding company s financial strength and surplus position.

Life reinsurance primarily refers to reinsurance of individual or group-issued term life insurance policies, whole life insurance policies, universal life insurance policies, and joint and last survivor insurance policies. Asset-intensive reinsurance primarily refers to reinsurance of annuities and corporate-owned life insurance. Critical illness reinsurance provides a benefit in the event of the diagnosis of a pre-defined critical illness. Financial reinsurance primarily involves assisting ceding companies in meeting applicable regulatory requirements while enhancing the ceding companies financial strength and regulatory surplus position. Financial reinsurance transactions do not qualify as reinsurance under accounting principles generally accepted in the United States of America (GAAP). Due to the low risk nature of financial reinsurance transactions they are reported based on deposit accounting guidelines. Ceding companies typically contract with more than one reinsurance company to reinsure their business.

Reinsurance may be written on an indemnity or an assumption basis. Indemnity reinsurance does not discharge a ceding company from liability to the policyholder. A ceding company is required to pay the full amount of its insurance obligations regardless of whether it is entitled or able to receive payments from its reinsurers. In the case of assumption reinsurance, the ceding company is discharged from liability to the policyholder, with such liability passed directly to the reinsurer. Reinsurers also may purchase reinsurance, known as retrocession reinsurance, to cover their risk exposure. Reinsurance companies enter into retrocession agreements for reasons similar to those that drive primary insurers to purchase reinsurance.

Reinsurance generally is written on a facultative or automatic treaty basis. Facultative reinsurance is individually underwritten by the reinsurer for each policy to be reinsured, with the pricing and other terms established at the time the policy is underwritten based upon rates negotiated in advance. Facultative reinsurance normally is purchased by

insurance companies for medically impaired lives, unusual risks, or liabilities in excess of the binding limits specified in their automatic reinsurance treaties.

An automatic reinsurance treaty provides that the ceding company will cede risks to a reinsurer on specified blocks of policies where the underlying policies meet the ceding company s underwriting criteria. In contrast to facultative reinsurance, the reinsurer does not approve each individual policy being reinsured. Automatic reinsurance treaties generally provide that the reinsurer will be liable for a portion of the risk associated with the specified policies written by the ceding company. Automatic reinsurance treaties specify the ceding company s binding limit, which is the maximum amount of risk on a given life that can be ceded automatically and that the reinsurer must accept. The binding limit may be stated either as a multiple of the ceding company s retention or as a stated dollar amount.

Facultative and automatic reinsurance may be written as yearly renewable term, coinsurance, or modified coinsurance. Under a yearly renewable term treaty, the reinsurer assumes only the mortality or morbidity risk. Under a coinsurance arrangement, depending upon the terms of the contract, the reinsurer may share in the risk of loss due to mortality or morbidity, lapses, and the investment risk, if any, inherent in the underlying policy. Modified coinsurance and coinsurance with funds withheld differs from coinsurance in that the assets supporting the reserves are retained by the ceding company while the risk is transferred to the reinsurer.

Generally, the amount of life reinsurance ceded under facultative and automatic reinsurance agreements is stated on an excess or a quota share basis. Reinsurance on an excess basis covers amounts in excess of an agreed-upon retention limit. Retention limits vary by ceding company and also may vary by age and underwriting classification of the insured, product, and other factors. Under quota share reinsurance, the ceding company states its retention in terms of a fixed percentage of the risk that will be retained, with the remainder up to the maximum binding limit to be ceded to one or more reinsurers.

Reinsurance agreements, whether facultative or automatic, may provide for recapture rights, which permit the ceding company to reassume all or a portion of the risk formerly ceded to the reinsurer after an agreed-upon period of time (generally 10 years) or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business, but would reduce premiums in subsequent periods. The potential adverse effects of recapture rights are mitigated by the following factors: (i) recapture rights vary by treaty and the risk of recapture is a factor that is considered when pricing a reinsurance agreement; (ii) ceding companies generally may exercise their recapture rights only to the extent they have increased their retention limits for the reinsured policies; and (iii) ceding companies generally must recapture all of the policies eligible for recapture under the agreement in a particular year if any are recaptured, which prevents a ceding company from recapturing only the most profitable policies. In addition, when a ceding company increases its retention and recaptures reinsured policies, the reinsurer releases the reserves it maintained to support the recaptured portion of the policies.

Reinsurers may place assets in trust to satisfy collateral requirements for certain treaties. As of December 31, 2007, the Company held securities in trust for this purpose with amortized costs of $1,085.9 million and $1,369.3 million for the benefit of certain subsidiaries and third-party reinsurance treaties, respectively. Under certain conditions, RGA may be obligated to move reinsurance from one RGA subsidiary company to another RGA subsidiary or make payments under a given treaty. These conditions include change in control or ratings of the subsidiary, insolvency, nonperformance under a treaty, or loss of the reinsurance license of such subsidiary. If RGA were ever required to perform under these obligations, the risk to the consolidated company under the reinsurance treaties would not change; however, additional capital may be required due to the change in jurisdiction of the subsidiary reinsuring the business and may create a strain on liquidity.

During 2006, RGA s subsidiary, Timberlake Financial, L.L.C. (Timberlake Financial), issued $850.0 million of Series A Floating Rate Insured Notes due June 2036 in a private placement. The notes were issued to fund the collateral requirements for statutory reserves required by the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation XXX) on specified term life insurance policies reinsured by RGA Reinsurance. Proceeds from the notes and the Company s direct investment in Timberlake Financial have been deposited into a series of trust accounts as collateral and are not available to satisfy the general obligations of the Company. As of December 31, 2007, the Company held assets in trust of $898.7 million for this purpose, which is not included above. In addition, the Company held $49.9 million in custody as of December 31, 2007. See Note 16 Collateral Finance Facility in the Notes to Consolidated Financial Statements for additional information on the Timberlake Financial

notes.

Some treaties give the ceding company the right to force the reinsurer to place assets in trust for the ceding company s benefit to provide collateral for statutory reserve credits taken by the ceding company, in the event of a downgrade of the reinsurer s ratings to specified levels, generally non-investment grade levels. As of December 31, 2007, the Company had approximately $572.9 million in statutory reserves associated with these types of treaties. Assets placed in trust continue to be owned by the Company, but their use is restricted based on the terms of the trust agreement.

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B. Corporate Structure

RGA is an insurance holding company, the principal assets of which consist of the common stock of Reinsurance Company of Missouri, Incorporated (RCM), RGA Barbados, RGA Americas, RGA Canada, RGA UK and RGA Atlantic as well as investments in several other wholly-owned subsidiaries. Potential sources of funds for RGA to make stockholder dividend distributions and to fund debt service obligations are dividends paid to RGA by its operating subsidiaries, securities maintained in its investment portfolio, and proceeds from securities offerings and borrowings. RCM s primary sources of funds are dividend distributions paid by RGA Reinsurance Company, whose principal source of funds is derived from current operations. Dividends paid by the Company s reinsurance subsidiaries are subject to regulatory restrictions of the respective governing bodies where each reinsurance subsidiary is domiciled.

The Company has five main geographic-based operational segments: U.S., Canada, Europe & South Africa, Asia Pacific and Corporate and Other. These operating segments write reinsurance business that is wholly or partially retained in one or more of the Company s reinsurance subsidiaries. See Segments for more information concerning the Company s operating segments.

Intercorporate Relationships

General American and MetLife have historically provided certain administrative services to RGA and RGA Reinsurance. Such services include risk management and corporate travel. The cost of these services for the years ended December 31, 2007, 2006 and 2005 was approximately $2.8 million, $2.4 million and $1.7 million, respectively, included in other expenses. Management does not believe that the various amounts charged for these services would be materially different if they had been incurred from an unrelated third party.

RGA Reinsurance also has a product license and service agreement with MetLife. Under this agreement, RGA has licensed the use of its electronic underwriting product to MetLife and provides internet hosting services, installation and modification services for the product. The Company recorded revenue under the agreement for the years ended December 31, 2007, 2006 and 2005 of approximately $0.6 million, $0.7 million and $1.6 million, respectively.

The Company also has arms-length direct policies and reinsurance agreements with MetLife and certain of its subsidiaries. As of December 31, 2007, the Company had reinsurance-related assets, excluding investments allocated to support the business, and liabilities from these agreements totaling $105.9 million and $277.6 million, respectively. Prior year comparable assets and liabilities were $114.6 million and $306.7 million, respectively. Additionally, the Company reflected net premiums from these agreements of approximately $250.9 million, $227.8 million, and $226.7 million in 2007, 2006, and 2005, respectively. The premiums reflect the net of business assumed from and ceded to MetLife and its subsidiaries. The pre-tax income (loss), excluding investment income allocated to support the business, was approximately $16.0 million, $10.9 million, and $(11.3) million in 2007, 2006, and 2005, respectively.

Ratings

Insurer financial strength ratings, sometimes referred to as claims paying ratings, represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity s ability to repay its indebtedness. The Company s insurer financial strength ratings and credit ratings as of the date of this filing, which are unchanged from the prior year, are listed in the table below for each rating agency that meets with the Company s management on a regular basis:

	A.M. Best Company (1)	Moody s Investors Service (2)	Standard & Poor s (3)
Insurer Financial Strength Ratings			
RGA Reinsurance Company	A+	A1	AA-
RGA Life Reinsurance Company of Canada	A+	Not Rated	AA-
RGA International Reinsurance Company	Not Rated	Not Rated	AA-
RGA Global Reinsurance Company	Not Rated	Not Rated	AA-

Credit Ratings

Reinsurance Group of America, Incorporated Senior Unsecured	a-	Baa1	A-
Junior Subordinated Debentures	bbb	Baa3	BBB-
RGA Capital Trust I (Preferred Securities)	bbb+	Baa2	BBB
Timberlake Financial Floating Rate Insured Notes	Not Rated	Aaa	AAA

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(1) An A.M. Best Company (A.M. Best) insurer financial strength rating of A+ (superior) is the second highest out of fifteen possible ratings and is assigned to companies that have, in A.M. Best s opinion, a superior ability to meet their ongoing obligations to policyholders. Financial strength ratings range from A++ (superior) to F (in liquidation) .

A credit rating of a- is in the strong category and is the seventh highest rating out of twenty-two possible ratings. Ratings of bbb+ and bbb are in the adequate category and are the eighth and ninth highest ratings.

(2) A Moody s Investors Service (Moody s) insurer financial strength rating of A1 (good) is the fifth highest

rating out of twenty-one possible ratings and indicates that Moody s believes the insurance company offers good financial security; however, elements may be present which suggest a susceptibility to impairment sometime in the future.

Moody s credit ratings of Baa1 , Baa2 and Baa3 are in the medium-grade category and represent the eighth, ninth and tenth highest ratings, respectively, out of twenty-two possible ratings. According to Moody s, obligations with these ratings are subject to moderate credit risk. Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk. Aaa is the highest rating possible on Moody s rating scale.

(3)

A Standard & Poor s (S&P) insurer financial strength rating of AA- (very strong) is the fourth highest rating out of twenty-one possible ratings. According to S&P s rating scale, a rating of AA- means that, in S&P s opinion, the insurer has very strong financial security characteristics.

S&P credit ratings of A- (strong), BBB (good) and BBB- (good) represent the seventh, ninth, and tenth highest ratings, respectively, out of twenty-two possible ratings. According to S&P, an obligation rated A- is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor s capacity to meet its financial commitment of

the obligation is still strong. According to S&P, an obligation rated BBB or BBB- exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Obligations rated AAA are considered extremely strong. AAA is the highest rating possible on S&P s rating scale.

The ability to write reinsurance partially depends on an insurer s financial condition and its financial strength ratings. These ratings are based on an insurance company s ability to pay policyholder obligations and are not directed toward the protection of investors. Each of the Company s credit ratings is considered investment grade. RGA s ability to raise capital for its business and the cost of this capital is influenced by its credit ratings. A security rating is not a recommendation to buy, sell or hold securities. It is subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Regulation

RGA Reinsurance, Parkway Reinsurance Company (Parkway Re) and RCM; Timberlake Reinsurance Company II (Timberlake Re); RGA Canada; General American Argentina Seguros de Vida, S.A. (GA Argentina); RGA Barbados, RGA Americas, RGA Atlantic and RGA Worldwide Reinsurance Company, Ltd. (RGA Worldwide); RGA Global Reinsurance Company, Ltd.; RGA Australia; RGA International Reinsurance Company (RGA International); RGA Reinsurance Company of South Africa, Limited (RGA South Africa); and RGA UK are regulated by authorities in Missouri, South Carolina, Canada, Argentina, Barbados, Bermuda, Australia, Ireland, South Africa, and the United Kingdom, respectively. RGA Reinsurance is also subject to regulations in the other jurisdictions in which it is licensed or authorized to do business. Insurance laws and regulations, among other things, establish minimum capital requirements and limit the amount of dividends, distributions, and intercompany payments affiliates can make without prior regulatory approval. Additionally, insurance laws and regulations impose restrictions on the amounts and type of investments that insurance companies may hold.

General

The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance departments, vary by jurisdiction, but generally grant broad powers to supervisory agencies or regulators to examine and supervise insurance companies and insurance holding companies with respect to every significant aspect of the conduct of the insurance business, including approval or modification of contractual arrangements. These laws and regulations generally require insurance companies to meet certain solvency standards and asset tests, to maintain minimum standards of business conduct, and to file certain reports with regulatory authorities, including information concerning their capital structure, ownership, and financial condition, and subject insurers to potential assessments for amounts paid by guarantee funds.

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The Company s reinsurance subsidiaries are required to file statutory financial statements in each jurisdiction in which they are licensed and may be subject to periodic examinations by the insurance regulators of the jurisdictions in which each is licensed, authorized, or accredited. To date, none of the regulator s reports related to the Company s periodic examinations have contained material adverse findings.

Although some of the rates and policy terms of U.S. direct insurance agreements are regulated by state insurance departments, the rates, policy terms, and conditions of reinsurance agreements generally are not subject to regulation by any regulatory authority. However, the National Association of Insurance Commissioners (NAIC) Model Law on Credit for Reinsurance, which has been adopted in most states, imposes certain requirements for an insurer to take reserve credit for risk ceded to a reinsurer. Generally, the reinsurer is required to be licensed or accredited in the insurer s state of domicile, or security must be posted for reserves transferred to the reinsurer in the form of letters of credit or assets placed in trust. The NAIC Life and Health Reinsurance Agreements Model Regulation, which has been passed in most states, imposes additional requirements for insurers to claim reserve credit for reinsurance ceded (excluding yearly renewable term reinsurance and non-proportional reinsurance). These requirements include bona fide risk transfer, an insolvency clause, written agreements, and filing of reinsurance agreements involving in force business, among other things.

The Valuation of Life Insurance Policies Model Regulation, commonly referred to as Regulation XXX, was implemented in the U.S. for various types of life insurance business beginning January 1, 2000. Regulation XXX significantly increased the level of reserves that U.S. life insurance and life reinsurance companies must hold on their statutory financial statements for various types of life insurance business, primarily certain level premium term life products. The reserve levels required under Regulation XXX increase over time and are normally in excess of reserves required under GAAP. In situations where primary insurers have reinsured business to reinsurers that are unlicensed and unaccredited in the U.S., the reinsurer must provide collateral equal to its reinsurance reserves in order for the ceding company to receive statutory financial statement credit. Reinsurers have historically utilized letters of credit for the benefit of the ceding company, or have placed assets in trust for the benefit of the ceding company as the primary forms of collateral. The increasing nature of the statutory reserves under Regulation XXX will likely require increased levels of collateral from reinsurers in the future to the extent the reinsurer remains unlicensed and unaccredited in the U.S.

In order to manage the effect of Regulation XXX on its statutory financial statements, RGA Reinsurance has retroceded a majority of Regulation XXX reserves to unaffiliated and affiliated unlicensed reinsurers. RGA Reinsurance s statutory capital may be significantly reduced if the unaffiliated or affiliated reinsurer is unable to provide the required collateral to support RGA Reinsurance s statutory reserve credits and RGA Reinsurance cannot find an alternative source for the collateral.

RGA Reinsurance, Parkway Re and RCM prepare statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Missouri. Timberlake Re prepares statutory financial statements in conformity with accounting practices prescribed or permitted by the State of South Carolina. Both states require domestic insurance companies to prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures manual subject to any deviations prescribed or permitted by each state s insurance commissioner. The Company s non-U.S. subsidiaries are subject to the regulations and reporting requirements of their respective countries of domicile.

Capital Requirements

Risk-Based Capital (RBC) guidelines promulgated by the NAIC became effective for U.S. insurance companies in 1993. These guidelines, applicable to RGA Reinsurance and RCM, identify minimum capital requirements based upon business levels and asset mix. RGA Reinsurance and RCM maintain capital levels in excess of the amounts required by the applicable guidelines. Regulations in international jurisdictions also require certain minimum capital levels, and subject the companies operating there to oversight by the applicable regulatory bodies. The Company s operations meet the minimum capital requirements in their respective jurisdictions. The Company cannot predict the effect that any proposed or future legislation or rule making in the countries in which it operates may have on the financial condition or operations of the Company or its subsidiaries.

Insurance Holding Company Regulations

RGA is subject to regulation under the insurance and insurance holding company statutes of Missouri. The Missouri insurance holding company laws and regulations generally require insurance and reinsurance subsidiaries of insurance holding companies to register and file with the Missouri Department of Insurance, Financial Institutions and Professional Registration (Missouri DIFP), certain reports describing, among other information, their capital structure, ownership, financial condition, certain intercompany transactions, and general business operations. The Missouri insurance holding company statutes and regulations also require prior approval of, or in certain circumstances, prior notice to the Missouri DIFP

of certain material intercompany transfers of assets, as well as certain transactions between insurance companies, their parent companies and affiliates.

Under Missouri insurance laws and regulations, unless (i) certain filings are made with the Missouri DIFP, (ii) certain requirements are met, including a public hearing, and (iii) approval or exemption is granted by the Director of the Missouri DIFP, no person may acquire any voting security or security convertible into a voting security of an insurance holding company, such as RGA, which controls a Missouri insurance company, or merge with such an insurance holding company, if as a result of such transaction such person would control the insurance holding company. Control is presumed to exist under Missouri law if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

In addition to RGA, the Company owns several international holding companies. These international holding companies are subject to various regulations in their respective jurisdictions.

Restrictions on Dividends and Distributions

Current Missouri law, applicable to RCM, and its wholly-owned subsidiary, RGA Reinsurance, permits the payment of dividends or distributions which, together with dividends or distributions paid during the preceding twelve months, do not exceed the greater of (i) 10% of statutory capital and surplus as of the preceding December 31, or (ii) statutory net gain from operations for the preceding calendar year. Any proposed dividend in excess of this amount is considered an extraordinary dividend and may not be paid until it has been approved, or a 30-day waiting period has passed during which it has not been disapproved, by the Director of the Missouri DIFP. Additionally, dividends may be paid only to the extent the insurer has unassigned surplus (as opposed to contributed surplus). Pursuant to these restrictions, RCM s and RGA Reinsurance s allowable dividends without prior approval for 2008 are approximately $118.4 million and $118.4 million, respectively. Any dividends paid by RGA Reinsurance would be paid to RCM, which in turn has the ability to pay dividends to RGA. The Missouri DIFP allows RCM to pay a dividend to RGA to the extent RCM received the dividend from RGA Reinsurance, without limitation related to the level of unassigned surplus. RCM s allowable dividends for 2008 are not affected by this provision. Historically, RGA has not relied upon dividends from its subsidiaries to fund its obligations. However, the regulatory limitations described here could limit the Company s financial flexibility in the future should it choose to or need to use subsidiary dividends as a funding source for its obligations.

In contrast to current Missouri law, the NAIC Model Insurance Holding Company Act (the Model Act) defines an extraordinary dividend as a dividend or distribution which, together with dividends or distributions paid during the preceding twelve months, exceeds the lesser of (i) 10% of statutory capital and surplus as of the preceding December 31, or (ii) statutory net gain from operations for the preceding calendar year. The Company is unable to predict whether, when, or in what form Missouri will enact a new measure for extraordinary dividends.

Missouri insurance laws and regulations also require that the statutory surplus of RCM and RGA Reinsurance following any dividend or distribution be reasonable in relation to its outstanding liabilities and adequate to meet its financial needs. The Director of the Missouri DIFP may call for a rescission of the payment of a dividend or distribution by RGA Reinsurance or RCM that would cause its statutory surplus to be inadequate under the standards of the Missouri insurance regulations.

Pursuant to the South Carolina Director of Insurance, Timberlake Re may declare dividends after June 15, 2012 subject to a minimum Total Adjusted Capital threshold, as defined by the NAIC s RBC regulation. Timberlake Re may pay dividends in accordance with any filed request to make such payments if the South Carolina Director of Insurance has approved such request. Dividend payments from other subsidiaries are subject to the regulations in the country of domicile.

Default or Liquidation

In the event of a default on any debt that may be incurred by RGA or the bankruptcy, liquidation, or other reorganization of RGA, the creditors and stockholders of RGA will have no right to proceed against the assets of RCM, RGA Reinsurance, RGA Canada, Parkway Re, Timberlake Re, or other insurance or reinsurance company subsidiaries of RGA. If RCM, Parkway Re or RGA Reinsurance were to be liquidated, such liquidation would be conducted by the Director of the Missouri DIFP as the receiver with respect to such insurance company s property and business. If RGA Canada were to be liquidated, such liquidation would be conducted pursuant to the general laws

relating to the winding-up of Canadian federal companies as well as regulatory approvals/regulations. If Timberlake Re were to be liquidated, such liquidation would be conducted by the South Carolina Director of Insurance as receiver with respect to such insurance company s property and business. In each case, all creditors of such insurance company, including, without limitation, holders of its reinsurance agreements and, if applicable, the various state guaranty associations, would be entitled to payment in full from such assets

before RGA, as a direct or indirect stockholder, would be entitled to receive any distributions made to it prior to commencement of the liquidation proceedings, and, if the subsidiary was insolvent at the time of the distribution, shareholders of RGA might likewise be required to refund dividends subsequently paid to them.

In addition to RCM, RGA Canada, Parkway Re and RGA Reinsurance, RGA has an interest in licensed insurance subsidiaries in Bermuda, Australia, Argentina, Barbados, Ireland, South Africa, and the United Kingdom. In the event of default or liquidation, the rules and regulations of the appropriate governing body in the country of incorporation would be followed.

Federal Regulation

Discussions continue in the Congress of the United States concerning the future of the McCarran-Ferguson Act, which exempts the business of insurance from most federal laws, including anti-trust laws, to the extent such business is subject to state regulation. Judicial decisions narrowing the definition of what constitutes the business of insurance and repeal or modification of the McCarran-Ferguson Act may limit the ability of the Company, and RGA Reinsurance in particular, to share information with respect to matters such as rate setting, underwriting, and claims management. Likewise, discussions continue in the Congress of the United States concerning potential future regulation of insurance and reinsurance at the Federal level. It is not possible to predict the effect of such decisions or changes in the law on the operation of the Company.

Underwriting

Facultative. The Company has developed underwriting guidelines, policies, and procedures with the objective of controlling the quality of business written as well as its pricing. The Company s underwriting process emphasizes close collaboration between its underwriting, actuarial, and operations departments. Management periodically updates these underwriting policies, procedures, and standards to account for changing industry conditions, market developments, and changes occurring in the field of medical technology. These policies, procedures, and standards are documented in an electronic underwriting manual made available to all the Company s underwriters. The Company regularly performs both internal and external reviews of its underwriters and underwriting process.

The Company s management determines whether to accept facultative reinsurance business on a prospective insured by reviewing the application, medical information and all underwriting requirements based on age and the face amount of the application. An assessment of medical and financial history follows with decisions based on underwriting knowledge, manual review and consultation with the Company s medical directors as necessary. Many facultative applications involve individuals with multiple medical impairments, such as heart disease, high blood pressure, and diabetes, which require a difficult underwriting/mortality assessment. To assist its underwriters in making these assessments, the Company employs nine full-time medical directors as well as 16 medical consultants.

Automatic. The Company s management determines whether to write automatic reinsurance business by considering many factors, including the types of risks to be covered; the ceding company s retention limit and binding authority, product, and pricing assumptions; and the ceding company s underwriting standards, financial strength and distribution systems. For automatic business, the Company ensures that the underwriting standards and procedures of its ceding companies are compatible with those of RGA. To this end, the Company conducts periodic reviews of the ceding companies underwriting and claims personnel and procedures.

Operations

Generally, the Company s life business has been obtained directly, rather than through brokers. The Company has an experienced marketing staff that works to provide responsive service and maintain existing relationships.

The Company s administration, auditing, valuation and accounting departments are responsible for treaty compliance auditing, financial analysis of results, generation of internal management reports, and periodic audits of administrative practices and records. A significant effort is focused on periodic audits of administrative and underwriting practices, records, and treaty compliance of reinsurance clients.

The Company s claims departments review and verify reinsurance claims, obtain the information necessary to evaluate claims, and arrange for timely claims payments. Claims are subjected to a detailed review process to ensure that the risk was properly ceded, the claim complies with the contract provisions, and the ceding company is current in the payment of reinsurance premiums to the Company. In addition, the claims departments monitor both specific claims and the overall claims handling procedures of ceding companies.

Competition

Reinsurers compete on the basis of many factors, including financial strength, pricing and other terms and conditions of reinsurance agreements, reputation, service, and experience in the types of business underwritten. The U.S. and Canadian life reinsurance markets are served by numerous international and domestic reinsurance companies. The Company believes that its primary competitors in the North American life reinsurance market are currently the following, or their affiliates: Transamerica Occidental Life Insurance Company, a subsidiary of Aegon N.V., Swiss Re Life of America and Munich American Reinsurance Company. However, within the reinsurance industry, this can change from year to year. The Company believes that its major competitors in the international life reinsurance markets are Swiss Re Life and Health Ltd., General Re, Munich Reinsurance Company, Hannover Reinsurance, and SCOR Global Reinsurance.

Employees

As of December 31, 2007, the Company had 1,066 employees located in the United States, Canada, Argentina, Mexico, Hong Kong, South Korea, Australia, China, Japan, Taiwan, South Africa, Spain, Poland, France, Germany, Italy, Ireland, India and the United Kingdom. None of these employees are represented by a labor union. The Company believes that employee relations at RGA and all of its subsidiaries are good.

C. Segments

The Company obtains substantially all of its revenues through reinsurance agreements that cover a portfolio of life insurance products, including term life, credit life, universal life, whole life, joint and last survivor insurance, critical illness, as well as annuities, financial reinsurance, and direct premiums which include single premium pension annuities, universal life, and group life. Generally, the Company, through various subsidiaries, has provided reinsurance for mortality, morbidity, and lapse risks associated with such products. With respect to asset-intensive products, the Company has also provided reinsurance for investment-related risks.

The following table sets forth the Company s premiums attributable to each of its segments for the periods indicated on both a gross assumed basis and net of premiums ceded to third parties:

Gross and Net Premiums by Segment

(in millions)

	Year Ended December 31,					
	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
Gross Premiums:						
U.S.	$3,073.8	57.2	$2,838.2	59.9	$2,652.2	62.8
Canada	675.7	12.6	556.8	11.8	406.3	9.6
Europe & South Africa	719.6	13.4	630.0	13.3	591.1	14.0
Asia Pacific	898.2	16.7	708.6	15.0	569.8	13.5
Corporate and Other	3.7	0.1	2.0		2.5	0.1
Total	$5,371.0	100.0	$4,735.6	100.0	$4,221.9	100.0
Net Premiums:						
U.S.	$2,874.8	58.6	$2,653.5	61.1	$2,433.6	62.9
Canada	487.1	9.9	429.4	9.9	343.1	8.9
Europe & South Africa	678.6	13.8	587.9	13.5	552.7	14.3
Asia Pacific	864.5	17.6	673.2	15.5	534.9	13.8
Corporate and Other	4.0	0.1	2.0		2.5	0.1
Total	$4,909.0	100.0	$4,346.0	100.0	$3,866.8	100.0

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The following table sets forth selected information concerning assumed life reinsurance business in force by segment for the indicated periods. (The term in force refers to insurance policy face amounts or net amounts at risk.)

Reinsurance Business In Force by Segment
(in billions)

	Year Ended December 31,					
	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
U.S.	$1,232.3	58.1	$1,159.8	59.7	$1,083.7	63.3
Canada	217.7	10.3	155.4	8.0	127.4	7.4
Europe & South Africa	380.4	17.9	345.1	17.8	280.1	16.3
Asia Pacific	289.5	13.7	281.1	14.5	222.0	13.0
Total	$2,119.9	100.0	$1,941.4	100.0	$1,713.2	100.0

Reinsurance business in force reflects the addition or acquisition of new life reinsurance business, offset by terminations (e.g., voluntary surrenders of underlying life insurance policies, lapses of underlying policies, deaths of insureds, and the exercise of recapture options), changes in foreign exchange, and any other changes in the amount of insurance in force. As a result of terminations and other changes, assumed in force amounts at risk of $123.9 billion, $146.4 billion, and $110.1 billion were released in 2007, 2006, and 2005, respectively.

The following table sets forth selected information concerning assumed new business volume by segment for the indicated periods. (The term volume refers to insurance policy face amounts or net amounts at risk.)

New Business Volume by Segment
(in billions)

	Year Ended December 31,					
	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
U.S.	$164.2	54.3	$172.1	45.9	$186.7	51.2
Canada	46.8	15.5	39.8	10.6	32.2	8.8
Europe & South Africa	61.3	20.3	105.1	28.1	110.7	30.4
Asia Pacific	30.1	9.9	57.6	15.4	34.8	9.6
Total	$302.4	100.0	$374.6	100.0	$364.4	100.0

Additional information regarding the operations of the Company s segments and geographic operations is contained in Note 17 Segment Information in the Notes to Consolidated Financial Statements.

U.S. Operations

The U.S. operations represented 58.6%, 61.1% and 62.9% of the Company s net premiums in 2007, 2006 and 2005, respectively. The U.S. operations market traditional life reinsurance, reinsurance of asset-intensive products and financial reinsurance, primarily to large U.S. life insurance companies.

Traditional Reinsurance

The U.S. Traditional sub-segment provides life reinsurance to domestic clients for a variety of life products through yearly renewable term agreements, coinsurance, and modified coinsurance. This business has been accepted under many different rate scales, with rates often tailored to suit the underlying product and the needs of the ceding company. Premiums typically vary for smokers and non-smokers, males and females, and may include a preferred underwriting class discount. Reinsurance premiums are paid in accordance with the treaty, regardless of the premium mode for the underlying primary insurance. This business is made up of facultative and automatic treaty business.

Automatic business, including financial reinsurance treaties, is generated pursuant to treaties which generally require that the underlying policies meet the ceding company s underwriting criteria, although a number of such policies may be rated substandard. In contrast to facultative reinsurance, reinsurers do not engage in underwriting assessments of each risk assumed through an automatic treaty.

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Because the Company does not apply its underwriting standards to each policy ceded to it under automatic treaties, the U.S. operations generally require ceding companies to keep a portion of the business written on an automatic basis, thereby increasing the ceding companies incentives to underwrite risks with due care and, when appropriate, to contest claims diligently.

The U.S. facultative reinsurance operation involves the assessment of the risks inherent in (i) multiple impairments, such as heart disease, high blood pressure, and diabetes; (ii) cases involving large policy face amounts; and (iii) financial risk cases, i.e., cases involving policies disproportionately large in relation to the financial characteristics of the proposed insured. The U.S. operations marketing efforts have focused on developing facultative relationships with client companies because management believes facultative reinsurance represents a substantial segment of the reinsurance activity of many large insurance companies and also serves as an effective means of expanding the U.S. operations automatic business. In 2007, 2006, and 2005, approximately 19.9%, 20.0%, and 20.0%, respectively, of the U.S. gross premiums were written on a facultative basis. The U.S. operations have emphasized personalized service and prompt response to requests for facultative risk assessment.

Only a portion of approved facultative applications ultimately result in reinsurance. This is because applicants for impaired risk policies often submit applications to several primary insurers, which in turn seek facultative reinsurance from several reinsurers. Ultimately, only one insurance company and one reinsurer are likely to obtain the business. The Company tracks the percentage of declined and placed facultative applications on a client-by-client basis and generally works with clients to seek to maintain such percentages at levels deemed acceptable. Because the Company applies its underwriting standards to each application submitted to it facultatively, it generally does not require ceding companies to retain a portion of the underlying risk when business is written on a facultative basis.

In addition, several of the Company s U.S. clients have purchased life insurance policies insuring the lives of their executives. These policies have generally been issued to fund deferred compensation plans and have been reinsured with the Company. As of December 31, 2007, interest-sensitive contract reserves of $1.1 billion and policy loans of $1.1 billion associated with this business are included on the Company s consolidated balance sheet.

Asset-Intensive Reinsurance

Asset-intensive reinsurance primarily concentrates on the investment risk within underlying annuities and corporate-owned life insurance policies. Most of these agreements are coinsurance, coinsurance funds withheld, or modified coinsurance of primarily investment risk such that the Company recognizes profits or losses primarily from the spread between the investment earnings and the interest credited on the underlying deposit liabilities. As of December 31, 2007, reinsurance of such business was reflected in interest-sensitive contract liabilities of approximately $5.5 billion.

Annuities are normally limited by the size of the deposit from any single depositor. The Company also reinsures certain variable annuity products that contain guaranteed minimum death or living benefits. Corporate-owned life insurance normally involves a large number of insureds associated with each deposit, and the Company s underwriting guidelines limit the size of any single deposit. The individual policies associated with any single deposit are typically issued within pre-set guaranteed issue parameters. A significant amount of this business is written on a modified coinsurance or coinsurance with funds withheld basis. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments and Note 4 Investments in the Notes to Consolidated Financial Statements for additional information.

The Company targets highly-rated, financially secure companies as clients for asset-intensive business. These companies may wish to limit their own exposure to certain products. Ongoing asset/liability analysis is required for the management of asset-intensive business. The Company performs this analysis internally, in conjunction with asset/liability analysis performed by the ceding companies.

Financial Reinsurance

The Company s U.S. Financial Reinsurance sub-segment assists ceding companies in meeting applicable regulatory requirements while enhancing the ceding companies financial strength and regulatory surplus position. The Company commits cash or assumes regulatory insurance liabilities from the ceding companies. Generally, such amounts are offset by receivables from ceding companies that are repaid by the future profits from the reinsured block of business. The Company structures its financial reinsurance transactions so that the projected future profits of the underlying

reinsured business significantly exceed the amount of regulatory surplus provided to the ceding company.

The Company primarily targets highly-rated insurance companies for financial reinsurance due to the credit risk associated with this business. A careful analysis is performed before providing any regulatory surplus enhancement to the ceding company. This analysis is intended to ensure that the Company understands the risks of the underlying insurance

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product and that the transaction has a high likelihood of being repaid through the future profits of the underlying business. If the future profits of the business are not sufficient to repay the Company or if the ceding company becomes financially distressed and is unable to make payments under the treaty, the Company may incur losses. A staff of actuaries and accountants tracks experience for each treaty on a quarterly basis in comparison to expected models. The Company also retrocedes most of its financial reinsurance business to other insurance companies to alleviate the strain on regulatory surplus created by this business.

Customer Base

The U.S. reinsurance operation markets life reinsurance primarily to the largest U.S. life insurance companies. The Company estimates that approximately 87 of the top 100 U.S. life insurance companies, based on premiums, are clients. These treaties generally are terminable by either party on 90 days written notice, but only with respect to future new business. Existing business generally is not terminable, unless the underlying policies terminate or are recaptured. In 2007, 69 non-affiliated clients each generated annual gross premiums of $5.0 million or more, and the aggregate gross premiums from these clients represented approximately 96.8% of U.S. life gross premiums. For the purpose of this disclosure, companies that are within the same insurance holding company structure are combined.

MetLife and its affiliates (excluding the Company) generated approximately $314.5 million or 10.2% of U.S. operations gross premiums in 2007.

Canada Operations

The Canada operations represented 9.9%, 9.9%, and 8.9% of the Company s net premiums in 2007, 2006 and 2005, respectively. In 2007, the Canadian life operations assumed $46.8 billion in new business, predominately representing recurring new business, as opposed to in force transactions. Approximately 87.2% of the 2007 recurring new business was written on an automatic basis.

The Company operates in Canada primarily through RGA Canada, a wholly-owned subsidiary. RGA Canada is a leading life reinsurer in Canada, based on new individual life insurance production, assisting clients with capital management and mortality risk management and is primarily engaged in traditional individual life reinsurance, as well as creditor reinsurance, group life and health reinsurance and non-guaranteed critical illness products. Creditor insurance covers the outstanding balance on personal, mortgage or commercial loans in the event of death, disability or critical illness and is generally shorter in duration than traditional life insurance.

Clients include most of the life insurers in Canada, although the number of life insurers is much smaller compared to the U.S. During 2007, the three largest clients represented $278.5 million, or 41.2%, of gross premiums. Three other clients individually represented more than 5% of Canada s gross premiums. Together, these three clients represented 16.5% of Canada s gross premiums. The Canada operations compete with a small number of individual and group life reinsurers primarily on the basis of price, service, and financial strength.

As of December 31, 2007, RGA Canada had two offices and maintained a staff of 89 people at the Montreal office and 15 people at the office in Toronto. RGA Canada employs its own underwriting, actuarial, claims, pricing, accounting, systems, marketing and administrative staff.

Europe & South Africa Operations

The Europe & South Africa operations represented 13.8%, 13.5%, and 14.3% of the Company s net premiums in 2007, 2006 and 2005, respectively. This segment provides primarily life reinsurance to clients located in Europe, primarily in the UK and Spain, South Africa, Mexico and India. The principal types of business have been reinsurance of life products through yearly renewable term and coinsurance agreements and the reinsurance of critical illness coverage that provides a benefit in the event of the diagnosis of a pre-defined critical illness. These agreements may be either facultative or automatic agreements. Premiums earned from critical illness coverage represented 32.7% of the total gross premiums for this segment in 2007. The segment s five largest clients, all part of the Company s UK operations, generated approximately $498.5 million, or 69.3%, of the segment s gross premiums in 2007.

During 2000, RGA UK began operating in the UK, where an increasing number of insurers are ceding the mortality and accelerated critical illness risks of individual life products on a quota share basis, creating what the Company believes are reinsurance opportunities. The reinsurers present in the market include the large global companies with which the Company also competes in other markets. In 2007, the UK operation generated approximately 77.0% of the segment s gross premiums.

In 1998, the Company established RGA South Africa, with offices in Cape Town and Johannesburg, to provide life reinsurance in South Africa. In South Africa, the Company s subsidiary has managed to establish a substantial position in the

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individual facultative market, through excellent service and competitive pricing, and has gained an increasing share in the automatic market. Life reinsurance is also provided on group cases. The Company is concentrating on the life insurance market, as opposed to competitors that are also in the health market.

In Spain, the Company has business relationships with more than 40 companies covering both individual and group life business; in 2007 this office became a branch. A representative office was opened in 1998 in Mexico City to directly assist clients in this market. In 2002, RGA opened an office in India which markets life reinsurance support on individual and group business. During 2006, RGA opened a representative office in Poland to directly assist clients in the central and eastern European market. During 2007, RGA opened a branch office in France and a representative office in Italy to directly assist clients in those markets.

RGA s subsidiaries in the UK and South Africa employ their own underwriting, actuarial, claims, pricing, accounting, marketing, and administration staff with additional support provided by the Company s corporate staff in the U.S. Divisional management through RGA International Corporation (Nova Scotia ULC), based in Toronto, also provides services for these and other international markets. As of December 31, 2007, this segment employed 48 people in Toronto, 53 people in the UK, 53 people in South Africa, 19 people in mainland Europe and Ireland, 10 people in Mexico, 19 people in India and eight people in St. Louis.

Asia Pacific Operations

The Asia Pacific operations represented 17.6%, 15.5%, and 13.8% of the Company s net premiums in 2007, 2006 and 2005, respectively. The Company has a presence in the Asia Pacific region with licensed branch offices and/or representative offices in Hong Kong, Japan, South Korea, Taiwan, New Zealand and China, and a regional office in Sydney. The Company also established a reinsurance subsidiary in Australia in January 1996.

During 2007, the ten largest clients, five in Australia, three in Korea and two in Japan, generated approximately $530.2 million, or 59.0% of the total gross premiums for the Asia Pacific operations. The Australian business, as a whole, generated approximately $363.2 million, or 40.4% of the total gross premiums for the Asia Pacific operations in 2007.

The principal types of reinsurance for this segment include life, critical illness, disability income, superannuation, and non-traditional reinsurance. Superannuation is the Australian government mandated compulsory retirement savings program. Superannuation funds accumulate retirement funds for employees, and in addition, offer life and disability insurance coverage. Reinsurance agreements may be either facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

Within the Asia Pacific segment, as of December 31, 2007, 22 people were on staff in the Hong Kong office, 44 people were on staff in the Japan office, 14 people were on staff in the Taiwan office, 19 people were on staff in the South Korean office, six people were on staff in the Beijing office, 33 people were on staff in the Sydney regional office, 10 were on staff at the St. Louis office, and RGA Australian Holdings maintained a staff of 62 people. The Hong Kong, Japan, Taiwan, Beijing and South Korea offices primarily provide marketing and underwriting services to the direct life insurance companies with other service support provided directly by the Company s U.S. and Sydney regional operations. RGA Australia employs its own underwriting, actuarial, claims, pricing, accounting, systems, marketing, and administration service with additional support provided by the Company s U.S. and Sydney regional operations.

Corporate and Other

Corporate and Other operations include investment income from invested assets not allocated to support segment operations and undeployed proceeds from the Company s capital raising efforts, in addition to unallocated investment related gains or losses. Corporate expenses consist of the offset to capital charges allocated to the operating segments within the policy acquisition costs and other insurance expenses line item, unallocated overhead and executive costs, and interest expense related to debt and the $225.0 million of 5.75% Company-obligated mandatorily redeemable trust preferred securities. Additionally, the Corporate and Other operations segment includes results from RGA Technology Partners, Inc. (RTP), a wholly-owned subsidiary that develops and markets technology solutions for the insurance industry, the Company s Argentine privatized pension business, which is currently in run-off, the investment income and expense associated with the Company s collateral finance facility and an insignificant amount of direct insurance operations in Argentina. The Company has maintained its ownership of the direct insurance operations in Argentina

but transferred the majority of the underlying insurance policies to an unrelated third party in the first quarter of 2007. Total future policy benefits and other liabilities associated with this transfer totaled approximately $6.9 million. The Company also recognized a $10.5 million foreign currency translation loss in the first quarter of 2007 related to its decision to sell its ownership interest in the operation and does not expect to incur a significant gain or loss upon the ultimate sale of its ownership interest.

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Discontinued Operations

As of December 31, 1998, the Company formally reported its accident and health division as a discontinued operation. More information about the Company s discontinued accident and health division may be found in Note 21 Discontinued Operations in the Notes to Consolidated Financial Statements.

D. Financial Information About Foreign Operations

The Company s foreign operations are primarily in Canada, the Asia Pacific region, and Europe & South Africa. Revenue, income (loss) before income taxes, which include investment related gains (losses), interest expense, depreciation and amortization, and identifiable assets attributable to these geographic regions are identified in Note 17 Segment Information in the Notes to Consolidated Financial Statements. Although there are risks inherent to foreign operations, such as currency fluctuations and restrictions on the movement of funds, as described in Item 1A Risk Factors , the Company s financial position and results of operations have not been materially adversely affected thereby to date.

E. Available Information

Copies of the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge through the Company s website (www.rgare.com) as soon as reasonably practicable after the Company electronically files (www.sec.gov) such reports with the Securities and Exchange Commission. Information provided on such websites does not constitute part of this Annual Report on Form 10-K.

Item 1A. RISK FACTORS

In the Risk Factors below, we refer to the Company as we, us, or our . Investing in our securities involves certain risks. Any of the following risks could materially adversely affect our business, results of operations, or financial condition and could result in a loss of your investment.

Risks Related to Our Business

A downgrade in our ratings or in the ratings of our reinsurance subsidiaries could adversely affect our ability to compete.

Ratings are an important factor in our competitive position. Rating organizations periodically review the financial performance and condition of insurers, including our reinsurance subsidiaries. These ratings are based on an insurance company s ability to pay its obligations and are not directed toward the protection of investors. Rating organizations assign ratings based upon several factors. While most of the factors considered relate to the rated company, some of the factors relate to general economic conditions and circumstances outside the rated company s control. There were no changes to the Company s ratings during 2007. The various rating agencies periodically review and evaluate our capital adequacy in accordance with their established guidelines and capital models. In order to maintain our existing ratings, we may commit from time to time to manage our capital at levels commensurate with such guidelines and models. If our capital levels are insufficient to fulfill any such commitments, we could be required to reduce our risk profile by, for example, retroceding some of our business or by raising additional capital by issuing debt, hybrid, or equity securities. Any such actions could have a material adverse impact on our earnings or materially dilute our shareholders equity ownership interests.

Any downgrade in the ratings of our reinsurance subsidiaries could adversely affect their ability to sell products, retain existing business, and compete for attractive acquisition opportunities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. A rating is not a recommendation to buy, sell or hold securities, and each rating should be evaluated independently of any other rating. The rating agencies consider the ratings of our parent company, MetLife, when assigning our ratings, however, the impact of MetLife s ratings on our ratings varies by rating agency. The ability of our subsidiaries to write reinsurance partially depends on their financial condition and is influenced by their ratings. In addition, a significant downgrade in the rating or outlook of RGA, among other factors, could adversely affect our ability to raise and then contribute capital to our subsidiaries for the purpose of facilitating their operations as well as the cost of capital. For example, the facility fee and interest rate for our credit facilities are based on our senior long-term debt ratings. A decrease in those ratings could result in an increase in costs for the credit facilities. Accordingly, we believe a ratings downgrade of RGA, or of our affiliates, could have a negative effect on our ability to conduct business.

We cannot assure you that any action taken by the ratings agencies would not result in a material adverse effect on our business and results of operations. In addition, it is unclear what effect, if any, a ratings change would have on the price of our securities in the secondary market.

We make assumptions when pricing our products relating to mortality, morbidity, lapsation and expenses, and significant deviations in actual experience could negatively affect our financial results.

Our reinsurance contracts expose us to mortality risk, which is the risk that the level of death claims may differ from that which we assumed in pricing our life, critical illness and annuity reinsurance contracts. Some of our reinsurance contracts expose us to morbidity risk, which is the risk that an insured person will become critically ill or disabled. Our risk analysis and underwriting processes are designed with the objective of controlling the quality of the business and establishing appropriate pricing for the risks we assume. Among other things, these processes rely heavily on our underwriting, our analysis of mortality and morbidity trends, lapse rates, expenses and our understanding of medical impairments and their effect on mortality or morbidity.

We expect mortality, morbidity and lapse experience to fluctuate somewhat from period to period, but believe they should remain fairly constant over the long term. Mortality, morbidity or lapse experience that is less favorable than the mortality, morbidity or lapse rates that we used in pricing a reinsurance agreement will negatively affect our net income because the premiums we receive for the risks we assume may not be sufficient to cover the claims and profit margin. Furthermore, even if the total benefits paid over the life of the contract do not exceed the expected amount, unexpected increases in the incidence of deaths or illness can cause us to pay more benefits in a given reporting period than expected, adversely affecting our net income in any particular reporting period. Likewise, adverse experience could impair our ability to offset certain unamortized deferred acquisition costs and adversely affect our net income in any particular reporting period.

RGA is an insurance holding company, and our ability to pay principal, interest and/or dividends on securities is limited.

RGA is an insurance holding company, with our principal assets consisting of the stock of our insurance company subsidiaries, and substantially all of our income is derived from those subsidiaries. Our ability to pay principal and interest on any debt securities or dividends on any preferred or common stock depends in part on the ability of our insurance company subsidiaries, our principal sources of cash flow, to declare and distribute dividends or to advance money to RGA. We are not permitted to pay common stock dividends or make payments of interest or principal on securities which rank equal or junior to our subordinated debentures, until we pay any accrued and unpaid interest on our subordinated debentures. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay to us. Covenants contained in some of our debt agreements and regulations relating to capital requirements affecting some of our more significant subsidiaries also restrict the ability of certain subsidiaries to pay dividends and other distributions and make loans to us.

As a result of our insurance holding company structure, in the event of the insolvency, liquidation, reorganization, dissolution or other winding-up of one of our reinsurance subsidiaries, all creditors of that subsidiary would be entitled to payment in full out of the assets of such subsidiary before we, as shareholder, would be entitled to any payment. Our subsidiaries would have to pay their direct creditors in full before our creditors, including holders of common stock, preferred stock or debt securities of RGA, could receive any payment from the assets of such subsidiaries.

If our investment strategy is not successful, we could suffer unexpected losses.

The success of our investment strategy is crucial to the success of our business. In particular, we structure our investments to match our anticipated liabilities under reinsurance treaties to the extent we believe necessary. If our calculations with respect to these reinsurance liabilities are incorrect, or if we improperly structure our investments to match such liabilities, we could be forced to liquidate investments prior to maturity at a significant loss.

Our investment guidelines also permit us to invest up to 5% of our investment portfolio in non-investment grade fixed maturity securities. While any investment carries some risk, the risks associated with lower-rated securities are greater than the risks associated with investment grade securities. The risk of loss of principal or interest through default is greater because lower-rated securities are usually unsecured and are often subordinated to an issuer s other obligations. Additionally, the issuers of these securities frequently have high debt levels and are thus more sensitive to difficult economic conditions, individual corporate developments and rising interest rates which could impair an issuer s capacity or willingness to meet its financial commitment on such lower-rated securities. As a result, the market

price of these securities may be quite volatile, and the risk of loss is greater.

The success of any investment activity is affected by general economic conditions, which may adversely affect the markets for interest-rate-sensitive securities and equity securities, including the level and volatility of interest rates and the

extent and timing of investor participation in such markets. Unexpected volatility or illiquidity in the markets in which we directly or indirectly hold positions could adversely affect us.

MetLife is our majority shareholder and its interests may differ from the interests of RGA and our other security holders.

At December 31, 2007, MetLife was the beneficial owner of approximately 52.0% of our outstanding common stock. MetLife has publicly disclosed that it continuously evaluates our businesses and prospects, alternative investment opportunities and other factors deemed relevant in determining whether additional shares of our common stock will be acquired by MetLife or whether it will dispose of shares of our common stock. Additionally, MetLife indicated that, at any time, depending on market conditions, the trading prices for our common stock, the actions taken by our board of directors, alternative investment opportunities and the outlook for RGA, it may acquire additional shares of our common stock or may dispose of some or all of the shares of our common stock it beneficially owns, in either case in the open market, in privately negotiated transactions or otherwise. MetLife s holdings of RGA common stock are registered pursuant to our shelf registration statement.

As a result of MetLife s ownership position, until it disposes of some or all of the 32,243,539 shares of our common stock it beneficially owns, MetLife may continue to have the ability to significantly influence matters requiring shareholder approval, including without limitation, the election and removal of directors, amendments to our articles of incorporation, mergers, acquisitions, changes of control of our company and sales of all or substantially all of our assets. In addition, at least as long as it is our majority shareholder, MetLife is required to consolidate our results of operations into MetLife s financial statements. As a result, our board of directors, including the members who are also employed by or affiliated with MetLife, may consider not only the short-term and long-term effect of operating decisions on us, but also the effect of such decisions on MetLife and its affiliates.

Your interests as a holder of our securities may conflict with the interests of MetLife, and the price of our common stock or other securities could be adversely affected by this influence or by the perception that MetLife may seek to sell shares of common stock in the future.

If we experience an ownership change, we may be unable to realize the benefits of our deferred tax asset.

RGA and certain subsidiaries have significant net operating loss carryforwards (NOLs,) and other tax attributes. At December 31, 2007, we had recognized a cumulative gross deferred tax asset associated with NOLs of approximately $932.4 million. NOLs may be carried forward to offset taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current federal corporate income tax rates, our NOLs and other carryforwards could provide a benefit to us, if fully utilized, of significant future tax savings. However, our ability to use these tax benefits in future years will depend upon the amount of our otherwise taxable income. If we do not have sufficient taxable income in future years to use the tax benefits before they expire, we will lose the benefit of these NOLs permanently.

Additionally, if we experience an ownership change, as defined in Section 382 of the Internal Revenue Code of 1986 as amended (the Code), the NOLs would be subject to an annual limit on the amount of the taxable income that may be offset by any NOLs generated prior to the ownership change. If an ownership change were to occur, we could be unable to use a portion of our NOLs to offset taxable income. In general, an ownership change occurs when, as of any testing date, there is an ownership shift exceeding 50% of outstanding shares in the aggregate during a three year period ending on such testing date.

At December 31, 2007, MetLife was the beneficial owner of approximately 52.0% of our outstanding common stock. MetLife has publicly disclosed that it continuously evaluates our business and prospects, its alternative investment opportunities, and other factors deemed relevant in determining whether it will dispose of shares of our common stock. MetLife has indicated that based upon these considerations, and, depending upon market conditions and the trading price of our common stock, it may dispose of some or all of the shares of our common stock it beneficially owns. If MetLife were to dispose of all or substantially all of its RGA common stock, we could experience an ownership change. An ownership change could limit our ability to continue to recognize the deferred tax asset associated with the NOLs. A reduction in the amount of our deferred tax asset would have a negative effect on reported earnings and capital levels, and could adversely affect the level of taxes we pay in future years.

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Interest rate fluctuations could negatively affect the income we derive from the difference between the interest rates we earn on our investments and interest we pay under our reinsurance contracts.

Significant changes in interest rates expose reinsurance companies to the risk of reduced investment income or actual losses based on the difference between the interest rates earned on investments and the credited interest rates paid on outstanding reinsurance contracts. Both rising and declining interest rates can negatively affect the income we derive from these interest rate spreads. During periods of rising interest rates, we may be contractually obligated to increase the crediting rates on our reinsurance contracts that have cash values. However, we may not have the ability to immediately acquire investments with interest rates sufficient to offset the increased crediting rates on our reinsurance contracts. During periods of falling interest rates, our investment earnings will be lower because new investments in fixed maturity securities will likely bear lower interest rates. We may not be able to fully offset the decline in investment earnings with lower crediting rates on underlying annuity products related to certain of our reinsurance contracts. While we develop and maintain asset/liability management programs and procedures designed to reduce the volatility of our income when interest rates are rising or falling, we cannot assure you that changes in interest rates will not affect our interest rate spreads.

Changes in interest rates may also affect our business in other ways. Lower interest rates may result in lower sales of certain insurance and investment products of our customers, which would reduce the demand for our reinsurance of these products.

Natural disasters, catastrophes, and disasters caused by humans, including the threat of terrorist attacks and related events, epidemics and pandemics may adversely affect our business and results of operations.

Natural disasters and terrorist attacks, as well as epidemics and pandemics, can adversely affect our business and results of operations because they accelerate mortality and morbidity risk. Terrorist attacks in the United States and in other parts of the world and the threat of future attacks could have a negative effect on our business.

We believe our reinsurance programs are sufficient to reasonably limit our net losses for individual life claims relating to potential future natural disasters and terrorist attacks. However, the consequences of further natural disasters, terrorist attacks, armed conflicts, epidemics and pandemics are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

We operate in a highly competitive industry, which could limit our ability to gain or maintain market share.

The reinsurance industry is highly competitive, and we encounter significant competition in all lines of business from other reinsurance companies, as well as competition from other providers of financial services. Our competitors vary by geographic market. We believe our primary competitors in the North American life reinsurance market are currently the following, or their affiliates: Transamerica Occidental Life Insurance Company, a subsidiary of Aegon, N.V., Swiss Re Life of America and Munich American Reinsurance Company. We believe our primary competitors in the international life reinsurance markets are Swiss Re Life and Health Ltd., General Re, Munich Reinsurance Company, Hannover Reinsurance and SCOR Global Reinsurance. Many of our competitors have greater financial resources than we do. Our ability to compete depends on, among other things, our ability to maintain strong financial strength ratings from rating agencies, pricing and other terms and conditions of reinsurance agreements, and our reputation, service, and experience in the types of business that we underwrite. However, competition from other reinsurers could adversely affect our competitive position.

Our target market is large life insurers. We compete based on the strength of our underwriting operations, insights on mortality trends based on our large book of business, and responsive service. We believe our quick response time to client requests for individual underwriting quotes and our underwriting expertise are important elements to our strategy and lead to other business opportunities with our clients. Our business will be adversely affected if we are unable to maintain these competitive advantages or if our international strategy is not successful.

Tax law changes or a prolonged economic downturn could reduce the demand for some insurance products, which could adversely affect our business.

Under the Code, income tax payable by policyholders on investment earnings is deferred during the accumulation period of some life insurance and annuity products. To the extent that the Code is revised to reduce the tax-deferred status of life insurance and annuity products, or to increase the tax-deferred status of competing products, all life insurance companies would be adversely affected with respect to their ability to sell such products, and, depending on

grandfathering provisions, by the surrenders of existing annuity contracts and life insurance policies. In addition, life insurance products are often used to fund estate tax obligations. Congress has adopted legislation to reduce, and ultimately eliminate, the estate tax. Under this legislation, our U.S. life insurance company customers will face reduced demand for some of their life insurance products,

which in turn could negatively affect our reinsurance business. We cannot predict what future tax initiatives may be proposed and enacted that could affect us.

In addition, a general economic downturn or a downturn in the equity and other capital markets could adversely affect the market for many annuity and life insurance products. Because we obtain substantially all of our revenues through reinsurance arrangements that cover a portfolio of life insurance products, as well as annuities, our business would be harmed if the market for annuities or life insurance was adversely affected. In addition, the market for annuity reinsurance products is currently not well developed, and we cannot assure you that such market will develop in the future.

The availability and cost of collateral, including letters of credit, asset trusts and other credit facilities, could adversely affect our financial condition, operating costs, and new business volume.

Regulatory requirements in various jurisdictions in which we operate may be significantly higher than the reserves required under GAAP. Accordingly, we reinsure, or retrocede, business to affiliated and unaffiliated reinsurers to reduce the amount of regulatory reserves and capital we are required to hold in certain jurisdictions. A regulation in the U.S., commonly referred to as Regulation XXX, has significantly increased the level of regulatory, or statutory, reserves that U.S. life insurance and life reinsurance companies must hold on their statutory financial statements for various types of life insurance business, primarily certain level term life products. The reserve levels required under Regulation XXX increase over time and are normally in excess of reserves required under GAAP. The degree to which these reserves will increase and the ultimate level of reserves will depend upon the mix of our business and future production levels in the United States. Based on the assumed rate of growth in our current business plan, and the increasing level of regulatory reserves associated with some of this business, we expect the amount of required regulatory reserves to grow significantly.

In order to reduce the effect of Regulation XXX, our principal U.S. operating subsidiary, RGA Reinsurance, has retroceded Regulation XXX related reserves to affiliated and unaffiliated reinsurers. Additionally, some of our reinsurance subsidiaries in other jurisdictions enter into various reinsurance arrangements with affiliated and unaffiliated reinsurers from time to time in order to reduce their statutory capital and reserve requirements. As a general matter, for us to reduce regulatory reserves on business that we retrocede, the affiliated or unaffiliated reinsurer must provide an equal amount of collateral. Such collateral may be provided through a capital markets securitization, in the form of a letter of credit from a commercial bank or through the placement of assets in trust for our benefit.

In connection with these reserve requirements, we face the following risks:

- The availability of collateral and the related cost of such collateral in the future could affect the type and volume of business we reinsure and could increase our costs.

- We may need to raise additional capital to support higher regulatory reserves, which could increase our overall cost of capital.

- If we, or our retrocessionaires, are unable to obtain or provide sufficient collateral to support our statutory ceded reserves, we may be required to increase regulatory reserves. In turn, this reserve increase could significantly reduce our statutory capital levels and adversely affect our ability to satisfy required regulatory capital levels that apply to us, unless we are able to raise additional capital to contribute to our operating subsidiaries.

- Because term life insurance is a particularly price-sensitive product, any increase in insurance premiums charged on these products by life insurance companies, in order to compensate them for the increased statutory reserve requirements or higher costs of insurance they face, may result in a significant loss of volume in their life insurance operations which could, in turn, adversely affect our life reinsurance operations.

We cannot assure you that we will be able to implement actions to mitigate the effect of increasing regulatory reserve requirements.

We could be forced to sell investments at a loss to cover policyholder withdrawals, recaptures of reinsurance treaties or other events.

Some of the products offered by our insurance company customers allow policyholders and contract holders to withdraw their funds under defined circumstances. Our reinsurance subsidiaries manage their liabilities and configure their investment portfolios so as to provide and maintain sufficient liquidity to support anticipated withdrawal demands and contract benefits and maturities under reinsurance treaties with these customers. While our reinsurance subsidiaries own a significant amount of liquid assets, a portion of their assets are relatively illiquid. Unanticipated withdrawal or surrender activity could, under some circumstances, require our reinsurance subsidiaries to dispose of assets on unfavorable terms, which could have an adverse effect on us. Reinsurance agreements may provide for recapture rights on the part of our insurance company customers. Recapture rights permit these customers to reassume all or a portion of the risk formerly ceded to us after an agreed upon time, usually ten years, subject to various conditions.

Recapture of business previously ceded does not affect premiums ceded prior to the recapture, but may result in immediate payments to our insurance company customers and a charge for costs that we deferred when we acquired the business but are unable to recover upon recapture. Under some circumstances, payments to our insurance company customers could require our reinsurance subsidiaries to dispose of assets on unfavorable terms.

Our reinsurance subsidiaries are highly regulated, and changes in these regulations could negatively affect our business.

Our reinsurance subsidiaries are subject to government regulation in each of the jurisdictions in which they are licensed or authorized to do business. Governmental agencies have broad administrative power to regulate many aspects of the insurance business, which may include premium rates, marketing practices, advertising, policy forms, and capital adequacy. These agencies are concerned primarily with the protection of policyholders rather than shareholders or holders of debt securities. Moreover, insurance laws and regulations, among other things, establish minimum capital requirements and limit the amount of dividends, tax distributions, and other payments our reinsurance subsidiaries can make without prior regulatory approval, and impose restrictions on the amount and type of investments we may hold. The State of Missouri also regulates RGA as an insurance holding company.

Recently, insurance regulators have increased their scrutiny of the insurance regulatory framework in the United States and some state legislatures have considered or enacted laws that alter, and in many cases increase, state authority to regulate insurance holding companies and insurance companies. In light of recent legislative developments the NAIC and state insurance regulators have begun re-examining existing laws and regulations, specifically focusing on insurance company investments and solvency issues, guidelines imposing minimum capital requirements based on business levels and asset mix, interpretations of existing laws, the development of new laws, the implementation of non-statutory guidelines, and the definition of extraordinary dividends, including a more stringent standard for allowance of extraordinary dividends. We are unable to predict whether, when or in what form the State of Missouri will enact a new measure for extraordinary dividends, and we cannot assure you that more stringent restrictions will not be adopted from time to time in other jurisdictions in which our reinsurance subsidiaries are domiciled, which could, under certain circumstances, significantly reduce dividends or other amounts payable to us by our subsidiaries unless they obtain approval from insurance regulatory authorities. We cannot predict the effect that any NAIC recommendations or proposed or future legislation or rule-making in the United States or elsewhere may have on our financial condition or operations.

We are exposed to foreign currency risk.

We are a multi-national company with operations in numerous countries and, as a result, are exposed to foreign currency risk to the extent that exchange rates of the foreign currencies are subject to adverse change over time. The U.S. dollar value of our net investments in foreign operations, our foreign currency transaction settlements and the periodic conversion of the foreign-denominated earnings to U.S. dollars (our reporting currency) are each subject to adverse foreign exchange rate movements. Approximately 39% of our revenues and 32% of our fixed maturity securities available-for-sale were denominated in currencies other than the U.S. dollar as of and for the year ended December 31, 2007.

Acquisitions and significant transactions involve varying degrees of inherent risk that could affect our profitability.

We have made, and may in the future make, strategic acquisitions, either of selected blocks of business or other companies. Acquisitions may expose us to operational challenges and various risks, including:

- the ability to integrate the acquired business operations and data with our systems;
- the availability of funding sufficient to meet increased capital needs;

- the ability to hire management personnel required for expanded operations;

- the ability to fund cash flow shortages that may occur if anticipated revenues are not realized or are delayed, whether by general economic or market conditions or unforeseen internal difficulties; and

- the possibility that the value of investments acquired in an acquisition, may be lower than expected or may diminish due to credit defaults or changes in interest rates and that liabilities assumed may be greater than expected (due to, among other factors, less favorable than expected mortality or morbidity experience).

A failure to successfully manage the operational challenges and risks associated with or resulting from significant transactions, including acquisitions, could adversely affect our financial condition or results of operations.

We depend on the performance of others, and their failure to perform in a satisfactory manner could negatively affect us.

In the normal course of business, we seek to limit our exposure to losses from our reinsurance contracts by ceding a portion of the reinsurance to other insurance enterprises or retrocessionaires. We cannot assure you that these insurance enterprises or retrocessionaires will be able to fulfill their obligations to us. As of December 31, 2007, the reinsurers participating in our retrocession facilities that have been reviewed by A.M. Best Company, were rated A-", the fourth highest rating out of fifteen possible ratings, or better. We are also subject to the risk that our clients will be unable to fulfill their obligations to us under our reinsurance agreements with them.

We rely upon our insurance company clients to provide timely, accurate information. We may experience volatility in our earnings as a result of erroneous or untimely reporting from our clients. We work closely with our clients and monitor their reporting to minimize this risk. We also rely on original underwriting decisions made by our clients. We cannot assure you that these processes or those of our clients will adequately control business quality or establish appropriate pricing.

For some reinsurance agreements, the ceding company withholds and legally owns and manages assets equal to the net statutory reserves, and we reflect these assets as funds withheld at interest on our balance sheet. In the event that a ceding company were to become insolvent, we would need to assert a claim on the assets supporting our reserve liabilities. We would attempt to mitigate our risk of loss by offsetting amounts for claims or allowances that we owe the ceding company with amounts that the ceding company owes to us. We are subject to the investment performance on the withheld assets, although we do not directly control them. We help to set, and monitor compliance with, the investment guidelines followed by these ceding companies. However, to the extent that such investment guidelines are not appropriate, or to the extent the ceding companies do not adhere to such guidelines, our risk of loss could increase, which could materially adversely affect our financial condition and results of operations. During 2007, interest earned on funds withheld represented 4.8% of our consolidated revenues. Funds withheld at interest totaled $4.7 billion and $4.1 billion as of December 31, 2007 and 2006, respectively.

We use the services of third-party investment managers to manage certain assets where our investment management expertise is limited. We rely on these investment mangers to provide investment advice and execute investment transactions that are within our investment policy guidelines. Poor performance on the part of our outside investment managers could negatively affect our financial performance.

As with all financial services companies, our ability to conduct business depends on consumer confidence in the industry and our financial strength. Actions of competitors, and financial difficulties of other companies in the industry, and related adverse publicity, could undermine consumer confidence and harm our reputation.

The occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

In the event of a disaster such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. We depend heavily upon computer systems to provide reliable service, data and reports. Despite our implementation of a variety of security measures, our servers could be subject to physical and electronic break-ins,

and similar disruptions from unauthorized tampering with our computer systems. In addition, in the event that a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our clients ability to provide data and other information and our employees ability to perform their job responsibilities.

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Our obligations to pay claims, including settlements or awards, on closed or discontinued lines of business may exceed the reserves we have established to cover such claims and may require us to establish additional reserves, which would reduce our net income.

As of December 31, 1998, we formally reported our accident and health division as a discontinued operation. The accident and health operation was placed into run-off, and all treaties were terminated at the earliest possible date. The nature of the underlying risks is such that the claims may take years to reach the reinsurers involved. Accordingly, we expect to pay claims out of existing reserves over a number of years as the level of business diminishes. We are a party to a number of disputes relating to the accident and health operation, one of which is currently in arbitration and some of which may be subject to arbitration in the future. We have established reserves for some of these treaties based upon our estimates of the expected claims, including settlement or arbitration outcomes. As of February 1, 2008, the party involved in the arbitration has raised claims, or established reserves that may result in claims, in the amount of $2.4 million, which is $1.6 million in excess of the amount we held as reserves.

If the amount of claims, including awards or settlements, resulting from this discontinued line of business, exceeds our current reserves, we may incur future charges to pay these claims and may need to establish additional reserves. It is possible that an adverse outcome could, from time to time, have a material adverse effect on our consolidated net income in particular quarterly or annual periods.

We have risks associated with our international operations.

In 2007, approximately 31.4% of our net premiums and $107.6 million of income from continuing operations before income taxes came from our operations in Europe, South Africa and Asia Pacific. One of our strategies is to grow these international operations. International operations subject us to various inherent risks. In addition to the regulatory and foreign currency risks identified above, other risks include the following:

- managing the growth of these operations effectively, particularly the recent rates of growth;
- changes in mortality and morbidity experience and the supply and demand for our products that are specific to these markets and that may be difficult to anticipate;
- political and economic instability in the regions of the world where we operate;
- uncertainty arising out of foreign government sovereignty over our international operations; and
- potentially uncertain or adverse tax consequences, including regarding the repatriation of earnings from our non-U.S. subsidiaries.

We cannot assure you that we will be able to manage these risks effectively or that they will not have an adverse effect on our business, financial condition or results of operations.

Risks Related to Ownership of Our Common Stock

The market price for our common stock may be highly volatile.

The market price for our common stock has fluctuated, ranging between $48.81 and $64.79 per share for the 52 weeks ended December 31, 2007. The overall market and the price of our common stock may continue to be volatile. There may be a significant effect on the market price for our common stock due to, among other things:

- changes in investors and analysts perceptions of the risks and conditions of our business, including those that may result from any potential sale of some or all of the shares of our common stock owned by MetLife;
- the size of the public float of our common stock;
- the announcement of acquisitions by us or our competitors;
- variations in our anticipated or actual operating results or the results of our competitors;
- fluctuations in foreign currency exchange rates;

- regulatory developments;
- market conditions; and
- general economic conditions.

Future sales of our common stock or other securities may dilute the value of the common stock.

Our board of directors has the authority, without action or vote of the shareholders, to issue any or all authorized but unissued shares of our common stock, including securities convertible into or exchangeable for our common stock and authorized but unissued shares under our stock option and other equity compensation plans. In the future, we may issue such additional securities, through public or private offerings, in order to raise additional capital. Any such issuance will dilute the

percentage ownership of shareholders and may dilute the per share projected earnings or book value of the common stock. In addition, option holders may exercise their options at any time when we would otherwise be able to obtain additional equity capital on more favorable terms.

Limited trading volume of our common stock may contribute to its price volatility.

Our common stock is traded on the New York Stock Exchange. During the twelve months ended December 31, 2007 the average daily trading volume for our common stock as reported by the NYSE was 188,344 shares. As a result, relatively small trades may have a significant effect on the price of our common stock.

Our articles of incorporation, bylaws and Missouri law may limit the ability of our shareholders to change our direction or management, even if they believe such a change would be beneficial.

Our articles of incorporation, bylaws and Missouri law contain certain provisions that make it more difficult for our shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions may discourage certain types of transactions that involve an actual or threatened change of control. While these provisions are designed to encourage persons seeking to acquire control to negotiate with our board of directors, they could have the effect of discouraging a prospective purchaser from making a tender offer or otherwise attempting to obtain control and may prevent a shareholder from receiving the benefit of any premium over the market price of our common stock offered by a bidder in a potential takeover.

In particular, our articles of incorporation, bylaws and Missouri law:

- restrict various types of business combinations with significant shareholders;
- provide for a classified board of directors;
- limit the right of shareholders to remove directors or change the size of the board of directors;
- limit the right of shareholders to fill vacancies on the board of directors;
- limit the right of shareholders to call a special meeting of shareholders or propose other actions;
- require unanimity for shareholders to act by written consent, in accordance with Missouri law;
- require a higher percentage of shareholders than would otherwise be required under Missouri law to amend, alter, change or repeal some of the provisions of our articles of incorporation;
- provide that our bylaws may be amended only by the majority vote of the entire board of directors, and shareholders will not be able to amend the bylaws without first amending the articles of incorporation; and
- authorize the issuance of preferred stock with any voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such rights as may be specified by our board of directors, without shareholder approval.

Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging changes in management and takeover attempts in the future.

Applicable insurance laws may make it difficult to effect a change of control of RGA.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commission of the state where the domestic insurer is domiciled. Missouri insurance laws and regulations provide that no person may acquire control of us, and thus indirect control of our Missouri reinsurance subsidiaries, including RGA Reinsurance, unless:

- such person has provided certain required information to the Missouri DIFP, and
- such acquisition is approved by the Director of the Missouri DIFP after a public hearing.

Under Missouri insurance laws and regulations, any person acquiring 10% or more of the outstanding voting securities of a corporation, such as our common stock, is presumed to have acquired control of that corporation and its subsidiaries.

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Canadian federal insurance laws and regulations provide that no person may directly or indirectly acquire control of or a significant interest in our Canadian insurance subsidiary, RGA Canada, unless:

- such person has provided information, material and evidence to the Canadian Superintendent of Financial Institutions as required by him, and
- such acquisition is approved by the Canadian Minister of Finance.

For this purpose, significant interest"' means the direct or indirect beneficial ownership by a person, or group of persons acting in concert, of shares representing 10% or more of a given class. Control"' of an insurance company exists when:

- a person, or group of persons acting in concert, beneficially owns or controls an entity that beneficially owns securities, such as our common stock, representing more than 50% of the votes entitled to be cast for the election of directors and such votes are sufficient to elect a majority of the directors of the insurance company, or
- a person has any direct or indirect influence that would result in control in fact of an insurance company.

Prior to granting approval of an application to directly or indirectly acquire control of a domestic or foreign insurer, an insurance regulator may consider such factors as the financial strength of the applicant, the integrity of the applicant s board of directors and executive officers, the applicant s plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control.

Item 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved staff comments from the Securities and Exchange Commission.

Item 2. PROPERTIES

The Company leases its headquarters facility in Chesterfield, Missouri, which consists of approximately 171,000 square feet. In addition, the Company leases approximately 142,000 square feet of office space in 21 locations throughout the U.S., Canada, Europe, South Africa, and the Asia Pacific region.

Most of the Company s leases in the U.S. and other countries have lease terms of three to five years, although some leases have terms of up to 10 years. As provided in Note 12 Lease Commitments in the Notes to Consolidated Financial Statements, the rental expense on operating leases for office space and equipment totaled $11.8 million for 2007.

The Company believes its facilities have been generally well maintained and are in good operating condition. The Company believes the facilities are sufficient for its current and projected future requirements.

Item 3. LEGAL PROCEEDINGS

The Company is currently a party to an arbitration that involves its discontinued accident and health business, including personal accident business and London market excess of loss business. The Company is also a party to a threatened arbitration related to its life reinsurance business. As of February 1, 2008, the parties involved in these actions have raised claims related to the accident and health business in the amount of $2.4 million, which is $1.6 million in excess of the amounts held in reserve by the Company and raised claims related to the life reinsurance business in the amount of $4.9 million, which is $4.9 million in excess of the amounts held in reserve by the Company. The Company believes it has substantial defenses upon which to contest these claims, including but not limited to misrepresentation and breach of contract by direct and indirect ceding companies. See Note 21 Discontinued Operations in the Notes to Consolidated Financial Statements for more information. Additionally, from time to time, the Company is subject to litigation related to employment-related matters in the normal course of its business. The Company cannot predict or determine the ultimate outcome of the pending litigation or arbitrations or provide useful ranges of potential losses. It is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company s consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company s consolidated net income in a particular reporting period.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters that were submitted to a vote of security holders during the fourth quarter of 2007.

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PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Information about the market price of the Company s common equity, dividends and related stockholder matters is contained in Item 8 under the caption Quarterly Data (Unaudited) and in Item 1 under the caption Regulation Restrictions on Dividends and Distributions . Additionally, insurance companies are subject to statutory regulations that restrict the payment of dividends. See Item 1 under the caption Regulation Restrictions on Dividends and Distributions . See Item 8, Note 3 Stock Transactions in the Notes to Consolidated Financial Statements for information regarding board approved stock repurchase plans.

The following table summarizes information regarding securities authorized for issuance under equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,981,022(1)	37.98(2)(3)	3,234,851(4)
Equity compensation plans not approved by security holders			
Total	2,981,022(1)	37.98(2)(3)	3,234,851(4)

(1) Includes the number of securities to be issued upon exercises under the following plans: Flexible Stock Plan 2,917,219; Flexible Stock Plan for Directors 32,183; and Phantom Stock Plan for Directors 31,620.

(2) Does not include 354,149 performance contingent units outstanding under the Flexible Stock

Plan or 31,620 phantom units outstanding under the Phantom Stock Plan for Directors because those securities do not have an exercise price (i.e. a unit is a hypothetical share of Company common stock with a value equal to the fair market value of the common stock).

(3) Reflects the blended weighted-average exercise price of outstanding options under the Flexible Stock Plan $(38.06) and Flexible Stock Plan for Directors $(31.51).

(4) Includes the number of securities remaining available for future issuance under the following plans: Flexible Stock Plan 3,092,962; Flexible Stock Plan for Directors 112,653; and Phantom Stock Plan for Directors 29,236.

Issuer Purchases of Equity Securities

The following table summarizes the Company s repurchase activity of its common stock during the quarter ended December 31, 2007:

	Total Number of	Maximum Number

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans	of Shares that May Yet Be Purchased Under the Plans
December 1, 2007 December 31, 2007	17,286	$ 51.55		

(1) In December 2007 the Company effectively purchased 17,286 shares and subsequently issued 24,059 shares from treasury as settlement of an equity incentive award.

Set forth below is a graph for the Company s common stock for the period beginning December 31, 2002 and ending December 31, 2007. The graph compares the cumulative total return on the Company s common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the cumulative total return of companies in the Standard & Poor s 500 Stock Index and the Standard & Poor s Insurance (Life/Health) Index. The indices are included for

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comparative purposes only. They do not necessarily reflect management s opinion that such indices are an appropriate measure of the relative performance of the Company s common stock, and are not intended to forecast or be indicative of future performance of the common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Reinsurance Group of America, Incorporated, The S&P 500 Index
and the S&P Life & Health Insurance Index

* $100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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	Cumulative Total Return					
	12/02	**12/03**	**12/04**	**12/05**	**12/06**	**12/07**
Reinsurance Group of America, Incorporated	100.00	143.78	181.42	180.27	211.74	200.75
S & P 500	100.00	128.68	142.69	149.70	173.34	182.87
S & P Life & Health Insurance	100.00	127.09	155.24	190.18	221.59	245.97

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Item 6. SELECTED FINANCIAL DATA

The selected financial data presented for, and as of the end of, each of the years in the five-year period ended December 31, 2007, have been prepared in accordance with accounting principles generally accepted in the United States of America. All amounts shown are in millions, except per share and operating data. The following data should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements appearing in Part II Item 8 and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing in Part II Item 7.

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Selected Consolidated Financial and Operating Data
(in millions, except per share and operating data)

Years ended December 31,	**2007**	**2006**	**2005**	**2004**	**2003**
Income Statement Data					
Revenues:					
Net premiums	$ 4,909.0	$ 4,346.0	$ 3,866.8	$ 3,347.4	$ 2,643.2
Investment income, net of related expenses	907.9	779.7	639.2	580.5	465.6
Investment related gains (losses), net	(178.7)	2.5	21.0	55.6	48.9
Other revenues	80.2	65.5	57.7	55.4	47.3
Total revenues	5,718.4	5,193.7	4,584.7	4,038.9	3,205.0
Benefits and expenses:					
Claims and other policy benefits	3,984.0	3,488.4	3,187.9	2,678.5	2,108.4
Interest credited	246.1	244.8	208.4	198.9	179.7
Policy acquisition costs and other insurance expenses	647.8	716.3	636.3	613.9	488.9
Other operating expenses	236.7	204.4	154.4	140.0	119.6
Interest expense	76.9	62.0	41.4	38.4	36.8
Collateral finance facility expense (1)	52.0	26.4			
Total benefits and expenses	5,243.5	4,742.3	4,228.4	3,669.7	2,933.4
Income from continuing operations before income taxes	474.9	451.4	356.3	369.2	271.6
Provision for income taxes	166.6	158.1	120.7	123.9	93.3
Income from continuing operations	308.3	293.3	235.6	245.3	178.3
Loss from discontinued accident and health operations, net of income taxes	(14.5)	(5.1)	(11.4)	(23.0)	(5.7)
Cumulative effect of change in accounting principle, net of income taxes				(0.4)	0.5
Net income	$ 293.8	$ 288.2	$ 224.2	$ 221.9	$ 173.1
Basic Earnings Per Share					
Continuing operations	$ 4.98	$ 4.79	$ 3.77	$ 3.94	$ 3.47
Discontinued operations	(0.23)	(0.08)	(0.19)	(0.37)	(0.11)
Accounting change				(0.01)	0.01
Net income	$ 4.75	$ 4.71	$ 3.58	$ 3.56	$ 3.37
Diluted Earnings Per Share					
Continuing operations	$ 4.80	$ 4.65	$ 3.70	$ 3.90	$ 3.46
Discontinued operations	(0.23)	(0.08)	(0.18)	(0.37)	(0.11)

Accounting change				(0.01)	0.01
Net income	$ 4.57	$ 4.57	$ 3.52	$ 3.52	$ 3.36
Weighted average diluted shares, in thousands	64,231	63,062	63,724	62,964	51,598
Dividends per share on common stock	$ 0.36	$ 0.36	$ 0.36	$ 0.27	$ 0.24
Balance Sheet Data					
Total investments	$ 16,397.7	$ 14,612.9	$ 12,331.5	$ 10,564.2	$ 8,883.4
Total assets	21,598.0	19,036.8	16,193.9	14,048.1	12,113.4
Policy liabilities	15,045.5	13,354.5	11,726.3	10,314.5	8,811.8
Long-term debt	896.1	676.2	674.4	349.7	398.1
Collateral finance facility (1)	850.4	850.4			
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	158.9	158.7	158.6	158.4	158.3
Total stockholders equity	3,189.8	2,815.4	2,527.5	2,279.0	1,947.7
Total stockholders equity per share	$ 51.42	$ 45.85	$ 41.38	$ 36.50	$ 31.33
Operating Data (in billions)					
Assumed ordinary life reinsurance in force	$ 2,119.9	$ 1,941.4	$ 1,713.2	$ 1,458.9	$ 1,252.2
Assumed new business production	302.4	374.6	364.4	279.1	544.4

(1) During 2006, the Company s subsidiary, Timberlake Financial, issued $850.0 million floating rate insured notes. See Note 16 Collateral Finance Facility in the Notes to Consolidated Financial Statements for additional information.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking and Cautionary Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, among others, statements relating to projections of the strategies, earnings, revenues, income or loss, ratios, future financial performance, and growth potential of the Company. The words intend, expect, project, estimate, predict, anticipate, should, believe, and other similar expressions also are intended to identify forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results, performance, and achievements could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements.

Numerous important factors could cause actual results and events to differ materially from those expressed or implied by forward-looking statements including, without limitation, (1) adverse changes in mortality, morbidity, lapsation or claims experience, (2) changes in the Company s financial strength and credit ratings or those of MetLife, the beneficial owner of a majority of the Company s common shares, or its subsidiaries, and the effect of such changes on the Company s future results of operations and financial condition, (3) inadequate risk analysis and underwriting, (4) general economic conditions or a prolonged economic downturn affecting the demand for insurance and reinsurance in the Company s current and planned markets, (5) the availability and cost of collateral necessary for regulatory reserves and capital, (6) market or economic conditions that adversely affect the Company s ability to make timely sales of investment securities, (7) risks inherent in the Company s risk management and investment strategy, including changes in investment portfolio yields due to interest rate or credit quality changes, (8) fluctuations in U.S. or foreign currency exchange rates, interest rates, or securities and real estate markets, (9) adverse litigation or arbitration results, (10) the adequacy of reserves, resources and accurate information relating to settlements, awards and terminated and discontinued lines of business, (11) the stability of and actions by governments and economies in the markets in which the Company operates, (12) competitive factors and competitors responses to the Company s initiatives, (13) the success of the Company s clients, (14) successful execution of the Company s entry into new markets, (15) successful development and introduction of new products and distribution opportunities, (16) the Company s ability to successfully integrate and operate reinsurance business that the Company acquires, (17) regulatory action that may be taken by state Departments of Insurance with respect to the Company, MetLife, or its subsidiaries, (18) the Company s dependence on third parties, including those insurance companies and reinsurers to which the Company cedes some reinsurance, third-party investment managers and others, (19) the threat of natural disasters, catastrophes, terrorist attacks, epidemics or pandemics anywhere in the world where the Company or its clients do business, (20) changes in laws, regulations, and accounting standards applicable to the Company, its subsidiaries, or its business, (21) the effect of the Company s status as an insurance holding company and regulatory restrictions on its ability to pay principal of and interest on its debt obligations, and (22) other risks and uncertainties described in this document and in the Company s other filings with the Securities and Exchange Commission (SEC).

Forward-looking statements should be evaluated together with the many risks and uncertainties that affect the Company s business, including those mentioned in this document and the cautionary statements described in the periodic reports the Company files with the SEC. These forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligations to update these forward-looking statements, even though the Company s situation may change in the future. The Company qualifies all of its forward-looking statements by these cautionary statements. For a discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, you are advised to see Item 1A Risk Factors .

Overview

RGA is an insurance holding company that was formed on December 31, 1992. As of December 31, 2007, General American, a Missouri life insurance company, directly owned approximately 52.0% of the outstanding shares of common stock of RGA. General American is a wholly-owned subsidiary of MetLife, a New York-based insurance and financial services holding company.

The consolidated financial statements include the assets, liabilities, and results of operations of RGA, RGA Reinsurance, RGA Barbados, RGA Americas, RGA Canada, RGA Australia, RGA UK and RGA Atlantic as well as several other subsidiaries subject to an ownership position of greater than fifty percent (collectively, the Company).

The Company is primarily engaged in traditional individual life, asset-intensive, critical illness and financial reinsurance. RGA and its predecessor, the Reinsurance Division of General American, have been engaged in the business of

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life reinsurance since 1973. Approximately 68.5% of the Company s 2007 net premiums were from its more established operations in North America, represented by its U.S. and Canada segments.

The Company believes it is one of the leading life reinsurers in North America based on premiums and the amount of life reinsurance in force. The Company believes, based on an industry survey prepared by Munich American at the request of the Society of Actuaries Reinsurance Section (SOA survey), that it has the second largest market share in North America as measured by life insurance in force. The Company s approach to the North American market has been to:

- focus on large, high quality life insurers as clients;
- provide quality facultative underwriting and automatic reinsurance capacity; and
- deliver responsive and flexible service to its clients.

In 1994, the Company began using its North American underwriting expertise and industry knowledge to expand into international markets and now has subsidiaries, branches or representative offices in Australia, Barbados, Bermuda, China, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Mexico, Poland, South Africa, South Korea, Spain, Taiwan and the United Kingdom. These operations are included in either the Company s Asia Pacific segment or its Europe & South Africa segment. The Company generally starts new operations from the ground up in these markets as opposed to acquiring existing operations, and it often enters these markets to support its North American clients as they expand internationally. Based on information from Standard & Poor s, the Company believes it is the third largest life reinsurer in the world based on 2006 gross life reinsurance premiums. While the Company believes information provided by Standard & Poor s is generally reliable, the Company has not independently verified the data. Standard & Poor s does not guarantee the accuracy and completeness of the information. The Company conducts business with the majority of the largest U.S. and international life insurance companies. The Company has also developed its capacity and expertise in the reinsurance of asset-intensive products (primarily annuities and corporate-owned life insurance) and financial reinsurance.

Industry Trends

The Company believes that the following trends in the life insurance industry will continue to create demand for life reinsurance.

Outsourcing of Mortality. The SOA survey indicates that U.S. life reinsurance in force has more than doubled from $3.2 trillion in 1999 to $7.3 trillion at year-end 2006. The Company believes this trend reflects the continued utilization by life insurance companies of reinsurance to manage capital and mortality risk and to develop competitive products. However, the survey results indicate a smaller percentage of new business was reinsured in 2006 than previous years, which has caused premium growth rates in the U.S. life reinsurance market to moderate from previous years. The Company believes the decline in new business being reinsured is likely a reaction by ceding companies to a broad-based increase in reinsurance rates in the market and stronger capital positions maintained by ceding companies in recent years. However, the Company believes reinsurers will continue to be an integral part of the life insurance market due to their ability to efficiently aggregate a significant volume of life insurance in force, creating economies of scale and greater diversification of risk. As a result of having larger amounts of data at their disposal compared to primary life insurance companies, reinsurers tend to have better insights into mortality trends, creating more efficient pricing for mortality risk.

Capital Management. Regulatory environments, rating agencies and competitive business pressures are causing life insurers to reinsure as a means to:

- manage risk-based capital by shifting mortality and other risks to reinsurers, thereby reducing amounts of reserves and capital they need to maintain;
- release capital to pursue new business initiatives; and
- unlock the capital supporting, and value embedded in, non-core product lines.

Consolidation and Reorganization Within the Life Reinsurance and Life Insurance Industry. As a result of consolidations in recent years within the life reinsurance industry, there are fewer competitors. According to the SOA survey, as of December 31, 2006, the top five companies held approximately 76.6% of the market share in North America based on life reinsurance in force, whereas in 1999, the top five companies held approximately 56.8% of the market share. As a consequence, the Company believes the life reinsurance pricing environment will remain attractive for the remaining life reinsurers, particularly those with a significant market presence and strong ratings.

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The SOA surveys indicate that the authors obtained information from participating or responding companies and do not guarantee the accuracy and completeness of their information. Additionally, the surveys do not survey all reinsurance companies, but the Company believes most of its principal competitors are included. While the Company believes these surveys to be generally reliable, the Company has not independently verified their data.
Additionally, merger and acquisition transactions within the life insurance industry continue. The Company believes that reorganizations and consolidations of life insurers will continue. As reinsurance products are increasingly used to facilitate these transactions and manage risk, the Company expects demand for its products to continue.
Changing Demographics of Insured Populations. The aging of the population in North America is increasing demand for financial products among baby boomers who are concerned about protecting their peak income stream and are considering retirement and estate planning. The Company believes that this trend is likely to result in continuing demand for annuity products and life insurance policies, larger face amounts of life insurance policies and higher mortality risk taken by life insurers, all of which should fuel the need for insurers to seek reinsurance coverage.
The Company continues to follow a two-part business strategy to capitalize on industry trends.
Continue Growth of Core North American Business. The Company s strategy includes continuing to grow each of the following components of its North American operations:

Facultative Reinsurance. Based on discussions with the Company s clients, an industry survey and informal knowledge about the industry, the Company believes it is a leader in facultative underwriting in North America. The Company intends to maintain that status by emphasizing its underwriting standards, prompt response on quotes, competitive pricing, capacity and flexibility in meeting customer needs. The Company believes its facultative business has allowed it to develop close, long-standing client relationships and generate additional business opportunities with its facultative clients. During 2007, the Company s U.S. facultative operation processed over 100,000 facultative submissions for the first time in its history.

Automatic Reinsurance. The Company intends to expand its presence in the North American automatic reinsurance market by using its mortality expertise and breadth of products and services to gain additional market share.

In Force Block Reinsurance. There are occasions to grow the business by reinsuring in force blocks, as insurers and reinsurers seek to exit various non-core businesses and increase financial flexibility in order to, among other things, redeploy capital and pursue merger and acquisition activity. The Company took advantage of one such opportunity in 2003 when it assumed the traditional life reinsurance business of Allianz Life Insurance Company of North America.

Continue Expansion Into Selected Markets and Products. The Company s strategy includes building upon the expertise and relationships developed in its core North American business platform to continue its expansion into selected markets and products, including:

International Markets. Management believes that international markets offer opportunities for growth, and the Company intends to capitalize on these opportunities by establishing a presence in selected markets. Since 1994, the Company has entered new markets internationally, including, in the mid-to-late 1990 s, Australia, Hong Kong, Japan, Malaysia, New Zealand, South Africa, Spain, Taiwan and the UK, and beginning in 2002, China, India and South Korea. The Company received regulatory approval to open a representative office in China in 2005, opened representative offices in Poland and Germany in 2006 and opened new offices in France and Italy in 2007. Before entering new markets, the Company evaluates several factors including:

- the size of the insured population,
- competition,
- the level of reinsurance penetration,

- regulation,
- existing clients with a presence in the market, and
- the economic, social and political environment.

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As previously indicated, the Company generally starts new operations in these markets from the ground up as opposed to acquiring existing operations, and it often enters these markets to support its large international clients as they expand into additional markets. Many of the markets that the Company has entered since 1994, or may enter in the future, are not utilizing life reinsurance, including facultative life reinsurance, at the same levels as the North American market, and therefore, the Company believes these markets represent opportunities for increasing reinsurance penetration. In particular, management believes markets such as Japan and South Korea are beginning to realize the benefits that reinsurers bring to the life insurance market. Additionally, the Company believes that in certain European markets, ceding companies may want to reduce counterparty exposure to their existing life reinsurers, creating opportunities for the Company.

Asset-intensive and Other Products. The Company intends to continue leveraging its existing client relationships and reinsurance expertise to create customized reinsurance products and solutions. Industry trends, particularly the increased pace of consolidation and reorganization among life insurance companies and changes in products and product distribution, are expected to enhance existing opportunities for asset-intensive and other products. During 2007, the Company began reinsuring annuities with guaranteed minimum benefit riders. To date, most of the Company s asset-intensive business and other products have been written in the U.S.; however, the Company believes opportunities outside of the U.S. may further develop in the near future, particularly in Japan.

Financial Objectives

The Company sets various consolidated financial and operating goals for the intermediate period (next three to five years) including achieving a return on stockholders equity of 14%, annual earnings per share growth of 14% and net premium growth of 10% to 13%.

At the segment level, the Company expects net premiums to increase 7% to 9% in the U.S., 10% to 12% in Canada, 13% to 16% in Asia Pacific and 12% to 15% in Europe and South Africa. The Company expects to continue to take advantage of significant growth opportunities in select Asian markets such as Japan and South Korea, and will continue to make inroads into European markets.

These goals and expectations are aspirational and you should not rely on them. The Company can give no assurance that it will be able to approach or meet any of these goals, and it may fall short of any or all of them. See Forward-Looking and Cautionary Statements and Item 1A Risk Factors .

Results of Operations

The Company derives revenues primarily from renewal premiums from existing reinsurance treaties, new business premiums from existing or new reinsurance treaties, income earned on invested assets, and fees earned from financial reinsurance transactions.

The Company s primary business is life reinsurance, which involves reinsuring life insurance policies that are often in force for the remaining lifetime of the underlying individuals insured, with premiums earned typically over a period of 10 to 30 years. Each year, however, a portion of the business under existing treaties terminates due to, among other things, lapses or voluntary surrenders of underlying policies, deaths of insureds, and the exercise of recapture options by ceding companies.

Consolidated assumed insurance in force increased to $2.1 trillion for the year ended December 31, 2007 from $1.9 trillion for the year ended December 31, 2006. Assumed new business production for 2007 totaled $302.4 billion compared to $374.6 billion in 2006 and $364.4 billion in 2005.

As is customary in the reinsurance business, life insurance clients continually update, refine, and revise reinsurance information provided to the Company. Such revised information is used by the Company in preparation of its financial statements and the financial effects resulting from the incorporation of revised data are reflected currently.

The Company s profitability primarily depends on the volume and amount of death claims incurred and the ability to adequately price the risks it assumes. While death claims are reasonably predictable over a period of many years, claims become less predictable over shorter periods and are subject to significant fluctuation from quarter to quarter and year to year. Effective January 1, 2008, the Company increased the maximum amount of coverage that it retains per life in the U.S. from $6.0 million to $8.0 million. This increase does not affect business written prior to January 1,

2008. Claims in excess of this retention amount are retroceded to retrocessionaires; however, the Company remains fully liable to the ceding

company for the entire amount of risk it assumes. The increase in the Company s U.S. retention limit from $6.0 million to $8.0 million reduces the amount of premiums it pays to retrocessionaires, but increases the maximum effect a single death claim can have on its results and therefore may result in additional volatility to its results. For other countries, particularly those with higher risk factors or smaller books of business, the Company systematically reduces its retention. The Company has a number of retrocession arrangements whereby certain business in force is retroceded on an automatic or facultative basis.

Since December 31, 1998, the Company has formally reported its accident and health division as a discontinued operation. The accident and health business was placed into run-off, and all treaties were terminated at the earliest possible date. Notice was given to all cedants and retrocessionaires that all treaties were being cancelled at the expiration of their terms. The nature of the underlying risks is such that the claims may take several years to reach the reinsurers involved. Thus, the Company expects to pay claims over a number of years as the level of business diminishes. The Company will report a loss to the extent claims and related expenses exceed established reserves. See Note 21 Discontinued Operations in the Notes to Consolidated Financial Statements.

The Company has five main geographic-based operational segments, each of which is a distinct reportable segment: U.S., Canada, Europe & South Africa, Asia Pacific and Corporate and Other. The U.S. operations provide traditional life, asset-intensive, and financial reinsurance primarily to domestic clients. The Canada operations provide insurers with reinsurance of traditional life products as well as creditor reinsurance, group life and health reinsurance and non-guaranteed critical illness products. Europe & South Africa operations include traditional life reinsurance and critical illness business from Europe & South Africa, in addition to other markets the Company is developing. Asia Pacific operations provide primarily traditional life reinsurance, critical illness and, to a lesser extent, financial reinsurance. The Corporate and Other segment results include the corporate investment activity, general corporate expenses, interest expense of RGA, operations of RTP, a wholly-owned subsidiary that develops and markets technology solutions, Argentine business in run-off, and the investment income and expense associated with the Company s collateral finance facility. The Company s discontinued accident and health business is excluded from continuing operations. The Company measures segment performance based on profit or loss from operations before income taxes.

Effective January 1, 2006 the Company changed its method of allocating capital to its segments from a method based upon regulatory capital requirements to one based on underlying economic capital levels. The economic capital model is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model considers the unique and specific nature of the risks inherent in RGA s businesses. This is in contrast to the standardized regulatory risk-based capital formula, which is not as refined in its risk calculations with respect to each of the Company s businesses. As a result of the economic capital allocation process, a portion of investment income and investment related gains (losses) are credited to the segments based on the level of allocated equity. In addition, the segments are charged for excess capital utilized above the allocated economic capital basis. This charge is included in policy acquisition costs and other insurance expenses. The prior period segment results have been adjusted to conform to the new allocation methodology.

Consolidated income from continuing operations increased 5.1% in 2007 to $308.3 million and increased 24.5% in 2006 to $293.3 million. Diluted earnings per share from continuing operations were $4.80 for 2007 compared to $4.65 for 2006 and $3.70 for 2005. A majority of the Company s earnings during these years were attributed primarily to traditional reinsurance results in the U.S. The increase in 2007 was partially offset by the effect of a change in the embedded derivatives related to reinsurance treaties written on a modified coinsurance or funds withheld basis and subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 133 Implementation Issue No. B36, Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments (Issue B36). Changes in these embedded derivatives, after adjustment for deferred acquisition costs, resulted in a decrease in consolidated income from continuing operations of approximately $26.2 million in 2007 compared to 2006.

Consolidated investment income increased 16.4% and 22.0% during 2007 and 2006, respectively. The increase in 2007 is related to growth in the invested asset base and a higher effective yield while the increase in 2006 is related to

significant growth in the invested asset base partially offset by a slight decline in the effective yield. The cost basis of invested assets increased by $1.9 billion, or 13.4%, in 2007 and increased $2.3 billion, or 19.7%, in 2006. The growth in the invested asset base is primarily due to positive cash flows from the Company s mortality operations and deposits from several annuity reinsurance treaties. Additionally, the increase in invested assets in 2007 is related to the Company s investment of the net proceeds from the issuance of $300 million of senior notes in March 2007. A significant portion of the increase in invested assets in 2006 is related to the Company s investment of the net proceeds from its collateral finance facility in June 2006 (See

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Liquidity and Capital Resources Collateral Finance Facility) and the issuance of $400 million of debentures in December 2005. The average yield earned on investments, excluding funds withheld, was 5.96% in 2007, compared with 5.81% in 2006 and 5.89% in 2005. The Company expects the average yield to vary from year to year depending on a number of variables, including the prevailing interest rate environment, and changes in the mix of the underlying investments. Funds withheld assets are primarily associated with the reinsurance of annuity contracts on which the Company earns a spread. Fluctuations in the yield on funds withheld assets are generally offset by a corresponding adjustment to the interest credited on the liabilities.

Investment related losses, net increased $181.3 million in 2007 primarily due to an increase in the aforementioned embedded derivatives related to Issue B36. In addition, investment related losses, net in 2007 includes $8.5 million in other-than-temporary write-downs on fixed maturity and equity securities and a $10.5 million foreign currency translation loss related to the Company s decision to sell its direct insurance operations in Argentina. The Company does not expect the ultimate sale of that subsidiary to generate a material financial impact. Investment income and investment related gains and losses are allocated to the operating segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

The consolidated provision for income taxes from continuing operations represents approximately 35.1%, 35.0%, and 33.9% of pre-tax income for 2007, 2006 and 2005, respectively. The Company generally expects the consolidated effective tax rate to be between 34% and 35%. The Company calculated tax benefits related to its discontinued operations of $7.8 million for 2007, $2.7 million for 2006, and $6.2 million for 2005. The effective tax rate on discontinued operations is approximately 35% for each of the three years.

Critical Accounting Policies

The Company s accounting policies are described in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements. The Company believes its most critical accounting policies include the capitalization and amortization of deferred acquisition costs (DAC), the establishment of liabilities for future policy benefits, other policy claims and benefits, including incurred but not reported claims, the valuation of investment impairments, accounting for income taxes, and the establishment of arbitration or litigation reserves. The balances of these accounts are significant to the Company s financial position and require extensive use of assumptions and estimates, particularly related to the future performance of the underlying business.

Additionally, for each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject or features that delay the timely reimbursement of claims. If the Company determines that the possibility of a significant loss from insurance risk will occur only under remote circumstances, it records the contract under a deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on the consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to premiums, on the consolidated statements of income.

Costs of acquiring new business, which vary with and are primarily related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. DAC amounts reflect the Company s expectations about the future experience of the business in force and include commissions and allowances as well as certain costs of policy issuance and underwriting. Some of the factors that can affect the carrying value of DAC include mortality assumptions, interest spreads and policy lapse rates. For traditional life and related coverages, the Company performs periodic tests to determine whether DAC remains recoverable, and if experience significantly deteriorates to the point where a premium deficiency exists, a cumulative charge to current operations will be recorded. No such adjustments were made during 2007, 2006 or 2005. For its asset-intensive business, the Company updates the estimated gross profits with actual gross profits each reporting period, resulting in an increase or decrease to DAC to reflect the difference in the actual gross profits versus the previously estimated gross profits. As of December 31, 2007, the Company estimates that approximately 83.7% of its DAC balance is collateralized by surrender fees due to the Company and the reduction of policy liabilities, in excess of termination values, upon surrender or lapse of a policy.

Liabilities for future policy benefits under long-term life insurance policies (policy reserves) are computed based upon expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions, including a provision for adverse deviation from expected claim levels. The Company primarily relies on its own valuation and administration systems to establish policy reserves. The policy reserves established by the Company may differ from those established by its ceding companies due to the use of different mortality and other assumptions. However, the Company relies on its ceding

company clients to provide accurate data, including policy-level information, premiums and claims, which is the primary information used to establish reserves. The Company s administration departments work directly with clients to help ensure information is submitted by them in accordance with the reinsurance contracts. Additionally, the Company performs periodic audits of the information provided by ceding companies. The Company establishes reserves for processing backlogs with a goal of clearing all backlogs within a ninety-day period. The backlogs are usually due to data errors the Company discovers or computer file compatibility issues, since much of the data reported to the Company is in electronic format and is uploaded to its computer systems.

The Company periodically reviews actual historical experience and relative anticipated experience compared to the assumptions used to establish policy reserves. Further, the Company determines whether actual and anticipated experience indicates that existing policy reserves, together with the present value of future gross premiums, are sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. This loss recognition testing is performed at the segment level and, if necessary, net liabilities are increased along with a charge to income. Because of the many assumptions and estimates used in establishing reserves and the long-term nature of reinsurance contracts, the reserving process, while based on actuarial science, is inherently uncertain.

Claims payable for incurred but not reported claims are determined using case basis estimates and lag studies of past experience. These estimates are periodically reviewed, and any adjustments to such estimates, if necessary, are reflected in current operations.

The Company primarily invests in fixed maturity securities. The Company monitors its fixed maturity securities to determine potential impairments in value. The Company evaluates factors such as the financial condition of the issuer, payment performance, the extent to which the estimated fair value has been below amortized cost, compliance with covenants, general market and industry sector conditions, the intent and ability to hold securities, and various other subjective factors. Securities, based on management s judgments, with an other-than-temporary impairment in value are written down to management s estimate of fair value.

Differences in actual experience compared with the assumptions and estimates utilized in the justification of the recoverability of DAC, in establishing reserves for future policy benefits and claim liabilities, or in the determination of other-than-temporary impairments to investment securities can have a material effect on the Company s results of operations and financial condition.

Income taxes represent the net amount of income taxes that the Company expects to pay to or receive from various taxing jurisdictions in connection with its operations. The Company provides for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. The Company s accounting for income taxes represents management s best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

(i) future taxable income exclusive of reversing temporary differences and carryforwards;

(ii) future reversals of existing taxable temporary differences;

(iii) taxable income in prior carryback years; and

(iv) tax planning strategies.

The Company may be required to change its provision for income taxes in certain circumstances. Examples of such circumstances include when the ultimate deductibility of certain items is challenged by taxing authorities or when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events such as changes in tax legislation could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

The Company is currently a party to various litigation and arbitrations. The Company cannot predict or determine the ultimate outcome of the pending litigation or arbitrations or even provide reasonable ranges of potential losses. It is the opinion of management, after consultation with counsel, that the outcomes of such litigation and arbitrations, after consideration of the provisions made in the Company s consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company s consolidated net income in a particular reporting period. See Note 14 Commitments and Contingent Liabilities and Note 21 Discontinued Operations in the Notes to Consolidated Financial Statements.

Further discussion and analysis of the results for 2007 compared to 2006 and 2005 are presented by segment. Certain prior-year amounts have been reclassified to conform to the current year presentation. References to income before income taxes exclude the effects of discontinued operations and the cumulative effect of changes in accounting principles.

U.S. OPERATIONS

U.S. operations consist of two major sub-segments: Traditional and Non-Traditional. The Traditional sub-segment primarily specializes in mortality-risk reinsurance. The Non-Traditional sub-segment consists of Asset-Intensive and Financial Reinsurance.

		Non-Traditional		
FOR THE YEAR ENDED DECEMBER 31, 2007		**Asset-**	**Financial**	**Total**
(dollars in thousands)	**Traditional**	**Intensive**	**Reinsurance**	**U.S.**
Revenues:				
Net premiums	$2,868,403	$ 6,356	$	$2,874,759
Investment income, net of related expenses	352,553	271,638	(53)	624,138
Investment related losses, net	(13,770)	(156,158)	(7)	(169,935)
Other revenues	922	38,006	23,117	62,045
Total revenues	3,208,108	159,842	23,057	3,391,007
Benefits and expenses:				
Claims and other policy benefits	2,344,185	5,875	(124)	2,349,936
Interest credited	58,595	185,726		244,321
Policy acquisition costs and other insurance expenses	417,958	(16,499)	6,410	407,869
Other operating expenses	49,746	7,069	4,138	60,953
Total benefits and expenses	2,870,484	182,171	10,424	3,063,079
Income (loss) before income taxes	$ 337,624	$ (22,329)	$12,633	$ 327,928

		Non-Traditional		
FOR THE YEAR ENDED DECEMBER 31, 2006		**Asset-**	**Financial**	**Total**
(dollars in thousands)	**Traditional**	**Intensive**	**Reinsurance**	**U.S.**
Revenues:				
Net premiums	$2,647,322	$ 6,190	$	$2,653,512
Investment income, net of related expenses	305,221	267,111	(213)	572,119
Investment related gains (losses), net	(4,077)	(2,163)	4	(6,236)
Other revenues	269	20,031	29,868	50,168

Total revenues	2,948,735	291,169	29,659	3,269,563
Benefits and expenses:				
Claims and other policy benefits	2,174,142	581	5	2,174,728
Interest credited	50,059	192,092		242,151
Policy acquisition costs and other insurance expenses	395,531	71,196	9,284	476,011
Other operating expenses	41,881	7,113	5,331	54,325
Total benefits and expenses	2,661,613	270,982	14,620	2,947,215
Income before income taxes	$ 287,122	$ 20,187	$15,039	$ 322,348

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FOR THE YEAR ENDED DECEMBER 31, 2005 (dollars thousands)	**Traditional**	**Non-Traditional Asset-Intensive**	**Non-Traditional Financial Reinsurance**	**Total U.S.**
Revenues:				
Net premiums	$2,428,890	$ 4,670	$	$2,433,560
Investment income, net of related expenses	268,531	214,941	467	483,939
Investment related gains (losses), net	(8,603)	6,385	(21)	(2,239)
Other revenues	1,318	8,621	28,393	38,332
Total revenues	2,690,136	234,617	28,839	2,953,592
Benefits and expenses:				
Claims and other policy benefits	2,008,537	4,870	6	2,013,413
Interest credited	53,958	151,966		205,924
Policy acquisition costs and other insurance expenses	354,981	56,408	8,358	419,747
Other operating expenses	40,289	5,056	5,411	50,756
Total benefits and expenses	2,457,765	218,300	13,775	2,689,840
Income before income taxes	$ 232,371	$ 16,317	$15,064	$ 263,752

Income before income taxes for the U.S. operations totaled $327.9 million in 2007, compared to $322.3 million for 2006 and $263.8 million in 2005. Continued growth in the total U.S. business in force as well as improved mortality results contributed to the overall growth in income for 2007 and 2006. In 2007, this growth was partially offset by a decrease in Asset-Intensive income almost entirely related to a decline in the value of embedded derivatives, after adjustment for deferred acquisition costs, associated with Issue B36 of $40.3 million and a decrease in Financial Reinsurance income related primarily to the change in reporting for Asia Pacific based treaties. The decreased income in 2005 in the Traditional sub-segment can be attributed largely to unfavorable mortality experience.

Traditional Reinsurance

The U.S. Traditional sub-segment provides life reinsurance to domestic clients for a variety of life products through yearly renewable term agreements, coinsurance and modified coinsurance agreements. These reinsurance arrangements may be either facultative or automatic agreements. During 2007, production totaled $164.2 billion of face amount of new business, compared to $172.1 billion in 2006 and $186.7 billion in 2005. Management believes industry consolidation and the established practice of reinsuring mortality risks should provide opportunities for growth.

Income before income taxes for U.S. Traditional reinsurance increased $50.5 million, or 17.6%, in 2007. Improved mortality experience together with higher premiums and investment income were the main contributors to the total increase for the year. Income before income taxes in 2006 increased $54.8 million, or 23.6%, over 2005 primarily related to unfavorable mortality experience in this sub-segment in 2005.

Net premiums for U.S. Traditional reinsurance increased $221.1 million in 2007, or 8.4%, and $218.4 million in 2006, or 9.0%. Premium levels are driven by the growth of total U.S. business in force, which increased to $1.2 trillion in 2007, an increase of 6.3% over prior year. Total in force at year-end 2005 was $1.1 trillion.

Net investment income increased $47.3 million, or 15.5%, and $36.7 million, or 13.7%, in 2007 and 2006, respectively. The increase in both years is primarily due to growth in the invested asset base. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Claims and other policy benefits, as a percentage of net premiums (loss ratios), were 81.7%, 82.1%, and 82.7% in 2007, 2006, and 2005, respectively. Mortality experience improved in both 2007 and 2006 while 2005 reflects a higher than expected loss ratio. The first six months of 2005 showed an increase in the severity of claims, which was the primary contributor to the higher loss ratio in 2005. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Interest credited relates to amounts credited on the Company s cash value products in this segment, which have a significant mortality component. This amount fluctuates with the changes in deposit levels, cash surrender values and investment performance. Income before income taxes is affected by the spread between the investment income and the

interest credited on the underlying products. Interest credited expense increased $8.5 million in 2007 over 2006 primarily due to one treaty in which the credited loan rate increased from 4.6% in 2006 to 5.6% in 2007. Interest credited expense decreased $3.9 million in 2006 compared to 2005 primarily due to one treaty in which the credited loan rate decreased from 5.7% in 2005 to 4.6% in 2006.

The amount of policy acquisition costs and other insurance expenses, as a percentage of net premiums, was 14.6%, 14.9%, and 14.6% in 2007, 2006 and 2005, respectively. Overall, these percentages will fluctuate due to varying allowance levels within coinsurance-type arrangements, the timing of amounts due to and from ceding companies, as well as the amortization pattern of previously capitalized amounts, which are based on the form of the reinsurance agreement and the underlying insurance policies. Additionally, the mix of first year coinsurance versus yearly renewable term can cause the percentage to fluctuate from period to period.

Other operating expenses, as a percentage of net premiums, were 1.7%, 1.6% and 1.7% in 2007, 2006 and 2005, respectively. The expense ratio is expected to fluctuate slightly from period to period, however, the size and maturity of the U.S. operations segment indicates it should remain relatively constant over the long term.

Asset-Intensive Reinsurance

The U.S. Asset-Intensive sub-segment concentrates on the investment and lapse risk within underlying annuities and corporate-owned life insurance policies. Most of these agreements are coinsurance, coinsurance funds withheld or modified coinsurance of non-mortality risks such that the Company recognizes profits or losses primarily from the spread between the investment earnings and the interest credited on the underlying deposit liabilities.

This sub-segment reported a loss before income taxes of $22.3 million in 2007 compared to income of $20.2 million in 2006 and $16.3 million in 2005. The change in value of embedded derivatives, after adjustment for deferred acquisition costs, under Issue B36 contributed $37.5 million to the loss in 2007 and $2.8 million and $0.5 million to income in 2006 and 2005, respectively.

In accordance with the provisions of Issue B36, the Company recorded a gross change in value of embedded derivatives during 2007, 2006 and 2005 of $(141.9) million, $6.5 million and $7.4 million, respectively, within investment related gains and losses. The amounts represent a non-cash, unrealized change in value and were offset by related deferred acquisition costs, included in policy acquisition costs and other insurance expenses, of $(104.4) million, $3.7 million and $7.0 million, respectively. Significant fluctuations may occur as the fair value of the embedded derivatives is affected primarily by the movements in investment credit spreads. During 2007, management estimates the weighted average asset credit spreads widened by approximately 0.82%. This was partially offset by a decrease in risk free interest rates (swap curve) of approximately 0.75%. These fluctuations have no impact on cash flows or interest spreads on the underlying treaties. Therefore, Company management believes it is helpful to distinguish between the effects of Issue B36 and the primary factors that drive profitability of the underlying treaties, namely investment income, fee income, and interest credited. Additionally, over the expected life of the underlying treaties, management expects the cumulative effect of Issue B36 to be immaterial.

Excluding Issue B36, income before income taxes decreased $2.2 million 2007. While growth in the asset base and improved spreads earned on those assets was strong, this was offset by higher investment related losses, net and higher benefits due to an increase in benefit claims on a single premium universal life reinsurance treaty. The increase in investment related losses, excluding Issue B36, relates to a new variable annuity treaty in which the Company reinsures guaranteed minimum benefit riders, totaling $9.3 million. Income before tax in 2006, excluding Issue B36, increased $1.6 million compared to 2005. The increase can be attributed to an overall increase in the performance of the business offset by higher investment related losses.

Total revenues, which are comprised primarily of investment income and investment related losses, net, decreased $131.3 million in 2007. Issue B36, which is included in investment related losses, net, represented $148.4 million of the decrease. Excluding Issue B36, revenue increased $17.1 million primarily due to an increase in investment income as a result of a growing asset base and an increase in other income resulting from mortality and expense charges earned from the reinsurance of a new variable annuity contract. As of December 31, 2007, the reinsured account value related to this variable annuity treaty totaled $1.2 billion. The same variable annuity treaty also generated an increase in investment related losses, as mentioned above, which offset some of this increase. Total revenues increased $56.6 million in 2006 over 2005. This increase can be primarily attributed to an increase in investment income as a

result of a growing asset base and an increase in other revenues resulting from mortality and expense charges earned on a new variable annuity contract. The increase in investment related losses in 2006 was due to an increased interest rate environment which allowed the Company to sell bonds

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at lower book yields and reinvest in higher book yielding securities, resulting in realized losses at the time, but should result in higher future investment income.

The average invested asset balance was $4.8 billion, $4.3 billion and $3.9 billion for 2007, 2006 and 2005, respectively. Invested assets outstanding as of December 31, 2007 and 2006 were $4.9 billion and $4.6 billion, of which $3.5 billion and $3.1 billion were funds withheld at interest, respectively. Of the $3.5 billion total funds withheld balance as of December 31, 2007, 90.3% of the balance is associated with one client.

Total benefits and expenses, which are comprised primarily of interest credited and policy acquisition costs decreased $88.8 million in 2007. Issue B36 represented $108.1 million of this decrease. Excluding Issue B36, expenses increased $19.3 million, which is mainly the result of higher policy acquisition costs related to new business. Total benefits and expenses increased $52.7 million in 2006 of which $40.1 million was due to an increase in interest credited. The increase in interest credited correlates to the increase in investment income mentioned above. Also contributing to the 2006 increase were policy acquisition costs related to new business.

Financial Reinsurance

The U.S. Financial Reinsurance sub-segment income consists primarily of net fees earned on financial reinsurance transactions. The majority of the financial reinsurance risks are assumed by the U.S. Segment and retroceded to other insurance companies or brokered business in which the Company does not participate in the assumption of risk. The fees earned from the assumption of the financial reinsurance contracts are reflected in other revenues, and the fees paid to retrocessionaires are reflected in policy acquisition costs and other insurance expenses. Fees earned on brokered business are reflected in other revenues.

Income before income taxes decreased 16.0% in 2007. In 2006, both the domestic and a portion of various Asia Pacific financial reinsurance treaties were reflected in this segment. Beginning in 2007, the Asia Pacific-based treaties are included with the Company s Asia Pacific segment with reimbursement to the U.S. segment for costs incurred by U.S. personnel. Fees reflected in Asia Pacific in 2007 totaled $8.3 million.

At December 31, 2007, 2006 and 2005, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $0.5 billion, $1.8 billion and $1.9 billion, respectively. The decrease in 2007 is a result of the aforementioned change in reporting for Asia Pacific-based treaties and the recapture of one large treaty. The pre-tax statutory surplus includes all business assumed by the Company. Fees resulting from this business can be affected by large transactions and the timing of completion of new transactions and therefore can fluctuate from period to period.

CANADA OPERATIONS

The Company conducts reinsurance business in Canada through RGA Canada, a wholly-owned subsidiary. RGA Canada assists clients with capital management and mortality risk management, and is primarily engaged in traditional individual life reinsurance, as well as creditor, critical illness, and group life and health reinsurance. Creditor insurance covers the outstanding balance on personal, mortgage or commercial loans in the event of death, disability or critical illness and is generally shorter in duration than traditional life insurance.

FOR THE YEAR ENDED DECEMBER 31, (dollars in thousands)	**2007**	**2006**	**2005**
Revenues:			
Net premiums	$ 487,136	$ 429,438	$ 343,131
Investment income, net of related expenses	124,634	106,973	93,009
Investment related gains, net	7,453	5,506	3,497
Other revenues (losses)	182	160	(279)
Total revenues	619,405	542,077	439,358
Benefits and expenses:			
Claims and other policy benefits	425,498	386,221	307,959

Interest credited	726	831	1,105
Policy acquisition costs and other insurance expenses	91,234	92,936	64,921
Other operating expenses	20,404	16,323	15,174
Total benefits and expenses	537,862	496,311	389,159
Income before income taxes	$ 81,543	$ 45,766	$ 50,199

RGA Canada s reinsurance in force totaled approximately $217.7 billion, $155.4 billion, and $127.4 billion at December 31, 2007, 2006, and 2005, respectively.

Income before income taxes increased 78.2% and decreased 8.8% in 2007 and 2006, respectively. The increase in 2007 was primarily the result of favorable mortality experience and an increase in investment related gains of $1.9 million. Additionally, the Canadian dollar strengthened against the U.S. dollar during 2007, and contributed approximately $5.1 million to income before income taxes. The decrease in 2006 was primarily the result of unfavorable mortality experience compared to the prior year, offset by an increase in investment related gains of $2.0 million. Additionally, the Canadian dollar strengthened against the U.S. dollar in 2006 compared to 2005, and contributed approximately $3.5 million to income before income taxes.

Net premiums increased $57.7 million, or 13.4%, in 2007, and increased $86.3 million, or 25.2%, in 2006. Premiums from creditor treaties decreased by $4.7 million in 2007 and increased $39.2 million in 2006. Creditor insurance covers the outstanding balance on personal, mortgage or commercial loans in the event of death, disability or critical illness and is generally shorter in duration than traditional life insurance. Creditor and group life and health premiums represented 17.5% of net premiums in 2007 and 20.6% in 2006. Additionally, a stronger Canadian dollar contributed $29.1 million and $25.2 million to net premiums reported in 2007 and 2006, respectively. Premium levels can be significantly influenced by large transactions, mix of business and reporting practices of ceding companies, and therefore may fluctuate from period to period.

Net investment income increased $17.7 million, or 16.5%, and $14.0 million, or 15.0%, during 2007 and 2006, respectively. A stronger Canadian dollar resulted in an increase in net investment income of approximately $7.4 million and $6.8 million in 2007 and 2006, respectively. Interest on an increasing amount of funds withheld at interest primarily related to one treaty contributed $2.3 million and $2.4 million in 2007 and 2006, respectively. Investment income and investment related gains and losses are allocated to the segments based upon average assets and related capital levels deemed appropriate to support business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments. The increase in investment income was mainly the result of an increase in the allocated asset base due to growth in the underlying business volume.

Loss ratios for this segment were 87.3% in 2007, 89.9% in 2006, and 89.7% in 2005. During 2006 and 2005, the Company entered into three significant creditor reinsurance treaties. The loss ratios on this type of business are normally lower than traditional reinsurance, while allowances (policy acquisition costs) are normally higher as a percentage of premiums. Loss ratios for creditor business were 44.8% in 2007, 42.7% in 2006, and 46.3% in 2005. Excluding creditor business, the loss ratios for this segment were 96.2% in 2007, 102.2% in 2006, and 97.7% in 2005. The lower loss ratio for 2007 is primarily due to favorable mortality experience compared to the prior year. Historically, the loss ratio has been influenced by several large in force blocks assumed in 1998 and 1997. These represent mature blocks of permanent level premium business in which mortality as a percentage of premiums is expected to be higher than the historical ratios. The nature of permanent level premium policies requires the Company to set up actuarial liabilities and invest the amounts received in excess of early-year mortality costs to fund claims in the later years when premiums, by design, continue to be level as compared to expected increasing mortality or claim costs. Claims and other policy benefits, as a percentage of net premiums and investment income, were 69.6% during 2007 compared to 72.0% in 2006 and 70.6% in 2005. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 18.7% in 2007, 21.6% in 2006, and 18.9% in 2005. Policy and acquisition costs and other insurance expenses as a percentage of net premiums for creditor business were 49.6% in 2007, 54.2% in 2006, and 49.5% in 2005. Excluding the impact of the stronger Canadian dollar and creditor business, policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 13.2% in 2007, 14.1% in 2006, and 13.7% in 2005. Overall, while these ratios are expected to remain in a certain range, they may fluctuate from period to period due to varying allowance levels, significantly caused by the mix of first year coinsurance business versus yearly renewable term business. In addition, the amortization pattern of previously capitalized amounts, which are subject to the form of the reinsurance agreement and the underlying insurance policies, may vary.

Other operating expenses increased $4.1 million in 2007 and $1.1 million in 2006 compared to their respective prior-year periods. A stronger Canadian dollar resulted in an increase in other operating expenses of approximately $1.1 million and $0.8 million in 2007 and 2006, respectively. Other operating expenses as a percentage of net premiums totaled 4.2% in 2007, compared to 3.8% and 4.4% in 2006 and 2005, respectively.

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EUROPE & SOUTH AFRICA OPERATIONS

The Europe & South Africa segment has operations in France, Germany, India, Italy, Mexico, Poland, Spain, South Africa and the UK. The segment provides life reinsurance for a variety of products through yearly renewable term and coinsurance agreements, and reinsurance of critical illness coverage. Reinsurance agreements may be either facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

FOR THE YEAR ENDED DECEMBER 31, (dollars in thousands)	2007	2006	2005
Revenues:			
Net premiums	$ 678,551	$ 587,903	$ 552,692
Investment income, net of related expenses	26,167	16,311	11,494
Investment related losses, net	(2,183)	(322)	(318)
Other revenues (losses)	(144)	858	299
Total revenues	702,391	604,750	564,167
Benefits and expenses:			
Claims and other policy benefits	515,660	414,855	405,121
Interest credited	1,019	764	882
Policy acquisition costs and other insurance expenses	84,749	90,098	94,853
Other operating expenses	53,496	40,792	27,791
Total benefits and expenses	654,924	546,509	528,647
Income before income taxes	$ 47,467	58,241	$ 35,520

Income before income taxes decreased 18.5% in 2007 and increased 64.0% in 2006. The decrease in 2007 was due primarily to adverse mortality and morbidity experience in the UK in 2007 versus favorable experience in 2006. Contributing to the 2007 decrease was an increase in other operating expenses of $12.7 million partially offset by an increase in investment income of $9.9 million. The increase in income before income taxes in 2006 was primarily the result of favorable mortality and morbidity experience in the UK in 2006 versus adverse experience in 2005 and an increase in investment income of $4.8 million partially offset by an increase in other operating expenses of $13.0 million. Favorable foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately $2.3 million and $0.4 million in 2007 and 2006, respectively.

Europe & South Africa net premiums grew 15.4% during 2007 and 6.4% in 2006. The growth was primarily the result of new business from both existing and new treaties. Favorable currency exchange rates increased net premiums by approximately $41.9 million in 2007 and $2.6 million in 2006. In 2007, several foreign currencies, particularly the British pound and the euro strengthened against the U.S. dollar. Absent the favorable effect from currency exchange rates, the rate of growth in net premiums is below historical levels due to increased competition in the UK and a slowing of growth in insurance product sales associated with the UK retail mortgage market. Also, a significant portion of the growth in 2007 net premiums was due to reinsurance of critical illness coverage, primarily in the UK. This coverage provides a benefit in the event of a death from or the diagnosis of a pre-defined critical illness coverage. Premiums earned from this coverage totaled $235.2 million, $208.8 million and $199.3 million in 2007, 2006 and 2005, respectively. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Investment income increased $9.9 million and $4.8 million in 2007 and 2006, respectively. These increases were primarily due to growth in allocated investment income and invested assets in the UK. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the

composition of investments and the relative allocation of capital to the operating segments.

Loss ratios were 76.0%, 70.6% and 73.3% for 2007, 2006 and 2005, respectively. The loss ratios were affected by mortality and morbidity experience in the UK which was unfavorable in 2007 and favorable in 2006. Death and critical illness claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation. Policy acquisition costs and other insurance expenses as a percentage of net premiums represented 12.5% 15.3% and 17.2% for 2007, 2006 and 2005, respectively. These percentages fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business. As

the segment matures renewal premiums which have lower allowances than first year premiums represent a greater percentage of the total premiums.

Policy acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. Acquisition costs, as a percentage of premiums, associated with some treaties in the UK are typically higher than those experienced in the Company s other segments. Future recoverability of the capitalized policy acquisition costs on this business is primarily sensitive to mortality and morbidity experience. If actual experience suggests higher mortality and morbidity rates going forward than currently contemplated in management s estimates, the Company may record a charge to income, due to a reduction in the DAC asset and, to the extent there are no unamortized acquisition costs, an increase in future policy benefits. As of December 31, 2007, the Company estimates that a 12% increase in anticipated mortality and morbidity experience would have no effect while a 15% or 18% increase would result in pre-tax income statement charges of approximately $74.3 million and $177.5 million, respectively.

Other operating expenses increased 31.1% during 2007 and 46.8% for 2006. Increases in other operating expenses were due to higher costs associated with maintaining and supporting the increase in business over the past two years and the entrance into new markets. As a percentage of premiums, other operating expenses were 7.9%, 6.9% and 5.0% in 2007, 2006 and 2005, respectively. The Company believes that sustained growth in premiums should lessen the burden of start-up expenses and expansion costs over time.

ASIA PACIFIC OPERATIONS

The Asia Pacific segment has operations in Australia, Hong Kong, Japan, Malaysia, Singapore, New Zealand, South Korea, Taiwan and mainland China. The principal types of reinsurance for this segment include life, critical illness, disability income, superannuation, and financial reinsurance. Superannuation is the Australian government mandated compulsory retirement savings program. Superannuation funds accumulate retirement funds for employees, and in addition, offer life and disability insurance coverage. Reinsurance agreements may be either facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

FOR THE YEAR ENDED DECEMBER 31, (dollars in thousands)	**2007**	**2006**	**2005**
Revenues:			
Net premiums	$ 864,550	$ 673,179	$ 534,927
Investment income, net of related expenses	36,388	28,105	21,773
Investment related losses, net	(1,529)	(372)	(269)
Other revenues	9,197	6,465	4,593
Total revenues	908,606	707,377	561,024
Benefits and expenses:			
Claims and other policy benefits	692,859	512,740	419,935
Policy acquisition costs and other insurance expenses	99,285	93,614	82,384
Other operating expenses	56,372	42,432	27,437
Total benefits and expenses	848,516	648,786	529,756
Income before income taxes	$ 60,090	$ 58,591	$ 31,268

Income before income taxes increased 2.6% during 2007 and increased 87.4% during 2006. The increase in income before income taxes for 2007 was the result of strong net premium growth in the Australia, Japan and Korea operations offset by increases in claims and other policy benefits. The increase in claims and other policy benefits was primarily attributable to favorable mortality experience in 2006. The increase in income before taxes for 2006 was the result of strong results in the Australia, Japan and Korea operations. Significant net premium growth in the Australia, Japan and Korea offices, along with good mortality experience and reserve reductions associated with Australian

disability treaties, allowed these combined operations to contribute an additional $20.6 million of income before income taxes in 2006 compared to 2005. Favorable foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately $3.8 million and $0.2 million in 2007 and 2006, respectively.

Net premiums grew 28.4% during 2007 and 25.8% during 2006. During 2007, premium growth was primarily the result of increases in the volume of business in Australia, Japan, and Korea, collectively adding approximately $152.0 million to net premiums compared to 2006. Growth in Australia was driven by broad-based success in both the individual and group

markets. Growth in premium volume in Japan was primarily related to one new large client and in Korea premium growth was driven by an increase in volume from existing large clients. During 2006, growth in premium volume was primarily the result of organic growth in certain markets, along with favorable exchange rates in multiple countries. In terms of growth of premium dollars during 2006, the Australia, Japan and Korea markets were the primary contributors, collectively adding approximately $125.8 million in premium volume compared to 2005. Growth in Australia was driven by broad-based success in both the individual and group markets. In Japan and Korea, 2006 premium growth was driven by an increase in volume from existing large clients. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Foreign currencies in certain significant markets, particularly the Australian dollar, the New Zealand dollar, and the Japanese yen, began to strengthen against the U.S. dollar in 2007, as compared to 2006. The overall effect of the changes in local Asia Pacific segment currencies was an increase in 2007 premiums of approximately $45.1 million over 2006. Foreign currency fluctuations led to a minimal decrease in premiums for 2006 over 2005.

A portion of the net premiums for the segment in each period presented represents reinsurance of critical illness coverage. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Reinsurance of critical illness in the Asia Pacific operations is offered primarily in Australia and Korea. Premiums earned from this coverage totaled $121.2 million, $78.6 million, and $60.1 million in 2007, 2006 and 2005, respectively.

Net investment income increased $8.3 million in 2007, as compared to an increase of $6.3 million in 2006. The increase in both years was primarily due to growth in the invested assets in Australia and favorable exchange rates, along with an increase in allocated investment income. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenue increased in 2007 to $9.2 million from $6.5 million and $4.6 million reported in 2006 and 2005, respectively. Beginning in 2007, the Asia Pacific-based financial reinsurance treaties are included in the Company s Asia Pacific segment with reimbursement to the U.S. segment for costs incurred by U.S. personnel. Fees reflected in Asia Pacific in 2007 totaled $8.3 million. This income is represented primarily from profit and fees associated with financial reinsurance treaties in Japan. At December 31, 2007, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $0.7 billion.

Loss ratios for this segment were 80.1% 76.2% and 78.5% for 2007, 2006 and 2005, respectively. The higher 2007 loss ratio was attributable primarily to loss experience in Korea and increased policy reserves in Japan related to one new large client. This percentage will fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 11.5%, 13.9% and 15.4% for 2007, 2006 and 2005, respectively. As the segment matures renewal premiums which have lower allowances than first year premiums represent a greater percentage of the total premiums. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums will fluctuate from period to period due to timing of client company reporting and variations in the mixture of business being reinsured. Policy acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized.

Other operating expenses increased to 6.5% of net premiums in 2007, from 6.3% in 2006 and 5.1% in 2005. The Company believes that sustained growth in premiums should lessen the burden of start-up expenses and expansion costs over time. However, the timing of the entrance into and development of new markets in the growing Asia Pacific segment may cause other operating expenses as a percentage of premiums to be somewhat volatile over periods of time.

CORPORATE AND OTHER

Corporate and Other revenues include investment income from invested assets not allocated to support segment operations and undeployed proceeds from the Company s capital raising efforts, in addition to unallocated investment related gains and losses. Corporate expenses consist of the offset to capital charges allocated to the operating segments

within the policy acquisition costs and other insurance expenses line item, unallocated overhead and executive costs, and interest expense related to debt and the $225.0 million of 5.75% Company-obligated mandatorily redeemable trust preferred securities. Additionally, Corporate and Other includes results from RTP, a wholly-owned subsidiary that develops and markets technology solutions for the insurance industry, the Company s Argentine privatized pension business, which is

currently in run-off, the investment income and expense associated with the Company s collateral finance facility and an insignificant amount of direct insurance operations in Argentina.

FOR THE YEAR ENDED DECEMBER 31, (dollars in thousands)	**2007**	**2006**	**2005**
Revenues:			
Net premiums	$ 4,030	$ 1,937	$ 2,465
Investment income, net of related expenses	96,577	56,147	28,950
Investment related gains (losses), net	(12,522)	4,014	20,363
Other revenues	8,867	7,826	14,846
Total revenues	96,952	69,924	66,624
Benefits and expenses:			
Claims and other policy benefits	43	(156)	41,474
Interest credited		1,025	465
Policy acquisition costs and other insurance expenses	(35,305)	(36,356)	(25,574)
Other operating expenses	45,387	50,508	33,224
Interest expense	76,906	62,033	41,428
Collateral finance facility expense	52,031	26,428	
Total benefits and expenses	139,062	103,482	91,017
Loss before income taxes	$ (42,110)	$ (33,558)	$ (24,393)

Loss before income taxes increased $8.6 million, or 25.5% during 2007 compared to 2006. The increase is primarily due to a $14.9 million increase in interest expense, a $25.6 million increase in collateral finance facility expense, and a $16.5 million decrease in investment related gains, offset by a $40.4 million increase in net investment income and a decrease of $5.1 million in other operating expenses. Loss before income taxes increased $9.2 million, or 37.6% during 2006 compared to 2005. The increase is primarily due to a $20.6 million increase in interest expense, a $17.3 million increase in other operating expenses and a $16.3 million decrease in investment related gains largely offset by a $41.6 million decrease in claims and other policy benefits.

Total revenues increased $27.0 million and $3.3 million in 2007 and 2006, respectively. The increase in 2007 is due to an increase in investment income of $40.4 million primarily related to the Company s investment of the proceeds from its collateral finance facility along with the investment of the proceeds from the issuance of $300 million in senior notes in March 2007. Investment related losses in 2007 reflect the recognition of a $10.5 million currency translation loss related to the Company s decision to sell its direct insurance operations in Argentina. The modest increase in revenues in 2006 is due to an increase in investment income of $27.2 million which is primarily related to the Company s investment of the proceeds from the collateral finance facility largely offset by a decrease of $16.3 million in investment related gains. Investment related gains are related to a number of different market factors and such gains are subject to fluctuation from period to period.

Total benefits and expenses increased $35.6 million and $12.5 million in 2007 and 2006, respectively. The increase in 2007 is due to a $25.6 million increase in collateral finance facility expense which reflects a full year of expense in 2007 compared to six months in 2006. Interest expense also increased $14.9 million related to a higher level of debt outstanding during 2007 due to the issuance of the aforementioned $300 million in senior notes along with accrued interest expense associated with certain tax positions, as required under Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which the Company adopted in 2007. FIN 48 contributed approximately $3.9 million to

interest expense in 2007. These increases in 2007 were slightly offset by a decrease in other operating expenses of $5.1 million primarily due to lower expenses related to equity based compensation plans. The increase in 2006 is primarily due to $26.4 million in collateral finance facility expense, a $20.6 million increase in interest expense and a $17.3 million increase in other operating expenses largely offset by a $41.6 million decrease in claims and other policy benefits. The Company s finance facility was established in 2006, while the increase in interest expense is related to a higher level of debt outstanding during 2006. The increase in other operating expenses in 2006 is primarily due to additional expense related to equity based compensation plans. The substantial decrease in claims and other policy benefits in 2006 are due to a decrease in the policy liabilities associated with the commutation of treaties covering the reinsurance of Argentine pension accounts.

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Discontinued Operations

Since December 31, 1998, the Company has formally reported its accident and health division as a discontinued operation. The accident and health business was placed into run-off, and all treaties were terminated at the earliest possible date. Notice was given to all cedants and retrocessionaires that all treaties were being cancelled at the expiration of their terms. The nature of the underlying risks is such that the claims may take several years to reach the reinsurers involved. Thus, the Company expects to pay claims over a number of years as the level of business diminishes. The Company will report a loss to the extent claims exceed established reserves.

At the time it was accepting accident and health risks, the Company directly underwrote certain business provided by brokers using its own staff of underwriters. Additionally, it participated in pools of risks underwritten by outside managing general underwriters, and offered high level common account and catastrophic protection coverages to other reinsurers and retrocessionaires. Types of risks covered included a variety of medical, disability, workers compensation carve-out, personal accident, and similar coverages.

The reinsurance markets for several accident and health risks, most notably involving workers compensation carve-out and personal accident business, have been quite volatile over the past several years. Certain programs are alleged to have been inappropriately underwritten by third party managers, and some of the reinsurers and retrocessionaires involved have alleged material misrepresentation and non-disclosures by the underwriting managers. In particular, over the past several years a number of disputes have arisen in the accident and health reinsurance markets with respect to London market personal accident excess of loss (LMX) reinsurance programs that involved alleged manufactured claims spirals designed to transfer claims losses to higher-level reinsurance layers. The Company is currently party to an arbitration that involves some of these LMX reinsurance programs. Additionally, while the Company did not underwrite workers compensation carve-out business directly, it did offer certain indirect high-level common account coverages to other reinsurers and retrocessionaires, which could result in exposure to workers compensation carve-out risks. The Company and other reinsurers and retrocessionaires involved have raised substantial defenses upon which to contest claims arising from these coverages, including defenses based upon the failure of the ceding company to disclose the existence of manufactured claims spirals, inappropriate or unauthorized underwriting procedures and other defenses. As a result, there have been a significant number of claims for rescission, arbitration, and litigation among a number of the parties involved in these various coverages. This has had the effect of significantly slowing the reporting of claims between parties, as the various outcomes of a series of arbitrations and similar actions affect the extent to which higher level reinsurers and retrocessionaires may ultimately have exposure to claims.

The Company is currently a party to an arbitration that involves personal accident business as mentioned above. As of February 1, 2008, the company involved in this arbitration has raised a claim that is $1.6 million in excess of the amount held in reserve by the Company. The Company believes it has substantial defenses upon which to contest these claims, including but not limited to misrepresentation and breach of contract by direct and indirect ceding companies. The Company cannot predict or determine the ultimate outcome of the pending arbitration or provide useful ranges of potential losses. It is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company s consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company s consolidated net income in particular quarterly or annual periods.

The loss from discontinued accident and health operations, net of income taxes, increased to $14.4 million in 2007 from $5.1 million in 2006 due primarily to settlements arising out of previously contested matters. The comparable loss in 2005 was $11.4 million.

The calculation of the claim reserve liability for the entire portfolio of accident and health business requires management to make estimates and assumptions that affect the reported claim reserve levels. Management must make estimates and assumptions based on historical loss experience, changes in the nature of the business, anticipated outcomes of claim disputes and claims for rescission, anticipated outcomes of arbitrations, and projected future premium run-off, all of which may affect the level of the claim reserve liability. Due to the significant uncertainty associated with the run-off of this business, net income in future periods could be affected positively or negatively.

The consolidated statements of income for all periods presented reflect this line of business as a discontinued operation. Revenues associated with discontinued operations, which are not reported on a gross basis in the Company s consolidated statements of income, totaled $2.0 million, $2.7 million and $2.5 million for 2007, 2006 and 2005, respectively.

Deferred Acquisition Costs

DAC related to interest-sensitive life and investment-type contracts are amortized over the lives of the contracts, in relation to the present value of estimated gross profits (EGP) from mortality, investment income, and expense margins. The EGP for asset-intensive products include the following components: (1) estimates of fees charged to policyholders to cover mortality, surrenders and maintenance costs; (2) expected interest rate spreads between income earned and amounts credited to policyholder accounts; and (3) estimated costs of administration. EGP is also reduced by the Company s estimate of future losses due to defaults in fixed maturity securities. DAC is sensitive to changes in assumptions regarding these EGP components, and any change in such an assumption could have an effect on the Company s profitability.

The Company periodically reviews the EGP valuation model and assumptions so that the assumptions reflect a view of the future believed to be reasonable. Two assumptions are considered to be most significant: (1) estimated interest spread, and (2) estimated future policy lapses. The following table reflects the possible change that would occur in a given year if assumptions, as a percentage of current deferred policy acquisition costs related to asset-intensive products ($752.4 million as of December 31, 2007), are changed as illustrated:

Quantitative Change in Significant Assumptions:	One-Time Increase in DAC	One-Time Decrease in DAC
Estimated interest spread increasing (decreasing) 25 basis points from the current spread	2.08%	(2.36%)
Estimated future policy lapse rates decreasing (increasing) 20% on a permanent basis (including surrender charges)	0.63%	(0.38%)

In general, a change in assumption that improves the Company s expectations regarding EGP is going to have the effect of deferring the amortization of DAC into the future, thus increasing earnings and the current DAC balance. Conversely, a change in assumption that decreases EGP will have the effect of speeding up the amortization of DAC, thus reducing earnings and lowering the DAC balance. The Company also adjusts DAC to reflect changes in the unrealized gains and losses on available-for-sale fixed maturity securities since this affects EGP. This adjustment to DAC is reflected in accumulated other comprehensive income.

The DAC associated with the Company s non-asset-intensive business is less sensitive to changes in estimates for investment yields, mortality and lapses. In accordance with Statement of Financial Accounting Standards No. 60, Accounting and Reporting by Insurance Enterprises, the estimates include provisions for the risk of adverse deviation and are not adjusted unless experience significantly deteriorates to the point where a premium deficiency exists.

The following table displays DAC balances for asset-intensive business and non-asset-intensive business by segment as of December 31, 2007:

(dollars in thousands)	Asset-Intensive DAC	Non-Asset-Intensive DAC	Total DAC
U.S.	$752,365	$ 1,176,239	$1,928,604
Canada		292,180	292,180
Europe & South Africa		599,264	599,264
Asia Pacific		339,425	339,425
Corporate and Other		2,478	2,478
Total	$752,365	$ 2,409,586	$3,161,951

As of December 31, 2007, the Company estimates that approximately 83.7% of its DAC balance is collateralized by surrender fees due to the Company and the reduction of policy liabilities, in excess of termination values, upon

surrender or lapse of a policy.

Liquidity and Capital Resources

The Holding Company

RGA is an insurance holding company whose primary uses of liquidity include, but are not limited to, the immediate capital needs of its operating companies associated with the Company s primary businesses, dividends paid to its

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shareholders, interest payments on its indebtedness (See Note 15 Debt and Trust Preferred Securities in the Notes to Consolidated Financial Statements), and repurchases of RGA common stock under a board of directors approved plan. The primary sources of RGA s liquidity include proceeds from its capital raising efforts, interest income on undeployed corporate investments, interest income received on surplus notes with RGA Reinsurance and RCM, and dividends from operating subsidiaries. As the Company continues its expansion efforts, RGA will continue to be dependent upon these sources of liquidity.

The Company believes that it has sufficient liquidity, for at least the next 12 months, to fund its cash needs under various scenarios that include the potential risk of the early recapture of a reinsurance treaty by the ceding company and significantly higher than expected death claims. Historically, the Company has generated positive net cash flows from operations. However, in the event of significant unanticipated cash requirements beyond normal liquidity, the Company has multiple liquidity alternatives available based on market conditions and the amount and timing of the liquidity need. These options include borrowings under committed credit facilities, secured borrowings, the ability to issue long-term debt, preferred securities or common equity and, if necessary, the sale of invested assets subject to market conditions.

RGA has repurchased shares in the open market in the past primarily to satisfy obligations under its stock option program. In 2001, the board of directors approved a repurchase program authorizing RGA to purchase up to $50 million of its shares of stock, as conditions warrant. During 2002, RGA purchased approximately 0.2 million shares of treasury stock under the program at an aggregate cost of $6.6 million. In 2005, the board of directors authorized RGA to enter into an accelerated share repurchase (ASR) agreement with a financial counterparty under which RGA purchased 1,600,000 shares of its outstanding common stock at an aggregate price of approximately $76.1 million. The common shares repurchased were placed into treasury to be used for general corporate purposes. (See Note 3 Stock Transactions in the Notes to Consolidated Financial Statements for additional information regarding the ASR).

Statutory Dividend Limitations

RCM and RGA Reinsurance are subject to Missouri statutory provisions that restrict the payment of dividends. They may not pay dividends in any 12-month period in excess of the greater of the prior year s statutory operating income or 10% of capital and surplus at the preceding year-end, without regulatory approval. The applicable statutory provisions only permit an insurer to pay a shareholder dividend from unassigned surplus. Any dividends paid by RGA Reinsurance would be paid to RCM, its parent company, which in turn has restrictions related to its ability to pay dividends to RGA. The assets of RCM consist primarily of its investment in RGA Reinsurance. As of January 1, 2008, RCM and RGA Reinsurance could pay maximum dividends, without prior approval, of approximately $118.4 million and $118.4 million, respectively. The Missouri DIFP allows RCM to pay a dividend to RGA to the extent RCM received the dividend from RGA Reinsurance, without limitation related to the level of unassigned surplus. RCM s allowable dividends for 2008 are not affected by this provision. Dividend payments from other subsidiaries are subject to regulations in the jurisdiction of domicile.

The dividend limitations for RCM and RGA Reinsurance are based on statutory financial results. Statutory accounting practices differ in certain respects from accounting principals used in financial statements prepared in conformity with GAAP. The significant difference relates primarily to deferred acquisition costs, deferred income taxes, required investment reserves, reserve calculation assumptions, and surplus notes.

Valuation of Life Insurance Policies Model Regulation (Regulation XXX)

The Valuation of Life Insurance Policies Model Regulation, commonly referred to as Regulation XXX, was implemented in the U.S. for various types of life insurance business beginning January 1, 2000. Regulation XXX significantly increased the level of reserves that U.S. life insurance and life reinsurance companies must hold on their statutory financial statements for various types of life insurance business, primarily certain level premium term life products. The reserve levels required under Regulation XXX increase over time and are normally in excess of reserves required under GAAP. In situations where primary insurers have reinsured business to reinsurers that are unlicensed and unaccredited in the U.S., the reinsurer must provide collateral equal to its reinsurance reserves in order for the ceding company to receive statutory financial statement credit. Reinsurers have historically utilized letters of credit for the benefit of the ceding company, or have placed assets in trust for the benefit of the ceding company as the primary

forms of collateral. The increasing nature of the statutory reserves under Regulation XXX will likely require increased levels of collateral from reinsurers in the future to the extent the reinsurer remains unlicensed and unaccredited in the U.S.

In order to manage the effect of Regulation XXX on its statutory financial statements, RGA Reinsurance has retroceded a majority of Regulation XXX reserves to unaffiliated and affiliated unlicensed reinsurers. RGA Reinsurance s statutory capital may be significantly reduced if the unaffiliated or affiliated reinsurer is unable to provide the required

collateral to support RGA Reinsurance s statutory reserve credits and RGA Reinsurance cannot find an alternative source for collateral.

Shareholder Dividends

Historically, RGA has paid quarterly dividends ranging from $0.027 per share in 1993 to $0.09 per share in 2007. All future payments of dividends are at the discretion of RGA s board of directors and will depend on the Company s earnings, capital requirements, insurance regulatory conditions, operating conditions, and such other factors as the board of directors may deem relevant. The amount of dividends that RGA can pay will depend in part on the operations of its reinsurance subsidiaries. Under certain circumstances, RGA may be contractually prohibited from paying dividends on common stock, see discussion below in Debt and Trust Preferred Securities .

Debt and Trust Preferred Securities

Certain of the Company s debt agreements contain financial covenant restrictions related to, among others, liens, the issuance and disposition of stock of restricted subsidiaries, minimum requirements of net worth, maximum ratios of debt to capitalization, change in control provisions, and minimum rating requirements. A material ongoing covenant default could require immediate payment of the amount due, including principal, under the various agreements. Additionally, the Company s debt agreements contain cross-default covenants, which would make outstanding borrowings immediately payable in the event of a material covenant default under any of the agreements which remains uncured, including, but not limited to, non-payment of indebtedness when due for amounts that range from $25.0 million to $100.0 million depending on the agreement, bankruptcy proceedings, and any event which results in the acceleration of the maturity of indebtedness. The facility fee and interest rate for the Company s credit facilities is based on its senior long-term debt ratings. A decrease in those ratings could result in an increase in costs for the credit facilities. As of December 31, 2007, the Company had $925.8 million in outstanding borrowings under its short- and long-term debt agreements and was in compliance with all covenants under those agreements. The ability of the Company to make debt principal and interest payments depends primarily on the earnings and surplus of subsidiaries, investment earnings on undeployed capital proceeds, and the Company s ability to raise additional funds.

In September 2007, the Company entered into a five-year, syndicated revolving credit facility with an overall capacity of $750.0 million, replacing its $600.0 million five-year revolving credit facility, which was scheduled to mature in September 2010. The Company may borrow cash and may obtain letters of credit in multiple currencies under the new facility. Interest on borrowings is based either on the prime, federal funds or LIBOR rates plus a base rate margin defined in the agreement. Fees payable for the credit facility depend upon the Company s senior unsecured long-term debt rating. As of December 31, 2007, the Company had no cash borrowings outstanding and $406.0 million in issued, but undrawn, letters of credit under this new facility. The credit agreement is unsecured but contains affirmative, negative and financial covenants customary for financings of this type. The Company s other credit facilities consist of a £15.0 million credit facility that expires in May 2008, with an outstanding balance of £15.0 million, or $29.8 million, as of December 31, 2007, and an A$50.0 million Australian credit facility that expires in June 2011, with no outstanding balance as of December 31, 2007.

In March 2007, RGA issued 5.625% Senior Notes due March 15, 2017 with a face amount of $300.0 million. These senior notes have been registered with the Securities and Exchange Commission. The net proceeds from the offering were approximately $295.3 million, a portion of which were used to pay down $50.0 million of indebtedness under a U.S. bank credit facility. The remaining net proceeds are designated for general corporate purposes. Capitalized issue costs were approximately $2.4 million.

In December 2005, RGA issued Junior Subordinated Debentures with a face amount of $400.0 million. Interest is payable semi-annually and is fixed at 6.75% per year until December 15, 2015. From December 15, 2015 until December 15, 2065, interest on the debentures will accrue at an annual rate of 3-month LIBOR plus a margin equal to 266.5 basis points, payable quarterly. RGA has the option to defer interest payments, subject to certain limitations. In addition, interest payments are mandatorily deferred if the Company does not meet specified capital adequacy, net income and shareholders equity levels. Upon an optional or mandatory deferral of interest payments, RGA is generally not permitted to pay common-stock dividends or make payments of interest or principal on securities which rank equal or junior to the subordinated debentures, until the accrued and unpaid interest on the subordinated debentures is paid. The subordinated debentures are redeemable at RGA s option. Approximately $76.1 million of the

net proceeds were used to purchase RGA s common stock under an ASR agreement with a financial counterparty. Additionally, RGA used a portion of the net proceeds from the sale of these debentures to repay approximately $100.0 million of its 7.25% senior notes when they matured in April 2006.

As of December 31, 2007, the average interest rate on long-term and short-term debt outstanding, excluding the Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated

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debentures of the Company (Trust Preferred Securities), was 6.40% compared to 6.63% at the end of 2006. Interest is expensed on the face amount, or $225.0 million, of the Trust Preferred Securities at a rate of 5.75%.

Based on the historic cash flows and the current financial results of the Company, subject to any dividend limitations which may be imposed by various insurance regulations, management believes RGA s cash flows from operating activities, together with undeployed proceeds from its capital raising efforts, including interest and investment income on those proceeds, interest income received on surplus notes with RGA Reinsurance and RCM, and its ability to raise funds in the capital markets, will be sufficient to enable RGA to make dividend payments to its shareholders, make interest payments on its senior indebtedness, trust preferred securities and junior subordinated notes, repurchase RGA common stock under the board of director approved plan, and meet its other obligations for at least the next 12 months.

A general economic downturn or a downturn in the equity and other capital markets could adversely affect the market for many annuity and life insurance products and RGA s ability to raise new capital. Because the Company obtains substantially all of its revenues through reinsurance arrangements that cover a portfolio of life insurance products, as well as annuities, its business would be harmed if the market for annuities or life insurance was adversely affected.

Collateral Finance Facility

On June 28, 2006, RGA s subsidiary, Timberlake Financial, issued $850.0 million of Series A Floating Rate Insured Notes due June 2036 in a private placement. The notes were issued to fund the collateral requirements for statutory reserves required by the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation XXX) on specified term life insurance policies reinsured by RGA Reinsurance. Proceeds from the notes, along with a $112.7 million direct investment by the Company, collateralize the notes and are not available to satisfy the general obligations of the Company. As of December 31, 2007, the Company held assets in trust of $898.7 million for this purpose. In addition, the Company held $49.9 million in custody as of December 31, 2007. Interest on the notes will accrue at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly. The payment of interest and principal on the notes is insured through a financial guaranty insurance policy with a third party. The notes represent senior, secured indebtedness of Timberlake Financial with no recourse to RGA or its other subsidiaries. Timberlake Financial will rely primarily upon the receipt of interest and principal payments on a surplus note and dividend payments from its wholly-owned subsidiary, Timberlake Re, a South Carolina captive insurance company, to make payments of interest and principal on the notes. The ability of Timberlake Re to make interest and principal payments on the surplus note and dividend payments to Timberlake Financial is contingent upon South Carolina regulatory approval and the performance of specified term life insurance policies with guaranteed level premiums retroceded by RGA s subsidiary, RGA Reinsurance, to Timberlake Re.

In accordance with FASB Interpretation No. 46(r), Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51, Timberlake Financial is considered to be a variable interest entity and the Company is deemed to hold the primary beneficial interest. As a result, Timberlake Financial has been consolidated in the Company s financial statements. The Company s consolidated balance sheets include the assets of Timberlake Financial recorded as fixed maturity investments and other invested assets, which consists of restricted cash and cash equivalents, with the liability for the notes recorded as collateral finance facility. The Company s consolidated statements of income include the investment return of Timberlake Financial as investment income and the cost of the facility is reflected in collateral finance facility expense.

Reinsurance Operations

Reinsurance agreements, whether facultative or automatic, may provide for recapture rights on the part of the ceding company. Recapture rights permit the ceding company to reassume all or a portion of the risk formerly ceded to the reinsurer after an agreed-upon period of time, generally 10 years, or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business, but would reduce premiums in subsequent periods.

Assets in Trust

Some treaties give ceding companies the right to request that the Company place assets in trust for the benefit of the cedant to support statutory reserve credits in the event of a downgrade of the Company s ratings to specified levels.

As of December 31, 2007, these treaties had approximately $572.9 million in statutory reserves. Assets placed in trust continue to be owned by the Company, but their use is restricted based on the terms of the trust agreement. Securities with an amortized cost of $1,085.9 million were held in trust for the benefit of certain subsidiaries of the Company to satisfy collateral requirements for reinsurance business at December 31, 2007. Additionally, securities with an amortized cost of $1,369.3 million as of December 31, 2007 were held in trust to satisfy collateral requirements under certain third-party reinsurance treaties. Under certain conditions, RGA may be obligated to move reinsurance from one RGA subsidiary company to another RGA subsidiary or make payments under the treaty. These conditions include change in control or ratings of the

subsidiary, insolvency, nonperformance under a treaty, or loss of reinsurance license of such subsidiary. If RGA was ever required to perform under these obligations, the risk to the consolidated company under the reinsurance treaties would not change; however, additional capital may be required due to the change in jurisdiction of the subsidiary reinsuring the business and may create a strain on liquidity.

Proceeds from the notes issued by Timberlake Financial and the Company s direct investment in Timberlake Financial have been deposited into a series of trust accounts as collateral and are not available to satisfy the general obligations of the Company. As of December 31, 2007 the Company held deposits in trust of $898.7 million for this purpose, which is not included above. In addition, the Company held $49.9 million in custody as of December 31, 2007. See Collateral Finance Facility above for additional information on the Timberlake notes.

Guarantees

RGA has issued guarantees to third parties on behalf of its subsidiaries performance for the payment of amounts due under certain credit facilities, reinsurance treaties and an office lease obligation, whereby if a subsidiary fails to meet an obligation, RGA or one of its other subsidiaries will make a payment to fulfill the obligation. In limited circumstances, treaty guarantees are granted to ceding companies in order to provide them additional security, particularly in cases where RGA s subsidiary is relatively new, unrated, or not of a significant size, relative to the ceding company. Liabilities supported by the treaty guarantees, before consideration for any legally offsetting amounts due from the guaranteed party, totaled $325.1 million and $276.5 million as of December 31, 2007 and 2006, respectively, and are reflected on the Company s consolidated balance sheets in future policy benefits. Potential guaranteed amounts of future payments will vary depending on production levels and underwriting results. Guarantees related to trust preferred securities and credit facilities provide additional security to third parties should a subsidiary fail to make principal and/or interest payments when due. As of December 31, 2007, RGA s exposure related to these guarantees was $158.9 million. RGA has issued payment guarantees on behalf of one of its subsidiaries in the event the subsidiary fails to make payment under its office lease obligation, the exposure of which was $5.4 million as of December 31, 2007.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Since this indemnity generally is not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under this indemnity in the future.

Off Balance Sheet Arrangements

The Company has commitments to fund investments in mortgage loans and limited partnerships in the amount of $4.5 million and $107.4 million, respectively, at December 31, 2007. The Company anticipates that the majority of these amounts will be invested over the next five years, however, contractually these commitments could become due at the request of the counterparties. Investments in mortgage loans and limited partnerships are carried at cost after consideration of any other-than-temporary impairments and included in total investments in the consolidated balance sheets.

In order to reduce the level of statutory reserves, primarily in the U.S. and Canada, which may be significantly in excess of reserves required on an economic basis, the Company has entered into various reinsurance agreements with affiliates and third parties. In order for the Company to receive statutory reserve credit, the affiliate or third party must provide collateral for the benefit of the Company, usually in the form of assets in trust or letters of credit.

The Company has not engaged in trading activities involving non-exchange traded contracts reported at fair value, nor has it engaged in relationships or transactions with persons or entities that derive benefits from their non-independent relationship with the Company.

Cash Flows

The Company s principal cash inflows from its reinsurance operations are premiums and deposit funds received from ceding companies. The primary liquidity concern with respect to these cash flows is early recapture of the reinsurance contract by the ceding company and lapses of annuity products reinsured by the Company. The Company s principal cash inflows from its investing activities result from investment income, maturity and sales of invested assets, and repayments of principal. The primary liquidity concern with respect to these cash inflows relates to the risk of default by debtors and interest rate volatility. The Company manages these risks very closely. See Investments and Interest Rate Risk below.

Additional sources of liquidity to meet unexpected cash outflows in excess of operating cash inflows include selling short-term investments or fixed maturity securities and drawing funds under existing credit facilities, under which the Company had availability of $387.8 million as of December 31, 2007. The Company also has significant funds available through the Federal Home Loan Bank of Des Moines (FHLB).

The Company s principal cash outflows primarily relate to the payment of claims liabilities, interest credited, operating expenses, income taxes, and principal and interest under debt and other financing obligations. The Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts (See Note 2, Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements). The Company also retrocedes most of its financial reinsurance business to other insurance companies to alleviate regulatory capital requirements created by this business. The Company performs annual financial reviews of its retrocessionaires to evaluate financial stability and performance. The Company has never experienced a material default in connection with retrocession arrangements, nor has it experienced any difficulty in collecting claims recoverable from retrocessionaires; however, no assurance can be given as to the future performance of such retrocessionaires or as to the recoverability of any such claims. The Company s management believes its current sources of liquidity are adequate to meet its cash requirements for the next 12 months.

The Company s net cash flows provided by operating activities for the years ended December 31, 2007, 2006 and 2005, were $957.4 million, $846.2 million and $599.4 million, respectively. Cash flows from operating activities are affected by the timing of premiums received, claims paid and working capital changes. The increases in operating cash flows during 2007 and 2006 were primarily a result of cash inflows related to premiums and investment income increasing more than cash outflows related to claims, reserve movements and operating expenses. Operating cash increased $111.2 million during 2007 as cash from premiums and investment income increased $660.5 million and $125.3 million, respectively, and was largely offset by higher operating net cash outlays of $674.6 million. During 2006, operating cash increased $246.8 million due to increased cash from premiums and investment income of $412.2 million and $139.8 million, respectively, and was largely offset by higher operating net cash outlays of $305.2 million. The Company believes the short-term cash requirements of its business operations will be sufficiently met by the positive cash flows generated. Additionally, the Company believes it maintains a high-quality fixed maturity portfolio with positive liquidity characteristics. These securities are available-for-sale and could be sold if necessary to meet the Company s short- and long-term obligations, subject to market conditions.

Net cash used in investing activities was $976.9 million, $1,634.4 million and $893.1 million in 2007, 2006 and 2005, respectively. Changes in cash used in investing activities primarily relate to the management of the Company s investment portfolios and the investment of excess cash generated by operating and financing activities. The decrease in net cash used in investing activities in 2007 and the increase in 2006 reflects the investment of approximately $837.5 million of net proceeds from the Company s collateral finance facility in 2006. Cash used in investing activities in 2007 includes the investment of approximately $295.3 million net proceeds from the Company s issuance of senior notes in 2007 while the previously mentioned increase in 2006 was partially offset by the repayment of approximately $100.0 million of the Company s senior notes.

Net cash provided by financing activities was $258.5 million, $817.9 million and $274.3 million in 2007, 2006 and 2005, respectively. Changes in cash provided by financing activities primarily relate to the issuance of equity or debt securities, borrowings or payments under the Company s existing credit agreements, collateral finance facility activity, treasury stock activity and excess deposits (payments) under investment-type contracts.

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Contractual Obligations

The following table displays the Company s contractual obligations, including obligations arising from its reinsurance business (in millions):

	Payment Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Future policy benefits[1]	$ (6,826.2)	$ (879.4)	$ (1,588.6)	$ (1,272.1)	$ (3,086.1)
Interest-sensitive contract liabilities[2]	9,851.4	768.4	1,160.7	1,104.1	6,818.2
Short term debt, including interest	30.7	30.7			
Long term debt, including interest	2,680.4	57.4	114.8	301.3	2,206.9
Fixed Rate Trust Pref Sec., including interest[3]	784.6	12.9	25.9	25.9	719.9
Collateral finance facility, including interest	1,384.8	44.1	87.6	144.8	1,108.3
Other policy claims and benefits	2,055.3	2,055.3			
Operating leases	43.8	9.5	14.7	8.3	11.3
Limited partnerships	107.4	107.4			
Structured investment contracts	18.3	8.0	10.3		
Mortgage purchase commitments	4.5	4.5			
Payables for securities sold under agreements to repurchase	30.1	30.1			
Total	$ 10,165.1	$ 2,248.9	$ (174.6)	$ 312.3	$ 7,778.5

1 Future policyholder benefits include liabilities related primarily to the Company s reinsurance of life and health insurance products. Amounts presented in the table above represent the estimated obligations as they become due both to and from ceding companies for benefits under such contracts including future premiums, allowances and other amounts due as the

result of assumptions related to mortality, morbidity, policy lapse and surrender as appropriate to the respective product. The expected premiums exceed expected policy benefit payments and allowances, resulting in negative obligations.

2 Interest-sensitive contract liabilities include amounts related to the Company s reinsurance of asset-intensive products, primarily deferred annuities and corporate-owned life insurance. Amounts presented in the table above represent the estimated obligations as they become due both to and from ceding companies relating to activity of the underlying policyholders. Amounts presented in the table above represent the estimated obligations under such contracts undiscounted as to interest, including assumptions related surrenders, withdrawals, premium persistency, partial withdrawals, surrender charges,

annuitizations, mortality, future interest credited rates and policy loan utilization. The sum of the obligations shown for all years in the table of $9.9 billion exceeds the liability amount of $6.7 billion included on the consolidated balance sheet principally due to the lack of discounting.

[3] Assumes that all securities will be held until the stated maturity date of March 18, 2051. For additional information on these securities, see Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Excluded from the table above are deferred income tax liabilities, unrecognized tax benefits, and accrued interest of $760.6 million, $198.2 million, and $33.7 million, respectively, for which the Company cannot reliably determine the timing of payment. Current income tax payable is also excluded from the table.

See Note 10 Employee Benefit Plans in the Notes to Consolidated Financial Statements for information related to the Company s obligations and funding requirements for retirement and other post-employment benefits.

Letters of Credit

The Company has obtained letters of credit, issued by banks, in favor of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits. Certain of these letters of credit contain financial covenant restrictions similar to those described in the Debt and Trust

Preferred Securities discussion above. At

December 31, 2007, there were approximately $22.6 million of outstanding bank letters of credit in favor of third parties. Additionally, the Company utilizes letters of credit to secure statutory reserve credits when it retrocedes business to its subsidiaries, including offshore subsidiaries RGA Americas, RGA Barbados and RGA Worldwide. The Company cedes business to its offshore affiliates to help reduce the amount of regulatory capital required in certain jurisdictions such as the U.S. and the UK. The capital required to support the business in the offshore affiliates reflects more realistic expectations than the original jurisdiction of the business, where capital requirements are often considered to be quite conservative. As of December 31, 2007, $459.6 million in letters of credit from various banks were outstanding, but undrawn between the various subsidiaries of the Company.

Based on the growth of the Company s business and the pattern of reserve levels under Regulation XXX associated with term life business, the amount of ceded reserve credits is expected to grow. This growth will require the Company to obtain additional letters of credit, put additional assets in trust, or utilize other mechanisms to support the reserve credits. If the Company is unable to support the reserve credits, the regulatory capital levels of several of its subsidiaries may be significantly reduced. The reduction in regulatory capital would not directly affect the Company s consolidated shareholders equity under GAAP; however, it could affect the Company s ability to write new business and retain existing business.

In September 2007, the Company entered into a five-year, syndicated revolving credit facility with an overall capacity of $750.0 million, replacing its $600.0 million five-year revolving credit facility, which was scheduled to mature in September 2010. The Company may borrow cash and may obtain letters of credit in multiple currencies under the new facility. At December 31, 2007, the Company had $406.0 million in issued, but undrawn, letters of credit under this new facility, which is included in the total above. Applicable letter of credit fees and fees payable for the credit facility depend upon the Company s senior unsecured long-term debt rating. Fees associated with the Company s other letters of credit are not fixed for periods in excess of one year and are based on the Company s ratings and the general availability of these instruments in the marketplace.

In 2006, the Company entered into a reinsurance agreement that requires it to post collateral for a portion of the business being reinsured. As part of the collateral requirements, a third party financial institution has issued a letter of credit for the benefit of the ceding company (the beneficiary), which may draw on the letter of credit to be reimbursed for valid claim payments not made by RGA pursuant to the reinsurance treaty. RGA is not a direct obligor under the letter of credit. To the extent the letter of credit is drawn by the beneficiary, reimbursement to the third party financial institution will be through reduction in amounts owed to RGA by the third party financial institution under a secured structured loan. RGA s liability under the reinsurance agreement will be reduced by any amount drawn by the ceding company under the letter of credit. As of December 31, 2007, the structured loan totaled $38.7 million and the amount of the letter of credit totaled $24.1 million. The structured loan is recorded in other invested assets on RGA s consolidated balance sheet.

Asset / Liability Management

The Company actively manages its assets using an approach that is intended to balance quality, diversification, asset/liability matching, liquidity and investment return. The goals of the investment process are to optimize after-tax, risk-adjusted investment income and after-tax, risk-adjusted total return while managing the assets and liabilities on a cash flow and duration basis.

The Company has established target asset portfolios for each major insurance product, which represent the investment strategies intended to profitably fund its liabilities within acceptable risk parameters. These strategies include objectives for effective duration, yield curve sensitivity and convexity, liquidity, asset sector concentration and credit quality.

The Company s liquidity position (cash and cash equivalents and short-term investments) was $479.4 million and $300.7 million at December 31, 2007 and December 31, 2006, respectively. Liquidity needs are determined from valuation analyses conducted by operational units and are driven by product portfolios. Annual evaluations of demand liabilities and short-term liquid assets are designed to adjust specific portfolios, as well as their durations and maturities, in response to anticipated liquidity needs.

The Company has entered into sales of investment securities under agreements to repurchase the same securities. These arrangements are used for purposes of short-term financing. At December 31, 2007, the book value of securities

subject to these agreements, and included in the reported value of bonds was $30.1 million, while the repurchase obligation of $30.1 million was reported in other liabilities in the consolidated statement of financial position. There were no agreements outstanding at December 31, 2006. The Company also occasionally enters into arrangements to purchase securities under agreements to resell the same securities. Amounts outstanding, if any, are reported in cash and cash equivalents. These agreements are primarily used as yield enhancement alternatives to other cash equivalent investments.

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There were no agreements outstanding at December 31, 2007 and 2006. Further, the Company often enters into securities lending agreements whereby certain securities are loaned to third parties, primarily major brokerage firms, in order to earn additional yield. The Company requires a minimum of 102% of the fair value of the loaned securities as collateral in the form of either cash or securities held by the Company or a trust. The cash collateral is reported in cash and the offsetting collateral re-payment obligation is reported in other liabilities. There were no securities lending agreements outstanding at December 31, 2007 and 2006.

RGA Reinsurance is a member of the FHLB and holds $10.1 million of common stock of the FHLB, which is included in other invested assets on the Company s consolidated balance sheets. RGA Reinsurance occasionally enters into funding agreements with the FHLB but had no outstanding funding agreements with the FHLB at December 31, 2007 or 2006.

The Company s asset-intensive products are primarily supported by investments in fixed maturity securities reflected on the Company s balance sheet and under funds withheld arrangements with the ceding company. Investment guidelines are established to structure the investment portfolio based upon the type, duration and behavior of products in the liability portfolio so as to achieve targeted levels of profitability. The Company manages the asset-intensive business to provide a targeted spread between the interest rate earned on investments and the interest rate credited to the underlying interest-sensitive contract liabilities. The Company periodically reviews models projecting different interest rate scenarios and their effect on profitability. Certain of these asset-intensive agreements, primarily in the U.S. operating segment, are generally funded by fixed maturity securities that are withheld by the ceding company.

Investments

The Company had total cash and invested assets of $16.8 billion and $14.8 billion at December 31, 2007 and 2006, respectively, as illustrated below (dollars in thousands):

Years Ended December 31,	2007	2006
Fixed maturity securities, available-for-sale	$ 9,397,916	$ 8,372,173
Mortgage loans on real estate	831,557	735,618
Policy loans	1,059,439	1,015,394
Funds withheld at interest	4,749,496	4,129,078
Short-term investments	75,062	140,281
Other invested assets	284,220	220,356
Cash and cash equivalents	404,351	160,428
Total cash and invested assets	$16,802,041	$14,773,328

The following table presents consolidated invested assets, net investment income and investment yield, excluding funds withheld. Funds withheld assets are primarily associated with the reinsurance of annuity contracts on which the Company earns a spread. Fluctuations in the yield on funds withheld assets are generally offset by a corresponding adjustment to the interest credited on the liabilities.

				Increase / (Decrease)	
(dollars in thousands)	2007	2006	2005	2007	2006
Average invested assets at amortized cost	$10,637,020	$9,044,194	$7,596,600	17.6%	19.1%
Net investment income	633,621	525,118	447,319	20.7%	17.4%
Investment yield (ratio of net investment income to average invested assets)	5.96%	5.81%	5.89%	15 bps	(8) bps

All investments held by RGA and its subsidiaries are monitored for conformance to the qualitative and quantitative limits prescribed by the applicable jurisdiction s insurance laws and regulations. In addition, the operating companies boards of directors periodically review their respective investment portfolios. The Company s investment strategy is to maintain a predominantly investment-grade, fixed maturity portfolio, to provide adequate liquidity for expected reinsurance obligations, and to maximize total return through prudent asset management. The Company s asset/liability duration matching differs between operating segments. Based on Canadian reserve requirements, a portion of the Canadian liabilities is strictly matched with long-duration Canadian assets, with the remaining assets invested to maximize the total rate of return,

given the characteristics of the corresponding liabilities and Company liquidity needs. The duration of the Canadian portfolio exceeds twenty years. The duration for all the Company s portfolios when consolidated range between eight and ten years. See Note 4 Investments in the Notes to Consolidated Financial Statements for additional information regarding the Company s investments.

Fixed maturity securities and equity securities available-for-sale

The Company s fixed maturity securities are invested primarily in U.S. and foreign corporate bonds, mortgage- and asset-backed securities, and Canadian government securities. As of December 31, 2007 and 2006, approximately 97.2% and 97.1%, respectively, of the Company s consolidated investment portfolio of fixed maturity securities was investment-grade. Important factors in the selection of investments include diversification, quality, yield, total rate of return potential and call protection. The relative importance of these factors is determined by market conditions and the underlying product or portfolio characteristics. Cash equivalents are invested in high-grade money market instruments. The largest asset class in which fixed maturities were invested was in corporate securities, which represented approximately 46.5% of total fixed maturities at December 31, 2007, compared to 47.0% at December 31, 2006. Corporate securities are diversified by sector, with the majority in finance, commercial and industrial bonds. The average Standard & Poor s (S&P) rating of the Company s corporate securities was A- at December 31, 2007 and 2006.

The fair value of publicly traded fixed maturity securities are based upon quoted market prices or estimates from independent pricing services. Private placement fixed maturity securities fair values are based on the credit quality and duration of marketable securities deemed comparable by the Company s investment advisor, which may be of another issuer. The NAIC assigns securities quality ratings and uniform valuations called NAIC Designations which are used by insurers when preparing their annual statements. The NAIC assigns designations to publicly traded as well as privately placed securities. The designations assigned by the NAIC range from class 1 to class 6, with designations in classes 1 and 2 generally considered investment grade (BBB or higher rating agency designation). NAIC designations in classes 3 through 6 are generally considered below investment grade (BB or lower rating agency designation).

The quality of the Company s available-for-sale fixed maturity securities portfolio, as measured at fair value and by the percentage of fixed maturity securities invested in various ratings categories, relative to the entire available-for-sale fixed maturity security portfolio, at December 31, 2007 and 2006 was as follows (dollars in thousands):

		December 31, 2007			December 31, 2006		
NAIC Designation	Rating Agency Designation	Amortized Cost	Estimated Fair Value	% of Total	Amortized Cost	Estimated Fair Value	% of Total
1	AAA/AA/A	$7,022,497	$7,521,177	80.0%	$6,425,180	$6,918,360	82.7%
2	BBB	1,628,431	1,617,983	17.2%	1,197,038	1,206,965	14.4%
3	BB	201,868	198,487	2.1%	149,015	149,880	1.8%
4	B	47,013	43,680	0.5%	85,627	85,889	1.0%
5	CCC and lower	16,800	16,502	0.2%	10,822	10,820	0.1%
6	In or near default	83					