REINSURANCE GROUP OF AMERICA INC
Form 10-K
March 02, 2009

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, 2008**

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 January 30, 2009, as reported on the New York Stock Exchange was approximately $2.6 billion. As of January 30, 2009, 72,634,019 shares of the registrant s common stock were outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Definitive Proxy Statement in connection with the 2009 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, 2008, are incorporated by reference in Part III of this Form 10-K.

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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. Immediately prior to September 12, 2008 (the Divestiture Date), General American Life Insurance Company (General American), a Missouri life insurance company, directly owned 32,243,539 shares, or approximately 51.7%, 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. On the Divestiture Date, MetLife disposed of the majority of its interest in RGA by exchanging 29,243,539 of its shares of RGA common stock to MetLife shareholders for shares of MetLife common stock. As of December 31, 2008, MetLife has a retained interest of 4.1% of RGA common stock.

The consolidated financial statements herein include the assets, liabilities, and results of operations of RGA, RGA Reinsurance Company (RGA Reinsurance), Reinsurance Company of Missouri, Incorporated (RCM), 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 and group 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 68.0% of its consolidated net premiums during 2008. 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, 2008, the Company had approximately $2.1 trillion of life reinsurance in force and $21.7 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, 2008, the Company held securities in trust for this purpose with amortized costs of $1,217.6 million and $1,560.1 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 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, 2008, the Company held assets in trust of $875.7 million for this purpose, which is not included above.

In addition, the Company held $9.7 million in custody as of December 31, 2008. 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, 2008, the Company had approximately $751.5 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.

B. Corporate Structure

RGA is an insurance holding company, the principal assets of which consist of the common stock of 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, 2008, 2007 and 2006 was approximately $1.8 million (through the Divestiture Date), $2.8 million and $2.4 million, respectively, included in other expenses. Management does not believe that the various amounts charged for these services would have been 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, 2008, 2007 and 2006 of approximately $0.6 million (through the Divestiture Date), $0.6 million and $0.7 million, respectively.

The Company also had arms-length direct policies and reinsurance agreements with MetLife and certain of its subsidiaries. These direct policies and reinsurance agreements with MetLife and certain of its subsidiaries continue to be in place after the Divestiture Date. 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. Additionally, the Company reflected net premiums from these agreements of approximately $163.5 million (through the Divestiture Date), $250.9 million, and $227.8 million in 2008, 2007 and 2006, respectively. The premiums reflect the net of business assumed from and ceded to MetLife and its subsidiaries. The pre-tax income, excluding investment income allocated to support the business, was approximately $15.8 million (through the Divestiture Date), $16.0 million, and $10.9 million in 2008, 2007 and 2006, 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 are listed in the table below for each rating agency that meets with the Company s management on a regular basis:

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Insurer Financial Strength Ratings	A.M. Best Company (1)	Moody s Investors Service (2)	Standard & Poor s (3)
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	Baa1	A

(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. A credit rating of bbb is in the adequate category and is the ninth highest rating.

(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.

(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) and A- (strong), BBB (good) and BBB- (good) represent the sixth, seventh, ninth, and tenth highest ratings, respectively, out of twenty-two possible ratings. According to S&P, an obligation rated A or 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.

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.

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, or have used other structures 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 Reinsurance, RCM and Parkway Re are 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 (MDI), 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 MDI 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 MDI, (ii) certain requirements are met, including a public hearing, and (iii) approval or exemption is granted by the Director of the MDI, 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 Reinsurance, RCM and Parkway Re, other insurance subsidiaries of RGA 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 MDI. 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 2009 are approximately $110.4 million and $110.4 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 MDI 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. 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 MDI 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 that RGA defaults on any of its debt or other obligations, or becomes the subject of bankruptcy, liquidation, or reorganization proceedings, the creditors and stockholders of RGA will have no right to proceed against the assets of any of the subsidiaries of RGA. If any of RGA s reinsurance subsidiaries were to be liquidated or dissolved, the liquidation or dissolution would be conducted in accordance with the rules and regulations of the appropriate governing body in the state or country of the subsidiary s formation. The creditors of any such reinsurance company, including, without limitation, holders of its reinsurance agreements and state guaranty associations (if applicable), 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 or other payments from the remaining assets of the liquidated or dissolved subsidiary.

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 policies, procedures and standards 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 electronic underwriting manuals 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 complex underwriting/mortality assessment. To assist its underwriters in making these assessments, the Company employs 10 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, procedures and guidelines of its ceding companies are priced appropriately and consistent with the Company s expectations. 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 and Munich 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, 2008, the Company had 1,222 employees located throughout the world. None of these employees are represented by a labor union.

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,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Gross Premiums:						
U.S.	$3,305.2	56.6	$3,073.8	57.2	$2,838.2	59.9
Canada	751.2	12.9	675.7	12.6	556.8	11.8
Europe & South Africa	747.9	12.8	719.6	13.4	630.0	13.3
Asia Pacific	1,027.9	17.6	898.2	16.7	708.6	15.0
Corporate and Other	6.8	0.1	3.7	0.1	2.0	
Total	$5,839.0	100.0	$5,371.0	100.0	$4,735.6	100.0
Net Premiums:						
U.S.	$3,099.6	58.0	$2,874.8	58.6	$2,653.5	61.1
Canada	534.3	10.0	487.1	9.9	429.4	9.9
Europe & South Africa	707.8	13.2	678.6	13.8	587.9	13.5
Asia Pacific	1,000.8	18.7	864.5	17.6	673.2	15.5
Corporate and Other	6.8	0.1	4.0	0.1	2.0	
Total	$5,349.3	100.0	$4,909.0	100.0	$4,346.0	100.0

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.)

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Reinsurance Business In Force by Segment
(in billions)

	As of December 31,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
U.S.	$1,274.5	60.5	$1,232.3	58.1	$1,159.8	59.7
Canada	209.5	9.9	217.7	10.3	155.4	8.0
Europe & South Africa	325.2	15.4	380.4	17.9	345.1	17.8
Asia Pacific	298.9	14.2	289.5	13.7	281.1	14.5
Total	$2,108.1	100.0	$2,119.9	100.0	$1,941.4	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 $316.8 billion, $123.9 billion, and $146.4 billion were released in 2008, 2007 and 2006, 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,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
U.S.	$134.4	44.1	$164.2	54.3	$172.1	45.9
Canada	51.2	16.8	46.8	15.5	39.8	10.6
Europe & South Africa	87.5	28.7	61.3	20.3	105.1	28.1
Asia Pacific	31.9	10.4	30.1	9.9	57.6	15.4
Total	$305.0	100.0	$302.4	100.0	$374.6	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 58.0%, 58.6% and 61.1% of the Company s net premiums in 2008, 2007 and 2006, 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.

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 2008, 2007 and 2006, approximately 19.5%, 19.9%, 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 both December 31, 2008 and 2007, interest-sensitive contract reserves of $1.1 billion and policy loans of $1.1 billion associated with this business were included on the Company s consolidated balance sheets.

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 annuity contract liabilities. As of December 31, 2008, reinsurance of such business was reflected in interest-sensitive contract liabilities of approximately $6.5 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 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. This sub-segment also retrocedes most of its financial reinsurance business to other insurance companies to alleviate the strain on regulatory surplus created by this business.

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Customer Base

The U.S. reinsurance operation markets life reinsurance primarily to the largest U.S. life insurance companies. The Company estimates that approximately 88 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 2008, the U.S. reinsurance operation s largest client generated approximately $391.0 million or 11.8% of U.S. operations gross premiums. In addition, 67 other clients each generated annual gross premiums of $5.0 million or more, and the aggregate gross premiums from these clients represented approximately 86.4% of U.S. operations gross premiums. For the purpose of this disclosure, companies that are within the same insurance holding company structure are combined.

Canada Operations

The Canada operations represented 10.0%, 9.9%, and 9.9% of the Company s net premiums in 2008, 2007 and 2006, respectively. In 2008, the Canadian life operations assumed $51.2 billion in new business, predominately representing recurring new business, as opposed to in force transactions. Approximately 85.8% of the 2008 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 and morbidity 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.

Clients include most of the life insurers in Canada, although the number of life insurers is much smaller compared to the U.S. During 2008, the three largest clients represented $297.8 million, or 39.6%, of gross premiums. Two other clients individually represented more than 5% of Canada s gross premiums. Together, these two clients represented 13.2% of Canada s gross premiums.

As of December 31, 2008, RGA Canada had two offices and maintained a staff of 99 people at the Montreal office and 20 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 13.2%, 13.8%, and 13.5% of the Company s net premiums in 2008, 2007 and 2006, respectively. This segment primarily provides life reinsurance to clients located in Europe, mainly 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 31.6% of the total gross premiums for this segment in 2008. The segment s five largest clients, all part of the Company s UK operations, generated approximately $473.4 million, or 63.3%, of the segment s gross premiums in 2008.

During 2000, RGA established a UK regulated reinsurer and began operating in the UK, where an increasing number of insurers were ceding the mortality and accelerated critical illness risks of individual life products on a quota share basis. During the years since, RGA has grown its UK operations significantly and is now recognized as an established participant in this market with significant market share. During 2008, RGA realized opportunities to expand its product offering to reinsuring the longevity risk from annuities in payment and reinsurance of bulk annuities and individually underwritten impaired life annuities. The reinsurers present in the market include the large global companies with which the Company also competes in other markets. In 2008, the UK operations generated approximately 73.1% 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 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 operation 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. In 2008, RGA opened a branch office in Germany to directly assist clients in the region.

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, 2008, this segment employed 63 people in Toronto, 67 people in the UK, 56 people in South Africa, 32 people in mainland Europe and Ireland, 11 people in Mexico, 34 people in India and 36 people in St. Louis.

Asia Pacific Operations

The Asia Pacific operations represented 18.7%, 17.6%, and 15.5% of the Company s net premiums in 2008, 2007 and 2006, 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. The Company also established a reinsurance subsidiary in Australia in January 1996.

During 2008, the ten largest clients, six in Australia, two in Korea and two in Japan, generated approximately $578.7 million, or 56.3% of the total gross premiums for the Asia Pacific operations. The Australian business, as a whole, generated approximately $421.3 million, or 41.0% of the total gross premiums for the Asia Pacific operations in 2008.

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, 2008, 30 people were on staff in the Hong Kong office, 52 people were on staff in the Japan office, 19 people were on staff in the Taiwan office, 25 people were on staff in the South Korean office, nine people were on staff in the Beijing office, one person was on staff in the New Zealand office, 34 people were on staff in the Sydney regional office, ten were on staff at the St. Louis office, and RGA Australian Holdings maintained a staff of 74 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

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital.

The capital and credit markets have been experiencing extreme volatility and disruption. In recent months, the volatility and disruption have reached unprecedented levels. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock and to replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations, and our business will suffer. The principal sources of our liquidity are reinsurance premiums under reinsurance treaties and cash flow from our investment portfolio and other assets. Sources of liquidity in normal markets also include proceeds from the issuance of a variety of short- and long-term instruments, including medium- and long-term debt, junior subordinated debt securities, capital securities and common stock.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreased due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business, most significantly our reinsurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. Recently our credit spreads have widened considerably. Further, our ability to finance our statutory reserve requirements is limited in the current marketplace. If capacity continues to be limited for a prolonged period of time, our ability to obtain new funding for such purposes may be hindered and, as a result, it may limit or adversely affect our ability to write additional business in a cost-effective manner. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the United States and elsewhere around the world. Fixed income markets are experiencing a period of extreme volatility which has negatively affected market liquidity conditions. Fixed income instruments have experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. Many fixed income securities are less liquid and more difficult to value and sell. Domestic and international equity markets also have been experiencing heightened volatility and turmoil, with issuers (such as us) that have exposure to the mortgage and credit markets particularly affected. These events and the continuing market upheavals may have an adverse effect on us, in part because we have a large investment portfolio and are also dependent upon customer behavior. Our revenues may decline in such circumstances and our profit margins may erode. In addition, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant investment-related losses. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

The demand for financial and insurance products could be adversely affected in an economic downturn. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on our business, results of operations and financial condition. The current financial crisis has also raised the possibility of future legislative and regulatory actions in addition to the recent enactment of the Emergency Economic Stabilization Act of 2008 (the EESA) that could further impact our business. There can be no assurance as to what impact the EESA or other such actions, if any, will have on the financial markets, including the extreme levels of volatility currently being experienced. Continued volatility could materially and adversely affect our business, financial condition and results of operations, or the trading price of our common stock.

The liquidity and value of some of our investments has significantly diminished as volatility has increased.

We hold certain investments that may lack liquidity, such as privately placed fixed maturity securities; mortgage loans; policy loans; and equity real estate. Even some of our very high quality assets have been more illiquid as a result of the recent challenging market conditions.

If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The impairment of other financial institutions could adversely affect us.

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, insurance companies, commercial banks, investment banks, investment funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured and other transactions that provide for us to hold collateral posted by the counterparty, our credit risk may be exacerbated when the collateral we hold cannot be liquidated at prices sufficient to recover the full amount of our exposure. We also have exposure to these financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely affect our business and results of operations.

Our requirements to post collateral or make payments related to declines in market value of specified assets may expose us to counterparty risk and adversely affect our liquidity.

Some of our transactions with financial and other institutions specify the circumstances under which the parties are required to post collateral. The amount of collateral we may be required to post under these agreements may increase under certain circumstances, which could adversely affect our liquidity. In addition, under the terms of some of our transactions we may be required to make payment to our counterparties related to any decline in the market value of the specified assets.

Defaults on our mortgage loans and volatility in performance may adversely affect our profitability.

Our mortgage loans face default risk and are principally collateralized by commercial properties. Mortgage loans are stated on our balance sheet at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. We establish valuation allowances for estimated impairments as of the balance sheet date. Such valuation allowances are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan s original effective interest rate, the value of the loan s collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or the loan s market value if the loan is being sold. At December 31, 2008, we had valuation allowances of $0.5 million related to our mortgage loans. The performance of our mortgage loan investments, however, may fluctuate in the future. An increase in the default rate of our mortgage loan investments could have a material adverse effect on our results of operations and financial condition.

Further, any geographic or sector concentration of our mortgage loans may have adverse effects on our investment portfolios and consequently on our consolidated results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated. Moreover, our ability to sell assets relating to such particular groups of related assets may be limited if other market participants are seeking to sell at the same time.

Our investments are reflected within the consolidated financial statements utilizing different accounting bases and accordingly we may not have recognized differences, which may be significant, between cost and fair value in our consolidated financial statements.

Our principal investments are in fixed maturity and equity securities, short-term investments, mortgage loans, policy loans, funds withheld at interest and other invested assets. The carrying value of such investments is as follows:

Fixed maturity and equity securities are classified as available-for-sale and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of accumulated other comprehensive income or loss, net of related deferred acquisition costs and deferred income taxes.

Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at amortized cost, which approximates fair value.

Mortgage and policy loans are stated at unpaid principal balance. Additionally, mortgage loans are adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances.

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The value of the assets withheld and interest income are recorded in accordance with specific treaty terms.

We primarily use the cost method of accounting for investments in real estate joint ventures and other limited partnership interests since we have a minor equity investment and virtually no influence over the joint ventures or the partnership s operations. These investments are reflected in other invested assets on the balance sheet.

Investments not carried at fair value in our consolidated financial statements principally, mortgage loans, policy loans, real estate joint ventures, and other limited partnerships may have fair values which are substantially higher or lower than the carrying value reflected in our consolidated financial statements. Each of such asset classes is regularly evaluated for impairment under the accounting guidance appropriate to the respective asset class.

Our valuation of fixed maturity and equity securities and derivatives include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturity, equity securities and short-term investments which are reported at fair value on the consolidated balance sheet represent the majority of our total cash and invested assets. We have categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorized within Level 3 may include changes in fair value that are attributable to both observable market inputs (Levels 1 and 2) and unobservable market inputs (Level 3).

The determination of fair values in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities we deem to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. Factors considered in estimating fair value include: coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer, and quoted market prices of comparable securities. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities, for example alternative residential mortgage loan (Alt-A) securities and sub-prime mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods which are more sophisticated or require greater estimation thereby resulting in values which may be less than the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

The reported value of our relatively illiquid types of investments, our investments in the asset classes described in the paragraph above and, at times, our high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we will be able to sell them for the prices at which we have recorded them and we may be forced to sell them at significantly lower prices.

The determination of the amount of allowances and impairments taken on our investments is highly subjective and could materially impact our results of operations or financial position.

The determination of the amount of allowances and impairments vary by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that our management has accurately assessed the level of impairments taken, allowances reflected in our financial statements and potential impact on regulatory capital. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

For example, the cost of our fixed maturity and equity securities is adjusted for impairments in value deemed to be other-than-temporary in the period in which the determination is made. The assessment of whether impairments have occurred is based on management s case-by-case evaluation of the underlying reasons for the decline in fair value. Our management considers a wide range of factors about the security issuer and uses their best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management s evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the market value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) our ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (vii) unfavorable changes in forecasted cash flows on mortgage-backed and asset-backed securities; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

Defaults, downgrades or other events impairing the value of our fixed maturity securities portfolio may reduce our earnings.

We are subject to the risk that the issuers, or guarantors, of fixed maturity securities we own may default on principal and interest payments they owe us. At December 31, 2008, the fixed maturity securities of $8.5 billion in our investment portfolio represented 52% of our total cash and invested assets. The occurrence of a major economic downturn (such as the current downturn in the economy), acts of corporate malfeasance, widening risk spreads, or other events that adversely affect the issuers or guarantors of these securities could cause the value of our fixed maturity securities portfolio and our net income to decline and the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. With economic uncertainty, credit quality of issuers or guarantors could be adversely affected. Any event reducing the value of these securities other than on a temporary basis could have a material adverse effect on our business, results of operations and financial condition. Levels of write down or impairment are affected by our assessment of the intent and ability to hold securities which have declined in value until recovery. If we determine to reposition or realign portions of the portfolio where we determine not to hold certain securities in an unrealized loss position to recovery, then we will incur an other-than-temporary impairment.

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. 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. We believe that the rating agencies consider the ratings of a parent company when assigning a rating to a subsidiary of that company. 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 and growth. A significant downgrade could increase our own 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 actions taken by our 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 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 reinsurance 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 reinsurance 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 reinsurance 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. In addition, we cannot assure you that more stringent dividend restrictions will not be adopted, as discussed below under Our reinsurance subsidiaries are highly regulated, and changes in these regulations could negatively affect our business.

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 any class 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 unsuccessful, we could suffer 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 10% 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.

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.

The availability and cost of collateral, including letters of credit, asset trusts and other credit facilities, could adversely affect our operations and financial condition.

Regulatory reserve 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.

Changes in the equity markets, interest rates and/or volatility affects the profitability of variable annuities with guaranteed living benefits that we reinsure; therefore, such changes may have a material adverse effect on our business and profitability.

We reinsure variable annuity products that include guaranteed minimum living benefits. These include guaranteed minimum withdrawal benefits (GMWB), guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum income benefits (GMIB). The amount of reserves related to these benefits is based on their fair value and is affected by changes in equity markets, interest rates and volatility. Accordingly, strong equity markets, increases in interest rates and decreases in volatility will generally decrease the fair value of the liabilities underlying the benefits.

Conversely, a decrease in the equity markets along with a decrease in interest rates and an increase in volatility will generally result in an increase in the fair value of the liabilities underlying the benefits, which has the effect of increasing the amount of reserves that we must carry. Such an increase in reserves would result in a charge to our earnings in the quarter in which we increase our reserves. We maintain a customized dynamic hedge program that is designed to mitigate the risks associated with income volatility around the change in reserves on guaranteed benefits. However, the hedge positions may not be effective to exactly offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in their values and corresponding changes in the hedge positions, high levels of volatility in the equity markets and derivatives markets, extreme swings in interest rates, contract holder behavior different than expected, and divergence between the performance of the underlying funds and hedging indices. We also must consider our own credit spreads, which are not hedged, in the valuation of certain of these liabilities. A decrease in our own credit spread could cause the value of these liabilities to increase, resulting in a reduction to net income. These factors, individually or collectively, may have a material adverse effect on our net income, financial condition or liquidity.

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 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 43% 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, 2008.

We depend on the performance of others, and their failure to perform in a satisfactory manner would 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, 2008, 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 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 that 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 2008, interest earned on funds withheld represented 3.1% of our consolidated revenues. Funds withheld at interest totaled $4.5 billion at December 31, 2008 and $4.7 billion as of December 31, 2007.

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 managers 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.

Natural and man-made disasters, catastrophes, and events, including the threat of terrorist attacks, 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 on 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 competitive industry which could adversely affect our 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 and Munich 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 generally 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 insurance products, which could adversely affect our business.

Under the Internal Revenue 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 Internal Revenue 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 could 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.

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 National Association of Insurance Commissioners, or 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.

Acquisitions and significant transactions involve varying degrees of 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 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.

Our international operations involve inherent risks.

In 2008, approximately 31.9% of our net premiums and $151.2 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 given 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 the repatriation of earnings from our non-U.S. subsidiaries.

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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.

Unanticipated events in our disaster recovery systems and management continuity planning could impair our ability to conduct business.

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.

<u>Risks Related to Ownership of Our Common Stock</u>

We may not pay dividends on our common stock.

Our shareholders may not receive future dividends. Historically, we have paid quarterly dividends ranging from $0.027 per share in 1993 to $0.09 per share in 2008. All future payments of dividends, however, are at the discretion of our board of directors and will depend on our earnings, capital requirements, insurance regulatory conditions, operating conditions, and such other factors as our board of directors may deem relevant. The amount of dividends that we can pay will depend in part on the operations of our reinsurance subsidiaries. Under certain circumstances, we may be contractually prohibited from paying dividends on our common stock due to restrictions in certain debt and trust preferred securities.

RGA s anti-takeover provisions may delay or prevent a change in control of RGA, which could adversely affect the price of our common stock.

Certain provisions in our articles of incorporation and bylaws, as well as Missouri law, may delay or prevent a change of control of RGA, which could adversely affect the price of our common stock. Our articles of incorporation and bylaws contain some provisions that may make the acquisition of control of RGA without the approval of our board of directors more difficult, including provisions relating to the nomination, election and removal of directors, the structure of the board of directors and limitations on actions by our shareholders. In addition, Missouri law also imposes some restrictions on mergers and other business combinations between RGA and holders of 20% or more of our outstanding common stock.

Furthermore, our articles of incorporation are intended to limit stock ownership of RGA stock (other than shares acquired through the divestiture by MetLife or other exempted transactions) to less than 5% of the value of the aggregate outstanding shares of RGA stock during the restriction period. We have also adopted a Section 382 shareholder rights plan designed to deter shareholders from becoming a 5-percent shareholder (as defined by Section 382 of the Internal Revenue Code and the related Treasury regulations) without the approval of our board of directors.

These provisions may have unintended anti-takeover effects. These provisions of our articles of incorporation and bylaws and Missouri law may delay or prevent a change in control of RGA, which could adversely affect the price of our common stock.

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 Company, unless:

- such person has provided certain required information to the Missouri Department of Insurance; and

- such acquisition is approved by the Director of Insurance of the State of Missouri, whom we refer to as the Missouri Director of Insurance, 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.

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 Life Reinsurance Company of 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, and 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.

Future stock sales, including sales by any selling shareholders, may dilute the value or affect the price of our 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.

MetLife retained an approximate 4.1% interest in RGA through the retention of 3,000,000 shares of common stock, and agreed that it will sell, exchange or otherwise dispose of its remaining recently acquired stock by September 12, 2013. Any disposition by MetLife of its remaining shares of common stock could result in a substantial amount of RGA equity securities entering the market, which may adversely affect the price of such common stock.

The price of our common stock may fluctuate significantly.

The overall market and the price of our common stock may continue to fluctuate as a result of many factors in addition to those discussed in the preceding risk factors. These factors, some or all of which are beyond our control, include:

- actual or anticipated fluctuations in our operating results;

- changes in expectations as to our future financial performance or changes in financial estimates of securities analysts;

- success of our operating and growth strategies;

- investor anticipation of strategic and technological threats, whether or not warranted by actual events;

- operating and stock price performance of other comparable companies; and

- realization of any of the risks described in these risk factors or those set forth in any subsequent Annual Report on Form 10-K or Quarterly Reports on Form 10-Q.

In addition, the stock market has historically experienced volatility that often has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

Certain provisions in our agreement with MetLife relating to the tax-free distribution, or split-off , could result in potentially significant limitations on our ability to execute certain aspects of our business plan and could potentially result in significant tax-related liabilities.

In connection with the split-off of our capital stock by MetLife, RGA agreed to certain tax-related restrictions and indemnities set forth in our recapitalization and distribution agreement with MetLife dated as of June 1, 2008. Under that agreement, we may be restricted or deterred from (i) redeeming or purchasing our stock in excess of certain agreed-upon amounts, (ii) issuing any equity securities in excess of certain agreed upon amounts, or (iii) taking any other action that would be inconsistent with the representations and warranties made in connection with the IRS ruling and the tax opinion (as those terms are defined in the agreement). Except in specified circumstances, we have agreed to indemnify MetLife for taxes and tax-related losses it incurs as a result of the divestiture failing to qualify as tax-free, if the taxes and related losses are attributable solely to any breach of, or inaccuracy in, any representation, covenant or obligation of RGA under the recapitalization and distribution agreement or that will be made in connection with the tax opinion. This indemnity could result in significant liabilities to RGA.

The acquisition restrictions contained in our articles of incorporation and our Section 382 shareholder rights plan, which are intended to help preserve RGA and its subsidiaries net operating losses (NOLs) and other tax attributes, may not be effective or may have unintended negative effects.

We have recognized and may continue to recognize substantial NOLs, and other tax attributes, for U.S. federal income tax purposes, and under the Internal Revenue Code, we may carry forward these NOLs, in certain circumstances to offset any current and future taxable income and thus reduce our federal income tax liability, subject to certain requirements and restrictions. To the extent that the NOLs do not otherwise become limited, we believe that we will be able to carry forward a substantial amount of NOLs and, therefore, these NOLs are a substantial asset to RGA. However, if RGA and its subsidiaries experience an ownership change, as defined in Section 382 of the Internal Revenue Code and related Treasury regulations, their ability to use the NOLs could be substantially limited, and the timing of the usage of the NOLs could be substantially delayed, which consequently could significantly impair the value of that asset.

To reduce the likelihood of an ownership change, in light of MetLife s recent divestiture of most of its RGA stock, we have established acquisition restrictions in our articles of incorporation and our board of directors adopted a Section 382 shareholder rights plan. The Section 382 shareholder rights plan is designed to protect shareholder value by attempting to protect against a limitation on the ability of RGA and its subsidiaries to use their existing NOLs and other tax attributes. The acquisition restrictions in our articles of incorporation are also intended to restrict certain acquisitions of RGA stock to help preserve the ability of RGA and its subsidiaries to utilize their NOLs and other tax attributes by avoiding the limitations imposed by Section 382 of the Internal Revenue Code and the related Treasury regulations. The acquisition restrictions and the Section 382 shareholder rights plan are generally designed to restrict or deter direct and indirect acquisitions of RGA stock if such acquisition would result in an RGA shareholder becoming a 5-percent shareholder or increase the percentage ownership of RGA stock that is treated as owned by an existing 5-percent shareholder.

Although the acquisition restrictions and the Section 382 shareholder rights plan are intended to reduce the likelihood of an ownership change that could adversely affect RGA and its subsidiaries, we can give no assurance that such restrictions would prevent all transfers that could result in such an ownership change. In particular, we have been advised by our counsel that, absent a court determination, there can be no assurance that the acquisition restrictions will be enforceable against all of the RGA shareholders, and that they may be subject to challenge on equitable grounds. In particular, it is possible that the acquisition restrictions may not be enforceable against the RGA shareholders who voted against or abstained from voting on the restrictions at our recent special meeting of shareholders or who do not have notice of the restrictions at the time when they subsequently acquire their shares.

Under certain circumstances, our board of directors may determine it is in the best interest of RGA and its shareholders to exempt certain 5-percent shareholders from the operation of the Section 382 shareholder rights plan, in light of the provisions of the recapitalization and distribution agreement. After the split-off by MetLife, we may, under certain circumstances, incur significant indemnification obligations under the recapitalization and distribution agreement in the event that the Section 382 shareholder rights plan is triggered following the split-off in a manner that would result in MetLife s divestiture failing to qualify as tax-free. Accordingly, our board of directors may determine that the consequences of enforcing the Section 382 shareholder rights plan and enhancing its deterrent effect by not exempting a 5-percent shareholder in order to provide protection to RGA s and its subsidiaries NOLs and other tax attributes, are more adverse to RGA and its shareholders.

The acquisition restrictions and Section 382 shareholder rights plan also require any person attempting to become a holder of 5% or more (by value) of RGA stock, as determined under the Internal Revenue Code, to seek the approval of our board of directors. This may have an unintended anti-takeover effect because our board of directors may be able to prevent any future takeover. Similarly, any limits on the amount of stock that a shareholder may own could have the effect of making it more difficult for shareholders to replace current management. Additionally, because the acquisition restrictions and Section 382 shareholder rights plan have the effect of restricting a shareholder s ability to dispose of or acquire RGA stock, the liquidity and market value of RGA stock might suffer. The acquisition restrictions and the Section 382 shareholder rights plan will remain in effect for the restriction period, which is until the earlier of (a) September 13, 2011, or (b) such other date as our board of directors in good faith determines they are no longer in the best interests of RGA and its shareholders. The acquisition restrictions may be waived by our board of directors. Shareholders are advised to monitor carefully their ownership of RGA stock and consult their own legal advisors and/or RGA to determine whether their ownership of RGA stock approaches the proscribed level.

The occurrence of various events may adversely affect the ability of RGA and its subsidiaries to fully utilize NOLs and other tax attributes.

RGA and its subsidiaries have a substantial amount of NOLs and other tax attributes, for U.S. federal income tax purposes, that are available both currently and in the future to offset taxable income and gains. Events outside of our control may cause RGA (and, consequently, its subsidiaries) to experience an ownership change under Section 382 of the Internal Revenue Code and the related Treasury regulations, and limit the ability of RGA and its subsidiaries to utilize fully such NOLs and other tax attributes. Moreover, the MetLife split-off increased the likelihood of RGA experiencing such an ownership change.

In general, an ownership change occurs when, as of any testing date, the percentage of stock of a corporation owned by one or more 5-percent shareholders, as defined in the Internal Revenue Code and the related Treasury regulations, has increased by more than 50 percentage points over the lowest percentage of stock of the corporation owned by such shareholders at any time during the three-year period preceding such date. In general, persons who own 5% or more (by value) of a corporation s stock are 5-percent shareholders, and all other persons who own less than 5% (by value) of a corporation s stock are treated, together, as a single, public group 5-percent shareholder, regardless of whether they own an aggregate of 5% or more (by value) of a corporation s stock. If a corporation experiences an ownership change, it is generally subject to an annual limitation, which limits its ability to use its NOLs and other tax attributes to an amount equal to the equity value of the corporation multiplied by the federal long-term tax-exempt rate.

If we were to experience an ownership change, we could potentially have in the future higher U.S. federal income tax liabilities than we would otherwise have had and it may also result in certain other adverse consequences to RGA. In this connection, we have adopted the Section 382 shareholder rights plan and the acquisition restrictions set forth in Article Fourteen to our articles of incorporation, in order to reduce the likelihood that RGA and its subsidiaries will experience an ownership change under Section 382 of the Internal Revenue Code. There can be no assurance, however, that these efforts will prevent the MetLife split-off, together with certain other transactions involving our stock, from causing us to experience an ownership change and the adverse consequences that may arise therefrom, as described above under The acquisition restrictions contained in our articles of incorporation and our Section 382 shareholder rights plan, which are intended to help preserve RGA and its subsidiaries NOLs and other tax attributes, may not be effective or may have unintended negative effects.

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 230,000 square feet of office space in 25 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 $12.5 million for

2008.

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 subject to litigation in the normal course of its business. The Company currently has no material litigation. However, if such material litigation did arise, it is possible that an adverse outcome on any particular arbitration or litigation situation could have a material adverse effect on the Company s consolidated financial position and/or net income in a particular reporting period.

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

The Company held a special meeting of shareholders on November 25, 2008. At the special meeting, the following proposals were voted upon by the shareholders as indicated below:

(1) Proposal to convert class B common stock to class A common stock on a one-for-one basis:

(1a) Holders of the outstanding shares of RGA common stock:

Voted For	Voted Against	Abstain
28,062,167	22,684	17,722

(1b) Holders of class B common stock:

Voted For	Voted Against	Abstain
23,062,464	11,409	51,169

(2) Proposal to approve the amendment and restatement of RGA s Amended and Restated Article of Incorporation.

Voted For	Voted Against	Abstain
51,115,097	33,828	74,790

(3) Proposal to adjourn the Special Meeting if necessary or appropriate to permit further solicitation of proxies.

Voted For	Voted Against	Abstain
49,009,163	2,155,412	59,140

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	3,205,140(1)	$ 40.84(2) (3)	2,680,074(4)

Equity compensation plans not approved by security holders			
Total	3,205,140(1)	$ 40.84(2) (3)	2,680,074(4)

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(1) Includes the number of securities to be issued upon exercises under the following plans: Flexible Stock Plan 3,142,620; Flexible Stock Plan for Directors 27,683; and Phantom Stock Plan for Directors 34,837.

(2) Does not include 383,119 performance contingent units outstanding under the Flexible Stock Plan or 34,837 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 ($40.93) and

Flexible Stock Plan for Directors ($31.27).

(4) Includes the number of securities remaining available for future issuance under the following plans: Flexible Stock Plan 2,555,802; Flexible Stock Plan for Directors 98,253; and Phantom Stock Plan for Directors 26,019

Set forth below is a graph for the Company s common stock for the period beginning December 31, 2003 and ending December 31, 2008. 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 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.

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	Cumulative Total Return					
	12/03	**12/04**	**12/05**	**12/06**	**12/07**	**12/08**
Reinsurance Group of America, Incorporated	100.0	126.18	125.38	147.27	139.62	114.76
S&P 500	100.0	110.88	116.33	134.70	142.10	89.53
S & P Life & Health Insurance	100.0	122.14	149.64	174.35	193.53	100.02

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, 2008, 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)

As of or For the Years Ended December 31,	2008	2007	2006	2005	2004
Income Statement Data					
Revenues:					
Net premiums	$ 5,349.3	$ 4,909.0	$ 4,346.0	$ 3,866.8	$ 3,347.4
Investment income, net of related expenses	871.3	907.9	779.7	639.2	580.5
Investment related gains (losses), net	(647.2)	(178.7)	2.5	21.0	55.6
Other revenues	107.8	80.2	65.5	57.7	55.4
Total revenues	5,681.2	5,718.4	5,193.7	4,584.7	4,038.9
Benefits and expenses:					
Claims and other policy benefits	4,461.9	3,984.0	3,488.4	3,187.9	2,678.5
Interest credited	233.2	246.1	244.8	208.4	198.9
Policy acquisition costs and other insurance expenses	357.9	647.8	716.3	636.3	613.9
Other operating expenses	242.9	236.7	204.4	154.4	140.0
Interest expense	76.2	76.9	62.0	41.4	38.4
Collateral finance facility expense (1)	28.7	52.0	26.4		
Total benefits and expenses	5,400.8	5,243.5	4,742.3	4,228.4	3,669.7
Income from continuing operations before income taxes	280.4	474.9	451.4	356.3	369.2
Provision for income taxes	92.6	166.6	158.1	120.7	123.9
Income from continuing operations	187.8	308.3	293.3	235.6	245.3
Loss from discontinued accident and health operations, net of income taxes	(11.0)	(14.5)	(5.1)	(11.4)	(23.0)
Cumulative effect of change in accounting principle, net of income taxes					(0.4)
Net income	$ 176.8	$ 293.8	$ 288.2	$ 224.2	$ 221.9
Basic Earnings Per Share					
Continuing operations	$ 2.94	$ 4.98	$ 4.79	$ 3.77	$ 3.94
Discontinued operations	(0.17)	(0.23)	(0.08)	(0.19)	(0.37)
Accounting change					(0.01)
Net income	$ 2.77	$ 4.75	$ 4.71	$ 3.58	$ 3.56
Diluted Earnings Per Share					
Continuing operations	$ 2.88	$ 4.80	$ 4.65	$ 3.70	$ 3.90
Discontinued operations	(0.17)	(0.23)	(0.08)	(0.18)	(0.37)
Accounting change					(0.01)

Net income	$ 2.71	$ 4.57	$ 4.57	$ 3.52	$ 3.52
Weighted average diluted shares, in thousands	65,271	64,231	63,062	63,724	62,964
Dividends per share on common stock	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.27
Balance Sheet Data					
Total investments	$ 15,610.7	$ 16,397.7	$ 14,612.9	$ 12,331.5	$ 10,564.2
Total assets	21,658.8	21,598.0	19,036.8	16,193.9	14,048.1
Policy liabilities	16,045.5	15,045.5	13,354.5	11,726.3	10,314.5
Long-term debt	918.2	896.1	676.2	674.4	349.7
Collateral finance facility (1)	850.0	850.4	850.4		
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	159.0	158.9	158.7	158.6	158.4
Total stockholders equity	2,616.8	3,189.8	2,815.4	2,527.5	2,279.0
Total stockholders equity per share	$ 36.03	$ 51.42	$ 45.85	$ 41.38	$ 36.50
Operating Data (in billions)					
Assumed ordinary life reinsurance in force	$ 2,108.1	$ 2,119.9	$ 1,941.4	$ 1,713.2	$ 1,458.9
Assumed new business production	305.0	302.4	374.6	364.4	279.1

(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.

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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 capital and credit market conditions and their impact on the Company s liquidity, access to capital and cost of capital, (2) the impairment of other financial institutions and its effect on the Company s business, (3) requirements to post collateral or make payments due to declines in market value of assets subject to the Company s collateral arrangements, (4) the fact that the determination of allowances and impairments taken on the Company s investments is highly subjective, (5) adverse changes in mortality, morbidity, lapsation or claims experience, (6) changes in the Company s financial strength and credit ratings and the effect of such changes on the Company s future results of operations and financial condition, (7) inadequate risk analysis and underwriting, (8) general economic conditions or a prolonged economic downturn affecting the demand for insurance and reinsurance in the Company s current and planned markets, (9) the availability and cost of collateral necessary for regulatory reserves and capital, (10) market or economic conditions that adversely affect the value of the Company s investment securities or result in the impairment of all or a portion of the value of certain of the Company s investment securities, that in turn could affect regulatory capital, (11) market or economic conditions that adversely affect the Company s ability to make timely sales of investment securities, (12) 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, (13) fluctuations in U.S. or foreign currency exchange rates, interest rates, or securities and real estate markets, (14) adverse litigation or arbitration results, (15) the adequacy of reserves, resources and accurate information relating to settlements, awards and terminated and discontinued lines of business, (16) the stability of and actions by governments and economies in the markets in which the Company operates, (17) competitive factors and competitors responses to the Company s initiatives, (18) the success of the Company s clients, (19) successful execution of the Company s entry into new markets, (20) successful development and introduction of new products and distribution opportunities, (21) the Company s ability to successfully integrate and operate reinsurance business that the Company acquires, (22) regulatory action that may be taken by state Departments of Insurance with respect to the Company, (23) 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, (24) the threat of natural disasters, catastrophes, terrorist attacks, epidemics or pandemics anywhere in the world where the Company or its clients do business, (25) changes in laws, regulations, and accounting standards applicable to the Company, its subsidiaries, or its business, (26) 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 (27) 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. Immediately prior to the Divestiture Date, General American, a Missouri life insurance company, directly owned 32,243,539 shares, or approximately 51.7%, 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. On the Divestiture Date, MetLife disposed of the majority of its interest in RGA by exchanging 29,243,539 of its shares of RGA common stock to MetLife shareholders for shares of MetLife common stock. As of December 31, 2008, MetLife has a retained interest of 4.1% of RGA common stock.

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 and group 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. Approximately 68.0% of the Company s 2008 net premiums were from its more established operations in North America, represented by its U.S. and Canada segments.

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.

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. Additionally, in 2008 market volatility, changes in risk-free rates and increased credit spreads have resulted in significant losses associated with embedded derivatives in the Company s U.S. Asset-Intensive sub-segment. 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 and group 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 for the insurance industry, 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.

The Company allocates capital to its segments based on 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. As a result of the economic capital allocation process, a portion of investment income and investment related gains and 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 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 of 2007 information 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 a nationally recognized rating agency, the Company believes it is the third largest life reinsurer in the world based on 2007 net life reinsurance premiums. While the Company believes information provided by the rating agency is generally reliable, the Company has not independently verified the data. The rating agency 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 tripled from $2.2 trillion in 1997 to $7.5 trillion at year-end 2007. 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 2007 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

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SOA survey, as of December 31, 2007, the top five companies held approximately 75.7% of the market share in North America based on life reinsurance in force, whereas in 1997, the top five companies held approximately 47.7% 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.

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 services 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 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 both 2007 and 2008, the Company s U.S. facultative operation processed over 100,000 facultative submissions.

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.

Continue Expansion Into Selected Markets and Products. The Company s strategy includes building upon the expertise and relationships developed in its 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,

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

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. The Company began reinsuring annuities with guaranteed minimum benefits on a limited basis in 2007. 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.

Results of Operations

Consolidated income from continuing operations decreased $120.5 million, or 39.1%, and increased $15.0 million, or 5.1%, in 2008 and 2007, respectively. Diluted earnings per share from continuing operations were $2.88 for 2008 compared to $4.80 for 2007 and $4.65 for 2006. The decrease in income from continuing operations in 2008 reflects an increase in investment related losses due to the recognition of investment impairments and an increase in the unrealized loss due to an unfavorable change in the value of embedded derivatives within the U.S. Asset-Intensive sub-segment due primarily to the impact of widening credit spreads in the U.S. debt markets. Also contributing to the decrease in income in 2008 was unfavorable mortality experience in the U.S. Traditional sub-segment. Offsetting these negative income items in 2008 were increases in premium levels in all segments and favorable mortality experience in the Canada, Europe & South Africa and Asia Pacific segments. The increase in income from continuing operations in 2007 was due to increased premiums in all segments and favorable mortality experience in the U.S. Traditional sub-segment and Canada segment. The increase in 2007 was partially offset by an increase in the unrealized loss due to an unfavorable change in the value of embedded derivatives within the U.S. Asset-Intensive sub-segment due to the impact of widening credit spreads in the U.S. debt markets and unfavorable mortality experience in the Europe & South Africa and Asia Pacific segments. Foreign currency exchange fluctuations resulted in a decrease to income from continuing operations of approximately $4.2 million in 2008 and an increase of approximately $8.0 million in 2007.

The unrealized loss due to an unfavorable change in value of embedded derivatives is primarily 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). Additionally, changes in risk-free rates used in the present value calculations of embedded derivatives associated with equity-indexed annuity treaties (EIAs) negatively affected income before income taxes in 2008 and 2007. Changes in these two types of embedded derivatives, after adjustment for deferred acquisition costs and retrocession, resulted in a decrease in consolidated income from continuing operations of approximately $103.2 million and $26.2 million in 2008 and 2007, respectively. These fluctuations do not affect current cash flows, crediting rates or spread performance on the underlying treaties. Therefore, Company management believes it is helpful to distinguish between the effects of changes in the valuation in these embedded derivatives 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 the embedded derivatives to be immaterial.

Consolidated net premiums increased $440.3 million, or 9.0%, and $563.1 million, or 13.0%, in 2008 and 2007, respectively, due to growth in life reinsurance in force and scheduled premium increases on treaties written on a yearly-renewable-term basis. Consolidated assumed insurance in force was $2.1 trillion, $2.1 trillion and $1.9 trillion as of December 31, 2008, 2007 and 2006, respectively. The Company added new business production, measured by face amount of insurance in force, of $305.0 billion, $302.4 billion and $374.6 billion during 2008, 2007 and 2006, respectively. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for growth, albeit at rates less than historically experienced. Foreign currency fluctuations relative to the prior year unfavorably affected net premiums by approximately $50.3 million in 2008 and favorably affected net premiums by approximately $116.1 million in 2007.

Consolidated investment income, net of related expenses, decreased $36.6 million, or 4.0%, and increased $128.2 million, or 16.4%, in 2008 and 2007, respectively. The decrease in 2008 is primarily due to market value changes related to the Company s funds withheld at interest investment related to the reinsurance of certain equity indexed annuity products, which are substantially offset by a corresponding change in interest credited to policyholder account balances resulting in a negligible effect on net income. Largely offsetting the decrease in investment income in 2008 was a larger invested asset base and a higher effective investment portfolio yield. The increase in 2007 is related to a larger invested asset base and a higher effective investment portfolio yield. The cost basis of invested assets, including funds withheld, were $16.5 billion, $15.9 billion and $14.0 billion at December 31, 2008, 2007 and 2006, respectively. The average yield earned on the cost basis of investments, excluding funds withheld, was 6.02%, 5.96% and 5.81% in 2008, 2007 and 2006, respectively. The Company expects the average yield to vary from year to year depending on a number of variables, including the prevailing interest rate and credit spread environment, changes in the mix of the underlying investments, and the timing of dividends and distributions on certain investments.

Investment related losses, net increased $468.5 million and $181.3 million in 2008 and 2007, respectively. The increase in 2008 is due to an increase of $122.6 million in investment impairments and an increase of $285.9 million in the loss of the aforementioned embedded derivatives related to Issue B36. Additionally, losses associated with the reinsurance of living benefits on variable annuities increased $89.1 million, net of related derivative positions. See the discussion of Investments in the Liquidity and Capital Resources section of Management s Discussion and Analysis for additional information on the impairment losses. 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 33.0%, 35.1%, and 35.0% of pre-tax income for 2008, 2007 and 2006, respectively. The Company generally expects the consolidated effective tax rate to be between 34% and 35% primarily due to the effect of taxation in jurisdictions that have a statutory tax rate which is lower than the U.S. statutory tax rate of 35%. In 2008, the consolidated effective tax rate was lower that expected, due to a decrease in the Company s Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48) liability related to transfer pricing. The Company calculated tax benefits related to its discontinued operations of $5.9 million for 2008, $7.8 million for 2007, and $2.7 million for 2006. 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 fixed maturity investments, embedded derivatives and investment impairments, if any; accounting for income taxes; and the establishment of arbitration or litigation reserves. The balances of these accounts require extensive use of assumptions and estimates, particularly related to the future performance of the underlying business.

Additionally, for each of the Company s reinsurance contracts, it 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 receivable or payable reflected in premiums receivable and other reinsurance balances or other reinsurance liabilities on the consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to net premiums, on the consolidated statements of income.

Differences in 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.

Deferred Acquisition Costs (DAC)

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 that DAC remains recoverable, and the cumulative amortization is re-estimated and, if necessary, adjusted by a cumulative charge or credit to current operations. No such adjustments related to DAC recoverability were made during 2008, 2007 or 2006. 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, 2008, the Company estimates that approximately 88.9% 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 and Other Policy Liabilities

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 the Company establishes may differ from those established by the ceding companies due to the use of different mortality and other assumptions. However, the Company relies upon 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 its 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 aggregate policy reserves. Further, the Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing aggregate policy reserves, together with the present value of future gross premiums, are not sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. The premium deficiency reserve is established through a charge to income, as well as a reduction to unamortized acquisition costs and, to the extent there are no unamortized acquisition costs, an increase to future policy benefits. Because of the many assumptions and estimates used in establishing reserves and the long-term nature of the Company s reinsurance contracts, the reserving process, while based on actuarial science, is inherently uncertain. If the Company s assumptions, particularly on mortality, are inaccurate, its reserves may be inadequate to pay claims and there could be a material adverse effect on its results of operations and financial condition.

Other policy claims and benefits include claims payable for incurred but not reported losses, which 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 time lag from the date of the claim or death to the date when the ceding company reports the claim to the Company can be several months and can vary significantly by ceding company and business segment. The Company updates its analysis of incurred but not reported claims, including lag studies, on a periodic basis and adjusts its claim liabilities accordingly. The adjustments in a given period are generally not significant relative to the overall policy liabilities.

Valuation of Fixed Maturity Securities

The Company primarily invests in fixed maturity securities, including bonds and redeemable preferred stocks. These securities are classified as available-for-sale and accordingly are carried at fair value on the consolidated balance sheets. The difference between amortized cost and fair value is reflected as an unrealized gain or loss, less applicable deferred taxes as well as related adjustments to deferred acquisition costs, if applicable, in accumulated other comprehensive income (AOCI) in stockholders equity. The determinations of fair value may require extensive use of assumptions and inputs.

The Company performs regular analysis and review of the various methodologies, assumptions and inputs utilized in determining fair value to ensure that the valuation approaches utilized are appropriate and consistently applied, and that the various assumptions are reasonable. The Company also utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company s financial statements. The Company performs analysis and review of the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by the Company s investment and accounting personnel. Examples of procedures performed include, but are not limited to, initial and ongoing review of third party pricing services and methodologies, review of pricing trends and monitoring of recent trade information. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

When available, fair values are based on quoted prices in active markets that are regularly and readily obtainable. Generally, these are very liquid investments and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on market standard valuation techniques, primarily a combination of a market approach, including matrix pricing and an income approach. The assumptions and inputs used by management in applying these methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and assumptions regarding liquidity and future cash flows.

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are consistent with what other market participants would use when pricing such securities.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company s securities holdings.

Additionally, the Company evaluates its intent and ability to hold securities, along with factors such as the financial condition of the issuer, payment performance, the extent to which the market value has been below amortized cost, compliance with covenants, general market and industry sector conditions, and various other 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.

Valuation of Embedded Derivatives

The Company reinsures certain annuity products that contain terms that are deemed to be embedded derivatives, primarily equity-indexed annuities and variable annuities with guaranteed minimum benefits. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). If the instrument would not be accounted for in its entirety at

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fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately. Such embedded derivatives are carried on the consolidated balance sheets at fair value with the host contract.

The valuation of the various embedded derivatives requires complex calculations based on actuarial and capital market inputs assumptions related to estimates of future cash flows. Such assumptions include, but are not limited to, assumptions regarding equity market performance, equity market volatility, interest rates, credit spreads, benefits and related contract charges, mortality, lapses, withdrawals, benefit selections and non-performance risk. These assumptions have a significant impact on the value of the embedded derivatives. For example, independent future decreases in equity market returns, future decreases in interest rates and future increases in equity market volatilities would increase the value of the embedded derivative associated with guaranteed minimum withdrawal benefits on variable annuities at December 31, 2008, resulting in an increase in investment related losses. See Market Risk disclosures in Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information.

Additionally, reinsurance treaties written on a modified coinsurance or funds withheld basis are subject to the provisions of SFAS 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). The majority of the Company s funds withheld at interest balances are associated with its reinsurance of annuity contracts, the majority of which were subject to the provisions of Issue B36. Management believes the embedded derivative feature in each of these reinsurance treaties is similar to a total return swap on the assets held by the ceding companies. The valuation of the Issue B36 embedded derivative is sensitive to the credit spread environment. Increases in credit spreads result in a decrease in value of the embedded derivative and therefore an increase in investment related losses. See Management s Discussion and Analysis of Financial Condition and Results of Operations for the U.S. Asset-Intensive Segment for additional information.

Income Taxes

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.

Due to the recent turmoil in the financial markets, the ability of the Company to realize its deferred tax assets has taken on heightened importance. 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. The Company has significant deferred tax assets related to net operating and capital losses. Most of the Company s exposure related to its deferred tax assets are within legal entities that file a consolidated United States federal income tax return. The Company has projected its ability to utilize its net operating losses and has determined that all of these losses will be utilized prior to their expiration. The Company has also done extensive analysis of its capital losses and has determined that sufficient unrealized capital gains exist within its investment portfolios that would offset any capital loss realized. It is also the Company s intention to hold all unrealized loss securities until maturity or until their market value recovers.

The Company will establish a valuation allowance 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.

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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.

Arbitration and Litigation Reserves

The Company at times is a party to various litigation and arbitrations. The Company cannot predict or determine the ultimate outcome of any pending litigation or arbitrations or even provide useful ranges of potential losses. However, it is possible that an adverse outcome on any particular arbitration or litigation situation could have a material adverse effect on the Company s consolidated financial position and/or net income in a particular reporting period.

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.

FOR THE YEAR ENDED DECEMBER 31, 2008

(dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	Non-Traditional Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$3,093,074	$ 6,558	$	$3,099,632
Investment income, net of related expenses	394,917	176,106	588	571,611
Investment related losses, net	(71,904)	(523,398)	(249)	(595,551)
Other revenues	377	56,775	15,280	72,432
Total revenues	3,416,464	(283,959)	15,619	3,148,124
Benefits and expenses:				
Claims and other policy benefits	2,661,963	11,241		2,673,204
Interest credited	60,448	172,366		232,814
Policy acquisition costs and other insurance expenses (income)	415,117	(298,810)	1,041	117,348
Other operating expenses	47,943	7,990	2,737	58,670
Total benefits and expenses	3,185,471	(107,213)	3,778	3,082,036
Income (loss) before income taxes	$ 230,993	$(176,746)	$11,841	$ 66,088

FOR THE YEAR ENDED DECEMBER 31, 2007

(dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	Non-Traditional Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$2,868,403	$ 6,356	$	$2,874,759
Investment income (loss), 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 (income)	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

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FOR THE YEAR ENDED DECEMBER 31, 2006

		Non-Traditional		
(dollars in thousands)	Traditional	Asset-Intensive	Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$2,647,322	$ 6,190	$	$2,653,512
Investment income (loss), 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

Income before income taxes for the U.S. operations segment decreased by $261.8 million, or 79.8%, and increased by $5.6 million, or 1.7%, in 2008 and 2007, respectively. The decrease in income before income taxes in 2008 can primarily be attributed to the impact of increases in credit spreads on the fair value of embedded derivatives subject to Issue B36 and investment related losses associated with investment impairments recognized in the third quarter of 2008. See the discussion of Investments in the Liquidity and Capital Resources section of Management s Discussion and Analysis for additional information on the 2008 impairment losses. The decrease in income before income taxes in 2008 reflects an increase in investment related losses of $139.7 million and the negative effect of Issue B36 of $143.6 million, after adjustment for deferred acquisition costs. Unfavorable mortality experience in the Traditional sub-segment also contributed to the decrease in income before income taxes in 2008 compared to 2007. Somewhat offsetting the 2008 decrease in income was an increase in net premiums due to growth in total business in force. The increase in income before income taxes in 2007 was due to growth in the total U.S. business in force as well as improved mortality results in 2007 compared to 2006.

Traditional Reinsurance

The U.S. Traditional sub-segment provides life and health reinsurance to domestic clients for a variety of products through yearly renewable term, coinsurance and modified coinsurance agreements. These reinsurance arrangements may involve either facultative or automatic agreements. This sub-segment added new business production, measured by face amount of insurance in force, of $134.4 billion, $164.2 billion and $172.1 billion during 2008, 2007 and 2006, respectively. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for new business, albeit at rates less than historically experienced.

Income before income taxes for the U.S. Traditional sub-segment decreased by $106.6 million, or 31.6%, and increased by $50.5 million, or 17.6% in 2008 and 2007, respectively. The decrease in 2008 was due to an increase in investment related losses of $58.1 million and adverse mortality experience compared to 2007. The increase in investment related losses in 2008 was due to the aforementioned realized investment losses, recognized primarily in the third quarter of 2008. The increase in income before income taxes in 2007 was due to improved mortality experience together with higher premiums and investment income as compared to 2006.

Net premiums for the U.S. Traditional sub-segment grew $224.7 million, or 7.8%, and $221.1 million, or 8.4% in 2008 and 2007, respectively. These increases in net premiums were driven primarily by the growth of total U.S. Traditional business in force, which totaled $1.3 trillion, $1.2 trillion and $1.2 trillion of face amount as of December 31, 2008, 2007 and 2006, respectively.

Net investment income increased $42.4 million, or 12.0%, and $47.3 million, or 15.5%, in 2008 and 2007, respectively. These increases can be attributed to growth in the invested asset base and an increase in the average yield earned on investments. Investment related losses increased $58.1 million and $9.7 million in 2008 and 2007, respectively.

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 86.1%, 81.7% and 82.1% in 2008, 2007 and 2006, respectively. The increase in the 2008 loss ratio over prior year is the result of an increase in the total number of claims, including large claims, in 2008, while mortality experience was favorable in 2007. The positive experience in 2007 was also the reason for the variance compared to 2006. Although reasonably predictable over a period of years, death claims can be volatile over shorter periods. Management views recent experience as normal volatility that is inherent in the business.

Interest credited expense increased $1.9 million, or 3.2%, and $8.5 million, or 17.1%, in 2008 and 2007, respectively. The 2008 increase is the result of one treaty that had a slight increase in its asset base with a credited loan rate remaining constant at 5.6% for 2007 and 2008. The 2007 increase is primarily due to one treaty in which the credited loan rate increased from 4.6% in 2006 to 5.6% in 2007. Interest credited in this case relates to amounts credited on cash value products which also have a significant mortality component. The amount of interest credited fluctuates in step with 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.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 13.4%, 14.6% and 14.9% in 2008, 2007 and 2006, respectively. Overall, while these ratios are expected to remain in a predictable range, they may fluctuate from period to period due to varying allowance levels within coinsurance-type arrangements. 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. Finally, the mix of first year coinsurance business versus yearly renewable term business can cause the percentage to fluctuate from period to period.

Other operating expenses decreased $1.8 million, or 3.6%, and increased $7.9 million, or 18.8% in 2008 and 2007, respectively. Other operating expenses, as a percentage of net premiums, were 1.6%, 1.7% and 1.6% in 2008, 2007 and 2006, respectively. The expense ratio tends to fluctuate only slightly from period to period due to maturity and scale of this operation.

Asset-Intensive Reinsurance

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

Income (loss) before income taxes for this sub-segment decreased by $154.4 million and $42.5 million, in 2008 and 2007, respectively. The decreases in income before income taxes can be primarily attributed to the unfavorable change in the value of embedded derivatives, after adjustment for deferred acquisition costs, under Issue B36. The decrease in income before income taxes related to Issue B36 was $143.6 million and $40.3 million in 2008 and 2007, respectively. Also contributing to the decrease in income in 2008 was a $15.2 million increase in the present value calculations of embedded derivative liabilities associated with EIAs, after adjustment for related deferred acquisition costs and retrocession.

In accordance with the provisions of Issue B36, the Company recorded a gross change in value of embedded derivatives of $(427.8) million, $(141.9) million and $6.5 million in 2008, 2007 and 2006, respectively, within investment related losses, net. The amounts represent a non-cash, unrealized change in value, offset in part by a change in policy acquisition costs associated with an adjustment of related deferred acquisition costs totaling $(246.7) million, $(104.4) million and $3.7 million, in 2008, 2007 and 2006, respectively, for a total net contribution to income (loss) before income taxes of $(181.1) million, $(37.5) million and $2.8 million, respectively. Significant fluctuations may occur as the fair value of the embedded derivatives is tied primarily to the movements in credit spreads. The weighted average asset credit spreads widened by approximately 4.33% and 0.82%, in 2008 and 2007, respectively. An additional credit spread widening of 2.0% in 2009 would have an estimated negative impact of approximately $139.6 million on the gross change in the value of embedded derivatives based on year end funds withheld portfolios. Additionally, the Company uses risk-free rates, in accordance with SFAS No. 157, Fair Value Measurements (SFAS 157), to discount the fair value of estimated future equity option purchases associated with its reinsurance of EIAs (a component of the embedded derivative), which affects the fair value of the embedded derivative liability. In 2008, the

Company recorded an increase in the fair value of the embedded derivative liability of $60.3 million, which was recorded as expense within interest credited, offset by related deferred acquisition costs and retrocession of $(45.1) million, for a net loss before income taxes of $15.2 million. These fluctuations do not affect current cash flows, crediting rates or spread performance on the underlying treaties. Therefore, Company management believes it is helpful to distinguish between the effects of changes in these embedded derivatives 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 the impact of changes in risk-free rates and credit spreads used in the present value calculations of embedded derivatives associated with EIAs and Issue B36 to be immaterial.

Excluding the impact of changes in risk-free rates and credit spreads used in the present value calculations of embedded derivatives associated with EIAs and Issue B36, income before income taxes increased $4.3 million, or 28.6%, and decreased $2.2 million, or 12.6%, in 2008 and 2007, respectively. The increase in 2008 over prior year can mainly be attributed to the Company s reinsurance of variable annuities with guaranteed living benefits. The turbulent financial markets lead to an increase of $267.4 million in the fair value of the liability related to guaranteed minimum benefits. The losses associated with the increase in the fair value of the liability were more than offset by gains on derivative instruments of $178.4 million used to hedge the liability and DAC adjustments of $94.2 million, therefore resulting in a gain year over year. However, a portion of the increase in the fair value of the liability will put pressure on expected profit margins for the variable annuity business going forward. Offsetting this gain was an increase in realized investment related losses of approximately $15.4 million, before DAC, in the funds withheld portfolios. In 2007, the first year of reinsuring guaranteed minimum benefits, losses totaled approximately $9.3 million and were the primary driver of the decrease in income over 2006. Higher benefits due to an increase in benefit claims on a single premium universal life reinsurance treaty also contributed to the year over year loss in 2007. The losses in both 2008 and 2007 were partly offset by higher fees received from mortality and expense charges earned on the variable annuity transactions.

Total revenues, which are comprised primarily of investment income and investment related losses, net, decreased $443.8 million and $131.3 million in 2008 and 2007, respectively. The losses associated with embedded derivatives subject to Issue B36, which are included in investment related losses, net, represented $285.9 million and $148.4 million of the decreases in 2008 and 2007, respectively. Excluding the losses associated with embedded derivatives subject to Issue B36, revenue decreased $157.9 million and increased $17.1 million in 2008 and 2007, respectively. The decrease in 2008 can be primarily attributed to a decrease in investment income related to equity option income on a funds withheld equity-indexed annuity treaty. The decrease in investment income related to equity options is mostly offset by a corresponding decrease in interest credited expense. Also in 2008, investment related losses associated with guaranteed minimum death benefits increased $79.8 million and investment related losses in the funds withheld portfolios increased approximately $15.4 million. The increase in 2007 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 fees earned on variable annuity contracts. Offsetting this was an increase in investment related losses associated with guaranteed minimum benefits.

The average invested asset base supporting this sub-segment was $5.1 billion, $4.8 billion and $4.3 billion for 2008, 2007 and 2006, respectively. The growth in the asset base is primarily driven by new business written on an existing equity-indexed treaty. In addition, the increase in 2008 reflects a new fixed annuity transaction and a new guaranteed investment contract, together adding approximately $700.0 million to the asset base of this sub-segment. Invested assets outstanding were $5.1 billion as of December 31, 2008 compared to $4.9 billion in 2007. As of December 31, 2008, $3.4 billion of the invested assets were funds withheld at interest, of which 91.1% of the balance was associated with equity-indexed annuity treaties with one client. As of December 31, 2007, $3.5 billion of the invested assets were funds withheld at interest, of which 90.3% of the balance was associated with equity-indexed annuity treaties with one client.

Total benefits and expenses, which are comprised primarily of interest credited and policy acquisition costs, decreased $289.4 million and $88.8 million, in 2008 and 2007, respectively. Contributing to these decreases was a reduction in policy acquisition costs (also referred to as DAC unlocking) related to embedded derivatives subject to Issue B36 of $142.3 million and $108.1 million, coupled with decrease in policy acquisition costs (also referred to as DAC unlocking) associated with guaranteed minimum benefits of $88.2 million and $5.9 million, in 2008 and 2007, respectively. The current market environment has created a situation in which future losses related to guaranteed minimum benefits will be difficult to offset with future DAC unlocking, and thus result in reduced income for this sub-segment. Interest credited expenses also decreased $13.4 million and $6.4 million in 2008 and 2007, respectively. As mentioned above, a large part of the decrease in interest credited relates to equity-indexed annuity products and is offset in investment income.

Financial Reinsurance

The U.S. Financial Reinsurance sub-segment income consists primarily of net fees earned on financial reinsurance transactions. Financial reinsurance risks are assumed by the U.S. segment and a portion are retroceded to other insurance companies or brokered business in which the Company does not participate in the assumption of risk. The fees earned from 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 by $0.8 million, or 6.3%, and $2.4 million, or 16.0%, in 2008 and 2007, respectively. The decrease in 2008 can be primarily attributed to one treaty which was recaptured late 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 were 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, 2008, 2007 and 2006, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $0.5 billion, $0.5 billion and $1.8 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)	**2008**	**2007**	**2006**
Revenues:			
Net premiums	$534,271	$487,136	$429,438
Investment income, net of related expenses	140,434	124,634	106,973
Investment related gains (losses), net	(1,089)	7,453	5,506
Other revenues	18,332	182	160
Total revenues	691,948	619,405	542,077
Benefits and expenses:			
Claims and other policy benefits	456,072	425,498	386,221
Interest credited	365	726	831
Policy acquisition costs and other insurance expenses	110,177	91,234	92,936
Other operating expenses	23,068	20,404	16,323
Total benefits and expenses	589,682	537,862	496,311
Income before income taxes	$102,266	$ 81,543	$ 45,766

Reinsurance in force for the Canada operation totaled approximately $209.5 billion, $217.7 billion, and $155.4 billion at December 31, 2008, 2007, and 2006, respectively. On a Canadian dollar basis, reinsurance in force for the Canada operation reflected continued growth and totaled approximately C$255.4 billion, C$217.4 billion, and C$181.2 billion at December 31, 2008, 2007, and 2006, respectively.

Income before income taxes increased by $20.7 million, or 25.4%, and $35.8 million, or 78.2%, in 2008 and 2007, respectively. The increase in income before income taxes in 2008 was primarily due to higher premium volume, favorable mortality experience and an increase in recapture fees which added $6.8 million. The 2008 increase was largely offset by a decrease of $8.5 million in investment related gains and losses. In 2008, strength in the Canadian dollar resulted in an increase in income before income taxes of approximately $0.7 million. The increase in income before income taxes in 2007 was primarily the result of favorable mortality experience and an increase in investment related gains of $1.9 million. In 2007, strength in the Canadian dollar resulted in an increase in income before income taxes of approximately $5.1 million.

Net premiums grew by $47.1 million, or 9.7%, and $57.7 million, or 13.4%, in 2008 and 2007, respectively. Premiums from creditor treaties increased by $14.4 million in 2008 and decreased $4.7 million in 2007. Creditor and group life and health premiums represented 20.9%, 17.5% and 20.6% of net premiums in 2008, 2007 and 2006, respectively. The remaining increases are primarily due to new business from both new and existing treaties. The segment added new business production, measured by face amount of insurance in force, of $51.2 billion, $46.8 billion and $39.8 billion during 2008, 2007 and 2006, respectively. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for new business, albeit at rates less than historically experienced. Additionally, foreign currency exchange fluctuation in the Canadian dollar resulted in an increase in net premiums of approximately $2.2 million and $29.1 million in 2008 and 2007, 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 $15.8 million, or 12.7%, and $17.7 million, or 16.5%, in 2008 and 2007, respectively. A stronger Canadian dollar resulted in an increase in net investment income of approximately $0.9 million and $7.4 million in 2008 and 2007, 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 the segment 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.

Other revenues increased by $18.2 million in 2008 but remained virtually unchanged in 2007 compared to 2006. The increase in 2008 was primarily due to a $16.2 million increase in recapture fees.

Loss ratios for this segment were 85.4%, 87.3% and 89.9% in 2008, 2007 and 2006, respectively. The loss ratios on creditor reinsurance 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 52.0%, 44.8% and 42.7% in 2008, 2007 and 2006, respectively. Excluding creditor business and the aforementioned recaptures in 2008, the loss ratios for this segment were 92.9%, 96.2% and 102.2% in 2008, 2007 and 2006, respectively. The lower loss ratios for 2008 and 2007 are primarily due to favorable mortality experience compared to the prior years. Historically, the loss ratio increased primarily as the result of several large permanent level premium in force blocks assumed in 1997 and 1998. These blocks are mature blocks of permanent level premium business in which mortality as a percentage of net premiums is expected to be higher than 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 67.6%, 69.6% and 72.0% in 2008, 2007 and 2006, respectively.

Policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 20.6%, 18.7% and 21.6% in 2008, 2007 and 2006, respectively. Policy acquisition costs and other insurance expenses as a percentage of net premiums for creditor business were 51.6%, 49.6% and 54.2% in 2008, 2007 and 2006, respectively. Excluding foreign exchange and creditor business, policy acquisition costs and other insurance expenses as a percentage of net premiums were 12.4%, 11.6% and 12.8% in 2008, 2007 and 2006, respectively. Overall, while these ratios are expected to remain in a predictable 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 $2.7 million, or 13.1%, and $4.1 million, or 25.0%, in 2008 and 2007, respectively. A stronger Canadian dollar resulted in an increase in other operating expenses of approximately $1.1 million in 2007. Other operating expenses as a percentage of net premiums were 4.3%, 4.2% and 3.8% in 2008, 2007 and 2006, respectively.

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, reinsurance of critical illness coverage and to a lesser extent, the reinsurance of longevity risk on payout annuities. 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)	**2008**	**2007**	**2006**
Revenues:			
Net premiums	$707,768	$678,551	$587,903
Investment income, net of related expenses	32,993	26,167	16,311
Investment related losses, net	(8,687)	(2,183)	(322)
Other revenues (losses)	401	(144)	858
Total revenues	732,475	702,391	604,750
Benefits and expenses:			
Claims and other policy benefits	532,292	515,660	414,855
Interest credited		1,019	764
Policy acquisition costs and other insurance expenses	69,422	84,749	90,098
Other operating expenses	65,075	53,496	40,792
Total benefits and expenses	666,789	654,924	546,509
Income before income taxes	$ 65,686	$ 47,467	$ 58,241

Income before income taxes increased by $18.2 million, or 38.4%, and decreased by $10.8 million or 18.5%, in 2008 and 2007, respectively. The increase in income before income taxes for 2008 was primarily due to increased net premiums and decreased policy acquisition costs and other insurance expenses partially offset by adverse claims experience. In addition, a block of business was recaptured in 2008 that increased income before income taxes by $6.1 million. In 2008, unfavorable foreign currency exchange fluctuations resulted in a decrease to income before income taxes totaling approximately $8.6 million. The decrease in income before income taxes for 2007 was due primarily to adverse mortality and morbidity experience in the UK in 2007 versus favorable experience in 2006. In 2007, favorable foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately $2.3 million.

Net premiums grew by $29.2 million, or 4.3%, and $90.6 million, or 15.4%, in 2008 and 2007, respectively. These increases were primarily the result of new business from both new and existing treaties. The segment added new business production, measured by face amount of insurance in force, of $87.5 billion, $61.3 billion and $105.1 billion during 2008, 2007 and 2006, respectively. During 2008, there was an unfavorable foreign currency exchange fluctuation, particularly from the British pound and the South African rand weakening against the U.S. dollar, which decreased net premiums by approximately $47.7 million. However, in 2007, a large part of the increase in net premiums was due to favorable foreign currency exchange fluctuations, particularly the British pound and the euro strengthening against the U.S. dollar, which increased net premiums by approximately $41.9 million.

A significant portion of the net premiums for the segment, in each period presented, relates to reinsurance of critical illness coverage, primarily in the UK. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Net premiums earned from this coverage totaled $236.4 million, $235.2 million and $208.8 million in 2008, 2007 and 2006, respectively. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Net investment income increased $6.8 million, or 26.1%, and $9.9 million, or 60.4%, in 2008 and 2007, respectively. These increases can be attributed to growth in the invested asset base and increased portfolio return. 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 for this segment were 75.2%, 76.0% and 70.6% in 2008, 2007 and 2006, respectively. During 2008, a block of business was recaptured which had the effect of lowering the loss ratio. Excluding this recapture, the loss ratio for 2008 was 77.0%. The increase in the loss ratios for 2008 and 2007 was primarily due to unfavorable claims experience in the UK and South Africa. Policy acquisition costs and other insurance expenses as a percentage of net premiums represented 9.8%, 12.5% and 15.3% for 2008, 2007 and 2006, respectively. Excluding the aforementioned recapture, policy acquisition costs and other insurance expenses as a percentage of net premiums was 8.8% in 2008. 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. In addition, as the segment grows, renewal premiums, which have lower allowances than first-year premiums, represent a greater percentage of the total net premiums.

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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, 2008, 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 charges of approximately $63.5 million and $163.3 million, respectively.

Other operating expenses increased $11.6 million, or 21.6%, and $12.7 million, or 31.1%, in 2008 and 2007, respectively. Other operating expenses as a percentage of net premiums totaled 9.2%, 7.9% and 6.9% in 2008, 2007 and 2006, respectively. These increases were due to higher costs associated with maintaining and supporting the segment s increase in business over the past several years and the Company s recent expansion into Central Europe. The Company believes that sustained growth in net 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)	2008	2007	2006
Revenues:			
Net premiums	$1,000,814	$864,550	$673,179
Investment income, net of related expenses	47,400	36,388	28,105
Investment related losses, net	(2,661)	(1,529)	(372)
Other revenues	12,320	9,197	6,465
Total revenues	1,057,873	908,606	707,377
Benefits and expenses:			
Claims and other policy benefits	799,376	692,859	512,740
Policy acquisition costs and other insurance expenses	107,076	99,285	93,614
Other operating expenses	65,912	56,372	42,432
Total benefits and expenses	972,364	848,516	648,786
Income before income taxes	$ 85,509	$ 60,090	$ 58,591

Income before income taxes increased by $25.4 million, or 42.3%, and by $1.5 million, or 2.6%, in 2008 and 2007, respectively. The increase in income before income taxes in 2008 was due to favorable results from operations throughout the segment, primarily due to increased net premiums and favorable mortality experience. Also in 2008, favorable foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately $3.6 million. The increase in income before income taxes in 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 in 2007 was primarily attributable to favorable mortality experience in

2006. In 2007, favorable foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately $3.8 million.

Net premiums grew by $136.3 million, or 15.8%, and $191.4 million, or 28.4%, in 2008 and 2007, respectively. The premium growth in 2008 was primarily the result of increases in the volume of business in Australia, Korea, Taiwan and Japan, collectively adding approximately $121.4 million to net premiums compared to 2007. Growth in Australia was driven by broad-based success in both the individual and group markets. Growth in premium volume in Korea was driven by an increase in volume from existing clients. In Taiwan and Japan premium increases were primarily related to isolated new clients. The premium growth in 2007 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 client and in Korea premium growth was driven by an increase in volume from existing clients. The segment added new business production, measured by face amount of insurance in force, of $31.9 billion, $30.1 billion and $57.6 billion during 2008, 2007 and 2006, respectively. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and can fluctuate from period to period.

During 2008, there was an unfavorable foreign currency fluctuation, particularly in the Korean won, offset by a favorable fluctuation in the Japanese yen, against the U.S. dollar. The overall effect of changes in local Asia Pacific segment currencies was a decrease in 2008 net premiums of approximately $5.0 million compared to 2007. During 2007, there was a favorable foreign currency fluctuation, particularly in the Australian dollar, the New Zealand dollar, and the Japanese yen, against the U.S. dollar. The overall effect of the changes in local Asia Pacific segment currencies was an increase in 2007 net premiums of approximately $45.1 million compared to 2006.

A portion of the net premiums for the segment, in each period presented, relates to 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 South Korea, Australia and Hong Kong. Net premiums earned from this coverage totaled $213.8 million, $189.8 million, and $140.2 million in 2008, 2007 and 2006, respectively.

Net investment income increased $11.0 million, or 30.3%, and $8.3 million, or 29.5%, in 2008 and 2007, respectively. These increases can be attributed to growth in the invested asset base and increased portfolio return. 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 revenues increased by $3.1 million, or 34.0%, and $2.7 million, or 42.3%, in 2008 and 2007, respectively. The primary source of other revenues is fees from financial reinsurance treaties in Japan. 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. At December 31, 2008 and 2007, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $0.6 billion and $0.7 billion, respectively. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and therefore can fluctuate from period to period.

Loss ratios for this segment were 79.9%, 80.1% and 76.2% for 2008, 2007 and 2006, respectively. The decrease in the loss ratio in 2008 when compared with 2007 can be attributed to all locations within the segment with the exception of Korea, where benefits increased as a percentage of net premiums. The increase in the 2007 loss ratio compared to 2006 was attributable primarily to loss experience in Korea and increased policy reserves in Japan related to one new client. Loss ratios will fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 10.7%, 11.5% and 13.9% for 2008, 2007 and 2006, respectively. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums should generally decline as the business matures; however, the percentage does fluctuate periodically due to timing of client company reporting and variations in the mixture of business being reinsured.

Other operating expenses increased $9.5 million, or 16.9%, and $13.9 million, or 32.9%, in 2008 and 2007, respectively. Other operating expenses as a percentage of net premiums totaled 6.6%, 6.5% and 6.3% in 2008, 2007 and 2006, respectively. The timing of premium flows and the level of costs associated with the entrance into and development of new markets in the growing Asia Pacific segment may cause other operating expenses as a percentage of net premiums to fluctuate 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.

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FOR THE YEAR ENDED DECEMBER 31,

(dollars in thousands)	2008	2007	2006
Revenues:			
Net premiums	$ 6,816	$ 4,030	$ 1,937
Investment income, net of related expenses	78,838	96,577	56,147
Investment related gains (losses), net	(39,217)	(12,522)	4,014
Other revenues	4,346	8,867	7,826
Total revenues	50,783	96,952	69,924
Benefits and expenses:			
Claims and other policy benefits (income)	988	43	(156)
Interest credited			1,025
Policy acquisition costs and other insurance expenses (income)	(46,124)	(35,305)	(36,356)
Other operating expenses	30,192	45,387	50,508
Interest expense	76,161	76,906	62,033
Collateral finance facility expense	28,723	52,031	26,428
Total benefits and expenses	89,940	139,062	103,482
Loss before income taxes	$(39,157)	$ (42,110)	$ (33,558)

Loss before income taxes decreased by $3.0 million, or 7.0%, and increased by $8.6 million, or 25.5%, in 2008 and 2007, respectively. The decrease in the loss before income taxes in 2008 is primarily due to a $26.7 million increase in investment related losses, due to investment impairments, a $17.7 million decrease in investment income, largely offset by a $23.3 million decrease in collateral finance facility expense, a $10.8 million decrease in policy acquisition costs and other insurance expenses and a $15.2 million decrease in other operating expenses. The increase in loss before income taxes in 2007 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.

Total revenues decreased $46.2 million, or 47.6%, and increased $27.0 million, or 38.7%, in 2008 and 2007, respectively. The decrease in revenues in 2008 was due to a $17.7 million decrease in net investment income largely due to lower investment returns on floating rate investments used to fund the Company s collateral finance facility and a $26.7 million increase in investment related losses due to realized investment losses as compared to the recognition of a $10.5 million currency translation loss recognized in 2007 related to the Company s decision to sell its direct insurance operations in Argentina. The increase in revenues 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 the aforementioned $10.5 million currency translation loss related to the Company s decision to sell its direct insurance operations in Argentina.

Total benefits and expenses decreased $49.1 million or 35.3%, and increased $35.6 million or 34.4%, in 2008 and 2007, respectively. The decrease in total benefits and expenses in 2008 was primarily due to a $23.3 million decrease in collateral finance facility expense due to substantially reduced variable interest rates in the current year. Additionally, other operating expenses decreased $15.2 million in 2008 primarily related to a decrease in equity based compensation; policy acquisition costs and other insurance expenses decreased $10.8 million, primarily due to increased charges to the operating segments for the use of capital. 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 FIN 48, which contributed $3.9 million to the increase 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.

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 reinsurance programs that involved alleged manufactured claims spirals designed to transfer claims losses to higher-level reinsurance layers. 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 loss from discontinued accident and health operations, net of income taxes, decreased to $11.0 million in 2008 from $14.4 million in 2007 due primarily to fewer settlements arising out of previously contested matters. The comparable loss in 2006 was $5.1 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. The accident and health business generated claims higher than those anticipated and therefore, during the fourth quarter of 2008, the Company increased the claim reserve liability related to its discontinued accident and health operations by $9.0 million. 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 $2.1 million, $2.0 million and $2.7 million for 2008, 2007 and 2006, 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 as well as the change in reserves for embedded derivatives. 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 ($1,341.2 million as of December 31, 2008), are changed as illustrated:

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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	1.53%	(1.73%)
Estimated future policy lapse rates decreasing (increasing) 20% on a permanent basis (including surrender charges)	0.43%	(0.36%)

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. DAC can be no greater than the initial DAC balance plus interest and would be subject to recoverability testing which is ignored for purposes of this analysis. 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, 2008:

(dollars in thousands)	Asset-Intensive DAC	Non-Asset-Intensive DAC	Total DAC
U.S.	$1,341,187	$1,266,787	$2,607,974
Canada		259,524	259,524
Europe & South Africa		414,709	414,709
Asia Pacific		326,411	326,411
Corporate and Other		1,716	1,716
Total	$1,341,187	$2,269,147	$3,610,334

As of December 31, 2008, the Company estimates that approximately 88.9% 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

Current Market Environment

During 2008, the capital and credit markets experienced extreme volatility and disruption. Since September 2008, the volatility and disruptions intensified significantly with a severity and speed that was not anticipated. This was driven by, among other things, heightened concerns over conditions in the U.S. housing and mortgage markets, the availability and cost of credit, the health of U.S. and global financial institutions, a decline in business and consumer confidence and increased unemployment. Turmoil in the U.S. and global financial markets resulted in bankruptcies, consolidations and government interventions.

The recent market conditions have adversely affected the Company s results of operations and financial position. During the third quarter of 2008, the Company incurred significant investment related losses as a result of impairments. In addition, results of operations in 2008 reflected a significant increase in unrealized losses due to an unfavorable change in the value of embedded derivatives which are a direct result of widening credit spreads and changes in the risk-free rates in the U.S. debt markets. Additionally, gross unrealized losses in the Company s fixed maturity and equity securities available-for-sale increased significantly to $1,416.4 million at December 31, 2008 from $198.2 million at December 31, 2007.

The Company continues to be in a position to hold its investment securities until recovery, provided it remains comfortable with the credit of the issuer. The Company s operations do not rely on short-term funding or commercial paper, and therefore, to date, it has experienced no liquidity pressure, nor does it anticipate such pressure in the foreseeable future.

The Company has selectively reduced its exposure to distressed security issuers through security sales. In addition, the U.S. government, and governments in many foreign markets where the Company operates, have responded to address market imbalances and taken meaningful steps intended to eventually restore confidence. Although management believes the Company s current capital base is adequate to support its business at current operating levels, it continues to monitor new business opportunities and any associated new capital needs that could arise from the changing financial landscape.

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 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 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.

On November 4, 2008, RGA completed a public offering of 10,235,000 shares of RGA class A common stock, $0.01 par value per share. The price per share was $33.89, and the aggregate value of the transaction was approximately $346.9 million. The public offering was made in conjunction with the decision by the Standard & Poor s Corporation to include the Company in the S&P MidCap 400 Index. The Company expects to use the net proceeds from the offering to pursue reinsurance opportunities and for general corporate purposes.

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. 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 Company s stock transactions.

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 net gain from operations or 10% of statutory 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, 2009, RCM and RGA Reinsurance could pay maximum dividends, without prior approval, of approximately $110.4 million and $110.4 million, respectively. The MDI 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. 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 principles 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.

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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 2008. 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 and change in control provisions. 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 an amount of $100.0 million, 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, 2008, the Company had $918.2 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 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, 2008, the Company had no cash borrowings outstanding and $389.7 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 2010, with an outstanding balance of

£15.0 million, or $21.9 million, as of December 31, 2008, and an A$50.0 million Australian credit facility that expires in March 2011, with no outstanding balance as of December 31, 2008.

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.

As of December 31, 2008, 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 debentures of the Company (Trust Preferred Securities), was 6.39% compared to 6.40% at the end of 2007. 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 $112.8 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, 2008, the Company held assets in trust of $875.7 million for this purpose. In addition, the Company held $9.7 million in custody as of December 31, 2008. Interest on the notes accrues at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly and totaled $28.7 million and $52.0 million in 2008 and 2007, respectively. 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, 2008, these treaties had approximately $751.5 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 $1,217.6 million were held in trust for the benefit of certain subsidiaries of the Company to satisfy collateral requirements for reinsurance business at December 31, 2008. Additionally, securities with an amortized cost of $1,560.1 million as of December 31, 2008 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, 2008 the Company held deposits in trust of $875.7 million for this purpose, which is not included above. In addition, the Company held $9.7 million in custody as of December 31, 2008. 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 office lease obligations, 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 $273.6 million and $325.1 million as of December 31, 2008 and 2007, 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, 2008, RGA s exposure related to these guarantees was $159.0 million. RGA has issued payment guarantees on behalf of two of its subsidiaries in the event the subsidiaries fail to make payment under their office lease obligations, the exposure of which was $4.2 million as of December 31, 2008.

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.

Balance Sheet Arrangements

The Company has commitments to fund investments in limited partnerships in the amount of $124.6 million at December 31, 2008. 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 limited partnerships are carried at cost after consideration of any other-than-temporary impairments and included in other invested assets 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 affiliated and unaffiliated reinsurers. In order for the Company to receive statutory reserve credit, the reinsurer 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 and current cash and equivalents on hand include selling short-term investments or fixed maturity securities and drawing funds under existing credit facilities, under which the Company had availability of $395.4 million as of December 31, 2008. The Company also has $751.6 million of funds available through collateralized borrowings from 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 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 financial information presented has been revised to reflect the impact of the restatement of the Company s consolidated statement of cash flows for the year ended December 31, 2007, more fully described in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements.

The Company s net cash flows provided by operating activities for the years ended December 31, 2008, 2007 and 2006, were $727.0 million, $1,099.3 million and $846.2 million, respectively. Cash flows from operating activities are affected by the timing of premiums received, claims paid and working capital changes. Operating cash decreased $372.3 million during 2008 as cash from premiums increased $357.2 million but was more than offset by decreased investment income of $40.7 million and higher operating net cash outlays of $688.8 million. During 2007, operating cash increased $253.1 million 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 $532.7 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 $1,073.2 million, $976.9 million and $1,634.4 million in 2008, 2007 and 2006, 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 increase in net cash used in investing activities in 2008 was due to the investment of proceeds from excess deposits on universal life and other investment type policies and contracts. The decrease in net cash used in investing activities in 2007 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.

Net cash provided by financing activities was $841.2 million, $116.6 million and $817.9 million in 2008, 2007 and 2006, 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.

Contractual Obligations

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

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	Payment Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Future policy benefits[1]	$ (198.2)	$ (760.3)	$(1,322.6)	$(1,058.0)	$ 2,942.7
Interest-sensitive contract liabilities[2]	12,025.6	772.8	1,566.5	1,632.6	8,053.7
Long term debt, including interest	2,647.0	58.9	337.2	87.8	2,163.1
Fixed Rate Trust Pref Sec., including interest[3]	771.6	12.9	25.9	25.9	706.9
Collateral finance facility, including interest	923.3	6.5	13.1	85.5	818.2
Other policy claims and benefits	1,923.0	1,923.0			
Operating leases	36.9	9.7	12.2	8.5	6.5
Limited partnerships	124.6	124.6			
Structured investment contracts	8.5	8.5			
Payables for collateral received under derivative transactions	159.8	159.8			
Total	$18,422.1	$2,316.4	$ 632.3	$ 782.3	$14,691.1

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 to 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 $12.0 billion exceeds the liability amount of $7.7 billion included on the consolidated balance sheet principally due to the lack of discounting and accounting for separate account contracts.

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 $310.4 million, $206.7 million, and $36.2 million, respectively, for which the Company cannot reliably determine the timing of payment. Current income tax payable is also excluded from the table.

The net funded status of the Company s pension and other postretirement liabilities included within other liabilities has been excluded from the amounts presented in the table above. As of December 31, 2008, the Company had a net unfunded balance of $40.0 million related to pension and other postretirement liabilities. 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 pension 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, 2008, there were approximately $26.6 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 reinsurance 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, 2008, $428.8 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 facility. At December 31, 2008, the Company had $389.7 million in issued, but undrawn, letters of credit under this 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, 2008, the structured loan totaled $101.4 million and the amount of the letter of credit totaled $101.4 million. The structured loan is recorded in other invested assets on RGA s consolidated balance sheet.

Asset / Liability Management

The Company 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 $933.5 million and $479.4 million at December 31, 2008 and December 31, 2007, respectively. Liquidity needs are determined from valuation analyses conducted by operational units and are driven by product portfolios. Periodic 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. There were no securities subject to these agreements outstanding at December 31, 2008. At December 31, 2007, the book value of securities subject to these agreements, and included in fixed maturity securities was $30.1 million, while the repurchase obligations of

$30.1 million were reported in other liabilities in the consolidated statement of financial position. 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. There were no agreements outstanding at December 31, 2008 and 2007. 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, 2008 and 2007.

RGA Reinsurance is a member of the FHLB and holds $18.9 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 traditional funding agreements with the FHLB but had no outstanding traditional funding agreements with the FHLB at December 31, 2008 or 2007.

In addition, RGA Reinsurance has also entered into a funding agreement with the FHLB under a guaranteed investment contract whereby RGA Reinsurance has issued the funding agreement in exchange for cash and for which the FHLB has been granted a blanket lien on RGA Reinsurance s commercial mortgage-backed securities used to collateralize RGA Reinsurance s obligations under the funding agreement. RGA Reinsurance maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The funding agreement and the related security agreement represented by this blanket lien provide that upon any event of default by RGA Reinsurance, the FHLB s recovery is limited to the amount of RGA Reinsurance s liability under the outstanding funding agreement. The amount of the Company s liability for the funding agreements with the FHLB under guaranteed investment contracts was $199.3 million at December 31, 2008, which is included in interest sensitive contract liabilities. The advance on this agreement is collateralized primarily by commercial mortgage-backed securities. The Company had no outstanding funding agreements with the FHLB under guaranteed investment contracts at December 31, 2007.

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 $16.5 billion and $16.8 billion at December 31, 2008 and 2007, respectively, as illustrated below (dollars in thousands):

As of December 31,	**2008**	**2007**
Fixed maturity securities, available-for-sale	$ 8,531,804	$ 9,397,916
Mortgage loans on real estate	775,050	831,557
Policy loans	1,096,713	1,059,439
Funds withheld at interest	4,520,398	4,749,496
Short-term investments	58,123	75,062
Other invested assets	628,649	284,220
Cash and cash equivalents	875,403	404,351
Total cash and invested assets	$16,486,140	$16,802,041

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 (dollars in thousands).

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	2008	2007	2006	Increase / (Decrease) 2008	Increase / (Decrease) 2007
Average invested assets at amortized cost	$11,653,879	$10,637,020	$9,044,194	9.6%	17.6%
Net investment income	701,039	633,621	525,118	10.6%	20.7%
Investment yield (ratio of net investment income to average invested assets)	6.02%	5.96%	5.81%	6 bps	15 bps

Investment yields increased in 2008 and 2007 as the economic environment allowed the Company to invest in securities with higher spreads than those already held in the portfolio. In addition, new mandates with longer duration targets allowed the Company to invest in securities with longer maturities than what was held in the portfolio, which, in a positively-sloped yield curve environment, has also contributed to the increase in the average yields of the portfolio.

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, the Canadian liabilities are matched with long-duration Canadian assets. The duration of the Canadian portfolio exceeds twenty years. The duration for all the Company s portfolios, when consolidated, ranges 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 amortized cost, gross unrealized gains and losses, and estimated fair values of investments in fixed maturity securities and equity securities, the percentage that each sector represents by the total fixed maturity securities holdings and by the total equity securities holdings at December 31, 2008 and 2007 are as follows (dollars in thousands):

2008	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:					
U.S. corporate securities	$3,577,116	$ 34,262	$ 598,745	$3,012,633	35.3%
Canadian and Canadian provincial governments	1,500,511	397,899	7,171	1,891,239	22.2
Residential mortgage-backed securities	1,231,123	24,838	106,776	1,149,185	13.5
Foreign corporate securities	1,112,018	14,335	152,920	973,433	11.4
Asset-backed securities	484,577	2,098	147,297	339,378	4.0
Commercial mortgage-backed securities	1,085,062	2,258	326,730	760,590	8.9
U.S. government and agencies	7,555	876		8,431	0.1
State and political subdivisions	46,537		7,883	38,654	0.4
Other foreign government securities	338,349	20,062	150	358,261	4.2
Total fixed maturity securities	$9,382,848	$496,628	$1,347,672	$8,531,804	100.0%

Non-redeemable preferred stock	$ 187,510	$ 49	$ 64,160	$ 123,399	77.4%
Common stock	40,582		4,607	35,975	22.6
Total equity securities	$ 228,092	$ 49	$ 68,767	$ 159,374	100.0%

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2007	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Estimated Fair Value**	**% of Total**
Available-for-sale:					
U.S. corporate securities	$3,382,944	$ 27,350	$ 96,679	$3,313,615	35.3%
Canadian and Canadian provincial governments	1,561,700	570,691	1,163	2,131,228	22.7
Residential mortgage-backed securities	1,414,187	12,306	12,216	1,414,277	15.0
Foreign corporate securities	1,040,817	35,159	25,971	1,050,005	11.2
Asset-backed securities	494,458	1,252	31,456	464,254	4.9
Commercial mortgage-backed securities	641,479	8,835	5,087	645,227	6.9
U.S. government and agencies	3,244	209	1	3,452	
State and political subdivisions	52,254	152	945	51,461	0.5
Other foreign government securities	325,609	3,300	4,512	324,397	3.5
Total fixed maturity securities	$8,916,692	$659,254	$178,030	$9,397,916	100.0%
Non-redeemable preferred stock	$ 144,942	$ 986	$ 19,953	$ 125,975	91.8%
Common stock	11,483	2	232	11,253	8.2
Total equity securities	$ 156,425	$ 988	$ 20,185	$ 137,228	100.0%

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, 2008 and 2007, approximately 96.7% and 97.2%, 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 primarily invested in high-grade money market instruments. The largest asset class in which fixed maturities were invested was in corporate securities, which represented approximately 46.7% of total fixed maturities at December 31, 2008, compared to 46.5% at December 31, 2007. The tables below show the major industry types and weighted average credit ratings, which comprise the U.S. and foreign corporate fixed maturity holdings at December 31, 2008 and 2007 (dollars in thousands):

	December 31, 2008 Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$1,475,205	$1,155,906	29.0%	A
Industrial	1,520,330	1,339,200	33.6	BBB+
Foreign (1)	1,112,018	973,433	24.4	A
Utility	542,737	480,809	12.1	BBB+
Other	38,844	36,718	0.9	AA-

Total	$4,689,134	$3,986,066	100.0%	A-

	December 31, 2007 Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$1,394,562	$1,343,539	30.8%	A
Industrial	1,069,727	1,060,236	24.3	BBB+
Foreign (1)	1,040,817	1,050,005	24.1	A
Utility	504,678	503,969	11.5	BBB+
Other	413,977	405,871	9.3	A-
Total	$4,423,761	$4,363,620	100.0%	A-

(1) Includes U.S. dollar-denominated debt obligations of foreign obligors and other foreign investments.

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The National Association of Insurance Commissioners (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, 2008 and 2007 was as follows (dollars in thousands):

		December 31, 2008			**December 31, 2007**		
NAIC Designation	Rating Agency Designation	Amortized Cost	Estimated Fair Value	% of Total	Amortized Cost	Estimated Fair Value	% of Total
1	AAA/AA/A	$7,001,968	$6,607,730	77.4%	$7,022,497	$7,521,177	80.0%
2	BBB	1,991,276	1,649,513	19.3	1,628,431	1,617,983	17.2
3	BB	268,276	195,088	2.3	201,868	198,487	2.1
4	B	77,830	50,064	0.6	47,013	43,680	0.5
5	CCC and lower	33,945	22,538	0.3	16,800	16,502	0.2
6	In or near default	9,553	6,871	0.1	83	87	
	Total	$9,382,848	$8,531,804	100.0%	$8,916,692	$9,397,916	100.0%

The Company s fixed maturity portfolio includes structured securities. The following table shows the types of structured securities the Company held at December 31, 2008 and 2007 (dollars in thousands):

	December 31, 2008		December 31, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Residential mortgage-backed securities:				
Agency	$ 851,507	$ 868,479	$1,069,998	$1,076,780
Non-agency	379,616	280,706	344,189	337,497
Total residential mortgage-backed securities	1,231,123	1,149,185	1,414,187	1,414,277
Commercial mortgage-backed securities	1,085,062	760,590	641,479	645,227
Asset-backed securities	484,577	339,378	494,458	464,254
Total	$2,800,762	$2,249,153	$2,550,124	$2,523,758

The residential mortgage-backed securities include agency-issued pass-through securities, collateralized mortgage obligations, a majority of which are guaranteed or otherwise supported by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, or the Government National Mortgage Association. The weighted average credit rating of the residential mortgage-backed securities was AA+ and AAA at December 31, 2008 and 2007, respectively. The principal risks inherent in holding mortgage-backed securities are prepayment and extension risks, which will affect the timing of when cash will be received and are dependent on the level of mortgage interest rates. Prepayment risk is the unexpected increase in principal payments, primarily as a result of owner refinancing. Extension risk relates to the unexpected slowdown in principal payments. In addition, mortgage-backed securities face default risk should the borrower be unable to pay the contractual interest or principal on their obligation. The Company monitors its mortgage-backed securities to mitigate exposure to the cash flow uncertainties associated with these risks.

As of December 31, 2008, the Company had exposure to commercial mortgage-backed securities with amortized costs totaling $1,573.4 million and an estimated fair value of $1,143.3 million. Those amounts include exposure to commercial mortgage-backed securities held directly in the Company s investment portfolios within fixed maturity securities, as well as securities held by ceding companies that support the Company s funds withheld at interest investment. The securities are highly rated with weighted average S&P credit ratings of approximately AA+ at December 31, 2008, with approximately 76.3% in the AAA category. The following table summarizes the securities by rating and underwriting year at December 31, 2008 (dollars in thousands):

December 31, 2008

	AAA		AA		A	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2003 & Prior	$ 250,720	$254,690	$ 24,276	$17,518	$ 28,432	$ 16,744
2004	50,245	46,737	2,147	999	10,603	3,835
2005	200,140	136,101	2,530	682	54,173	30,079
2006	306,478	234,575	16,219	6,074	45,346	31,379
2007	362,226	256,163	50,648	14,343	59,013	20,636
2008	30,017	28,501	23,387	10,698	18,342	11,186
Total	$1,199,826	$956,767	$119,207	$50,314	$215,909	$113,859

	BBB		Below Investment Grade		Total	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2003 & Prior	$18,144	$11,938	$	$	$ 321,572	$ 300,890
2004					62,995	51,571
2005	3,679	776			260,522	167,638
2006	15,283	8,709	1,305	941	384,631	281,678
2007					471,887	291,142
2008					71,746	50,385
Total	$37,106	$21,423	$1,305	$941	$1,573,353	$1,143,304

Asset-backed securities include credit card and automobile receivables, sub-prime and alternative residential mortgage loan (Alt-A) securities, home equity loans, manufactured housing bonds and collateralized debt obligations. The Company s asset-backed securities are diversified by issuer and contain both floating and fixed rate securities and had a weighted average credit rating of AA at December 31, 2008 and 2007. The Company owns floating rate securities that represent approximately 20.0% and 19.2% of the total fixed maturity securities at December 31, 2008 and 2007, respectively. These investments have a higher degree of income variability than the other fixed income holdings in the portfolio due to the floating rate nature of the interest payments. The Company holds these investments to match specific floating rate liabilities primarily reflected in the consolidated balance sheets as collateral finance facility. In addition to the risks associated with floating rate securities, principal risks in holding asset-backed securities are structural, credit and capital market risks. Structural risks include the securities priority in the issuer s capital structure, the adequacy of and ability to realize proceeds from collateral, and the potential for prepayments. Credit risks include consumer or corporate credits such as credit card holders, equipment lessees, and corporate obligors. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

As of December 31, 2008 and 2007, the Company held investments in securities with sub-prime mortgage exposure with amortized costs totaling $230.1 million and $267.7 million, and estimated fair values of $147.8 million and $246.8 million, respectively. Those amounts include exposure to sub-prime mortgages through securities held directly in the Company s investment portfolios within asset-backed securities, as well as securities backing the Company s funds withheld at interest investment. The securities are highly rated with weighted average S&P credit ratings of approximately AA- at December 31, 2008 and AA+ at December 31, 2007. Additionally, the Company has largely avoided investing in securities originated since the second half of 2005, which management believes was a period of lessened underwriting quality. During 2008, the Company recorded $11.6 million of other-than-temporary write-downs in its sub-prime portfolio due primarily to the increased likelihood that some or all of the remaining scheduled principal and interest payments on certain securities will not be received. The following tables summarize the securities by rating and underwriting year at December 31, 2008 and 2007 (dollars in thousands):

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December 31, 2008

	AAA		AA		A	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2003 & Prior	$11,007	$ 9,116	$ 6,509	$ 4,320	$ 1,813	$ 1,227
2004			21,220	13,437	33,728	26,228
2005	37,134	27,793	36,424	26,471	6,514	2,582
2006	135	134	4,500	2,076	4,998	1,991
2007			888	283		
2008						
Total	$48,276	$37,043	$69,541	$46,587	$47,053	$32,028

	BBB		Below Investment Grade		Total	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2003 & Prior	$ 413	$ 77	$ 807	$ 106	$ 20,549	$ 14,846
2004			7,900	5,727	62,848	45,392
2005	11,908	6,529	17,905	5,739	109,885	69,114
2006	3,442	2,618	3,287	449	16,362	7,268
2007			19,588	10,880	20,476	11,163
2008						
Total	$15,763	$9,224	$49,487	$22,901	$230,120	$147,783

December 31, 2007

	AAA		AA		A	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2003 & Prior	$ 16,520	$ 16,531	$ 2,111	$ 1,910	$ 3,749	$ 3,246
2004	26,520	26,286	33,757	31,465	16,151	14,614
2005	41,638	40,190	60,233	55,041	21,593	18,140
2006	13,964	11,957	5,002	3,763		
2007	20,274	18,351				
Total	$118,916	$113,315	$101,103	$92,179	$41,493	$36,000

	BBB		Below Investment Grade		Total	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value

2003 & Prior	$1,186	$1,046	$	$	$ 23,566	$ 22,733
2004					76,428	72,365
2005	5,026	4,250			128,490	117,621
2006					18,966	15,720
2007					20,274	18,351
Total	$6,212	$5,296	$	$	$267,724	$246,790

Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. At December 31, 2008 and 2007, the Company s Alt-A securities exposure was $197.7 million and $102.4 million, respectively, with an unrealized loss of $39.9 million and $3.2 million, respectively. 64.2% of the Alt-A securities were rated AA or better as of December 31, 2008. This amount includes securities directly held by the Company and securities held by ceding companies that support the Company s funds withheld at interest investment. For the year ended December 31,

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2008, the Company recorded other-than-temporary impairments of $16.5 million in its Alt-A securities portfolio due primarily to the increased likelihood that some or all of the remaining scheduled principal and interest payments on certain securities will not be received.

The Company s fixed maturity and funds withheld portfolios at December 31, 2008 include approximately $538.2 million in estimated fair value of securities that are insured by various financial guarantors, or less than five percent of consolidated investments. The securities are diversified between municipal bonds and asset-backed securities with well diversified collateral pools. The Company invests in insured collateralized debt obligation (CDO) structures backing sub-prime investments of approximately $0.1 million at December 31, 2008. The insured securities are primarily investment grade without the benefit of the insurance provided by the financial guarantor and therefore the Company does not expect to incur significant realized losses as a result of the financial difficulties encountered in 2008 by several of the financial guarantors. In addition to the insured securities, the Company held investment-grade securities issued by five of the financial guarantors totaling $13.4 million in amortized cost at December 31, 2008.

The Company does not invest in the common equity securities of Fannie Mae and Freddie Mac, both government sponsored entities; however, as of December 31, 2008, the Company holds in its general portfolio of $6.8 million amortized cost in direct exposure in the form of senior unsecured and preferred securities. Additionally, as of December 31, 2008, the portfolios held by the Company s ceding companies that support its funds withheld asset contain approximately $359.6 million in amortized cost of direct unsecured holdings and no equity exposure. As of December 31, 2008, indirect exposure in the form of secured, structured mortgaged securities issued by Fannie Mae and Freddie Mac totals approximately $1.1 billion in amortized cost across the Company s general and funds withheld portfolios. Including the funds withheld portfolios, the Company s direct holdings in the form of preferred securities total a book value of $0.7 million at December 31, 2008. As a result of the U.S. government intervention and cessation of dividend payments, the Company recorded an other-than-temporary impairment of its preferred holdings of Fannie Mae and Freddie Mac totaling $12.2 million in 2008.

The Company monitors its fixed maturity securities and equity securities to determine impairments in value and evaluates factors such as financial condition of the issuer, payment performance, the length of time and the extent to which the market value has been below amortized cost, compliance with covenants, general market conditions and industry sector, current intent and ability to hold securities and various other subjective factors. Based on management s judgment, securities determined to have an other-than-temporary impairment in value are written down to fair value. See Investments Fixed Maturity Securities in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements for additional information. The Company recorded $130.5 million, $8.5 million and $2.3 million in other-than-temporary write-downs on fixed maturity securities and equity securities in 2008, 2007 and 2006, respectively. The 2008 write-downs are due primarily to the recent turmoil in the U.S. and global financial markets which has resulted in bankruptcies, consolidations and government interventions.

At December 31, 2008 and 2007 the Company owned non-income producing securities with amortized costs of $25.7 million and $13.3 million, and estimated fair values of $20.4 million and $14.7 million, respectively. During 2008 and 2007, the Company sold fixed maturity securities and equity securities with fair values of $536.7 million and $1,085.2 million at losses of $22.5 million and $39.1 million, respectively, or at 96.0% and 96.5% of book value, respectively. Generally, such losses are insignificant in relation to the cost basis of the investment and are largely due to changes in interest rates from the time the security was purchased. The securities are classified as available-for-sale in order to meet the Company s operational and other cash flow requirements. The Company does not engage in short-term buying and selling of securities to generate gains or losses.

At December 31, 2008 and 2007, the Company had $1,416.4 million and $198.2 million, respectively, of gross unrealized losses related to its fixed maturity and equity securities. These securities are concentrated, calculated as a percentage of gross unrealized losses, as follows:

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	December 31, 2008	2007
Sector:		
U.S. corporate securities	46%	59%
Canadian and Canada provincial governments	1	1
Residential mortgage-backed securities	7	6
Foreign corporate securities	12	13
Asset-backed securities	10	16
Commercial mortgage-backed securities	23	3
State and political subdivisions	1	
Other foreign government securities		2
Total	100%	100%
Industry:		
Finance	33%	49%
Asset-backed	10	16
Industrial	19	12
Mortgage-backed	31	9
Government	1	3
Utility	6	4
Other		7
Total	100%	100%

The following table presents the total gross unrealized losses for 1,716 and 1,105 fixed maturity securities and equity securities at December 31, 2008 and 2007, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (dollars in thousands):

	December 31, 2008			December 31, 2007		
	Number of Securities	Gross Unrealized Losses	% of Total	Number of Securities	Gross Unrealized Losses	% of Total
Less than 20%	980	$ 324,390	22.9%	1,039	$159,563	80.5%
20% or more for less than six months	561	796,747	56.3	59	35,671	18.0
20% or more for six months or greater	175	295,302	20.8	7	2,981	1.5
Total	1,716	$1,416,439	100.0%	1,105	$198,215	100.0%

The investment securities in an unrealized loss position as of December 31, 2008 consisted of 1,716 securities accounting for unrealized losses of $1,416.4 million. Of these unrealized losses 92.7% were investment grade and 22.9% were less than 20% below cost. The amount of the unrealized loss on these securities was primarily attributable to increases in interest rates, including a widening of credit default spreads.

While all of these securities are monitored for potential impairment, the Company s experience indicates that the first two categories do not present as great a risk of impairment, and often, fair values recover over time. These securities have generally been adversely affected by overall economic conditions, primarily a significant widening of credit default spreads. Securities with an unrealized loss position of 20% or more of amortized cost for greater than six months increased to $295.3 million at December 31, 2008. These securities were included in the regular evaluation of whether such securities are other-than-temporarily impaired. Based upon the Company s current evaluation of these securities in accordance with its impairment policy, the cause of the decline being primarily attributable to a rise in market yields caused principally by an extensive widening of credit spreads which resulted from a lack of market liquidity and a short-term market dislocation versus a long-term deterioration in credit quality, and the Company s current intent and ability to hold the securities with unrealized losses for a period of time sufficient for them to recover, the Company has concluded that these securities are not other-than-temporarily impaired.

The following tables present the estimated fair values and gross unrealized losses for the 1,716 and 1,105 fixed maturity securities and equity securities that have estimated fair values below amortized cost at December 31, 2008 and 2007, respectively. These investments are presented by class and grade of security, as well as the length of time the estimated fair value has remained below amortized cost.

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	December 31, 2008					
	Less than 12 months		Equal to or greater than 12 months		Total	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$1,407,547	$240,299	$ 810,115	$281,947	$2,217,662	$ 522,246
Canadian and Canadian provincial governments	114,754	2,751	89,956	4,420	204,710	7,171
Residential mortgage-backed securities	190,525	58,026	213,310	39,794	403,835	97,820
Foreign corporate securities	508,102	82,490	140,073	59,816	648,175	142,306
Asset-backed securities	118,608	40,139	173,505	99,147	292,113	139,286
Commercial mortgage-backed securities	523,475	200,567	188,638	126,163	712,113	326,730
State and political subdivisions	20,403	1,947	18,250	5,936	38,653	7,883
Other foreign government securities	16,419	33	4,125	117	20,544	150
Investment grade securities	2,899,833	626,252	1,637,972	617,340	4,537,805	1,243,592
Non-investment grade securities:						
U.S. corporate securities	140,426	36,615	60,378	39,884	200,804	76,499
Asset-backed securities	3,465	2,060	11,156	5,951	14,621	8,011
Foreign corporate securities	24,637	7,227	2,032	3,387	26,669	10,614
Residential mortgage-backed securities	8,089	5,944	4,496	3,012	12,585	8,956
Non-investment grade securities	176,617	51,846	78,062	52,234	254,679	104,080

Total fixed maturity securities	$3,076,450	$678,098	$1,716,034	$669,574	$4,792,484	$1,347,672
Equity securities	$ 61,180	$ 26,923	$ 61,249	$ 41,844	$ 122,429	$ 68,767
Total number of securities in an unrealized loss position	1,039		677		1,716	

	December 31, 2007					
	Less than 12 months		**Equal to or greater than 12 months**		**Total**	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$1,185,664	$63,368	$487,626	$25,541	$1,673,290	$88,909
Canadian and Canadian provincial governments	78,045	1,077	4,313	86	82,358	1,163
Residential mortgage-backed securities	299,655	5,473	348,632	6,743	648,287	12,216
Foreign corporate securities	293,783	17,880	155,445	5,995	449,228	23,875
Asset-backed securities	341,337	24,958	72,445	5,722	413,782	30,680
Commercial mortgage-backed securities	110,097	4,499	46,647	588	156,744	5,087

	December 31, 2007					
	Less than 12 months		Equal to or greater than 12 months		Total	
Continued (dollars in thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government and agencies	700	1			700	1
State and political subdivisions	27,265	605	14,518	339	41,783	944
Other foreign government securities	127,397	1,635	75,354	2,878	202,751	4,513
Investment grade securities	2,463,943	119,496	1,204,980	47,892	3,668,923	167,388
Non-investment grade securities:						
U.S. corporate securities	106,842	6,044	30,105	1,727	136,947	7,771
Asset-backed securities	1,996	776			1,996	776
Foreign corporate securities	9,692	1,930	3,524	165	13,216	2,095
Non-investment grade securities	118,530	8,750	33,629	1,892	152,159	10,642
Total fixed maturity securities	$2,582,473	$128,246	$1,238,609	$49,784	$3,821,082	$178,030
Equity securities	$ 83,166	$ 16,764	$ 19,073	$ 3,421	$ 102,239	$ 20,185
Total number of securities in an unrealized loss position	691		414		1,105	

As of December 31, 2008, the Company has the ability and intent to hold these investment securities for the potential recovery of the fair value up to the current cost of the investment, which may be maturity. However, from time to time, the Company may sell securities in the ordinary course of managing its portfolio to meet diversification, credit quality, yield enhancement, asset-liability management and liquidity requirements.

Mortgage Loans on Real Estate

Mortgage loans represented approximately 4.7% and 4.9% of the Company s cash and invested assets as of December 31, 2008 and 2007, respectively. As of December 31, 2008, all mortgages were U.S. based with approximately 87.5% invested in mortgages on commercial offices, industrial properties and retail locations. The Company s mortgage loans generally range in size up to $15.0 million, with the average mortgage loan investment as of December 31, 2008 totaling approximately $4.4 million. The mortgage loan portfolio was diversified by geographic region and property type as discussed further in Note 4 Investments in the Notes to Consolidated Financial Statements.

Valuation allowances on mortgage loans are established based upon losses expected by management to be realized in connection with future dispositions or settlement of mortgage loans, including foreclosures. The valuation allowances are established after management considers, among other things, the value of underlying collateral and payment capabilities of debtors. Any subsequent adjustments to the valuation allowances will be treated as investment gains or losses. RGA has established a valuation allowance of $0.5 million as of December 31, 2008. No valuation allowance was considered necessary as of December 31, 2007.

Policy Loans

Policy loans comprised approximately 6.7% and 6.3% of the Company s cash and invested assets as of December 31, 2008 and 2007, respectively, substantially all of which are associated with one client. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds Withheld at Interest

The majority of the Company s funds withheld at interest balances are associated with its reinsurance of annuity contracts. The funds withheld receivable balance totaled $4.5 billion and $4.7 billion at December 31, 2008 and 2007, respectively, of which $3.1 billion and $3.3 billion, respectively, were subject to the provisions of Issue B36. Under Issue B36, the Company s funds withheld receivable under certain reinsurance arrangements incorporate credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor and include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the consolidated balance sheets and changes in fair value reported in income. See Embedded Derivatives in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements for further discussion.

Funds withheld at interest comprised approximately 27.4% and 28.3% of the Company s cash and invested assets as of December 31, 2008 and 2007, respectively. Of the $4.5 billion funds withheld at interest balance as of December 31, 2008, $3.1 billion of the balance is associated with one client. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company, and are reflected as funds withheld at interest on the Company s consolidated balance sheets. In the event of a ceding company s insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed by the ceding company. Interest accrues to these assets at rates defined by the treaty terms and the Company estimated the yields were approximately 3.54%, 6.42% and 7.08% for the years ended December 31, 2008, 2007 and 2006, respectively. The Company is subject to the investment performance on the withheld assets, although it does not directly control them. These assets are primarily fixed maturity investment securities and pose risks similar to the fixed maturity securities the Company owns. To mitigate this risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance. Ceding companies with funds withheld at interest had an average rating of A+ at December 31, 2008 and 2007. Certain ceding companies maintain segregated portfolios for the benefit of the Company.

Based on data provided by ceding companies at December 31, 2008 and 2007, funds withheld at interest were approximately (dollars in thousands):

	December 31, 2008		
Underlying Security Type:	Book Value	Estimated Fair Value	% of Total Estimated Fair Value
Segregated portfolios:			
Investment grade U.S. corporate securities	$1,737,178	$1,442,007	44.8%
Below investment grade U.S. corporate securities	73,245	59,336	1.8
Structured securities	1,141,435	892,895	27.7
Foreign corporate securities	15,531	14,819	0.5
U.S. government and agency debentures	740,782	784,421	24.3
Derivatives(1)	22,906	(971)	
Other	29,743	29,743	0.9
Total segregated portfolios	3,760,820	3,222,250	100.0%
Non-segregated portfolios	1,272,466	1,272,466	
Embedded derivatives(2)	(512,888)		
Total funds withheld at interest	$4,520,398	$4,494,716	

		December 31, 2007	
Underlying Security Type:	Book Value	Estimated Fair Value	% of Total Estimated Fair Value
Segregated portfolios:			
Investment grade U.S. corporate securities	$1,522,491	$1,487,611	43.3%
Below investment grade U.S. corporate securities	116,155	113,822	3.3
Structured securities	1,022,788	984,464	28.6
Foreign corporate securities	40,095	40,420	1.2
U.S. government and agency debentures	742,123	774,804	22.6
Derivatives(1)	58,241	34,772	1.0
Other	1,664	1,664	
Total segregated portfolios	3,503,557	3,437,557	100.0%
Non-segregated portfolios	1,331,029	1,331,029	
Embedded derivatives(2)	(85,090)		
Total funds withheld at interest	$4,749,496	$4,768,586	

(1) Derivatives primarily consist of S&P 500 options which are used to hedge liabilities and interest credited for equity-indexed annuity contracts reinsured by the Company.

(2) Represents the fair value of embedded derivatives related to reinsurance written on a modified coinsurance or funds withheld basis and subject to the provisions of Issue B36 for the segregated portfolios. When the segregated portfolios are

presented on a fair value basis in the Estimated Fair Value column, the calculation of a separate embedded derivative for Issue B36 is not applicable.

Based on data provided by the ceding companies at December 31, 2008, the maturity distribution of the segregated portfolio portion of funds withheld at interest was approximately (dollars in thousands):

	December 31, 2008		
Maturity:	Book Value	Estimated Fair Value	% of Total Estimated Fair Value
Within one year	$ 72,666	$ 59,074	1.6%
More than one, less than five years	406,195	357,829	9.6
More than five, less than ten years	898,140	757,711	20.3
Ten years or more	2,900,697	2,564,514	68.5
Subtotal	4,277,698	3,739,128	100.0%
Less: Reverse repurchase agreements	(516,878)	(516,878)	
Total all years	$3,760,820	$3,222,250	

Securities Lending and Other

During the year, the Company participated in a securities lending program whereby blocks of securities, which were included in investments, were loaned to third parties, primarily major brokerage firms. The Company required a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. The Company terminated the program and all loaned securities were returned prior to December 31, 2008. There were no securities loaned to third parties as of December 31, 2007. 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 transactions are primarily used as yield enhancement alternatives to other cash equivalent investments. There were no agreements outstanding at December 31, 2008 and 2007. Both securities lending and securities purchase arrangements under agreements to resell are accounted for as investing activities on the Company s consolidated balance sheets and consolidated statements of cash flow, and the income associated with the program is reported in net investment income since such transactions are entered into for income generation purposes, not funding purposes.

Other Invested Assets

Other invested assets represented approximately 3.8% and 1.7% of the Company s cash and invested assets as of December 31, 2008 and 2007, respectively. Other invested assets include derivative contracts, equity securities, non-redeemable preferred stocks, structured loans and limited partnership interests.