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REINSURANCE GROUP OF AMERICA INC  
Form 10-Q  
November 06, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

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  
(STATE OR OTHER JURISDICTION  
OF INCORPORATION OR ORGANIZATION)

43-1627032  
(IRS EMPLOYER  
IDENTIFICATION NUMBER)

1370 TIMBERLAKE MANOR PARKWAY  
CHESTERFIELD, MISSOURI 63017  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(636) 736-7000  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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 X NO  
--- ---

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, OR A NON-ACCELERATED FILER.

LARGE ACCELERATED FILER X ACCELERATED FILER NON-ACCELERATED FILER  
--- --- ---

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT). YES NO X  
--- ---

COMMON STOCK OUTSTANDING (\$.01 PAR VALUE) AS OF OCTOBER 31, 2006: 61,374,951

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SHARES.

REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

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	2006	2005
	-----	-----
	(Dollars in thousands)	
<b>ASSETS</b>		
Fixed maturity securities:		
Available-for-sale at fair value (amortized cost of \$7,740,919 and \$6,331,225 at September 30, 2006 and December 31, 2005, respectively)	\$ 8,290,196	\$ 6,874,243
Mortgage loans on real estate	669,929	648,067
Policy loans	964,284	987,442
Funds withheld at interest	3,912,715	3,459,943
Short-term investments	49,332	126,296
Other invested assets	220,259	235,464
	-----	-----
Total investments	14,106,715	12,331,455
Cash and cash equivalents	244,584	128,692
Accrued investment income	102,810	62,498
Premiums receivable and other reinsurance balances	632,164	573,145
Reinsurance ceded receivables	551,833	541,944
Deferred policy acquisition costs	2,720,872	2,465,630
Other assets	119,269	90,502
	-----	-----
Total assets	\$18,478,247	\$16,193,866
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Future policy benefits	\$ 5,172,689	\$ 4,693,454
Interest sensitive contract liabilities	5,954,196	5,503,528
Other policy claims and benefits	1,685,678	1,529,298
Other reinsurance balances	130,948	212,422
Deferred income taxes	763,236	652,024
Other liabilities	284,778	117,101
Short-term debt	28,085	125,610
Long-term debt	674,666	674,392
Collateral finance facility	850,265	--
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	158,663	158,553
	-----	-----
Total liabilities	15,703,204	13,666,382
Commitments and contingent liabilities (See Note 5)		
<b>Stockholders' Equity:</b>		
Preferred stock (par value \$.01 per share; 10,000,000 shares authorized; no shares issued or outstanding)	--	--
Common stock (par value \$.01 per share; 140,000,000 shares authorized; 63,128,273 shares issued at September 30, 2006 and December 31, 2005)	631	631
Warrants	66,915	66,915
Additional paid-in-capital	1,065,306	1,053,814
Retained earnings	1,238,434	1,048,215
Accumulated other comprehensive income:		
Accumulated currency translation adjustment, net of income taxes	116,344	85,127
Unrealized appreciation of securities, net of income taxes	363,996	361,815
	-----	-----
Total stockholders' equity before treasury stock	2,851,626	2,616,517
Less treasury shares held of 1,761,365 and 2,052,316 at cost at September 30, 2006 and December 31, 2005, respectively	(76,583)	(89,033)

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Total stockholders' equity	2,775,043	2,527,484
Total liabilities and stockholders' equity	\$18,478,247	\$16,193,866

See accompanying notes to condensed consolidated financial statements  
(unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,
	2006	2005	2006
	(Dollars in thousands, except per share)		
<b>REVENUES:</b>			
Net premiums	\$1,076,191	\$ 973,532	\$3,145,236
Investment income, net of related expenses	183,357	166,456	538,903
Investment related gains (losses), net	(125)	2,659	(4,807)
Change in value of embedded derivatives	4,272	3,536	(2,251)
Other revenues	18,788	12,234	47,035
Total revenues	1,282,483	1,158,417	3,724,116
<b>BENEFITS AND EXPENSES:</b>			
Claims and other policy benefits	846,908	774,336	2,532,952
Interest credited	43,582	59,919	149,843
Policy acquisition costs and other insurance expenses	188,731	158,698	513,235
Change in deferred acquisition costs associated with change in value of embedded derivatives	2,886	3,858	(2,339)
Other operating expenses	54,568	37,992	146,925
Interest expense	15,103	10,052	46,884
Collateral finance facility expense	13,136	--	13,413
Total benefits and expenses	1,164,914	1,044,855	3,400,913
Income from continuing operations before income taxes	117,569	113,562	323,203
Provision for income taxes	41,995	40,043	113,260
Income from continuing operations	75,574	73,519	209,943
<b>Discontinued operations:</b>			
Loss from discontinued accident and health operations, net of income taxes	(1,539)	(5,890)	(3,207)
Net income	\$ 74,035	\$ 67,629	\$ 206,736
<b>BASIC EARNINGS PER SHARE:</b>			
Income from continuing operations	\$ 1.23	\$ 1.17	\$ 3.43
Discontinued operations	(0.02)	(0.09)	(0.05)

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Net income	\$ 1.21	\$ 1.08	\$ 3.38
DILUTED EARNINGS PER SHARE:			
Income from continuing operations	\$ 1.20	\$ 1.15	\$ 3.34
Discontinued operations	(0.03)	(0.09)	(0.05)
Net income	\$ 1.17	\$ 1.06	\$ 3.29
DIVIDENDS DECLARED PER SHARE			
	\$ 0.09	\$ 0.09	\$ 0.27

See accompanying notes to condensed consolidated financial statements  
(unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Nine months ended September 30,	
	2006	2005
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 206,736	\$ 156,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in:		
Accrued investment income	(40,120)	(38,877)
Premiums receivable and other reinsurance balances	(37,955)	(14,781)
Deferred policy acquisition costs	(197,550)	(259,071)
Reinsurance ceded balances	(9,889)	(76,341)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	455,242	538,511
Deferred income taxes	97,806	23,121
Other assets and other liabilities, net	48,957	(13,861)
Amortization of net investment discounts and other	(40,525)	(29,561)
Investment related losses (gains), net	4,807	(19,591)
Other, net	2,991	5,631
Net cash provided by operating activities	490,500	271,171
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of fixed maturity securities - available for sale	1,216,753	1,176,181
Maturities of fixed maturity securities - available for sale	78,042	41,341
Purchases of fixed maturity securities - available for sale	(2,604,214)	(1,483,951)
Cash invested in mortgage loans on real estate	(73,567)	(47,281)
Cash invested in policy loans	(8,581)	(8,291)
Cash invested in funds withheld at interest	(43,871)	(65,211)
Principal payments on mortgage loans on real estate	51,543	22,091
Principal payments on policy loans	31,739	31,581

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Change in short-term investments and other invested assets	96,421	(29,08)
	-----	-----
Net cash used in investing activities	(1,255,735)	(362,62)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends to stockholders	(16,517)	(16,89)
Principal payments on debt	(100,000)	-
Exercise of stock options, net	7,582	4,97
Net proceeds from collateral finance facility	837,500	-
Net increase in securitized lending activities	88,618	89,71
Excess deposits on universal life and other investment type policies and contracts	64,755	6,08
	-----	-----
Net cash provided by financing activities	881,938	83,87
Effect of exchange rate changes	(811)	(2,45)
	-----	-----
Change in cash and cash equivalents	115,892	(10,02)
Cash and cash equivalents, beginning of period	128,692	152,09
	-----	-----
Cash and cash equivalents, end of period	\$ 244,584	\$ 142,07
	=====	=====
 Supplementary information:		
Cash paid for interest	\$ 51,805	\$ 30,29
Cash paid (received) for income taxes, net of refunds	\$ (12,980)	\$ 78,36

See accompanying notes to condensed consolidated financial statements  
(unaudited).

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### REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Reinsurance Group of America, Incorporated ("RGA") and its subsidiaries (collectively, the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2005 Annual Report on Form 10-K ("2005 Annual Report") filed with the Securities and Exchange Commission on February 27, 2006.

The accompanying unaudited condensed consolidated financial statements include the accounts of Reinsurance Group of America, Incorporated and its subsidiaries. All material intercompany accounts and transactions have been eliminated. The Company has reclassified the presentation of certain prior-period information, including all segment information, to conform to the 2006 presentation.

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### 2. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share on income from continuing operations (in thousands, except per share information):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Earnings:				
Income from continuing operations (numerator for basic and diluted calculations)	\$75,574	\$73,519	\$209,943	\$165,943
Shares:				
Weighted average outstanding shares (denominator for basic calculation)	61,290	62,640	61,205	62,607
Equivalent shares from outstanding stock options and warrants	1,815	1,013	1,606	1,149
Denominator for diluted calculation	63,105	63,653	62,811	63,756
Earnings per share:				
Basic	\$ 1.23	\$ 1.17	\$ 3.43	\$ 2.65
Diluted	\$ 1.20	\$ 1.15	\$ 3.34	\$ 2.60
	=====	=====	=====	=====

The calculation of common equivalent shares does not include the impact of options or warrants having a strike or conversion price that exceeds the average stock price for the earnings period, as the result would be antidilutive. The calculation of common equivalent shares also excludes the impact of outstanding performance contingent shares, as the conditions necessary for their issuance have not been satisfied as of the end of the reporting period. For the three and nine month periods ended September 30, 2006, 0.4 million performance contingent shares were excluded from the calculation. For the three and nine months ended September 30, 2005, approximately 0.3 million stock options and 0.3 million performance contingent shares were excluded from the calculation.

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### 3. COMPREHENSIVE INCOME

The following schedule reflects the change in accumulated other comprehensive income (dollars in thousands):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
Net income	\$ 74,035	\$ 67,629	\$206,736	\$ 188,800
Accumulated other comprehensive income (expense), net of income tax:				

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Unrealized gains (losses), net of reclassification adjustment for gains (losses) included in net income	233,060	(43,834)	2,181
Foreign currency translation	(1,502)	25,541	31,217
	-----	-----	-----
Comprehensive income	\$305,593	\$ 49,336	\$240,134
	=====	=====	=====

#### 4. SEGMENT INFORMATION

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in Note 2 of the consolidated financial statements accompanying the 2005 Annual Report. The Company measures segment performance primarily based on profit or loss from operations before income taxes. There are no intersegment reinsurance transactions and the Company does not have any material long-lived assets other than internally developed software. Investment income is allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

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

Information related to total revenues, income (loss) from continuing operations before income taxes, and total assets of the Company for each reportable segment are summarized below (dollars in thousands).

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	----- SEPTEMBER 30, 2006 -----	SEPTEMBER 30, 2005 -----	SEPTEMBER 30, 2006 -----	SEPTEMBER 30, 2005 -----
TOTAL REVENUES				
U.S	\$ 791,050	\$ 752,365	\$2,338,989	\$2,142,356
Canada	131,861	112,161	377,599	310,035
Europe & South Africa	150,094	140,401	448,349	419,765
Asia Pacific	186,783	141,465	511,580	416,702
Corporate & Other	22,695	12,025	47,599	57,107
	-----	-----	-----	-----
Total	\$1,282,483	\$1,158,417	\$3,724,116	\$3,345,965
	=====	=====	=====	=====



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	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
INCOME (LOSS) FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES				
U.S.	\$ 84,802	\$ 85,791	\$236,073	\$181,000
Canada	13,462	11,690	32,967	38,000
Europe & South Africa	8,813	15,727	40,879	23,000
Asia Pacific	20,378	1,416	34,717	15,000
Corporate & Other	(9,886)	(1,062)	(21,433)	(12,000)
Total	\$117,569	\$113,562	\$323,203	\$246,000

	TOTAL ASSETS	
	SEPTEMBER 30, 2006	DECEMBER 31, 2005
U.S.	\$11,836,388	\$11,049,424
Canada	2,127,758	1,954,612
Europe & South Africa	1,134,008	956,453
Asia Pacific	922,276	873,230
Corporate and Other	2,457,817	1,360,147
Total	\$18,478,247	\$16,193,866

5. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has commitments to fund investments in limited partnerships in the amount of \$37.5 million at September 30, 2006. 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 less any other-than-temporary impairment and are included in other invested assets in the condensed consolidated balance sheets.

Subsequent to September 30, 2006 the Company settled a pending arbitration and a suit filed against one of its ceding companies in which it was joined. These settlements were for amounts which were substantially reserved by the Company. The Company is currently a party to three arbitrations that involve its discontinued accident and health business, including personal accident business (which includes London market excess of loss business) and workers' compensation carve-out business. The Company is also party to a threatened arbitration related to its life reinsurance business. As of October 31, 2006, the parties involved in these actions have raised claims, or established reserves that may result in claims, in the amount of \$27.7 million, which is \$23.8 million in excess of the amounts held in reserve by the Company. The Company generally has

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little information regarding any reserves established by the ceding companies, and must rely on management estimates to establish policy claim liabilities. It is possible that any such reserves could be increased in the future. The Company believes it has substantial defenses upon which to contest these claims, including but not limited to misrepresentation and breach of contract by direct and indirect ceding companies. See Note 20, "Discontinued Operations" in the Company's consolidated financial statements accompanying the 2005 Annual Report for more information. Additionally, from time to time, the Company is subject to litigation related to employment-related matters in the normal course of its business. The Company cannot predict or determine the ultimate outcome of the pending litigation or arbitrations or provide useful ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's condensed consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

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

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under the reinsurance agreements and allow ceding companies to take statutory reserve credits. At September 30, 2006 and December 31, 2005, there were approximately \$14.6 million and \$17.4 million, respectively, of outstanding bank letters of credit in favor of third parties. Additionally, the Company utilizes letters of credit to secure reserve credits when it retrocedes business to its offshore subsidiaries, including RGA Americas Reinsurance Company, Ltd., RGA Reinsurance Company (Barbados) Ltd. and RGA Worldwide Reinsurance Company, Ltd. 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 United Kingdom. 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 September 30, 2006 and December 31, 2005, \$438.0 million and \$439.8 million, respectively, in letters of credit from various banks were outstanding between the various subsidiaries of the Company. 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.

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 \$275.0 million and \$256.2 million as of September 30, 2006 and December 31, 2005, respectively, and are reflected on the Company's condensed consolidated balance sheets in future policy benefits. Potential guaranteed amounts of future payments will vary depending on

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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 September 30, 2006, RGA's exposure related to these guarantees was \$184.8 million.

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.

### 6. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit costs were as follows (dollars in thousands):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
NET PERIODIC PENSION BENEFIT COST:				
Service cost	\$ 518	\$ 513	\$ 1,555	\$1,536
Interest cost	425	397	1,273	1,191
Expected return on plan assets	(379)	(289)	(1,137)	(867)
Amortization of prior service cost	7	7	22	22
Amortization of prior actuarial loss	91	88	275	265
	-----	-----	-----	-----
Net periodic pension benefit cost	\$ 662	\$ 716	\$ 1,988	\$2,147
	=====	=====	=====	=====
NET PERIODIC OTHER BENEFITS COST:				
Service cost	\$ 156	\$ 208	\$ 515	\$ 413
Interest cost	163	185	474	383
Expected return on plan assets	--	--	--	--
Amortization of prior service cost	--	--	--	--
Amortization of prior actuarial loss	77	118	209	153
	-----	-----	-----	-----
Net periodic other benefits cost	\$ 396	\$ 511	\$ 1,198	\$ 949
	=====	=====	=====	=====

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The Company made \$3.8 million in pension contributions during the second quarter of 2006 and expects this to be the only contribution for the year.

### 7. COLLATERAL FINANCE FACILITY

On June 28, 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 Company. Proceeds from the notes, along with a \$112.7 million direct investment by the Company, have

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been deposited into a series of trust accounts that collateralize the notes and are not available to satisfy the general obligations of the Company. Interest on the notes will accrue at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly. The payment of interest and principal on the notes is insured through a financial guaranty insurance policy with a third party. The notes represent senior, secured indebtedness of Timberlake Financial with no recourse to RGA or its other subsidiaries. Timberlake Financial will rely primarily upon the receipt of interest and principal payments on a surplus note and dividend payments from its wholly-owned subsidiary, Timberlake Reinsurance Company II ("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 Company, to Timberlake Re.

In accordance with Financial Accounting Standards Board ("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 condensed financial statements. The Company's condensed 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 condensed 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.

### 8. EQUITY BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 123(r), "Share-Based Payment" ("SFAS 123(r)"). SFAS 123(r) requires that the cost of all share-based transactions be recorded in the financial statements. The Company has been recording compensation cost for all equity-based grants or awards after January 1, 2003 consistent with the requirement of SFAS No. 123, as amended by SFAS 148. Equity compensation expense was \$4.5 million and \$1.7 million in the third quarter of 2006 and 2005, respectively, and \$15.2 million and \$5.2 million in the first nine months of 2006 and 2005, respectively. The adoption of SFAS 123(r) increased compensation expense recorded in the first quarter of 2006 by approximately \$1.7 million, primarily related to unvested options from the 2002 grants, which were previously reported under Accounting Principles Board Opinion No. 25, and the acceleration of compensation expense for certain retirement eligible employees. Compensation cost associated with grants issued to retirement eligible employees prior to January 1, 2006 continues to be recognized over the nominal vesting period. In the first quarter of 2006, the company granted 336,725 incentive stock options at \$47.47 weighted average per share and 144,097 performance contingent units ("PCUs") to employees. Additionally, non-employee directors were awarded a total of 4,800 shares of common stock. The remainder of the increase in compensation expense related to an increase in estimated shares required to settle PCUs granted in 2004 and the incremental expense from stock options and PCUs granted during the first quarter of 2006. As of September 30, 2006, the total compensation cost of non-vested awards not yet recognized in the financial statements was \$19.3 million with various recognition periods over the next five years. The effect of applying the provisions of SFAS 123(r) on a pro forma basis to the comparable 2005 period did not have material effect on net income or earnings per share.

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### 9. NEW ACCOUNTING STANDARDS

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in current year financial statements for purposes of assessing materiality. SAB 108 requires that a registrant assess the materiality of a current period misstatement by determining how the current period's balance sheet would be affected in correcting a misstatement without considering the year(s) in which the misstatement originated and how the current period's income statement is misstated, including the reversing effect of prior year misstatements. SAB 108 is effective for fiscal years ending after November 15, 2006. The cumulative effect of applying SAB 108 may be recorded by adjusting current year beginning balances of the affected assets and liabilities with a corresponding adjustment to the current year opening balance in retained earnings if certain criteria are met. The Company is currently evaluating the impact of SAB 108 and does not expect that the pronouncement will have a material impact on the Company's condensed consolidated financial statements.

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(r)" ("SFAS 158"). The pronouncement revises financial reporting standards for defined benefit pension and other postretirement plans by requiring the (i) recognition in its statement of financial position of the funded status of defined benefit plans measured as the difference between the fair value of plan assets and the benefit obligation, which shall be the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans; (ii) recognition as an adjustment to the ending balance of accumulated other comprehensive income (loss), net of income taxes, those amounts of actuarial gains and losses, prior service costs and credits, and transition obligations that have not yet been included in net periodic benefit costs as of the end of the year of adoption; (iii) measurement of benefit plan assets and obligations as of the date of the statement of financial position; and (iv) disclosure of additional information about the effects on the employer's statement of financial position. SFAS 158 is effective for fiscal years ending after December 15, 2006 with the exception of the requirement to measure plan assets and benefit obligations as of the date of the employer's statement of financial position, which is effective for fiscal years after December 15, 2008. The recognition provisions of SFAS 158 are to be applied as of the end of the year of adoption which, for the Company, will be based on balances as of December 31, 2006. The Company is currently evaluating the effect of SFAS 158 on the Company's condensed consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. The pronouncement is effective for fiscal years beginning after November 15, 2006. The guidance in SFAS 157 will be applied prospectively with the exception of: (i) block discounts of financial instruments; (ii) certain financial and hybrid instruments measured at initial recognition under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"); which are to be applied retrospectively as of the beginning of initial adoption (a limited form of retrospective application). The Company is currently evaluating the impact of SFAS 157 and does not expect that the pronouncement will have a material impact on the Company's condensed consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting

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for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. FIN 48 will be applied prospectively and will be effective for fiscal years beginning after December 31, 2006. The Company is currently evaluating the effect, if any, of FIN 48 on the Company's condensed consolidated financial statements.

Effective January 1, 2006, the Company prospectively adopted SFAS No. 155, "Accounting for Certain Hybrid Instruments" ("SFAS 155"). SFAS 155 amends SFAS No. 133 and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole, eliminating the need to bifurcate the derivative from its host, if the holder elects to account for the whole instrument on a fair value basis. In addition, among other changes, SFAS 155 (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of

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SFAS 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (iv) eliminates the prohibition on a qualifying special-purpose entity ("QSPE") from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial interest. The adoption of SFAS 155 did not have a material impact on the Company's condensed consolidated financial statements.

In June 2005, the FASB cleared SFAS 133 Implementation Issue No. B38, "Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option" ("Issue B38") and SFAS 133 Implementation Issue No. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor" ("Issue B39"). Issue B38 clarified that the potential settlement of a debtor's obligation to a creditor occurring upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarified that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. Issues B38 and B39 were adopted by the Company during the first quarter of 2006 and did not have a material effect on the Company's condensed consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). The statement requires retrospective application to prior periods' financial statements for corrections of errors or a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 was adopted by the Company during the first quarter of 2006 and will apply the provisions of SFAS 154 when applicable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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 surrenders of underlying policies, deaths of policyholders, and the exercise of recapture options by ceding companies.

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 believes that industry trends have not changed materially from those discussed in its 2005 Annual Report.

The Company's profitability primarily depends on the volume and amount of death claims incurred and its ability to adequately price the risks it assumes. While death claims are reasonably predictable over a period of many years, claims become less predictable over shorter periods and are subject to significant fluctuation from quarter to quarter and year to year. The maximum amount of coverage the Company retains per life is \$6 million. 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 Company believes its sources of liquidity are sufficient to cover potential claims payments on both a short-term and long-term basis.

The Company measures performance based on income or loss from continuing operations before income taxes for each of its five segments. The Company's U.S., Canada, Asia Pacific and Europe & South Africa operations provide traditional life reinsurance to clients. The Company's U.S. operations also provide asset-intensive and financial reinsurance products. The Company also provides insurers with critical illness reinsurance in its Canada, Asia Pacific and Europe & South Africa operations. Asia Pacific operations also provide financial reinsurance. The Corporate and Other segment results include the corporate investment activity, general corporate expenses, interest expense of RGA, operations of RGA Technology Partners, Inc., a wholly-owned subsidiary that develops and markets technology solutions, Argentine business in run-off and the provision for income taxes. The Company's discontinued accident and health operations are not reflected in its results from continuing operations.

Effective January 1, 2006 the Company changed its method of allocating capital to its segments from a method based upon regulatory capital requirements to one based on underlying economic capital levels. The economic capital model is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model considers the unique and specific nature of the risks inherent in RGA's businesses. This is in contrast to the standardized regulatory risk based capital formula, which is not as refined in its risk calculations with respect to each of the Company's businesses. As a result of the economic capital allocation process, a portion of investment income and investment related gains (losses) is credited to the segments based on the level of allocated equity. In addition, the segments are charged for excess capital

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utilized above the allocated economic capital basis. This charge is included in policy acquisition costs and other insurance expenses. The prior period segment results have been adjusted to conform to the new allocation methodology.

### RESULTS OF OPERATIONS

Consolidated income from continuing operations before income taxes increased \$4.0 million, or 3.5%, and \$76.5 million, or 31.0%, for the third quarter and first nine months of 2006, respectively. The third quarter increase was primarily due to increased premiums and improved mortality experience in the Asia Pacific segment, partially offset by slightly adverse mortality experience in the Canada segment relative to prior year. The prior-year quarter also reflected favorable mortality in the U.S. segment. The nine month increase was primarily due to the favorable third quarter Asia Pacific segment results and improved mortality results in the U.S. and Europe & South Africa segments, which experienced high claim levels in the comparable prior-year period. The nine month increase was offset in part by adverse mortality experience in Canada, particularly during the first six months of 2006. Consolidated net premiums increased \$102.7 million, or 10.5%, and \$338.5 million, or 12.1%, for the third quarter and first nine months of 2006, respectively, due to growth in life reinsurance in force.

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Consolidated investment income, net of related expenses, increased \$16.9 million, or 10.2%, and \$69.1 million, or 14.7%, in the third quarter and first nine months of 2006, respectively, primarily due to a larger invested asset base. Invested assets as of September 30, 2006 totaled \$14.1 billion, a 21.5% increase over September 30, 2005. A significant portion of the increase in invested assets is related to the Company's investment of the net proceeds from its collateral finance facility in June 2006 and the issuance of Junior Subordinated Debentures in December 2005. While the Company's invested asset base has grown significantly since September 30, 2005, the average yield earned on investments, excluding funds withheld, decreased from 5.89% in the third quarter of 2005 to 5.79% for the third quarter of 2006. The average yield will vary from quarter to quarter and year to year depending on a number of variables, including the prevailing interest rate and credit spread environment and changes in the mix of the underlying investments. Investment income and a portion of investment related gains (losses) are allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

The effective tax rate on a consolidated basis was 35.7% for the third quarter and 35.0% for the first nine months of 2006, compared to 35.3% and 32.7% for the comparable prior-year periods. The lower rates in the prior year periods was due to the utilization of tax loss carryforwards, for which no prior financial statement tax benefit had been taken.

### CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are described in Note 2 in the 2005 Annual Report. The Company believes its most critical accounting policies include the capitalization and amortization of deferred acquisition costs ("DAC"); the establishment of liabilities for future policy benefits, other policy claims and benefits, including incurred but not reported claims; the valuation of investment impairments; and the establishment of arbitration or litigation reserves. The balances of these accounts are significant to the Company's financial position and require extensive use of assumptions and estimates, particularly related to the future performance of the underlying business.



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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 condensed consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to net premiums, on the condensed consolidated statements of income.

Costs of acquiring new business, which vary with and are primarily related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Deferred policy acquisition costs 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. 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.

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 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,

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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 vary significantly by ceding company and business segment, but averages around 3.0 months on a consolidated basis. 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.

The Company primarily invests in fixed maturity securities, and monitors these fixed maturity securities to determine potential impairments in value. With the Company's external investment managers, it 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.

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.

The Company is currently a party to various litigation and arbitrations. While it is difficult to predict or determine the ultimate outcome of the pending litigation or arbitrations or even to provide useful ranges of potential losses, it is the opinion of management, after consultation with counsel, that the outcomes of such litigation and arbitrations, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in a particular quarter or year. See Note 20, "Discontinued Operations" of the consolidated financial statements accompanying the 2005 Annual Report for more information.

Further discussion and analysis of the results for 2006 compared to 2005 are presented by segment. Certain prior-year period amounts have been reclassified to conform to the current-year presentation. Additionally, segment results for the prior-year period have been reclassified to conform to the economic capital process mentioned above. References to income before income taxes exclude the effects of discontinued operations.

### U.S. OPERATIONS

U.S. operations consist of two major sub-segments: Traditional and Non-Traditional. The Traditional sub-segment primarily specializes in

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mortality-risk reinsurance. The Non-Traditional sub-segment consists of Asset-Intensive and Financial Reinsurance.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 (IN THOUSANDS)

	NON-TRADITIONAL			
	TRADITIONAL	ASSET- INTENSIVE	FINANCIAL REINSURANCE	
<b>REVENUES:</b>				
Net premiums	\$646,529	\$ 1,559	\$ --	\$64
Investment income, net of related expenses	76,900	48,473	(7)	12
Investment related gains (losses), net	200	(1,998)	4	(
Change in value of embedded derivatives	--	4,272	--	1
Other revenues	271	7,263	7,584	1
	-----	-----	-----	-----
Total revenues	723,900	59,569	7,581	79
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	514,259	1,069	3	51
Interest credited	12,337	30,824	--	4
Policy acquisition costs and other insurance expenses	109,213	17,644	2,392	12
Change in deferred acquisition costs associated with change in value of embedded derivatives	--	2,886	--	1
Other operating expenses	12,334	1,869	1,418	1
	-----	-----	-----	-----
Total benefits and expenses	648,143	54,292	3,813	70
Income before income taxes	\$ 75,757	\$ 5,277	\$3,768	\$ 8
	=====	=====	=====	=====

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 (IN THOUSANDS)

	NON-TRADITIONAL			
	TRADITIONAL	ASSET- INTENSIVE	FINANCIAL REINSURANCE	
<b>REVENUES:</b>				
Net premiums	\$610,242	\$ 1,147	\$ --	\$61
Investment income, net of related expenses	69,011	59,776	157	12
Investment related gains (losses), net	(861)	405	(3)	(
Change in value of embedded derivatives	--	3,536	--	1
Other revenues	185	2,116	6,654	1
	-----	-----	-----	-----
Total revenues	678,577	66,980	6,808	75
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	484,493	860	3	48
Interest credited	13,553	45,828	--	5
Policy acquisition costs and other insurance expenses	90,696	12,559	2,105	10
Change in deferred acquisition costs associated with change in value of embedded derivatives	--	3,858	--	1

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Other operating expenses	10,159	1,173	1,287	1
	-----	-----	-----	-----
Total benefits and expenses	598,901	64,278	3,395	66
Income before income taxes	\$ 79,676	\$ 2,702	\$3,413	\$ 8
	=====	=====	=====	=====

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 (IN THOUSANDS)

		NON-TRADITIONAL		
	TRADITIONAL	ASSET- INTENSIVE	FINANCIAL REINSURANCE	OPER
	-----	-----	-----	-----
<b>REVENUES:</b>				
Net premiums	\$1,920,667	\$ 4,638	\$ --	\$1,9
Investment income, net of related expenses	222,599	167,794	(162)	3
Investment related gains (losses), net	(3,535)	(7,842)	4	(
Change in value of embedded derivatives	--	(2,251)	--	
Other revenues	227	14,460	22,390	
	-----	-----	-----	-----
Total revenues	2,139,958	176,799	22,232	2,3
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	1,568,045	927	4	1,5
Interest credited	35,620	112,291	--	1
Policy acquisition costs and other insurance expenses	292,614	48,578	7,052	3
Change in deferred acquisition costs associated with change in value of embedded derivatives	--	(2,339)	--	
Other operating expenses	31,192	5,058	3,874	
	-----	-----	-----	-----
Total benefits and expenses	1,927,471	164,515	10,930	2,1
Income before income taxes	\$ 212,487	\$ 12,284	\$11,302	\$ 2
	=====	=====	=====	=====

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (IN THOUSANDS)

		NON-TRADITIONAL		
	TRADITIONAL	ASSET- INTENSIVE	FINANCIAL REINSURANCE	OPER
	-----	-----	-----	-----
<b>REVENUES:</b>				
Net premiums	\$1,751,731	\$ 3,488	\$ --	\$1,7
Investment income, net of related expenses	198,508	157,471	319	3
Investment related gains (losses), net	(4,525)	2,039	(10)	
Change in value of embedded derivatives	--	6,180	--	
Other revenues	896	5,960	20,299	
	-----	-----	-----	-----

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Total revenues	1,946,610	175,138	20,608	2,1
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	1,464,774	4,109	5	1,4
Interest credited	41,863	109,809	--	1
Policy acquisition costs and other insurance expenses	252,151	38,683	6,179	2
Change in deferred acquisition costs associated with change in value of embedded derivatives	--	5,962	--	
Other operating expenses	29,456	3,747	4,069	
	-----	-----	-----	-----
Total benefits and expenses	1,788,244	162,310	10,253	1,9
Income before income taxes	\$ 158,366	\$ 12,828	\$10,355	\$ 1
	=====	=====	=====	=====

Income before income taxes for the U.S. operations segment totaled \$84.8 million and \$236.1 million for the third quarter and first nine months of 2006, respectively, compared to \$85.8 million and \$181.5 million for the same periods in the prior year. This increase in income for the first nine months can be primarily attributed to growth in total business in force and improved mortality experience in 2006.

### Traditional Reinsurance

The U.S. Traditional sub-segment provides life reinsurance to domestic clients for a variety of life products through yearly renewable term, coinsurance and modified coinsurance agreements. These reinsurance arrangements may be either facultative or automatic agreements. During the third quarter and first nine months of 2006, this sub-segment added \$43.1 billion and \$132.7 billion of new business, respectively, compared to \$56.7 billion and \$140.9 billion

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in the same periods in 2005. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for growth.

Income before income taxes for U.S. Traditional reinsurance decreased 4.9% from the third quarter of 2005, but increased 34.2% for the first nine months of the year. Improved mortality experience in 2006 was the primary contributor to the overall growth in net income for the first nine months of 2006. Stronger premiums and higher investment income also contributed to the total increase in net income for the year.

Net premiums for U.S. Traditional reinsurance totaled \$646.5 and \$1,920.7 for the third quarter and first nine months of 2006. Comparable prior-year amounts were \$610.2 and \$1,751.7, respectively. The 9.6% increase in year to date net premiums was driven primarily by the growth of total U.S. business in force, which totaled just over \$1.1 trillion as of September 30, 2006, an 7.7% increase over the amount in force as of September 30, 2005.

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. During the third quarter of 2006, investment income in the segment totaled \$76.9 million, an 11.4% increase over same prior-year period. Year to date 2006, investment income grew 12.1%

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over the first nine months of 2005. This increase can be primarily attributed to growth in the invested asset base.

Mortality experience for the third quarter of 2006 was in line with expectations, however, year over year, it improved significantly mainly due to the unfavorable experience in the second quarter of 2005. Claims and other policy benefits, as a percentage of net premiums (loss ratios), were 79.5% for the third quarter and 81.6% for the first nine months of 2006. The loss ratios for the comparative prior periods were 79.4% and 83.6%, respectively. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Interest credited relates to amounts credited on cash value products, which have a significant mortality component. The amount of interest credited fluctuates 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. Interest credited expense for the third quarter and first nine months of 2006 totaled \$12.3 million and \$35.6 million, respectively, compared to \$13.6 million and \$41.9 million for the same periods in 2005. The decrease is primarily the result of one treaty in which the credited loan rate decreased from 5.7% in 2005 to 4.6% in 2006.

Policy acquisition costs and other insurance expenses, as a percentage of net premiums, were 16.9% for the third quarter of 2006 and 15.2% for the first nine months of 2006. Comparable ratios for the third quarter and first nine months of 2005 were 14.9% and 14.4% respectively. Overall, while these ratios are expected to remain in a certain 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. Additionally, 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, as a percentage of net premiums, were 1.9% for the third quarter of 2006 and 1.6% year to date, compared to 1.7% reported for the quarter and year to date in 2005. The expense ratio can fluctuate slightly from period to period, however, the size and maturity of the U.S. operations segment indicates it should remain relatively constant over the long term.

### Asset-Intensive Reinsurance

The U.S. Asset-Intensive sub-segment 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.

In accordance with the provisions of Statement of Financial Accounting Standard ("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"), the Company recorded a change in

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value of embedded derivatives of \$4.3 million and \$(2.3) million within revenues for the third quarter and first nine months of 2006, respectively, and \$2.9 million and \$(2.3) million of related deferred acquisition costs. Significant fluctuations may occur as the fair value of the embedded derivatives is tied primarily to the movements in credit spreads. These fluctuations have no impact on cash flows or interest spreads on the underlying treaties. Therefore, Company management believes it is helpful to distinguish between the effects of Issue B36 and the primary factors that drive profitability of the underlying treaties, namely investment income, fee income, and interest credited. Additionally, over the expected life of the underlying treaties, management expects the cumulative effect of Issue B36 to be immaterial.

The Asset-Intensive sub-segment reported income before income taxes of \$5.3 million for the third quarter of 2006 and \$12.3 million year to date. Compared to prior year, income before income taxes increased \$2.6 million in the third quarter, but decreased \$0.5 million in the first nine months of 2006. Issue B36 increased income before income taxes by \$1.7 million during the comparable quarters and decreased income before income taxes by \$0.1 million during the comparable nine month periods. The remaining \$0.9 million increase in income before income taxes in the comparable quarters is associated with growth in the investment asset base and improved spreads earned on those assets, partially offset by additional investment related losses. The remaining \$0.4 million decrease in income before income taxes for the year-to-year comparison is the result of an increase in investment losses of \$9.9 million in 2006, mostly offset by an increase in income generated from the growth in the invested asset base and improved spreads earned on those assets.

Total revenues decreased \$7.4 million for the third quarter of 2006, but increased \$1.7 million for the first nine months of 2006. Issue B36 related revenues increased \$0.7 million for the third quarter of 2006, but decreased \$8.4 million during the first nine months of 2006. The primary driver for the remaining decrease in total revenues quarter over quarter of \$8.1 million was a decrease in investment income of \$11.3 million, partially offset by an increase in other revenues of \$5.1 million. The decrease in investment income relates primarily to the change in market value of call options on various equity indexes associated with a funds withheld portfolio. The call options are used to hedge the equity-index based crediting rates on the underlying equity index annuities associated with the treaty. This decrease in investment income is offset by a decrease in interest credited expense, with minimal impact on income before income taxes. Year to date, investment income is up \$10.3 million and other income increased \$8.5 million. These increases were partially offset by investment related losses of \$7.8 million in 2006 compared to \$2.0 million of investment related gains in the prior year. These losses were mainly the result of an increased rate environment which allowed the Company to sell bonds at low book yields and reinvest in higher book yielding securities, which should result in higher future investment income. The growth in investment income is driven by a higher asset base due to new business on existing treaties. The increase in other income is due to increased surrender charges and mortality and expense fees on a new variable annuity deal.

The average invested asset base supporting this sub-segment grew from \$3.9 billion in the third quarter of 2005 to \$4.3 billion for the third quarter of 2006. The growth in the asset base is primarily driven by new business written on one existing annuity treaty. Invested assets outstanding as of September 30, 2006 were \$4.4 billion, of which \$2.9 billion were funds withheld at interest. Of the \$2.9 billion of total funds withheld balance as of September 30 2006, 89.0% of the balance is associated with one client.

Total benefits and expenses decreased \$10.0 million for the third quarter of 2006, but increased \$2.2 million during the first nine months of 2006. Issue B36 related expenses decreased \$1.0 million for the third quarter of 2006 and \$8.3 million during the first nine months of 2006. The remainder of the change in

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total benefits and expenses, which are comprised primarily of interest credited and policy acquisition costs, decreased 14.9% from the third quarter of 2005, but increased 6.7% year to date. Interest credited decreased \$15.0 over the third quarter of 2005. As stated above, this decrease relates to the decrease in investment income. Year-over-year, total benefits and expenses are up primarily due to increased deferred acquisition costs related to new business. A portion of this increase can be attributed to a new variable annuity deal effective in the second quarter of 2006.

### Financial Reinsurance

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

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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 increased 10.4%, in the third quarter of 2006 and 9.1% for the first nine months compared to the same periods in 2005. The increase in income primarily relates to several new transactions that were executed in late 2005.

At September 30, 2006 and 2005, the amount of reinsurance provided, as measured by pre-tax statutory surplus, was \$1.75 billion and \$1.55 billion respectively. The pre-tax statutory surplus includes all business assumed or brokered by the Company. 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.

### CANADA OPERATIONS

The Company conducts reinsurance business in Canada through RGA Life Reinsurance Company of Canada ("RGA Canada"), a wholly-owned subsidiary. RGA Canada assists clients with capital management activity and mortality risk management, and is primarily engaged in traditional individual life reinsurance, as well as group life and health reinsurance and non-guaranteed critical illness products.

(in thousands)	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005	SEPTEMBER 30, 2006	SEPTEMBER 2005
<b>REVENUES:</b>				
Net premiums	\$103,316	\$ 89,074	\$294,838	\$239,68
Investment income, net of related expenses	27,578	22,728	78,881	67,63
Investment related gains, net	1,419	678	3,565	2,98
Other revenues	(452)	(319)	315	(26
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Total revenues	131,861	112,161	377,599	310,03
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	95,854	73,810	280,382	216,70
Interest credited	211	266	623	87
Policy acquisition costs and other insurance expenses	18,146	22,474	51,735	43,30
Other operating expenses	4,188	3,921	11,892	11,00
	-----	-----	-----	-----
Total benefits and expenses	118,399	100,471	344,632	271,88
Income before income taxes	\$ 13,462	\$ 11,690	\$ 32,967	\$ 38,14
	-----	-----	-----	-----

Income before income taxes increased by \$1.8 million or 15.2%, and decreased by \$5.2 million or 13.6%, in the third quarter and first nine months of 2006, respectively. A stronger Canadian dollar resulted in an increase in income before income taxes of \$1.2 million and \$3.1 million in the third quarter and first nine months of 2006, respectively, as compared to 2005. Results in 2006 reflect unfavorable mortality experience relative to mortality experience in 2005.

Net premiums increased by \$14.2 million, or 16.0%, and \$55.2 million or 23.0% for the third quarter and first nine months of 2006, respectively. The increases are primarily due to new business from new and existing treaties. A stronger Canadian dollar resulted in an increase in net premiums of \$6.8 million and \$21.7 million in the third quarter and first nine months of 2006, respectively, as compared to 2005. Premium levels are significantly influenced by large transactions, mix of business and reporting practices of ceding companies and therefore can fluctuate from period to period.

Net investment income increased \$4.9 million, or 21.3%, and \$11.2 million, or 16.6%, in the third quarter and first nine months of 2006, respectively. A stronger Canadian dollar resulted in an increase in net investment income of

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\$2.1 million and \$6.0 million in the third quarter and first nine months of 2006, respectively. Investment income represents an allocation to the segments based upon average assets and related capital levels deemed appropriate to support business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments. The increase in investment income was mainly the result of an increase in the allocated asset base due to growth in the underlying business volume.

Loss ratios for this segment were 92.8% and 95.1% in the third quarter and first nine months of 2006, respectively, compared to 82.9% and 90.4% in the comparable prior-year periods. During 2005, the Company entered into two significant creditor reinsurance treaties. The loss ratios on this type of business are normally lower than traditional reinsurance, however allowances are normally higher as a percentage of premiums. Excluding creditor business, the loss ratios for this segment were 102.2% and 103.4% in the third quarter and first nine months of 2006, respectively, compared to 97.8% and 96.9% in the comparable prior-year periods. The higher loss ratios in 2006, particularly for the year-to-date results, are primarily due to unfavorable mortality experience compared to the prior year. 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

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higher than the historical ratios. The nature of permanent level premium policies requires the Company to set up actuarial liabilities and invest the amounts received in excess of early-year mortality costs to fund claims in the later years when premiums, by design, continue to be level as compared to expected increasing mortality or claim costs. Claims and other policy benefits, as a percentage of net premiums and investment income were 73.2% and 75.0% in the third quarter and first nine months of 2006, respectively, compared to 66.0% and 70.5% in the comparable prior-year periods. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 17.6% and 17.5% in the third quarter and first nine months of 2006, respectively, compared to 25.2% and 18.1% in the comparable prior-year periods. Excluding the impact of the stronger Canadian dollar and creditor business, policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 12.2% and 13.3% in the third quarter and first nine months of 2006, respectively, compared to 15.0% and 13.7% in the comparable prior-year periods. Overall, while these ratios are expected to remain in a certain range, they may fluctuate from period to period due to varying allowance levels, significantly caused by the mix of first year coinsurance business versus yearly renewable term business. In addition, the amortization pattern of previously capitalized amounts, which are subject to the form of the reinsurance agreement and the underlying insurance policies may vary.

Other operating expenses increased \$0.3 million, or 6.8%, and \$0.9 million or 8.1% in the third quarter and first nine months of 2006, respectively. The increase in expenses is primarily due to the strengthening of the Canadian dollar. Other operating expenses as a percentage of net premiums totaled 4.1% and 4.0% in the third quarter and first nine months of 2006, respectively, compared to 4.4% and 4.6% in the comparable prior-year periods.

### EUROPE & SOUTH AFRICA OPERATIONS

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

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(in thousands)	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS	
	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
<b>REVENUES:</b>				
Net premiums	\$145,769	\$137,145	\$436,993	\$411,145
Investment income, net of related expenses	4,210	3,184	11,475	11,475
Investment related losses, net	(91)	(16)	(238)	(238)
Other revenues	206	88	119	119
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Total revenues	150,094	140,401	448,349	411,145

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### BENEFITS AND EXPENSES:

Claims and other policy benefits	101,492	97,039	308,172	30
Interest credited	133	109	479	
Policy acquisition costs and other insurance expenses	28,110	20,262	69,188	7
Other operating expenses	11,546	7,264	29,631	2
	-----	-----	-----	-----
Total benefits and expenses	141,281	124,674	407,470	39
Income before income taxes	\$ 8,813	\$ 15,727	\$ 40,879	\$ 2
	=====	=====	=====	=====

Income before income taxes was \$8.8 million in the third quarter of 2006 as compared to \$15.7 million for the third quarter of 2005, this decrease was primarily the result of an increase in policy acquisition costs and other insurance expenses over the prior period. Income before income taxes was \$40.9 million for the first nine months of 2006 as compared to \$23.4 million for the first nine months of 2005, this increase was primarily the result of adverse mortality and morbidity experience in the UK for the first nine months of 2005. Foreign currency exchange fluctuations resulted in an increase to income before income taxes totaling approximately \$0.3 million for the third quarter and a decrease to income before income taxes totaling approximately \$1.1 million for the first nine months of 2006.

Net premiums increased \$8.6 million, or 6.3%, in the third quarter compared to the same period last year, and increased \$25.5 million or 6.2% for the nine months ended September 30, 2006 compared to the same period last year. This increase was primarily the result of new business from both existing and new treaties. The rate of growth in net premiums is below historical levels due to increased competition in the UK and a slowing of growth in the UK retail mortgage market. During the third quarter of 2006, several foreign currencies, particularly the British pound and the euro strengthened against the U.S. dollar and increased net premiums by approximately \$4.6 million and for the first nine months of 2006, these currencies weakened against the U.S. dollar and adversely affected net premiums by \$6.9 million. A significant portion of the net premiums were due 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 policies including this coverage totaled \$54.5 million and \$156.1 million in the third quarter and first nine months of 2006, respectively, compared to \$49.2 million and \$149.4 million in the comparable prior-year periods. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Investment income increased \$1.0 million for the third quarter compared to the same period in 2005 and increased \$3.3 million for the nine months ended September 30, 2006 compared to the same period in 2005. This increase was primarily due to an increase in allocated investment income. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Loss ratios decreased from 70.8% for the third quarter of 2005 to 69.6% for the third quarter of 2006, and from 74.2% for the nine months ended September 30,

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2005 to 70.5% for the nine months ended September 30, 2006. As mentioned above, unfavorable mortality experience in the UK market for the nine months ended September 30, 2005 contributed to the relative decrease in the loss ratio for the nine months ended September 30, 2006. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 19.3% in the third quarter of 2006 compared to 14.8% in the third quarter of 2005, and 15.8% for the nine months ended September 30, 2006 compared to 17.1% for the nine months ended September 30, 2005. 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.

Other operating expenses for the quarter increased from 5.3% of net premiums in 2005 to 7.9% in 2006, and for the first nine months it increased from 4.9% to 6.8%. This increase was due to higher costs associated with maintaining and supporting the increase in business over the past several years. 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 THREE MONTHS ENDED		FOR THE NINE MONTHS	
(in thousands)	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
<b>REVENUES:</b>				
Net premiums	\$178,550	\$135,336	\$486,615	\$396,115
Investment income, net of related expenses	7,036	5,409	20,354	18,758
Investment related gains (losses), net	(46)	21	(123)	(123)
Other revenues	1,243	699	4,734	4,734
Total revenues	186,783	141,465	511,580	418,314
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	134,177	114,059	376,399	311,059
Policy acquisition costs and other insurance expenses	20,658	18,758	70,230	68,758
Other operating expenses	11,570	7,232	30,234	18,758
Total benefits and expenses	166,405	140,049	476,863	400,575
Income before income taxes	\$ 20,378	\$ 1,416	\$ 34,717	\$ 17,739

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Income before income taxes increased \$19.0 million in the third quarter of 2006, and \$19.0 million for the nine months ended September 30, 2006, as compared to the same periods in 2005, after being relatively consistent for the first six months of each year. The increase in income before income taxes for the third quarter of 2006 compared to the third quarter of 2005 was primarily the result of a \$43.2 million increase in net premiums, accompanied by improvements in the mortality experience as compared to the third quarter of 2005, particularly in the New Zealand, Hong Kong and Taiwan markets.

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Foreign currency exchange fluctuations were neutral to income before income taxes for the third quarter of 2006, but such fluctuations have resulted in a decrease in income before income taxes totaling approximately \$0.9 million for the first nine months of 2006.

Net premiums grew \$43.2 million, or 31.9%, in the current quarter, and \$88.1 million, or 22.1%, for the nine months ended September 30, 2006, as compared to the same periods in 2005. This premium growth was primarily the result of continued increases in the volume of business in Japan, Korea and Taiwan. Collectively, for these three locations net premiums increased by \$39.3 million in the third quarter of 2006, and \$75.4 million for the nine months ended September 30, 2006, as compared to the same periods in 2005, primarily due to the growth in business with significant clients. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and can fluctuate from period to period.

A portion of the net premiums for the segment in each period presented represents reinsurance of critical illness coverage. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Reinsurance of critical illness in the Asia Pacific operations is offered primarily in Australia and Korea. Net premiums earned from policies including this coverage totaled \$12.6 million and \$47.4 million for the third quarter and first nine months of 2006, respectively, compared to \$12.2 million and \$46.5 million for the comparable prior-year periods.

Foreign currencies in certain significant markets, particularly the Australian dollar and the Japanese Yen, began to weaken against the U.S. dollar in 2006, as compared to the same periods in 2005. However, the Korean Won has generally strengthened throughout the nine months ending September 30, 2006 as compared to the same period of 2005. The overall effect of changes in local Asia Pacific segment currencies was an increase in net premiums of approximately \$1.7 million in the third quarter of 2006, but a decrease in net premiums of approximately \$7.2 million for the nine months ended September 30, 2006 as compared to the same periods in 2005.

Net investment income increased \$1.6 million in the current quarter compared to the prior-year quarter, and \$4.9 million for the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005. This increase was primarily due to growth in the invested assets in Australia, along with an increase in allocated investment income. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenues increased by \$0.5 million for the third quarter of 2006, as

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compared to the same period in 2005, and increased by \$2.1 million for the nine months ended September 30, 2006, as compared to the same period in 2005. The primary source of other revenues in 2006 has been fees from financial reinsurance treaties.

Loss ratios were 75.1% and 84.3% for the third quarter of 2006 and 2005, respectively, and 77.4% and 79.1% for the nine months ended September 30, 2006 and September 30, 2005, respectively. The relative decrease in the loss ratio for the third quarter of 2006 was primarily due to adverse mortality in the New Zealand, Hong Kong and Taiwan markets in the third quarter of 2005. However, the loss ratio for the nine month period ending September 30, 2006 is relatively consistent with the loss ratio for the comparable period in 2005. 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. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 11.6% for the third quarter of 2006, as compared to 13.9% for the third quarter of 2005. Policy acquisition costs and other insurance expenses as a percentage of net premiums were 14.4% for the nine months ended September 30, 2006, as compared to a 16.7% ratio for the nine months ended September 30, 2005. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums will 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 to 6.5% of net premiums in the current quarter, and 6.2% of net premiums for the nine months ended September 30, 2006, from 5.3% and 4.8% in the comparable prior-year periods. The timing of premium flows and the level of costs associated with the entrance into and development of new markets in the

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growing Asia Pacific segment may cause other operating expenses as a percentage of net premiums to fluctuate over periods of time.

### CORPORATE AND OTHER OPERATIONS

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, the Corporate and Other Operations includes results from RGA Technology Partners, Inc., 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, an insignificant amount of direct insurance operations in Argentina and the results from the Company's collateral finance facility.

FOR THE THREE MONTHS ENDED

FOR THE NINE MONTHS

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(in thousands)	----- SEPTEMBER 30, 2006 -----	SEPTEMBER 30, 2005 -----	SEPTEMBER 30, 2006 -----	SEPTEMBER 30, 2005 -----
<b>REVENUES:</b>				
Net premiums	\$ 468	\$ 588	\$ 1,485	\$ 1,485
Investment income, net of related expenses	19,167	6,191	37,962	37,962
Investment related gains, net	387	2,435	3,362	3,362
Other revenues	2,673	2,811	4,790	4,790
	-----	-----	-----	-----
Total revenues	22,695	12,025	47,599	47,599
<b>BENEFITS AND EXPENSES:</b>				
Claims and other policy benefits	54	4,072	(977)	(977)
Interest credited	77	163	830	830
Policy acquisition costs and other insurance expenses	(7,432)	(8,156)	(26,162)	(26,162)
Other operating expenses	11,643	6,956	35,044	35,044
Interest expense	15,103	10,052	46,884	46,884
Collateral finance facility expense	13,136	--	13,413	13,413
	-----	-----	-----	-----
Total benefits and expenses	32,581	13,087	69,032	69,032
	-----	-----	-----	-----
Loss before income taxes	\$ (9,886)	\$ (1,062)	\$ (21,433)	\$ (21,433)
	=====	=====	=====	=====

Loss before income taxes increased \$8.8 million and \$9.3 million for the three and nine month periods ended September 30, 2006, respectively. These increases are primarily due to increased interest expense related to a higher level of debt outstanding and increased operating expenses largely due to additional expense related to equity based compensation plans. Also contributing to the increased loss before income taxes is a decrease in investment related gains offset by reduced claims and other policy benefits. The reduction in claims and other policy benefits is associated with the reinsurance of Argentine pension accounts which is currently in runoff. Investment income and investment related gains are the result of an allocation to other segments based upon average assets and related capital levels deemed appropriate to support their business volumes. Also contributing to the increase in investment income in 2006 is the impact of the Company's investment of the net proceeds from its collateral finance facility in June 2006 which is largely offset by the recognition of collateral finance facility expense and investment income related to the net proceeds from the issuance of Junior Subordinated Debentures in December 2005.

DISCONTINUED OPERATIONS

The discontinued accident and health division reported a loss, net of taxes, of \$1.5 million for the third quarter of 2006 compared to a loss, net of taxes, of \$5.9 million for the third quarter of 2005. As of September 30, 2006, amounts in dispute or subject to audit exceed the Company's reserves by approximately \$23.7 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

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rescission, and projected future premium run-off, all of which may affect the level of the claim reserve liability. Due to the significant uncertainty associated with the run-off of this business, net income in future periods could be affected positively or negatively.

### LIQUIDITY AND CAPITAL RESOURCES

#### The Holding Company

RGA is a 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 by RGA to its shareholders, interest payments on its indebtedness, and repurchases of RGA common stock under a plan approved by the board of directors. 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 two operating subsidiaries, and dividends from operating subsidiaries. As the Company continues its expansion efforts, RGA will continue to be dependent on these sources of liquidity.

The Company believes that it has sufficient liquidity 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, capital securities or common equity and, if necessary, the sale of invested assets.

#### Cash Flows

The Company's net cash flows provided by operating activities for the periods ended September 30, 2006 and 2005 were \$490.5 million and \$271.2 million, respectively. Cash flows from operating activities are affected by the timing of premiums received, claims paid, and working capital changes. The \$219.3 million net increase in operating cash flows for the nine months of 2006 compared to the same period in 2005 was primarily a result of cash inflows related to premiums and investment income increasing more than cash outflows related to claims, acquisition costs, income taxes and other operating expenses. Cash from premiums and investment income increased \$315.3 million and \$67.9 million, respectively, and was offset by higher operating cash outlays of \$163.9 million for the current nine month period. 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.

Net cash used in investing activities was \$1.3 billion and \$362.6 million in the first nine months of 2006 and the comparable prior-year period, respectively. This change is primarily due to the increase in purchases of fixed maturity securities related to the investment of proceeds from the Company's collateral finance facility. Additionally, the sales and purchases of fixed maturity securities are related to the management of the Company's investment portfolios and the investment of excess cash generated by operating and financing activities.

Net cash provided by financing activities was \$881.9 million and \$83.9 million in the first nine months of 2006 and 2005, respectively. This change was due to the proceeds from the Company's collateral finance facility partially offset by



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\$100.0 million principal payments on debt. Also contributing to the change was an increase in excess deposits from universal life and other investment type policies and contracts of \$58.7 million.

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### Debt and Preferred Securities

As of September 30, 2006, the Company had \$702.8 million in outstanding borrowings under its debt agreements and was in compliance with all covenants under those agreements.

The Company maintains three revolving credit facilities. The largest is a syndicated credit facility with an overall capacity of \$600.0 million that expires in September 2010. The overall capacity available for issuance of letters of credit is reduced by any cash borrowings made by the Company against this credit facility. The Company may borrow up to \$300.0 million of cash under the facility. As of September 30, 2006 the Company's outstanding cash balance was \$50.0 million under this credit facility, with an average interest rate of 5.16%. The Company's other credit facilities consist of a \$15.0 million credit facility that expires in May 2007 and an Australian \$50.0 million credit facility that expires in June 2011. The Company's foreign denominated credit facilities had a combined outstanding balance of \$54.2 million as of September 30, 2006.

The average interest rate on all long-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 6.57%. Interest is expensed on the face amount, or \$225 million, of the Trust Preferred Securities at a rate of 5.75%.

### Collateral Finance Facility

On June 28, 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 Company. Proceeds from the notes, along with a \$112.7 million direct investment by the Company, have been deposited into a series of trust accounts that collateralize the notes and are not available to satisfy the general obligations of the Company. Interest on the notes will accrue at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly. The payment of interest and principal on the notes is insured through a financial guaranty insurance policy with a third party. The notes represent senior, secured indebtedness of Timberlake Financial with no recourse to RGA or its other subsidiaries. Timberlake Financial will rely primarily upon the receipt of interest and principal payments on a surplus note and dividend payments from its wholly-owned subsidiary, Timberlake Reinsurance Company II ("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 Company, to Timberlake Re.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46(r), "Consolidation of Variable Interest Entities - An Interpretation of

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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 condensed financial statements. The Company's condensed 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 condensed 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.

### Asset / Liability Management

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

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

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The Company's liquidity position (cash and cash equivalents and short-term investments) was \$293.9 million and \$255.0 million at September 30, 2006 and December 31, 2005, 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 occasionally enters into sales of investment securities under agreements to repurchase the same securities to help manage its short-term liquidity requirements. These transactions are reported as securitized lending obligations within other liabilities. There were \$88.6 million of these agreements outstanding at September 30, 2006 and there were no agreements outstanding at December 31, 2005.

### Future Liquidity and Capital Needs

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 two operating subsidiaries, and its ability to raise funds in the capital markets, will be sufficient to enable RGA to make dividend payments to its shareholders, to make interest payments on its senior indebtedness and junior subordinated notes, to repurchase RGA common stock under the plan approved by the board of directors, and to meet its other liquidity obligations.

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

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products. 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 were adversely affected.

### INVESTMENTS

The Company had total cash and invested assets of \$14.4 billion and \$11.8 billion at September 30, 2006 and 2005, respectively. All investments made by RGA and its subsidiaries conform to the qualitative and quantitative limits prescribed by the applicable jurisdiction's insurance laws and regulations. In addition, the Boards of Directors of the various operating companies periodically review the investment portfolios of their respective subsidiaries. RGA's Board of Directors also receives reports on material 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 earned yield on invested assets, excluding funds withheld, was 5.79% in the third quarter of 2006, compared with 5.89% for the third quarter of 2005. See "Note 5 - Investments" in the Notes to Consolidated Financial Statements of the 2005 Annual Report for additional information regarding the Company's investments.

The Company's fixed maturity securities are invested primarily in commercial and industrial bonds, public utilities, U.S. and Canadian government securities, as well as mortgage- and asset-backed securities. As of September 30, 2006, approximately 97.3% of the Company's consolidated investment portfolio of fixed maturity securities was investment grade. Important factors in the selection of investments include diversification, quality, yield, total rate of return potential and call protection. The relative importance of these factors is determined by market conditions and the underlying product or portfolio characteristics. Cash equivalents are invested in high-grade money market instruments. The largest asset class in which fixed maturities were invested was in corporate securities, including commercial, industrial, finance and utility bonds, which represented approximately 54.7% of fixed maturity securities as of September 30, 2006 and had an average Standard and Poor's ("S&P") rating of "A-". The Company owns floating rate securities that represent approximately 11.5% of the total fixed maturity securities at September 30, 2006. 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 condensed consolidated balance sheets as collateral finance facility.

Within the fixed maturity security portfolio, the Company holds approximately \$425.6 million in asset-backed securities at September 30, 2006, which include credit card and automobile receivables, home equity loans, manufactured housing bonds and collateralized bond obligations. The Company's asset-backed securities are diversified by issuer and contain both floating and fixed rate securities. 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

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obligors. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

The Company monitors its fixed maturity 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. The Company recorded \$1.1 million in other-than-temporary write-downs on fixed maturity securities for the nine months ending September 30, 2006. The Company did not record other-than-temporary write-downs on fixed maturity securities for the nine months ending September 30, 2005. During the nine months ended September 30, 2006, the Company sold fixed maturity securities with a fair value of \$657.7 million, which were below amortized cost, at a loss of \$23.6 million.

The following table presents the total gross unrealized losses for 1,026 fixed maturity securities and equity securities as of September 30, 2006, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in thousands):

	AT SEPTEMBER 30, 2006	
	Gross Unrealized Losses	% of Total
Less than 20%	\$63,900	100.0%
20% or more for less than six months	--	--
20% or more for six months or greater	--	--
Total	\$63,900	100.0%

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 an increase in the interest rate environment.

The following tables present the estimated fair values and gross unrealized losses for the 1,026 fixed maturity securities and equity securities that have estimated fair values below amortized cost as of September 30, 2006. These investments are presented by class and grade of security, as well as the length of time the related market value has remained below amortized cost.

AS OF SEPTEMBER 30, 2006	
LESS THAN 12 MONTHS	EQUAL TO OR GREATER THAN 12 MONTHS

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(in thousands)	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	E
	-----	-----	-----	-----	-----
<b>INVESTMENT GRADE SECURITIES:</b>					
COMMERCIAL AND INDUSTRIAL	\$ 638,069	\$11,305	\$ 242,806	\$ 8,198	\$
PUBLIC UTILITIES	178,693	2,494	97,948	3,932	
ASSET-BACKED SECURITIES	221,722	836	39,515	1,101	
CANADIAN AND CANADIAN PROVINCIAL GOVERNMENTS	18,142	129	14,297	181	
MORTGAGE-BACKED SECURITIES	649,432	3,819	593,987	13,883	1
FINANCE	508,164	3,991	166,182	5,228	
U.S. GOVERNMENT AND AGENCIES	11,806	23	6,728	153	
STATE AND POLITICAL SUBDIVISIONS	35,727	577	5,469	355	
FOREIGN GOVERNMENTS	116,275	1,892	9,988	120	
	-----	-----	-----	-----	-----
INVESTMENT GRADE SECURITIES	2,378,030	25,066	1,176,920	33,151	3
	-----	-----	-----	-----	-----
<b>NON-INVESTMENT GRADE SECURITIES:</b>					
COMMERCIAL AND INDUSTRIAL	66,572	2,008	24,450	1,071	
FINANCE	500	7	5,371	67	
ASSET-BACKED SECURITIES	--	--	--	--	
PUBLIC UTILITIES	17,218	356	--	--	
	-----	-----	-----	-----	-----
NON-INVESTMENT GRADE SECURITIES	84,290	2,371	29,821	1,138	
	-----	-----	-----	-----	-----
TOTAL FIXED MATURITY SECURITIES	\$2,462,320	\$27,437	\$1,206,741	\$34,289	\$3
	=====	=====	=====	=====	=====
EQUITY SECURITIES	\$ 51,959	\$ 1,635	\$ 11,571	\$ 539	\$
	=====	=====	=====	=====	=====

The Company believes that the analysis of each security whose price has been below market for twelve months or longer indicates that the financial strength, liquidity, leverage, future outlook and/or recent management actions support the view that the security was not other-than temporarily impaired as of September 30, 2006. The unrealized losses did not exceed 14.9% on an individual security basis and are primarily a result of changes in interest rates and credit spreads and the long-dated maturities of the securities.

The Company's mortgage loan portfolio consists principally of investments in U.S.-based commercial offices and retail locations. The mortgage loan portfolio is diversified by geographic region and property type. All mortgage loans are performing and no valuation allowance has been established as of September 30, 2006.

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.

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Company's cash and invested assets as of September 30, 2006 and December 31, 2005, respectively. 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 condensed consolidated balance sheet. 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 to the Company from the ceding company. Interest accrues to these assets at rates defined by the treaty terms. 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 a minimum A.M. Best rating of "A-".

Other invested assets represented approximately 1.5% and 1.9% of the Company's cash and invested assets as of September 30, 2006 and December 31, 2005, respectively. Other invested assets include common stock, preferred stocks, restricted cash and cash equivalents and limited partnership interests. The Company did not record an other-than-temporary write-down on its investments in limited partnerships in the third quarter of 2006 or 2005. The Company recorded other-than-temporary writedowns of \$3.1 million and \$1.3 million on its investments in limited partnerships in the nine months ended September 30, 2006 and 2005, respectively.

### CONTRACTUAL OBLIGATIONS

The following table displays the Company's contractual obligations that have materially changed since December 31, 2005 (in millions):

	PAYMENT DUE BY PERIOD				
Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years	
Contractual Obligations:					
Short-term debt, including interest	\$ 29.1	\$ 29.1	\$ --	\$ --	\$ --
Collateral finance facility, including interest	1,325.3	49.0	98.0	97.9	1,080.4
Life claims payable	920.8	920.8	--	--	--
Operating leases	31.7	5.8	9.2	6.1	10.6
Limited partnerships	37.5	37.5	--	--	--
Mortgage purchase commitments	37.1	37.1	--	--	--

The Company's insurance liabilities, including future policy benefits and interest-sensitive contract liabilities, represent future obligations, where the timing of payment is unknown because the payment depends on an insurable event, such as the death of an insured, or policyholder behavior, such as the surrender or lapse of a policy. These future obligations are established based primarily on actuarial principles and are reflected on the Company's condensed consolidated balance sheet, but have been excluded from the table above due to the uncertain timing of payment.

### MORTALITY RISK MANAGEMENT

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In the normal course of business, 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. In the U.S., the Company retains a maximum of \$6.0 million of coverage per individual life. In certain limited situations, due to the acquisition of in-force blocks of business, the Company has retained more than \$6.0 million per individual policy. In total, there are 39 such cases of over-retained policies, for amounts averaging \$2.0 million over the Company's normal retention limit. The largest amount over retained on any one life is \$12.6 million. For other countries, particularly those with higher risk factors or smaller books of

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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.

Generally, RGA's insurance subsidiaries retrocede amounts in excess of their retention to RGA Reinsurance Company ("RGA Reinsurance"), RGA Reinsurance Company (Barbados) Ltd., or RGA Americas Reinsurance Company, Ltd. Retrocessions are arranged through the Company's retrocession pools for amounts in excess of its retention. The Company also retrocedes most of its financial reinsurance business to other insurance companies to alleviate the strain on statutory surplus created by this business. For a majority of the retrocessionaires that are not rated, letters of credit or trust assets have been given as additional security in favor of RGA Reinsurance. In addition, the Company performs annual financial and in force 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 material 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 maintains a catastrophe insurance program ("Program") that renews on August 13th of each year. The current Program began August 13, 2006, and covers events involving 10 or more insured deaths from a single occurrence. The Company retains the first \$25 million in claims, the Program covers the next \$50 million in claims, and the Company retains all claims in excess of \$75 million. The Program covers only losses under U.S. guaranteed issue (corporate owned life insurance, bank owned life insurance, etc.) reinsurance programs and includes losses due to acts of terrorism, but excludes terrorism losses due to nuclear, chemical and/or biological events. The Program is insured by several insurance companies and Lloyd's Syndicates, with no single entity providing more than \$10 million of coverage.

### COUNTERPARTY RISK

In the normal course of business, the Company seeks to limit its exposure to reinsurance contracts by ceding a portion of the reinsurance to other insurance companies or reinsurers. Should a counterparty not be able to fulfill its obligation to the Company under a reinsurance agreement, the impact could be material to the Company's financial condition and results of operations.

### MARKET RISK

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Market risk is the risk of loss that may occur when fluctuations in interest and currency exchange rates and equity and commodity prices change the value of a financial instrument. Both derivative and nonderivative financial instruments have market risk so the Company's risk management extends beyond derivatives to encompass all financial instruments held that are sensitive to market risk. The Company is primarily exposed to interest rate risk and foreign currency risk.

Interest rate risk arises from many of the Company's primary activities, as the Company invests substantial funds in interest-sensitive assets and also has certain interest-sensitive contract liabilities. The Company manages interest rate risk and credit risk to maximize the return on the Company's capital effectively and to preserve the value created by its business operations. As such, certain management monitoring processes are designed to minimize the impact of sudden and sustained changes in interest rates on fair value, cash flows, and net interest income.

The Company is subject to foreign currency translation, transaction, and net income exposure. The Company generally does not hedge the foreign currency translation exposure related to its investment in foreign subsidiaries as it views these investments to be long-term. Translation differences resulting from translating foreign subsidiary balances to U.S. dollars are reflected in equity. The Company generally does not hedge the foreign currency exposure of its subsidiaries transacting business in currencies other than their functional currency (transaction exposure).

There has been no significant change in the Company's quantitative or qualitative aspects of market risk during the quarter ended September 30, 2006 from that disclosed in the 2005 Annual Report.

### NEW ACCOUNTING STANDARDS

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in

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current year financial statements for purposes of assessing materiality. SAB 108 requires that a registrant assess the materiality of a current period misstatement by determining how the current period's balance sheet would be affected in correcting a misstatement without considering the year(s) in which the misstatement originated and how the current period's income statement is misstated, including the reversing effect of prior year misstatements. SAB 108 is effective for fiscal years ending after November 15, 2006. The cumulative effect of applying SAB 108 may be recorded by adjusting current year beginning balances of the affected assets and liabilities with a corresponding adjustment to the current year opening balance in retained earnings if certain criteria are met. The Company is currently evaluating the impact of SAB 108 and does not expect that the pronouncement will have a material impact on the Company's condensed consolidated financial statements.

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(r)" ("SFAS 158"). The pronouncement revises financial reporting standards for defined benefit pension and other postretirement plans by requiring the (i) recognition in its statement of financial position of the funded status of defined benefit plans measured as the difference between the



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fair value of plan assets and the benefit obligation, which shall be the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans; (ii) recognition as an adjustment to the ending balance of accumulated other comprehensive income (loss), net of income taxes, those amounts of actuarial gains and losses, prior service costs and credits, and transition obligations that have not yet been included in net periodic benefit costs as of the end of the year of adoption; (iii) measurement of benefit plan assets and obligations as of the date of the statement of financial position; and (iv) disclosure of additional information about the effects on the employer's statement of financial position. SFAS 158 is effective for fiscal years ending after December 15, 2006 with the exception of the requirement to measure plan assets and benefit obligations as of the date of the employer's statement of financial position, which is effective for fiscal years after December 15, 2008. The recognition provisions of SFAS 158 are to be applied as of the end of the year of adoption which, for the Company, will be based on balances as of December 31, 2006. The Company is currently evaluating the effect of SFAS 158 on the Company's condensed consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. The pronouncement is effective for fiscal years beginning after November 15, 2006. The guidance in SFAS 157 will be applied prospectively with the exception of: (i) block discounts of financial instruments; (ii) certain financial and hybrid instruments measured at initial recognition under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"); which are to be applied retrospectively as of the beginning of initial adoption (a limited form of retrospective application). The Company is currently evaluating the impact of SFAS 157 and does not expect that the pronouncement will have a material impact on the Company's condensed consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. FIN 48 will be applied prospectively and will be effective for fiscal years beginning after December 31, 2006. The Company is currently evaluating the effect, if any, of FIN 48 on the Company's condensed consolidated financial statements.

Effective January 1, 2006, the Company prospectively adopted SFAS No. 155, "Accounting for Certain Hybrid Instruments" ("SFAS 155"). SFAS 155 amends SFAS No. 133 and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole, eliminating the need to bifurcate the derivative from its host, if the holder elects to account for the whole instrument on a fair value basis. In addition, among other changes, SFAS 155 (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (iv) eliminates the prohibition on a qualifying special-purpose entity ("QSPE") from holding a

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derivative financial instrument that pertains to a beneficial interest other than another derivative financial interest. The adoption of SFAS 155 did not have a material impact on the Company's condensed consolidated financial statements.

In June 2005, the FASB cleared SFAS 133 Implementation Issue No. B38, "Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option" ("Issue B38") and SFAS 133 Implementation Issue No. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor" ("Issue B39"). Issue B38 clarified that the potential settlement of a debtor's obligation to a creditor occurring upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarified that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. Issues B38 and B39 were adopted by the Company during the first quarter of 2006 and did not have a material effect on the Company's condensed consolidated financial statements.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). The statement requires retrospective application to prior periods' financial statements for correction of errors or a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 was adopted by the Company during the first quarter of 2006 and will apply the provisions of SFAS 154 when applicable.

### FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, among others, statements relating to projections of the strategies, earnings, revenues, income or loss, ratios, future financial performance, and growth potential of the Company. The words "intend," "expect," "project," "estimate," "predict," "anticipate," "should," "believe," and other similar expressions also are intended to identify forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results, performance, and achievements could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements.

Numerous important factors could cause actual results and events to differ materially from those expressed or implied by forward-looking statements including, without limitation, (1) adverse changes in mortality, morbidity or claims experience, (2) changes in the Company's financial strength and credit ratings or those of MetLife, Inc. ("MetLife"), the beneficial owner of a majority of the Company's common shares, or its subsidiaries, and the effect of such changes on the Company's future results of operations and financial condition, (3) inadequate risk analysis and underwriting, (4) general economic conditions or a prolonged economic downturn affecting the demand for insurance and reinsurance in the Company's current and planned markets, (5) the availability and cost of collateral necessary for regulatory reserves and capital, (6) market or economic conditions that adversely affect the Company's

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ability to make timely sales of investment securities, (7) risks inherent in the Company's risk management and investment strategy, including changes in investment portfolio yields due to interest rate or credit quality changes, (8) fluctuations in U.S. or foreign currency exchange rates, interest rates, or securities and real estate markets, (9) adverse litigation or arbitration results, (10) the adequacy of reserves, resources and accurate information relating to settlements, awards and terminated and discontinued lines of business, (11) the stability of and actions by governments and economies in the markets in which the Company operates, (12) competitive factors and competitors' responses to the Company's initiatives, (13) the success of the Company's clients, (14) successful execution of the Company's entry into new markets, (15) successful development and introduction of new products and distribution opportunities, (16) the Company's ability to successfully integrate and operate reinsurance business that the Company acquires, (17) regulatory action that may be taken by state Departments of Insurance with respect to the Company, MetLife, or its subsidiaries, (18) the Company's dependence on third parties, including those insurance companies and reinsurers to which the Company cedes some reinsurance, third-party investment managers and others, (19) the threat of natural disasters, catastrophes, terrorist attacks, epidemics or pandemics anywhere in the world where the Company or its clients do business, (20) changes in laws, regulations,

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and accounting standards applicable to the Company, its subsidiaries, or its business, (21) the effect of the Company's status as an insurance holding company and regulatory restrictions on its ability to pay principal of and interest on its debt obligations, and (22) other risks and uncertainties described in this document and in the Company's other filings with the Securities and Exchange Commission ("SEC").

Forward-looking statements should be evaluated together with the many risks and uncertainties that affect the Company's business, including those mentioned in this document and the cautionary statements described in the periodic reports the Company files with the SEC. These forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligations to update these forward-looking statements, even though the Company's situation may change in the future. The Company qualifies all of its forward-looking statements by these cautionary statements. For a discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, you are advised to see Item 1A Risk Factors of the 2005 Annual Report.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" which is included herein.

### ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective.

There was no change in the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended September 30,

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2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Subsequent to September 30, 2006 the Company settled a pending arbitration and a suit filed against one of its ceding companies in which it was joined. These settlements were for amounts which were substantially reserved by the Company. The Company is currently a party to three arbitrations that involve its discontinued accident and health business, including personal accident business (which includes London market excess of loss business) and workers' compensation carve-out business. The Company is also party to a threatened arbitration related to its life reinsurance business. As of October 31, 2006, the parties involved in these actions have raised claims, or established reserves that may result in claims, in the amount of \$27.7 million, which is \$23.8 million in excess of the amounts held in reserve by the Company. The Company generally has little information regarding any reserves established by the ceding companies, and must rely on management estimates to establish policy claim liabilities. It is possible that any such reserves could be increased in the future. The Company believes it has substantial defenses upon which to contest these claims, including but not limited to misrepresentation and breach of contract by direct and indirect ceding companies. See Note 20, "Discontinued Operations" in the Company's consolidated financial statements accompanying the 2005 Annual Report for more information. Additionally, from time to time, the Company is subject to litigation related to employment-related matters in the normal course of its business. The Company cannot predict or determine the ultimate outcome of the pending litigation or arbitrations or provide useful ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's condensed consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

#### ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's 2005 Annual Report.

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#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under a Board of Directors approved plan, the Company may purchase at its discretion up to \$50 million of its common stock on the open market. As of September 30, 2006, the Company had purchased 225,500 shares of treasury stock under this program at an aggregate price of \$6.6 million. All purchases were made during 2002. The Company generally uses treasury shares to support the future exercise of options granted under its stock option plans.

#### ITEM 6. EXHIBITS

See index to exhibits.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Reinsurance Group of America, Incorporated

November 6, 2006

By: /s/ A. Greig Woodring

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A. Greig Woodring  
President & Chief Executive Officer  
(Principal Executive Officer)

November 6, 2006

By: /s/ Jack B. Lay

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Jack B. Lay  
Executive Vice President &  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number -----	Description -----
3.1	Restated Articles of Incorporation, incorporated by reference to Exhibit 3.1 of Current Report on Form 8-K filed June 30, 2004.
3.2	Bylaws of RGA, as amended, incorporated by reference to Exhibit 3.2 of Quarterly Report on Form 10-Q filed August 6, 2004.
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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