2005 ANNUAL REPORT
RGA Reinsurance Group of America, Incorporated®
WORLD HEADQUARTERS 1370 Timberlake Manor Parkway, Chesterfield, MO 63017-6039 USA
REINSURANCE GROUP OF AMERICA, INCORPORATED®
inside rga*
RGA Reinsurance Group of America, Incorporated®
2005 ANNUAL REPORT

inside rga*

* WE INVITE YOU TO LOOK INSIDE RGA AND SEE WHAT DRIVES OUR BUSINESS FORWARD: OUR *committed focus* ON LIFE REINSURANCE, OUR *innovation* AND *creativity*, OUR *aggressive reach* INTO NEW MARKETS AND PRODUCTS, OUR *enduring connections* WITH OUR CLIENTS AND PARTNERS. ALL PART OF OUR CONTINUED MOMENTUM, ALL PART OF OUR CONSISTENT PERFORMANCE.

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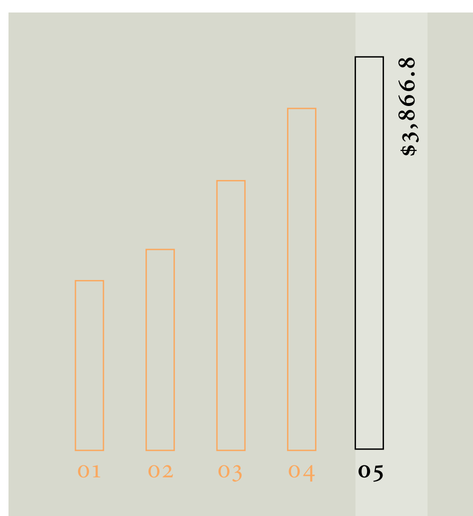
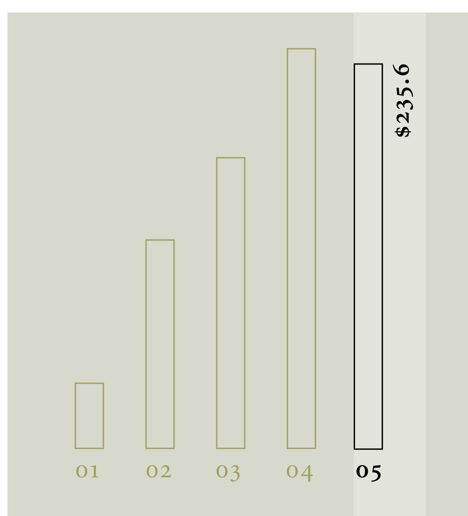
financial highlights

FOR THE YEARS ENDED DECEMBER 31,	**2005**	2004	2003	2002	2001
Net premiums *(in millions)*[1]	$ 3,866.8	$ 3,347.4	$ 2,643.2	$ 1,980.7	$ 1,661.8
Income from continuing operations *(in millions)*	235.6	245.3	178.3	128.5	39.9
Diluted earnings per share[1]	3.70	3.90	3.46	2.59	0.80
Operating data *(in billions)*					
Assumed ordinary life insurance in force	$ 1,736.6	$ 1,458.9	$ 1,252.2	$ 758.9	$ 616.0
Assumed new business production	354.1	279.1	544.4	230.0	171.1

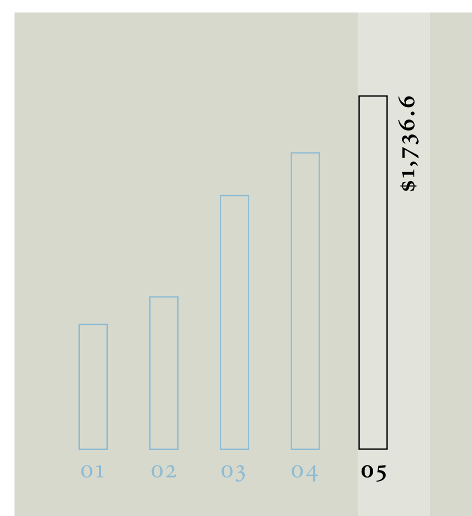
(1) *Reflects results from continuing operations*



NET PREMIUMS
(in millions)



INCOME FROM CONTINUING OPERATIONS
(in millions)



ASSUMED ORDINARY LIFE INSURANCE IN FORCE
(in billions)

to our shareholders,

A. Greig Woodring
President and Chief Executive Officer

In 2005, for the second consecutive year, RGA was named "Life Reinsurance Company of the Year" in *The Review Worldwide Reinsurance Awards*. The award recognizes RGA for its consistent *strong financial performance*, superior service and security to clients, and *ability to adapt* to market and industry changes.

The honor is both recognition of the *growing importance of RGA* within the global life reinsurance industry, and a testament that we are the *world's preferred life reinsurance partner*.

At RGA the relationships we have with our insurance company clients rank among our most important assets. RGA values these relationships and works hard to keep them strong and mutually rewarding. The last few years have been difficult ones in the life reinsurance industry. Flaspöhler Research Group's biennial report of customer satisfaction in the U.S. life reinsurance business states that in 25 years of working with varied industries and business sectors around the globe, they have never seen an industry that has sunk to such a low level of satisfaction with its clients. During this period of reinsurance rate increases, underwriting and claims disputes, and heightened sensitivity surrounding treaty provisions, RGA has strived to chart a steady course, ever mindful of maintaining excellent relationships, and was named "Best Overall Life Reinsurer" in the *2005 Flaspöhler Cedant Survey (Life—North America)*. As the environment appears to be moderating, we look forward to smoother sailing in the near future.

RGA enjoyed another successful year in 2005. Revenues grew strongly once again, while operating earnings were flat compared to 2004. We negotiated final commutation settlements for the overwhelming majority of our Argentina privatized pension (AFJP) contracts that had been adversely affecting our results for several years. We are happy to have essentially cleared this business. Commutation of these contracts, a difficult process, must be viewed as one of the successes of 2005.

In the second quarter, earnings were reduced due to higher mortality than expected in the U.K. and in the U.S. Our U.K. business experienced the ups and downs common to such a new block of business, but still has performed well to date. In the second half of the year, the business stabilized considerably and produced expected results. In the U.S., the adverse mortality experience resulted from the severity of death claims in excess of $1.0 million. We expect fluctuations of this sort to occur from time to time.

Mortality volatility is inherent in our business, but over extended periods mortality claims experience tends to moderate. We have every confidence that our large block will exhibit predictability over the long term.

Several of our markets, especially Canada, Japan and Australia, showed strong results in 2005, thanks to favorable mortality and sales. RGA's overall stability in results benefited by having five operations generating greater than $100 million each in premiums in 2005, and other operations closing in on that level.

Overall, our premium growth in 2005 slowed slightly from prior years, but still registered a strong 16% increase over 2004. U.S. premiums increased 10%, international premiums rose 24%, and Canadian premiums soared by 35%. We expect this growth to stabilize as market growth rates slow from the blistering pace of the late 1990s and as RGA's international business matures. Still, we anticipate double-digit increases again in

letter to shareholders *(continued)*

2006 and remain very encouraged by the current pipeline of opportunities.

Facultative underwriting continues to be integral to RGA's success. In 2005, clients submitted more than 236,000 facultative cases to RGA underwriters worldwide. This number continues to grow each year, reflecting our aggressive pursuit of facultative opportunities. In addition to traditional facultative case growth, we have seen continued success in the development and use of our automated underwriting tools. Our ASAP (Automated Selection and Assessment Program) technology allows clients to electronically check RGA's ability to accept impaired risks, and then allows them to bind us. The amount of business bound through ASAP increased 20% in 2005, and the number of clients using ASAP technology more than doubled. In addition, RGA's software business, RGA Technology Partners, Inc., had another busy year. Its proprietary automated undewriting system, AURA (Automated Underwriting and Risk Analysis), now boasts more than 30 successful implementations worldwide.

During 2005, RGA made several moves to help strengthen its capital base and flexibility. First, we renegotiated our credit facility to provide up to $600 million of flexible, short-term borrowing and letter of credit capacity. In the fourth quarter, we issued $400 million of junior subordinated debentures, leaving us in good shape with respect to capital and with a relatively low debt ratio. Barring a very large transaction, we should not need to access the equity markets in the near term.

RGA has successfully backed its Triple-X and other redundant liabilities with appropriate long-term arrangements, and has not used public securitizations. Such securitizations have become more routine and cost-efficient, however, and we expect to make effective use of them in the future. Through diversification of financing techniques and methodologies, we believe that we can achieve optimal results for our shareholders.

Focused innovation remains a key component of RGA's continued growth. In 2005, our associates continued to explore new opportunities, developing customized solutions to support clients in the countries where they do business. At the start of 2005, RGA received approval from the Chinese authority to open a Beijing representative office, which began full operations in August. In March, RGA received its license to operate a branch office in Seoul, South Korea, where we have been serving clients since 1996. As we reach out globally, RGA demonstrates its long-term commitment to clients and the markets where they operate.

RGA has long attracted and retained the top talent in the reinsurance market-place, underpinning our consistent growth in the industry. Our management team provides expert insight and

understanding, built on years of successful experience. RGA's Canadian operations are a testament to the strength of our management team: Dave Pelletier led that office to exceptional growth during his three-year tenure as President and Chief Executive Officer. I have asked Dave to bring his experience and leadership to a key systems initiative as we develop RGA's international administrative systems. I am confident he will excel in his new role. Alain Neemeh, formerly Executive Vice President and Chief Financial Officer of RGA Canada, will succeed Dave. Alain, like Dave, is committed to building upon the strong relationships already developed with Canadian cedants, and his experience and strong strategic focus will be invaluable assets to RGA.

The life reinsurance marketplace presents many opportunities for RGA. To capitalize on these we have a team that is ready and able to respond quickly and at the same time we must always ensure that we have an appropriate and flexible capital structure. RGA will continue to focus on life reinsurance. Our strong balance sheet, global reach, long-term client relationships and spirit of innovation have helped RGA weather previous challenges and changes in the life reinsurance environment, and will continue to provide stability and growth in the years ahead.

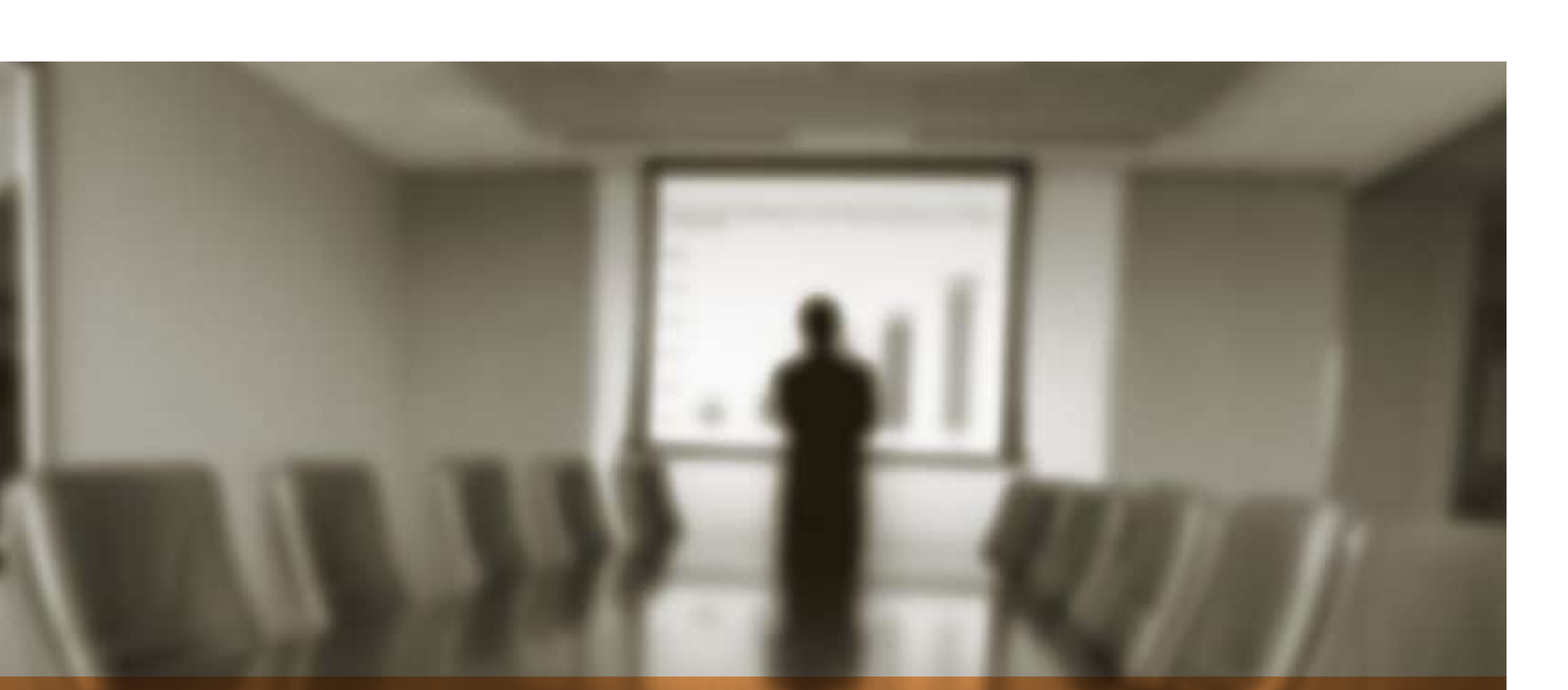
Sincerely,

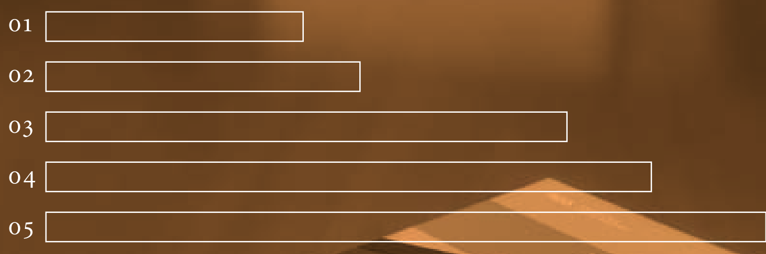
A. Greig Woodring

President and
Chief Executive Officer

*focus

CLIENTS AND STAKEHOLDERS DEPEND ON RGA TO PROVIDE *stability* IN THE FACE OF CHANGE AND VOLATILITY. OUR CONTINUED *focus on life reinsurance,* RIGOROUS RISK MANAGEMENT, AND *capital strength* UNDERLINE OUR CONSISTENTLY *strong performance*.





$1.7 TRILLION OF LIFE REINSURANCE IN FORCE IN 2005

KEN SLOAN

Senior Vice President-Underwriting,
RGA Reinsurance Company

For more than 30 years, Ken Sloan has been instrumental in building RGA's U.S. facultative underwriting business into its leading position in the marketplace. In 2005, his group reviewed more than 97,000 facultative applications, helping clients place more business by applying expert risk selection to every case.

RGA's steady growth over the years is tied to the experience and dedication of Ken and other employees like him, who demonstrate our principles every day. RGA's consistent approach and unwavering focus on client needs inspire confidence and reinforce our sound reputation among life reinsurers.

"I believe a key to our success lies in how we approach clients and their businesses. We listen to their needs and partner with them to find unique ways to solve their problems and improve their results. We might not have an immediate answer, but we work with each client to find the right solutions. That's why our clients approach RGA with confidence—they know we will treat them as individuals and tailor appropriate solutions to fit their requirements."

*reach

OUR *expanding global presence* REFLECTS OUR COMMITMENT TO SERVING OUR CLIENTS IN THE COUNTRIES AND MARKETS WHERE THEY DO BUSINESS. IN 2005 WE OPENED A BEIJING REPRESENTATIVE OFFICE, OBTAINED OUR KOREA BRANCH LICENSE, AND MADE ADDITIONAL INROADS IN THE EUROPEAN UNION. WE APPLY *RGA's expertise and best practices* TO DEVELOP RELEVANT REINSURANCE AND FINANCIAL SOLUTIONS TO FIT CLIENT NEEDS, *reaching beyond expectations* TO DELIVER SUPERIOR RESULTS.

SERVING CLIENTS ACROSS SIX CONTINENTS, IN MORE THAN 45 COUNTRIES

JASON OU

Chief Representative,
RGA Reinsurance Company
Beijing Representative Office

The establishment of RGA's representative office in Beijing is an example of RGA's commitment to helping clients grow and profit in emerging life insurance markets. Jason Ou, Chief Representative of the Beijing office, is devoted to building a solid foundation for business development in China to maintain and strengthen relationships and adapt RGA's experience to fit local market requirements.

Though RGA's core principles may remain the same, we recognize that growth often lies beyond familiar markets and products. We will continue to explore new relationships, create new solutions, and drive business in new ways, but always relying upon the proven fundamentals that underlie RGA's continued success.

"RGA is dedicated to forging long-lasting, successful and mutually rewarding relationships with life insurance clients in China, just as we do in all countries where we do business. Once licensed, we will focus on life reinsurance in the Chinese market and help our clients to manage their risk, underwriting, pricing and product development."

*connections

AT RGA OUR *strong client relationships* GLOBALLY ARE PRODUCTS OF TIME, DEDICATION AND A DESIRE FOR MUTUAL PROSPERITY. CEDANTS RECOGNIZED *our commitment* TO THEIR SUCCESS WHEN RGA WAS NAMED "BEST OVERALL LIFE REINSURER" IN THE *2005 FLASPÖHLER CEDANT SURVEY (LIFE—NORTH AMERICA)*. WE ARE PROUD OF OUR *high regard in the industry,* AND CONTINUE TO WORK WITH CLIENTS TO CREATE SOLUTIONS THAT HELP THEM IMPROVE BUSINESS PROFITABILITY.

NAMED "BEST OVERALL LIFE REINSURER" IN FLASPÖHLER SURVEY

AWARDED "LIFE REINSURANCE COMPANY OF THE YEAR" BY *THE REVIEW*

In 2005, clients named Jason Hurley "Reassurance Personality of the Year" in *The Redmayne Report on Reassurance*, the only major annual survey of life reinsurance buyers in the U.K. and Irish markets. Jason was commended for his "empathy with insurers and the role he has played in the sensible development of underwriting practices, including tele-underwriting."

We understand as a life reinsurer that our success is largely derived from our ability to meet the needs of ceding companies. We are committed to building strong connections with life reinsurers in markets around the world. When our clients succeed, we succeed as well.

JASON HURLEY

Head of Sales and Marketing,
RGA Reinsurance U.K. Ltd.

"We are extremely pleased that reinsurance buyers in the U.K. have recognized RGA for being knowledgeable, helpful and innovative. These are some of our core qualities, and it is my pleasure to interact with clients and to put a face on RGA's strengths. When I meet with a client, I don't just represent myself—I represent all of my RGA colleagues."

*innovation

RGA CONTINUES TO *develop new products and services* THAT BUILD BUSINESS, SIMPLIFY PROCESSES, SPEED RESPONSE TIME AND DELIVER SERVICE THAT IS UNMATCHED IN THE INDUSTRY. WE TRANSLATE STATISTICS INTO SOLUTIONS, RESULTING IN *innovative tools* THAT *mitigate risk* AND *enhance profitability.* OUR CONTINUED GROWTH IS ASSURED WHEN WE CREATE CUSTOMIZED SOLUTIONS THAT *help our clients succeed.*

TECHNOLOGY

CLIENT FOCUS

PRODUCT DEVELOPMENT

Jym Barnes

President and Chief Executive Officer, RGA Technology Partners, Inc.

RGA Technology Partners, Inc., a subsidiary of RGA, creates and implements specialized solutions for the life insurance industry. Led by Jym Barnes, the company's proprietary AURA (Automated Underwriting and Risk Analysis) software has met with broad acceptance worldwide. In 2005, Jym's team continued to develop new ways to improve processes and results for clients, and introduced tele-underwriting services specifically designed to reduce underwriting requirements, gather better disclosures, and speed up time to issue.

Jym's achievements mirror RGA's culture of innovation in all aspects of our business. Whether designing a new group life product, providing expert facultative underwriting services, or constantly enhancing our level of customer support, RGA works hard to identify issues within the life insurance industry, then develops targeted solutions to drive ceding companies forward.

"We anticipate client needs, industry needs, and technology needs, then challenge ourselves to deliver solutions that go beyond expectations. We do it in large part because there's reward in knowing we've created something that didn't exist before, bringing fresh ideas to reality."

operations

RGA'S *global operations* DELIVERED STRONG PREMIUM GROWTH IN 2005. AS THE SECOND LARGEST LIFE REINSURER IN NORTH AMERICA AND THE THIRD LARGEST IN THE WORLD, RGA CONTINUES TO *set industry standards* FOR UNDERWRITING AND PRICING, OFFERING CLIENTS *customized products* AND *solutions* TO MITIGATE RISK AND *improve profitability*.

IN 2005, RGA'S *U.S. traditional mortality reinsurance division* REPORTED MORE THAN $2.4 BILLION IN NET PREMIUMS, A 10% INCREASE OVER THE PRIOR YEAR. *Canadian operations* ALSO REPORTED STRONG PREMIUM GROWTH AS THEY CAPITALIZED ON CONTINUED REINSURANCE INDUSTRY CONSOLIDATION. RGA'S *International division* REACHED A MILESTONE WHEN IT SURPASSED $1.0 BILLION IN REVENUE. THE COMPANY EXPANDED ITS PRESENCE IN THE ASIA PACIFIC REGION AND BUILT ADDITIONAL BUSINESS RELATIONSHIPS WITH CLIENTS IN CONTINENTAL EUROPE.

NORTH AMERICAN OPERATIONS

U.S. Traditional Mortality Reinsurance

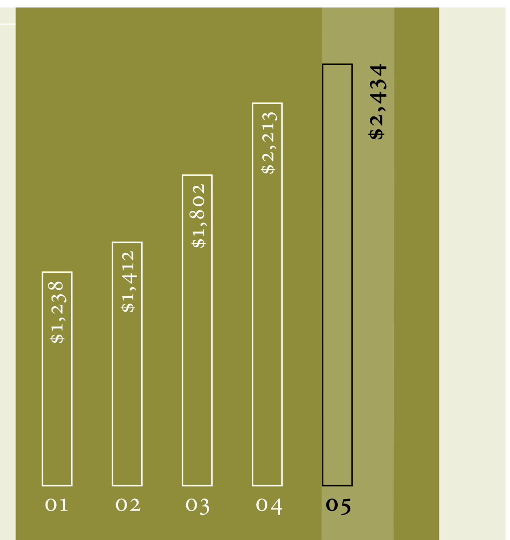
Despite a challenging second quarter that brought a number of unexpected large claims, RGA's U.S. traditional mortality operations reported strong growth in new business during the year. New business production neared $187 billion in 2005, up from $169 billion in 2004: The addition of several new accounts during the year contributed to the positive showing. Pre-tax net income totaled $231.0 million, down 11% from 2004, primarily due to the adverse claims experience during the second quarter. Mortality volatility is common and expected in the life reinsurance business, and U.S. mortality claims returned to expected levels by year-end.

Life insurance sales in the U.S. market were relatively flat in 2005. In addition, ceding companies continued to reinsure less business. RGA expects this trend to persist in 2006. Despite this slowing market, RGA still achieved solid results by signing treaties with several new clients, winning larger shares of business with existing clients, and building overall market share.

RGA Financial Markets

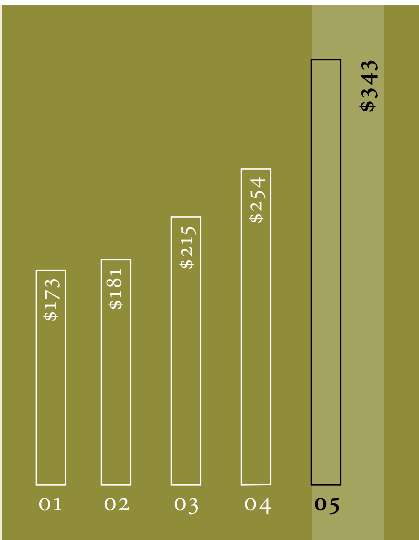
RGA Financial Markets had a successful year in 2005, meeting objectives, growing its revenue base, adding new clients, expanding retrocession capacity and exploring other opportunities for growth.

The company met goals by adding new business, increasing margins on existing business, and developing new products.



U.S. NET PREMIUMS
(in millions)

operations *(continued)*



CANADA NET PREMIUMS
(in millions)

At the end of 2005, Financial Markets managed $1.9 billion of statutory surplus provided through financial reinsurance, compared to $1.5 billion at the end of 2004. Pre-tax net income increased to $38.1 million, up from $29.9 million in 2004, while invested assets related to asset-intensive reinsurance grew to $4.0 billion, up from $3.7 billion in 2004.

RGA Financial Markets plans to further expand its global reach in 2006, marketing the value of financial and asset-intensive reinsurance to international markets, forging strategic alliances, and continuing to develop innovative products and solutions for clients.

RGA Life Reinsurance Company of Canada

RGA Canada had an excellent year in 2005, increasing net premiums 35% over 2004, and generating 25% of RGA's pre-tax net income—$88.0 million, up from $73.5 million in 2004. The company's considerable growth during 2005 can be attributed to industry consolidation, resulting in a favorable market environment.

In 2005 RGA Canada took advantage of new opportunities created by the consolidation that took place among life reinsurance companies in 2004. Direct insurers in Canada continued to retain less risk, ceding approximately 70% of all new business written during the year. As a result, RGA Canada's assumed new

reinsurance business climbed to $32.2 billion, a remarkable 64% increase over 2004, and its underwriters processed more than 27,000 facultative applications for clients.

RGA Technology Partners, Inc.

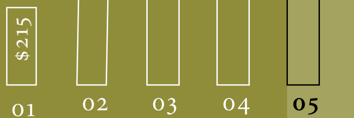
RGA Technology Partners is RGA's wholly owned subsidiary devoted to developing and implementing underwriting solutions for the life insurance industry. The AURA (Automated Underwriting and Risk Analysis) software system is its flagship product, licensed and used by dozens of insurers globally. In 2005, its fourth full year of operations, RGA Technology Partners enjoyed a year of financial growth and maintained a high level of customer satisfaction. Emphasis was placed on expanding product features, offering more services and leveraging existing client relationships.

During 2005, RGA Technology Partners positioned itself as a business services provider, introducing an advanced tele-underwriting solution to carriers. Branded as AURA Underwriting Services, it provides insurers with expertly trained interviewers and the AURA technology on an as-needed basis. Clients are able to better manage their resources and selection processes while gaining access to RGA underwriting rule sets, widely considered the best in the life insurance industry.

Life Product Services

Launched in 2005, RGA's Life Product Services unit was created to provide term product development services to direct life insurance companies in the United States. The unit's experienced team can provide flexible and customized product ideas as well as expertise in pricing, actuarial and underwriting, market research, and regulation. Life Product Services will close its first major agreement in early 2006.

operations *(continued)*



INTERNATIONAL DIVISION
NET PREMIUMS
(in millions)

INTERNATIONAL OPERATIONS

ASIA PACIFIC OPERATIONS

The Asia Pacific operating segment, with offices in Australia, South Korea, Taiwan, Hong Kong, Malaysia, Japan and China, generated $568.7 million in revenue and $40.4 million of pre-tax net income in 2005.

Australia and New Zealand

RGA Reinsurance Company of Australia manages both Australia and New Zealand business. The office produced net premiums of $295.4 million in 2005, its tenth year of operations. During the year, RGA added key staff in Australia, intending to leverage its global expertise and diverse experience to strengthen the Australia/New Zealand insurance markets and to support client growth. As consolidation continues among reinsurers and as direct companies follow a general trend toward increased retention, RGA will focus on developing capital solutions, pursuing growth in its group life business, and creating products specifically targeted to the needs of its clients.

South Korea

After nearly ten years of service to Korean life insurers, RGA reached a landmark in 2005 when it obtained its branch license. Net premiums reached $101.6 million, an 84% increase over the prior year. RGA built on the momentum by signing nine new treaties and maintaining its participation level in all others. With a large number of reinsurers vying for a relatively small amount of traditional life reinsurance in Korea, RGA is distinguishing itself by providing comprehensive product development expertise and innovative reinsurance consulting on a range of underwriting, claims management and actuarial issues. The Korean market is ideal for RGA, since local companies are willing to explore new ideas and test concepts that have been successful elsewhere. Clients recognized RGA for its superior facultative underwriting in the South Korea market, submitting 5,961 applications to RGA in 2005—an increase of 21% over 2004.

Taiwan

Net premiums in RGA Taiwan increased an impressive 54% over the prior year, to $25.6 million. Though Taiwan is one of RGA's smaller international operations today, its long-term potential makes it an important base for future growth. RGA will seek a branch license in Taiwan in 2006. As in other markets, RGA will focus on building a strong local team that can leverage ideas and successes from around the world to help reinsurance clients improve their competitiveness and gain market share.

Hong Kong

RGA's Hong Kong branch serves all local life insurance companies and supports multinational companies' operations throughout Southeast Asia. In 2005, net premiums amounted to $62.4 million. RGA became an authorized reinsurer in Singapore in 2005, and won business with four of the 13 major ceding companies there, a significant achievement in a highly competitive environment. RGA will focus more resources on Singapore in the future, due to its leading role in the Southeast Asia insurance market.

During the year, RGA partnered with ten companies to develop new products in Hong Kong, Singapore and throughout Southeast Asia. RGA will continue to enhance its new product offerings in 2006, looking for opportunities to share ideas and expertise from the global market to enhance local clients' businesses.

Malaysia

Malaysia Life Reinsurance Group Berhad (MLRe) is a joint venture company between RGA and the Life Insurance Association of Malaysia. Founded in 1997, MLRe is the only life reinsurance company incorporated in Malaysia. MLRe has business with all Malaysian-based companies and is exporting its services to local companies in neighboring countries. Ongoing growth is anticipated as MLRe continues to capitalize on RGA's financial and underwriting strength by promoting traditional reinsurance services and developing investment-linked products for bancassurance.

Japan

RGA Japan marked its second year as a full-service reinsurer with outstanding results, both financially and operationally. It increased net premiums in 2005 by 35% over the prior year, and further consolidated its standing as Japan's premier facultative reinsurer by processing more than 28,500 client applications—a 37% increase over 2004. During 2005, the company added one of the top five Japanese companies as a client, and is working towards signing another leading company as a client in 2006.

The level of insurance ceded in Japan has been gradually increasing, and RGA is responding with aggressive marketing and innovative product development. As the market continues to open and changes in Japan's regulatory environment align with that of other sophisticated insurance markets, RGA anticipates greater opportunities for its reinsurance products and services.

operations *(continued)*

China

In January, RGA received permission from the China Insurance Regulatory Commission to open a representative office in Beijing. The RGA Reinsurance Company Beijing Representative Office officially opened in August, marking RGA's seventh location in the Asia Pacific region. RGA believes China will be a major reinsurance market in the future and an important part of RGA's growth. In anticipation of obtaining a branch license in China, RGA is developing a professional team of mortality and morbidity experts who will work to ensure that RGA will be the clear choice as partner for product development and traditional reinsurance coverage for companies seeking to grow in China.

EUROPE, SOUTH AFRICA, INDIA AND LATIN AMERICA OPERATIONS

These operations exceeded planned targets in 2005, with net premiums up 15% over the prior year. During the year, RGA continued to explore and expand into continental European markets and forge important new relationships with clients in Italy, the Netherlands, France and Eastern Europe.

United Kingdom

RGA's U.K. operations rebounded from adverse mortality in the second quarter, finishing the year exceeding its net premium goal by 10% to $427.1 million. In 2005, demand for reinsurance continued in the U.K. and offshore markets, and competition intensified in turn, despite a protection market that has decreased by approximately one-third since its peak in 2003. RGA launched several major product developments in 2005, including an innovative tiered-benefit product that further established RGA as a creative and capable reinsurer in the market.

Spain and Portugal

RGA serves the majority of life companies in Spain and Portugal, where in 2005 net premiums grew by 26% over 2004. Through aggressive marketing and by capitalizing upon a changing competitor landscape, RGA added seven key clients and increased its participation with existing ones. Bancassurance is the dominant distribution channel for life insurance in Southern Europe, exerting considerable influence over pricing and competition. RGA has responded by carefully reviewing its bancassurance pricing and product models, and in 2006 will also focus on developing the term and automatic group markets, and educating direct insurers on the benefits of capital-motivated reinsurance.

Other European Operations

In 2005, RGA continued to research potential opportunities within key continental markets including Italy, the Netherlands, France, Germany and Central and Eastern Europe. Initial results have been positive, as RGA has successfully placed numerous treaties with leading local life insurance companies in these markets.

South Africa

RGA South Africa developed and executed a comprehensive group business strategy that generated significant growth in 2005. Net premiums rose 15% over 2004 to $59.4 million. RGA has established itself as a leading life reinsurer and product development expert in South Africa, and clients continue to look to RGA for facultative underwriting expertise. RGA responded by processing over 31,000 cases in 2005, despite a tightening market.

India

Increased competition between insurance companies is also taking hold in India, where the year ended with fifteen insurers competing for business. RGA faced the challenge and ended 2005 with all key Indian life insurance companies as clients. RGA took advantage of 2005's robust growth in the Indian life insurance market, increasing net premiums by an impressive 70% over 2004. In this rapidly growing market, RGA is sharing knowledge and expertise with life insurers, expanding its range of products and services, and positioning RGA to bring long-term success to clients and itself.

Latin America

At this time in the Latin American region, RGA is primarily focused upon Mexico, currently a relatively small reinsurance market where many companies increased retention in 2005. Nevertheless, RGA will continue to take steps to develop the Mexican life reinsurance business, focusing on traditional as well as group life business.

From its office in Mexico City, RGA also serves clients in other Latin American markets offering expertise in facultative underwriting, traditional individual and group life, product development and non-traditional reinsurance. Life insurance is still an emerging industry in many of these markets, and RGA continues to educate direct insurers about the benefits of life reinsurance as a risk management tool.

leadership

Executive Leadership Team *(pictured from left to right)*

Robert M. Musen
Executive Vice President

Jack B. Lay
Executive Vice President
and Chief Financial Officer

Brendan J. Galligan
Senior Vice President

Michael S. Stein
Executive Vice President

Paul A. Schuster
Executive Vice President

Paul Nitsou
Executive Vice President

A. Greig Woodring
President
and Chief Executive Officer

Frank A. Alvarez
Executive Vice President

John P. Laughlin
Senior Vice President

Graham S. Watson
Executive Vice President
and Chief Marketing Officer

Alain P. Neemeh
President
and Chief Executive Officer,
RGA Canada

David B. Atkinson
Executive Vice President
and Chief Operating Officer

A. David Pelletier
Executive Vice President

Board of Directors

William J. Bartlett
Director
Retired Partner of
Ernst & Young, Australia

J. Cliff Eason
Director
Retired President of
Southwestern Bell Telephone

Stuart I. Greenbaum
Director
Professor at the
John M. Olin School
of Business,
Washington University

Alan C. Henderson
Director
Retired President
and Chief Executive Officer,
RehabCare Group, Incorporated

Leland C. Launer, Jr.
Director
and Chairman of the Board
President, Institutional Business,
MetLife, Inc.

Joseph A. Reali
Director
Senior Vice President
and Tax Director,
MetLife, Inc.

Georgette A. Piligian
Director
Senior Vice President
and Chief Information Officer,
Institutional Business, MetLife

A. Greig Woodring
President,
Chief Executive Officer
and Director,
Reinsurance Group of America,
Incorporated®

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(in millions, except per share and operating data)

Years ended December 31,	2005	2004	2003	2002	2001
Income Statement Data[1]					
Revenues:					
Net premiums	$ 3,866.8	$ 3,347.4	$ 2,643.2	$ 1,980.7	$ 1,661.8
Investment income, net of related expenses	639.2	580.5	465.6	374.5	340.6
Investment related gains (losses), net	13.6	29.5	5.3	(14.6)	(68.4)
Change in value of embedded derivatives	7.4	26.1	43.6	–	–
Other revenues	57.7	55.4	47.3	41.4	34.3
Total revenues	4,584.7	4,038.9	3,205.0	2,382.0	1,968.3
Benefits and expenses:					
Claims and other policy benefits	3,187.9	2,678.5	2,108.4	1,539.5	1,376.8
Interest credited	208.4	198.9	179.7	126.7	111.7
Policy acquisition costs and other insurance expenses	629.3	591.0	458.2	391.5	304.2
Change in deferred acquisition costs associated with change in value of embedded derivatives	7.0	22.9	30.7	–	–
Other operating expenses	154.4	140.0	119.6	94.8	91.3
Interest expense	41.4	38.4	36.8	35.5	18.1
Total benefits and expenses	4,228.4	3,669.7	2,933.4	2,188.0	1,902.1
Income from continuing operations before income taxes	356.3	369.2	271.6	194.0	66.2
Provision for income taxes	120.7	123.9	93.3	65.5	26.3
Income from continuing operations	235.6	245.3	178.3	128.5	39.9
Discontinued operations:					
Loss from discontinued accident and health operations, net of income taxes	(11.4)	(23.0)	(5.7)	(5.7)	(6.9)
Cumulative effect of change in accounting principle, net of income taxes	–	(0.4)	0.5	–	–
Net income	$ 224.2	$ 221.9	$ 173.1	$ 122.8	$ 33.0

(1) During December 2003, the Company completed a large coinsurance agreement with Allianz Life Insurance Company of North America.

See Note 4 - Significant Transaction of the Consolidated Financial Statements.

Years ended December 31,	2005	2004	2003	2002	2001
Basic Earnings Per Share(1)					
Continuing operations	$ 3.77	$ 3.94	$ 3.47	$ 2.60	$ 0.81
Discontinued operations	(0.19)	(0.37)	(0.11)	(0.11)	(0.14)
Accounting change	–	(0.01)	0.01	–	–
Net income	$ 3.58	$ 3.56	$ 3.37	$ 2.49	$ 0.67
Diluted Earnings Per Share(1)					
Continuing operations	$ 3.70	$ 3.90	$ 3.46	$ 2.59	$ 0.80
Discontinued operations	(0.18)	(0.37)	(0.11)	(0.12)	(0.14)
Accounting change	–	(0.01)	0.01	–	–
Net income	$ 3.52	$ 3.52	$ 3.36	$ 2.47	$ 0.66
Weighted average diluted shares, in thousands	63,724	62,964	51,598	49,648	49,905
Dividends per share on common stock	$ 0.36	$ 0.27	$ 0.24	$ 0.24	$ 0.24
Balance Sheet Data(1)					
Total investments	$ 12,331.5	$ 10,564.2	$ 8,883.4	$ 6,650.2	$ 5,088.4
Total assets	16,193.9	14,048.1	12,113.4	8,892.6	7,016.1
Policy liabilities	11,726.3	10,314.5	8,811.8	6,603.7	5,077.1
Long-term debt	674.4	349.7	398.1	327.8	323.4
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	158.6	158.4	158.3	158.2	158.1
Total stockholders' equity	2,527.5	2,279.0	1,947.7	1,222.5	1,005.6
Total stockholders' equity per share	$ 41.38	$ 36.50	$ 31.33	$ 24.72	$ 20.30
Operating Data (in billions)(1)					
Assumed ordinary life reinsurance in force	$ 1,736.6	$ 1,458.9	$ 1,252.2	$ 758.9	$ 616.0
Assumed new business production	354.1	279.1	544.4	230.0	171.1

(1) During December 2003, the Company completed a large coinsurance agreement with Allianz Life Insurance Company of North America.
See Note 4 - Significant Transaction of the Consolidated Financial Statements.

Forward-Looking and Cautionary Statements

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

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

Forward-looking statements should be evaluated together with the many risks and uncertainties that affect the Company's business, including those mentioned in this document and the cautionary statements described in the periodic reports the Company files with the SEC. These forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligations to update these forward-looking statements, even though the Company's situation may change in the future. The Company qualifies all of its forward-looking statements by these cautionary statements. For a discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, you are advised to see Item 1A Risk Factors in the Company's 2005 Annual Report on Form 10-K filed with the SEC on February 27, 2006.

Overview

Reinsurance Group of America, Incorporated ("RGA") is an insurance holding company that was formed on December 31, 1992. As of December 31, 2005, General American Life Insurance Company ("General American"), a Missouri life insurance company, directly owned approximately 52.8% of the outstanding shares of common stock of RGA. General American is a wholly-owned subsidiary of MetLife, Inc., a New York-based insurance and financial services holding company.

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

The Company is primarily engaged in traditional individual life, asset-intensive, critical illness and financial reinsurance. RGA and its predecessor, the Reinsurance Division of General American, have been engaged in the business of life reinsurance since 1973. Approximately 71.8% of the Company's 2005 net premiums were from its more established operations in North America, which include its U.S. and Canada segments.

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

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

In 1994, the Company began using its North American underwriting expertise and industry knowledge to expand into international markets and now has subsidiaries, branches or offices in Australia, Barbados, Bermuda, China, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom. These operations are included in either the Company's Asia Pacific segment or its Europe & South Africa segment. The Company generally starts new operations from the ground up in these markets as opposed to acquiring existing operations, and it often enters these markets to support its North American clients as they expand internationally. Based on Standard & Poor's Global Reinsurance Highlights, 2005 Edition, the Company believes it is the third largest life reinsurer in the world based on 2004 gross life reinsurance premiums. While the Company believes information published by Standard & Poor's is generally reliable, the Company has not independently verified the data. Standard & Poor's does not guarantee the accuracy and completeness of the information. The Company conducts business with the majority of the largest U.S. and international life insurance companies. The Company has also developed its capacity and expertise in the reinsurance of asset-intensive products (primarily annuities and corporate-owned life insurance) and financial reinsurance.

Industry Trends

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

Outsourcing of Mortality. The SOA survey indicates that U.S. life reinsurance in force has more than doubled from $3.2 trillion in 1999 to $6.6 trillion at year-end 2004. The Company believes this trend reflects increased utilization by life insurance companies of reinsurance to manage capital and mortality risk and to develop competitive products. Reinsurers are able to efficiently aggregate a significant volume of life insurance in force, creating economies of scale and greater diversification of risk. As a result of having larger amounts of data at their disposal compared to primary life insurance companies, reinsurers tend to have better insights into mortality trends, creating more efficient pricing for mortality risk.

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

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

Consolidation and Reorganization Within the Life Reinsurance and Life Insurance Industry. As a result of consolidations in recent years within the life reinsurance industry, there are fewer competitors. According to the SOA survey, as of December 31, 2004, the top five

companies held approximately 79% of the market share in North America based on life reinsurance in force, whereas in 1999, the top five companies held approximately 57% of the market share. As a consequence, the Company believes the life reinsurance pricing environment will remain attractive for the remaining life reinsurers, particularly those with a significant market presence and strong ratings.

The SOA surveys indicate that the authors obtained information from participating or responding companies and do not guarantee the accuracy and completeness of their information. Additionally, the surveys do not survey all reinsurance companies, but the Company believes most of its principal competitors are included. While the Company believes these surveys to be generally reliable, the Company has not independently verified their data.

Additionally, the number of merger and acquisition transactions within the life insurance industry has increased in recent years. The Company believes that reorganizations and consolidations of life insurers will continue. As reinsurance products are increasingly used to facilitate these transactions and manage risk, the Company expects demand for its products to continue.

Changing Demographics of Insured Populations. The aging of the population in North America is increasing demand for financial products among "baby boomers" who are concerned about protecting their peak income stream and are considering retirement and estate planning. The Company believes that this trend is likely to result in continuing demand for annuity products and life insurance policies, larger face amounts of life insurance policies and higher mortality risk taken by life insurers, all of which should fuel the need for insurers to seek reinsurance coverage.

The Company continues to follow a two-part business strategy to capitalize on industry trends.

Continue Growth of Core North American Business. The Company's strategy includes continuing to grow each of the following components of its North American operations:

- **Facultative Reinsurance.** Based on discussions with the Company's clients and informal knowledge about the industry, the Company believes it is a leader in facultative underwriting in North America. The Company intends to maintain that status by emphasizing its underwriting standards, prompt response on quotes, competitive pricing, capacity and flexibility in meeting customer needs. The Company believes its facultative business has allowed it to develop close, long-standing client relationships and generate additional business opportunities with its facultative clients.
- **Automatic Reinsurance.** The Company intends to expand its presence in the North American automatic reinsurance market by using its mortality expertise and breadth of products and services to gain additional market share.
- **In Force Block Reinsurance.** The Company anticipates additional opportunities to grow its business by reinsuring "in force block" insurance, as insurers and reinsurers seek to exit various non-core businesses and increase financial flexibility in order to, among other things, redeploy capital and pursue merger and acquisition activity. The Company took advantage of one such opportunity in 2003 when it assumed the traditional life reinsurance business of Allianz Life Insurance Company of North America ("Allianz Life").

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

- **International Markets.** Management believes that international markets offer opportunities for growth, and the Company intends to capitalize on these opportunities by establishing a presence in selected markets. Since 1994, the Company has entered new markets internationally, including, in the mid-to-late 1990's, Australia, Hong Kong, Japan, Malaysia, New Zealand, South Africa, Spain, Taiwan and the United Kingdom ("UK"), and beginning in 2002, China, India and South Korea. The Company's most recent expansion took place in January 2005, when the Company received regulatory approval to open a representative office in China. Before entering new markets, the Company evaluates several factors including:

  — the size of the insured population,
  — competition,
  — the level of reinsurance penetration,
  — regulation,
  — existing clients with a presence in the market, and
  — the economic, social and political environment.

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

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

Financial Objectives

The Company sets various consolidated financial and operating goals for the intermediate period (next three to five years) including:

- Achieving a return on stockholders' equity of 12% to 14%;
- Achieving annual earnings per share growth of 11% to 13%; and
- Maintaining a debt to capital ratio of less than 25%.

Additionally, the Company has financial growth expectations for various operating segments for the intermediate period (next three to five years). In its U.S. and Canada operations, the Company expects growth rates for premium and income before income taxes of 8% to 10% and 10% to 15%, respectively. The Company's newer international operations, which include Europe & South Africa, and Asia Pacific, are subject to more volatility. For these newer international operations, the Company anticipates growth in premium and income before income taxes of approximately 15% over the intermediate term (next three to five years).

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

Results of Operations

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

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

During December 2003, the Company completed a large coinsurance agreement with Allianz Life. Under this agreement, RGA Reinsurance assumed the traditional life reinsurance business of Allianz Life, including yearly renewable term reinsurance and coinsurance of term policies. The business did not include any accident and health risk, annuities or related guaranteed minimum death benefits or guaranteed minimum income benefits. This transaction added additional scale to the Company's U.S. traditional business, but did not significantly add to its client base because most of the underlying ceding companies were already its clients. Substantially all of the underlying ceding companies novated their treaties from Allianz Life to RGA Reinsurance during 2004. Novation results in the underlying client companies reinsuring the business directly to RGA Reinsurance versus passing through Allianz Life.

The transaction was effective retroactive to July 1, 2003. Under the agreement, Allianz Life transferred to RGA Reinsurance $425.7 million in cash and statutory reserves. RGA Reinsurance paid Allianz Life a ceding commission of $310.0 million. As a result of this transaction, during the fourth quarter of 2003, the Company's U.S. traditional sub-segment reflected $246.1 million in net premiums and approximately $6.8 million of net income, after tax.

Consolidated assumed insurance in force increased from $1.5 trillion to $1.7 trillion for the year ended December 31, 2005. Assumed new business production for 2005 totaled $354.1 billion compared to $279.1 billion in 2004 and $544.4 billion in 2003. The transaction with Allianz Life contributed $287.2 billion to the new business production in 2003.

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

The Company's profitability primarily depends on the volume and amount of death claims incurred and the ability to adequately price the risks it assumes. While death claims are reasonably predictable over a period of many years, claims become less predictable over shorter periods and are subject to significant fluctuation from quarter to quarter and year to year. Effective July 1, 2003, the Company increased the maximum amount of coverage that it retains per life from $4 million to $6 million. This increase does not affect business written prior to July 1, 2003. Claims in excess of this retention amount are retroceded to retrocessionaires; however, the Company remains fully liable to the ceding company for the entire amount of risk it assumes. The increase in the Company's retention limit from $4 million to $6 million reduces the amount of premiums it pays to retrocessionaires, but increases the maximum effect a single death claim can have on its results and therefore may result in additional volatility to its results.

The Company maintains a catastrophe insurance program ("Program") that renews on August 13th of each year. The current Program began August 13, 2005, 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 North American guaranteed issue corporate-owned life insurance, bank-owned life insurance and similar reinsurance programs and includes losses due to acts of terrorism, but excludes 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.

Since December 31, 1998, the Company has formally reported its accident and health division as a discontinued operation. The accident and health business was placed into run-off, and all treaties were terminated at the earliest possible date. Notice was given to all cedants and retrocessionaires that all treaties were being cancelled at the expiration of their terms. The nature of the underlying risks is such that the claims may take several years to reach the reinsurers involved. Thus, the Company expects to pay claims over a number of years as the level of business diminishes. The Company will report a loss to the extent claims and related expenses exceed established reserves. During 2004, the accident and health division reported a net loss of $23.0 million due to claim payments in excess of established reserves, an arbitration settlement and legal fees. See Note 20 to the Consolidated Financial Statements. The increase in 2004 is due primarily to a negotiated settlement of all disputed claims associated with the Company's largest identified accident and health exposure.

The Company has five main operational segments, each of which is a distinct reportable segment: U.S., Canada, Europe & South Africa, Asia Pacific and Corporate and Other. The U.S. operations provide traditional life, asset-intensive, and financial reinsurance primarily to domestic clients. The Canada operations provide insurers with reinsurance of traditional life products as well as reinsurance of critical illness products. Europe & South Africa operations include traditional life reinsurance and critical illness business from Europe & South Africa, in addition to other markets the Company is developing. Asia Pacific operations provide primarily traditional life reinsurance, critical illness and, to a lesser extent, financial reinsurance. The Company's discontinued accident and health business is excluded from continuing operations. The Company measures segment performance based on profit or loss from operations before income taxes.

Consolidated income from continuing operations decreased 4.0% in 2005 to $235.6 million and increased 37.6% in 2004 to $245.3 million. Diluted earnings per share from continuing operations were $3.70 for 2005 compared to $3.90 for 2004 and $3.46 for 2003. A majority of the Company's earnings during these years were attributed primarily to traditional reinsurance results in the U.S.

Consolidated investment income increased 10.1% and 24.7% during 2005 and 2004, respectively. These increases related to a growing invested asset base due to positive cash flows from the Company's mortality operations and deposits from several annuity reinsurance treaties, offset, in part, by declining invested asset yields primarily due to a decline in prevailing interest rates. The cost basis of invested assets increased by $1.6 billion, or 15.9%, in 2005 and increased $1.5 billion, or 17.7%, in 2004. The average yield earned on investments, excluding funds withheld, was 5.89% in 2005, compared with 5.91% in 2004 and 6.39% in 2003. The Company expects the average yield to vary from year to year depending on a number of variables, including the prevailing interest rate environment, and changes in the mix of the underlying investments. Funds withheld assets are primarily associated with annuity contracts on which the Company earns a spread. Fluctuations in the yield on funds withheld assets are generally offset by a corresponding adjustment to the interest credited on the liabilities. Investment income and realized investment gains and losses are allocated to the operating segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

The consolidated provision for income taxes from continuing operations represents approximately 33.9%, 33.6%, and 34.3% of pre-tax income for 2005, 2004, and 2003, respectively. Absent unusual items, the Company expects the consolidated effective tax rate to be between 34% and 35%. The effective tax rate for 2005 includes an increase in tax liability of $3.2 million related to various tax audit exposures, whereas the 2004 effective tax rate includes the effect of a $1.9 million reduction in tax resulting from the favorable resolution of a tax position and the settlements of Internal Revenue Service audit matters. The Company calculated tax benefits related to its discontinued operations of $6.2 million for 2005, $12.4 million for 2004, and $3.1 million for 2003. The effective tax rate on discontinued operations is approximately 35% for each of the three years.

Critical Accounting Policies

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

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

Costs of acquiring new business, which vary with and are primarily related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. DAC amounts reflect the Company's expectations about the future experience of the business in force and include commissions and allowances as well as certain costs of policy issuance and underwriting. Some of the factors that can affect the carrying value of DAC include mortality assumptions, interest spreads and policy lapse rates. The Company performs periodic tests to establish that DAC remains recoverable, and if experience significantly deteriorates to the point where a premium deficiency exists, a cumulative charge to current operations will be recorded. No such adjustments were made during 2005, 2004 or 2003. As of December 31, 2005, the Company estimates that approximately 51.0% of its DAC balance is collateralized by surrender fees due to the Company and the reduction of policy liabilities, in excess of termination values, upon surrender or lapse of a policy.

Liabilities for future policy benefits under long-term life insurance policies (policy reserves) are computed based upon expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions, including a provision for adverse deviation from expected claim levels. The Company primarily relies on its own valuation and administration systems to establish policy reserves. The policy reserves established by the Company may differ from those established by its ceding companies (clients) due to the use of different mortality and other assumptions. However, the Company relies on 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 clients to help ensure information is submitted by them in accordance with the reinsurance contracts. Additionally, the Company performs periodic audits of the information provided by ceding companies. The Company establishes reserves for processing backlogs with a goal of clearing all backlogs within a ninety-day period. The backlogs are usually due to data errors the Company discovers or computer file compatibility issues, since much of the data reported to the Company is in electronic format and is uploaded to its computer systems.

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

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

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

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

The Company is currently a party to various litigation and arbitrations. While it is not feasible to predict or determine the ultimate outcome of the pending litigation or arbitrations or even provide reasonable ranges of potential losses, it is the opinion of management, after consultation with counsel, that the outcomes of such litigation and arbitrations, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods. See Notes 14 and 20 to the Consolidated Financial Statements.

Further discussion and analysis of the results for 2005 compared to 2004 and 2003 are presented by segment. Certain prior-year amounts have been reclassified to conform to the current year presentation. References to income before income taxes exclude the effects of discontinued operations and the cumulative effect of changes in accounting principles.

U.S. Operations

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

(in thousands)

For the year ended December 31, 2005	Traditional	Non-Traditional		Total U.S.
		Asset-Intensive	Financial Reinsurance	
Revenues:				
Net premiums	$ 2,429,541	$ 4,670	$ –	$ 2,434,211
Investment income, net of related expenses	245,195	220,819	121	466,135
Investment related losses, net	(2,152)	(1,077)	–	(3,229)
Change in value of embedded derivatives	–	7,444	–	7,444
Other revenues	2,290	8,621	28,554	39,465
Total revenues	2,674,874	240,477	28,675	2,944,026
Benefits and expenses:				
Claims and other policy benefits	2,008,536	4,870	6	2,013,412
Interest credited	53,958	151,966	–	205,924
Policy acquisition costs and other insurance expenses	341,066	48,276	8,452	397,794
Change in DAC associated with change in value of embedded derivatives	–	6,972	–	6,972
Other operating expenses	40,296	5,056	5,411	50,763
Total benefits and expenses	2,443,856	217,140	13,869	2,674,865
Income before income taxes	$ 231,018	$ 23,337	$ 14,806	$ 269,161

(in thousands)

For the year ended December 31, 2004	Traditional	Non-Traditional		Total U.S.
		Asset-Intensive	Financial Reinsurance	
Revenues:				
Net premiums	$ 2,207,817	$ 4,833	$ –	$ 2,212,650
Investment income, net of related expenses	220,080	215,862	173	436,115
Investment related gains (losses), net	9,738	(7,196)	–	2,542
Change in value of embedded derivatives	–	26,104	–	26,104
Other revenues	4,157	9,735	27,419	41,311
Total revenues	2,441,792	249,338	27,592	2,718,722
Benefits and expenses:				
Claims and other policy benefits	1,758,452	9,751	2	1,768,205
Interest credited	50,290	146,480	–	196,770
Policy acquisition costs and other insurance expenses	329,006	48,243	9,521	386,770
Change in DAC associated with change in value of embedded derivatives	–	22,896	–	22,896
Other operating expenses	43,977	4,714	5,466	54,157
Total benefits and expenses	2,181,725	232,084	14,989	2,428,798
Income before income taxes	$ 260,067	$ 17,254	$ 12,603	$ 289,924

U.S. Operations *continued*

(in thousands)

For the year ended December 31, 2003	Traditional	Non-Traditional		Total U.S.
		Asset-Intensive	Financial Reinsurance	
Revenues:				
Net premiums	$ 1,797,478	$ 4,315	$ –	$ 1,801,793
Investment income, net of related expenses	181,897	164,127	105	346,129
Investment related losses, net	(5,715)	(1,674)	–	(7,389)
Change in value of embedded derivatives	–	43,596	–	43,596
Other revenues	3,920	6,524	27,302	37,746
Total revenues	1,977,580	216,888	27,407	2,221,875
Benefits and expenses:				
Claims and other policy benefits	1,457,886	2,976	–	1,460,862
Interest credited	58,317	119,621	–	177,938
Policy acquisition costs and other insurance expenses	241,877	34,422	9,900	286,199
Change in DAC associated with change in value of embedded derivatives	–	30,665	–	30,665
Other operating expenses	41,186	3,809	5,128	50,123
Total benefits and expenses	1,799,266	191,493	15,028	2,005,787
Income before income taxes	$ 178,314	$ 25,395	$ 12,379	$ 216,088

Income before income taxes for the U.S. operations totaled $269.2 million in 2005, compared to $289.9 million for 2004 and $216.1 million in 2003. The decrease in income from 2004 occurred in the Traditional sub-segment and can be attributed to the unfavorable mortality experience in the first two quarters of 2005. The increase in income in 2004 over 2003 can also be attributed to the Traditional sub-segment, mainly the Allianz Life acquisition which contributed a full year of income in 2004.

Traditional Reinsurance

The U.S. Traditional sub-segment provides life reinsurance to domestic clients for a variety of life products through yearly renewable term agreements, coinsurance and modified coinsurance agreements. These reinsurance arrangements may be either facultative or automatic agreements. During 2005, production totaled $186.8 billion of face amount of new business, compared to $168.8 billion in 2004 and $423.4 billion in 2003. Production for 2003 included $287.2 billion related to the Allianz Life transaction. Management believes industry consolidation and the trend toward reinsuring mortality risks should continue to provide opportunities for growth.

Income before income taxes for U.S. Traditional reinsurance decreased 11.2% in 2005 primarily due to poor mortality experience. At year-end 2004, income increased 45.8% over prior year in large part due to the Allianz Life business, which generated a full year of premium and income in 2004. Mortality experience was also favorable in 2004.

Claims and other policy benefits, as a percentage of net premiums (loss ratios), were 82.7%, 79.6%, and 81.1% in 2005, 2004, and 2003, respectively. The first six months of 2005 showed an increase in the severity of claims, which was the primary contributor to the high loss ratio in 2005. Over the past three years, the mortality experience in this sub-segment has fluctuated. This is somewhat expected as death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation.

Net premiums for U.S. Traditional reinsurance increased $221.7 million in 2005, or 10.0% and $410.3 million in 2004, or 22.8%. Premium levels are driven by the growth of total U.S. business in force, which increased to $1.1 trillion in 2005, an increase of 8.7% over prior year. Total in force at year-end 2003 was $896.8 billion. This included $278.0 billion of in force from the Allianz Life acquisition. In addition to the growth in business, the large increase in 2004 reflects the full integration of the Allianz Life business into the U.S. Traditional sub-segment. Large transactions and reporting practices of ceding companies can influence premium levels and therefore cause fluctuations from period to period.

Net investment income increased $25.1 million, or 11.4%, and $38.2 million, or 21.0%, in 2005 and 2004, respectively. The increase in both years is due to growth in the invested asset base, which in 2004 was greatly affected by the Allianz Life transaction. Increased operating cash flows on traditional reinsurance also contributed to the growth in both years. Investment income and realized investment 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.

Interest credited relates to amounts credited on the Company's cash value products in this segment, which have a significant mortality component. This amount fluctuates with the changes in deposit levels, cash surrender values and investment performance. Income before income taxes is affected by the spread between the investment income and the interest credited on the underlying products. Interest credited expense in 2005 totaled $54.0 million compared to $50.3 million at year-end 2004. This increase relates primarily to one treaty in which the credited loan rate increased from 5.1% in 2004 to 5.7% in 2005.

The amount of policy acquisition costs and other insurance expenses, as a percentage of net premiums, was 14.0%, 14.9%, and 13.5% in 2005, 2004 and 2003, respectively. Overall, these percentages will fluctuate due to varying allowance levels within coinsurance-type arrangements, the timing of amounts due to and from ceding companies, as well as the amortization pattern of previously capitalized amounts, which are based on the form of the reinsurance agreement and the underlying insurance policies. Additionally, the mix of first year coinsurance versus yearly renewable term can cause the percentage to fluctuate from period to period.

Other operating expenses, as a percentage of net premiums, were 1.7%, 2.0% and 2.3% in 2005, 2004 and 2003, respectively. The slightly higher ratios in 2004 and 2003 can be attributed to Allianz, including expenses associated with transferring the Allianz business to the Company in 2004. The 2004 and 2003 amounts include $3.1 million and $2.7 million, respectively, of expenses associated with the Allianz Life transaction.

Asset-Intensive Reinsurance

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

During 2003, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133 Implementation Issue No. B36, "Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments" ("Issue B36"). The Company recorded a change in value of embedded derivatives during 2005, 2004 and 2003 of $7.4 million, $26.1 million and $43.6 million within revenues and $7.0 million, $22.9 million and $30.7 million of related deferred acquisition costs, respectively (see "New Accounting Pronouncements" in Note 2 of the Consolidated Financial Statements for further discussion).

Income before income taxes increased in 2005 to $23.3 million compared to $17.3 million in 2004 and decreased from the $25.4 million reported in 2003. The increase over 2004 is primarily due to investment related losses which decreased from $7.2 million in 2004 to $1.1 million in 2005. Offsetting this slightly was the change in the fair value of embedded derivatives which resulted in a net gain of $0.5 million for 2005 compared to a net gain of $3.2 million in 2004. In addition, income for 2004 includes a $2.0 million loss on the conversion of a coinsurance-funds withheld annuity treaty to a coinsurance treaty in the third quarter of 2004. The conversion resulted in $11.7 million of additional investment income offset by $13.7 million in amortization of policy acquisition costs. Income for 2003 includes a net gain of $12.9 million related to the change in fair value of embedded derivatives.

Total revenues, which are comprised primarily of investment income, decreased 3.6% from 2004 to 2005. This can be attributed to the change in fair value of embedded derivatives which contributed $26.1 million to revenue in 2004 compared to $7.4 million in 2005. This is slightly offset by smaller realized investment losses and higher investment income due to the growth in the asset base in 2005. Total revenues in 2004 increased 15.0% over 2003. This increase in 2004 is primarily attributed to continued growth in the asset base for this segment coupled with the $11.7 million increase in investment income due to the aforementioned converted annuity treaty. The average invested asset balance was $3.9 billion, $3.3 billion and $2.7 billion for 2005, 2004 and 2003, respectively. Invested assets outstanding as of December 31, 2005 and 2004 were $4.0 billion and $3.7 billion, of which $2.4 billion and $1.9 billion were funds withheld at interest, respectively. Of the $2.4 billion total funds withheld balance as of December 31, 2005, 86.9% of the balance is associated with one client.

Total expenses, which are comprised primarily of interest credited, policy benefits, and acquisition costs decreased 6.4% in 2005 primarily due to the deferred acquisition costs associated with the change in fair value of embedded derivatives which totaled $22.9 million in 2004 compared to $7.0 million in 2005. Expenses increased 21.2% from 2003 to 2004 mainly due to the policy acquisition costs, which increased $13.7 million due to the conversion of the funds withheld treaty previously discussed and interest credited, which increased $26.9 million, or 22.5%, primarily due to the increase in the average invested asset base.

Financial Reinsurance

The U.S. financial reinsurance sub-segment income consists primarily of net fees earned on financial reinsurance transactions. Included in the results is net income from RGA Financial Group L.L.C. ("RGA Financial Group"), a wholly-owned subsidiary. The majority of the financial reinsurance transactions assumed by the Company are retroceded to other insurance companies. The fees earned from the assumption of the financial reinsurance contracts are reflected in other revenues, and the fees paid to retrocessionaires are reflected in policy acquisition costs and other insurance expenses. RGA Financial Group earns fees from brokered business that is placed with third parties and does not participate in the assumption of the financial reinsurance. This income is reflected in other revenues.

Income before income taxes increased 17.5% and 1.8% in 2005 and 2004, respectively. The increase in income for 2005 relates to several new financial reinsurance transactions in 2005. Income in 2004 remained somewhat flat as the growth in capital provided was mostly offset by reduced spreads earned on the business.

At December 31, 2005, 2004 and 2003, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $1.9 billion, $1.5 billion and $1.1 billion, respectively. The pre-tax statutory surplus includes all business assumed by the Company. Fees resulting from this business can be affected by large transactions and the timing of completion of new transactions and therefore can fluctuate from period to period.

Canada Operations

The Company conducts reinsurance business in Canada through RGA 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 reinsurance and non-guaranteed critical illness products.

(in thousands)

For the year ended December 31,	2005	2004	2003
Revenues:			
Net premiums	$ 343,131	$ 253,852	$ 214,738
Investment income, net of related expenses	120,434	100,141	87,212
Investment related gains, net	4,941	11,508	13,423
Other revenues (losses)	(279)	32	(212)
Total revenues	468,227	365,533	315,161
Benefits and expenses:			
Claims and other policy benefits	307,959	250,542	223,375
Interest credited	1,105	1,840	1,488
Policy acquisition costs and other insurance expenses	56,011	28,505	20,293
Other operating expenses	15,174	11,161	10,441
Total benefits and expenses	380,249	292,048	255,597
Income before income taxes	$ 87,978	$ 73,485	$ 59,564

RGA Canada's reinsurance in force totaled approximately $127.4 billion and $105.2 billion at December 31, 2005 and 2004, respectively.

Income before income taxes increased 19.7% and 23.4% in 2005 and 2004, respectively. The increase in 2005 was primarily the result of more favorable mortality experience in the current year offset by a decrease in investment related gains of $6.6 million. Additionally, the Canadian dollar strengthened against the U.S. dollar during 2005 and contributed $6.0 million to income before income taxes in 2005. The increase in 2004 was primarily the result of more favorable mortality experience, offset by a decrease in realized investment gains of $1.9 million. Additionally, the Canadian dollar strengthened against the U.S. dollar during 2004 and contributed $4.4 million to income before income taxes in 2004.

Net premiums increased 35.2% to $343.1 million in 2005, and increased 18.2% to $253.9 million in 2004, primarily due to new business from new and existing treaties. Approximately $29.4 million, or 11.6%, of the 2005 premium increase represents the effect of two in force creditor treaties that were executed in 2005. Additionally, a stronger Canadian dollar contributed $22.6 million, or 8.9%, and $17.6 million, or 8.2%, to net premiums reported in 2005 and in 2004, respectively. 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 20.3% and 14.8% during 2005 and 2004, respectively. Investment performance varies with the composition of investments. In 2005, the increase in investment income was mainly the result of a stronger Canadian dollar during 2005 compared to 2004 which contributed $7.7 million, or 7.7%, an increase in the invested asset base due to operating cash flows on traditional reinsurance and capital injections which contributed $6.3 million, or 6.3%, and interest on an increasing amount of funds withheld at interest related to one treaty which contributed $2.5 million, or 2.5%. In 2004, the increase in investment income was mainly the result of a stronger Canadian dollar during 2004 compared to 2003 which contributed $6.6 million, or 7.6%, an increase in the invested asset base due to operating cash flows on traditional reinsurance which contributed $2.9 million, or 3.3%, and interest on an increasing amount of funds withheld at interest

related to one treaty which contributed $2.2 million, or 2.5%. Investment income also includes an allocation to the segments based upon average assets and related capital levels deemed appropriate to support business volumes. The amount of investment income allocated to the Canadian operations was $6.5 million and $4.8 million in 2005 and 2004, respectively.

Loss ratios for this segment were 89.7% in 2005, 98.7% in 2004 and 104.0% in 2003. Excluding creditor business, the loss ratios for this segment were 97.0% in 2005, 101.0% in 2004 and 105.6% in 2003. The lower loss ratio for the current period is primarily due to better mortality experience compared to the prior year. Historically, an increase in percentages is primarily the result of several large permanent level premium in force blocks assumed in 1998 and 1997. These blocks are mature blocks of permanent level premium business in which mortality as a percentage of premiums is expected to be higher than the historical ratios. The nature of level premium permanent 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 66.4% during 2005 compared to 70.8% in 2004 and 74.0% in 2003. 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 16.3% in 2005, 11.2% in 2004 and 9.5% in 2003. Excluding creditor business, policy acquisition costs and other insurance expenses as a percentage of net premiums totaled 11.3% in 2005, 10.2% in 2004 and 8.1% in 2003. Policy acquisition costs and other insurance expenses as a percentage of net premiums vary from period to period primarily due to the mix of the business in the segment.

Other operating expenses increased $4.0 million in 2005 and $0.7 million in 2004 compared to their respective prior-year periods. Other operating expenses as a percentage of net premiums totaled 4.4% in 2005, compared to 4.4% and 4.9% in 2004 and 2003, respectively.

Europe & South Africa Operations

The segment provides life reinsurance for a variety of products through yearly renewable term and coinsurance agreements, and reinsurance of accelerated critical illness coverage (pays on the earlier of death or diagnosis of a pre-defined critical illness). Reinsurance agreements may be either facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

(in thousands)

For the year ended December 31,	2005	2004	2003
Revenues:			
Net premiums	$ 552,694	$ 478,580	$ 364,203
Investment income, net of related expenses	9,710	5,125	3,869
Investment related gains, net	427	5,080	3,999
Other revenues	302	1,541	1,067
Total revenues	563,133	490,326	373,138
Benefits and expenses:			
Claims and other policy benefits	405,122	314,128	230,895
Interest credited	882	–	–
Policy acquisition costs and other insurance expenses	92,364	121,708	105,062
Other operating expenses	27,791	21,472	15,866
Interest expense	1,599	1,336	1,043
Total benefits and expenses	527,758	458,644	352,866
Income before income taxes	$ 35,375	$ 31,682	$ 20,272

Income before income taxes increased 11.7% and 56.3% in 2005 and 2004, respectively. The increase in 2005 was primarily the result of additional business volume and an increase in net premiums of $74.1 million. Additionally, investment income increased $4.6 million and was offset by a decrease in realized investment gains of $4.7 million and an increase in other operating expenses of $6.3 million. The increase in 2004 was primarily due to additional business volume and an increase in net premiums of $114.4 million partially offset by an increase in other operating expenses of $5.6 million.

Europe & South Africa net premiums grew 15.5% during 2005 and 31.4% in 2004. The growth was primarily the result of new business from both existing treaties and new treaties, combined with a small unfavorable effect from currency exchange rates in 2005 of $2.3 million and a favorable effect from currency exchange rates in 2004 of $49.1 million. In 2004, several foreign currencies, particularly the British pound, the euro, and the South African rand strengthened against the U.S. dollar. Also, a significant portion of the growth of premiums was due to reinsurance of accelerated critical illness, primarily in the UK. This coverage provides a benefit in the event of a death from or the diagnosis of a pre-defined critical illness. Premiums earned from this coverage totaled $199.3 million, $177.4 million and $145.7 million in 2005, 2004 and 2003, respectively. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Investment income increased $4.6 million and $1.3 million in 2005 and 2004, respectively. These increases were primarily due to growth in the 2005 and 2004 invested assets in the UK of $25.3 million and $10.7 million, respectively. The growth was also due to growth 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 were 73.3%, 65.6% and 63.4% for 2005, 2004 and 2003, 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. Policy acquisition costs and other insurance expenses as a percentage of net premiums represented 16.7%, 25.4% and 28.8% for 2005, 2004 and 2003, respectively. These percentages fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business. In addition, as the segment grows, renewal premiums, which have lower allowances than first year premiums, represent a greater percentage of the total premiums. Accordingly, the change in the mixture of business during 2005 and 2004 caused the loss ratios to increase and caused the policy acquisition costs and other insurance expenses as a percentage of net premiums to decrease.

Policy acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. Acquisition costs, as a percentage of premiums, associated with some treaties in the United Kingdom are typically higher than those experienced in the Company's other segments. Future recoverability of the capitalized policy acquisition costs on this business is primarily sensitive to mortality and morbidity experience. If actual experience suggests higher mortality and morbidity rates going forward than currently contemplated in management's estimates, the Company may record a charge to income, due to a reduction in the DAC asset and, to the extent there are no unamortized acquisition costs, an increase in future policy benefits. As of December 31, 2005, the Company estimates that a 12 percent increase in anticipated mortality and morbidity experience would have no effect while a 15 percent or 18 percent increase would result in pre-tax income statement charges of approximately $12.3 million and $83.7 million, respectively.

Other operating expenses increased 29.4% during 2005 and 35.3% during 2004. Increases in other operating expenses were due to higher costs associated with maintaining and supporting the significant increase in business over the past two years. As a percentage of premiums, other operating expenses were 5.0%, 4.5% and 4.4% in 2005, 2004 and 2003, respectively. The Company believes that sustained growth in premiums should lessen the burden of start-up expenses and expansion costs over time.

Asia Pacific Operations

The Asia Pacific segment has operations in Australia, Hong Kong, Japan, Malaysia, Singapore, New Zealand, South Korea, China and Taiwan. The principal types of reinsurance for this segment include life, critical care and 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. The Company operates multiple offices throughout each region in an effort to best meet the needs of the local client companies.

(in thousands)

For the year ended December 31,	2005	2004	2003
Revenues:			
Net premiums	$ 534,926	$ 399,122	$ 259,010
Investment income, net of related expenses	29,427	16,113	10,692
Investment related gains (losses), net	(294)	670	(761)
Other revenues	4,593	5,121	1,191
Total revenues	568,652	421,026	270,132
Benefits and expenses:			
Claims and other policy benefits	420,024	330,144	185,358
Policy acquisition costs and other insurance expenses	79,146	52,300	47,513
Other operating expenses	27,437	24,363	16,903
Interest expense	1,679	1,614	1,096
Total benefits and expenses	528,286	408,421	250,870
Income before income taxes	$ 40,366	$ 12,605	$ 19,262

Income before income taxes increased 220.2% during 2005 and decreased 34.6% during 2004. The increase in income before taxes for 2005 was primarily the result of the Australian operations. Strong growth in Australian business contributed to an increase in investment income of $6.1 million from 2004 to 2005. Favorable mortality along with an overall reduction of reserves for disabled life reserves contributed to an increase in income before income taxes of approximately $25.1 million in Australia. The decrease in income before income taxes for 2004 was primarily the result of increases in the volume of claims and other policy benefits in relation to net premiums. Operations in which increases in claim activity were most evident were Australia and New Zealand. Additionally, various adjustments related to enhancements of the business administration process in the Australia and New Zealand operations reduced income before income taxes by approximately $2.0 million in 2004. The enhancements were a reaction to the increasing levels of business within those operations and to improve the reliability of the administration functions.

Net premiums grew 34.0% during 2005 and 54.1% during 2004. The growth in 2005 was primarily the result of organic growth in certain markets, along with favorable exchange rates in multiple countries. In terms of growth of premium dollars during 2005, the Australia and Korea markets were the primary contributors, adding approximately $40.7 million and $46.3 million, respectively, in premium volume compared to 2004. Growth in Australia for both 2005 and 2004 was driven primarily by continued success in the group market. Given the maturing nature of the Australian market, and increased competition for group business, it is unlikely that future growth rates will continue at the levels of 2003, 2004 and 2005 in this market, but some level of additional growth is anticipated. In Korea, 2005 premium growth was driven by the growth of $42.2 million for four primary clients. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

During 2004, growth in premium volume was driven by the Australia, Japan and South Korea markets which added approximately $88.2 million, $21.9 million and $27.9 million, respectively, in premium volume compared to 2003. Growth in Australia was driven primarily by continued success in the group market, as previously noted. Premium growth in the Japan market during 2004 was driven primarily by growth in a single client relationship. Of the $21.9 million in additional premium volume in Japan compared to 2003, approximately $13.0 million of the growth came from this client. In Korea, 2004 premium growth was driven by a $12.3 million increase in premium volume from one existing client relationship, along with approximately $10.0 million of premium from two new clients.

Several foreign currencies, particularly the Korean won and the Australian dollar, continued to strengthen against the U.S. dollar in 2005. The overall effect of the strengthening of local Asia Pacific segment currencies was an increase in 2005 premiums of $20.4 over 2004, and $32.0 million for 2004 over 2003.

A portion of the growth of premiums for the segment in each year presented is due to reinsurance of critical illness, as a stand alone benefit or as an accelerated benefit on a life insurance policy. This coverage provides a benefit in the event of a death from or the diagnosis of a defined critical illness. Reinsurance of critical illness in the Asia Pacific operations is offered primarily in Australia and Korea. Premiums earned from this coverage totaled $60.1 million, $39.1 million and $31.2 million in 2005, 2004 and 2003, respectively.

Net investment income increased $13.3 million in 2005, as compared to an increase of $5.4 million in 2004. The increase in both years was primarily due to growth in the invested assets in Australia and favorable exchange rates, along with an increase in allocated investment income. Investment income and realized investment gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenue during 2005 primarily represented profit and fees associated with financial reinsurance in Japan of approximately $3.7 million. Other revenue during 2004 primarily represented profit and fees associated with financial reinsurance in Japan, Taiwan and South Korea of approximately $2.1 million, and fees associated with the recapture provisions for two client treaties of approximately $0.9 million. In 2003, other revenue primarily represented profit and fees associated with financial reinsurance in Taiwan and South Korea.

Loss ratios as a percentage of net premiums were 78.5%, 82.7% and 71.6% for 2005, 2004 and 2003, respectively. This percentage will fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business. Death claims are reasonably predictable over a period of many years, but are less predictable over shorter periods and are subject to significant fluctuation. While loss ratios were relatively stable between 2004 and 2005, the overall segment loss ratio increased 11.1% from 2003 to 2004. The increase in this percentage from 2003 to 2004 was attributable primarily to loss experience in Australia and New Zealand. Australia's loss ratio increased from 65.8% in 2003 to 87.7% in 2004, primarily due to recording of additional reserves on disability income business of approximately $22.8 million, and a reserve of approximately $2.7 million related to the tsunami in December 2004. New Zealand's loss experience is primarily due to the unfavorable performance of four significant treaties. These four treaties combined reflect an increase of approximately $17.7 million in claims and other policy benefits over 2003.

Policy acquisition costs and other insurance expenses as a percentage of net premiums increased by 1.7% to 14.8% during 2005 and decreased by 5.2% to 13.1% during 2004. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums will fluctuate periodically due to timing of client company reporting and variations in the mixture of business being reinsured. During 2005, the percentage of policy acquisition costs and other insurance expenses as a percentage of net premiums was consistent with 2004 results. During 2004, the percentage declined, in part, due to the addition of a significant block of yearly renewable term business with no allowance included within the treaty terms. Policy acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized.

Other operating expenses decreased to 5.1% of net premiums in 2005, from 6.1% in 2004 and 6.5% in 2003. The Company believes that sustained growth in premiums should lessen the burden of start-up expenses and expansion costs over time. The timing of the entrance into and development of new markets in the growing Asia Pacific segment may cause other operating expenses as a percentage of premiums to be somewhat volatile over periods of time.

Corporate and Other

Corporate and Other revenues include investment income from invested assets not allocated to support segment operations and undeployed proceeds from the Company's capital raising efforts, in addition to unallocated realized capital gains or losses. General corporate expenses consist of unallocated overhead and executive costs and interest expense related to debt and the $225.0 million of 5.75% mandatorily redeemable trust preferred securities. Additionally, the Corporate and Other operations segment 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, and an insignificant amount of direct insurance operations in Argentina.

(in thousands)

For the year ended December 31,	2005	2004	2003
Revenues:			
Net premiums	$ 1,813	$ 3,244	$ 3,419
Investment income, net of related expenses	13,459	23,034	17,677
Investment related gains (losses), net	11,745	9,673	(3,912)
Other revenues	13,710	7,361	7,508
Total revenues	40,727	43,312	24,692
Benefits and expenses:			
Claims and other policy benefits	41,385	15,518	7,941
Interest credited	465	321	276
Policy acquisition costs and other insurance expenses	4,044	1,746	(902)
Other operating expenses	33,217	28,743	26,303
Interest expense	38,150	35,487	34,650
Total benefits and expenses	117,261	81,815	68,268
Loss before income taxes	$ (76,534)	$ (38,503)	$ (43,576)

Loss before income taxes increased $38.0 million, or 98.8% during 2005 compared to 2004, primarily due to an increase in claims and other policy benefits of $25.9 million and a reduction in investment income of $9.6 million. The increase in claims and other policy benefits is due to an increase in the policy liabilities associated with the commutation of treaties covering the reinsurance of Argentine pension accounts. The decrease in investment income was the result of an allocation to other segments based upon average assets and related capital levels deemed appropriate to support their business volumes.

Loss before income taxes decreased $5.1 million, or 11.6%, during 2004 compared to 2003, primarily due to an increase in unallocated investment related gains and investment income of $13.6 million and $5.4 million, respectively. These increases in revenues were partially offset by an increase in Argentine pension account reserves of $10.0 million during the fourth quarter of 2004 and a $2.4 million increase in unallocated general corporate expenses.

Status of Argentine Privatized Pension Business

Administradoras de Fondos de Jubilaciones y Pensiones ("AFJPs") are privately owned pension fund managers that were formed as a result of reform and privatization of Argentina's social security system. Privatized pension reinsurance covers the life insurance as well as the total and permanent disability components of the pension program. The claims under that program are initially established as units of the underlying pension fund ("AFJP fund units") at the time they are filed. Because AFJP claims payments are linked to the AFJP fund units, the ultimate amounts of claims paid by the reinsurer under the program should vary with the underlying performance of the related pension fund over the period in which the claims were adjudicated. In addition, the reinsurer is subject to the mortality and morbidity risks associated with the underlying plan participants. The Company ceased renewal of reinsurance treaties associated with privatized pension contracts in Argentina during 2001 because of adverse experience with respect to this business, as several aspects of the pension fund claims flow did not develop as was contemplated when the reinsurance programs were initially priced.

Since 2001, the Company has attempted to negotiate settlements of its obligations and has pursued other courses of action, including withholding payment of claims and filing a request for arbitration. The Company's actions have resulted in one AFJP ceding company demanding arbitration and could result in litigation or arbitrations in the future. However, as of January 2006, the Company had commuted about 95% of its obligations associated with the AFJP business and is in discussions with the remaining clients regarding settlement of all obligations under the remaining treaties. Therefore, the risk of litigation or arbitrations in the future has significantly declined. During 2005, the Company reported in excess of $33.0 million in additional liabilities to satisfy its obligations as a result of the negotiated settlements and expected settlements for the remaining treaties. While it is not feasible to predict or determine the ultimate outcome of litigation or arbitrations that may occur in Argentina in the future, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

Discontinued Operations

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

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

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

The Company is currently a party to three arbitrations that involve personal accident business as mentioned above. As of January 31, 2006, the companies involved in these litigation actions have raised claims, or established reserves that may result in claims, that are $23.5 million in excess of the amounts held in reserve by the Company. The Company generally has little information regarding any reserves established by 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. While it is not feasible to predict or determine the ultimate outcome of the pending arbitrations or provide reasonable ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

The loss from discontinued accident and health operations, net of income taxes, decreased to $11.4 million in 2005 from $23.0 million in 2004. The decrease in loss in 2005 is due primarily to a $24.0 million, pretax, negotiated settlement of all disputed claims associated with the Company's largest identified accident and health exposure during 2004.

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

Revenues associated with discontinued operations, which are not reported on a gross basis in the Company's consolidated statements of income, totaled $2.5 million, $1.4 million and $4.8 million for 2005, 2004 and 2003, respectively.

Deferred Acquisition Costs

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

The Company periodically reviews the EGP valuation model and assumptions so that the assumptions reflect a view of the future believed to be reasonable. Two assumptions are considered to be most significant: (1) estimated interest spread, and (2) estimated future policy lapses. The following table reflects the possible change that would occur in a given year if assumptions, as a percentage of current deferred policy acquisition costs related to asset-intensive products ($431.5 million as of December 31, 2005), are changed as illustrated:

	One-Time Increase in DAC	One-Time Decrease in DAC
Quantitative Change in Significant Assumptions:		
Estimated interest spread increasing (decreasing) 25 basis points from the current spread	1.78%	(2.03%)
Estimated policy lapse rates decreasing (increasing) 20% on a permanent basis (including surrender charges)	0.80%	(0.59%)

In general, a change in assumption that improves the Company's expectations regarding EGP is going to have the effect of deferring the amortization of DAC into the future, thus increasing earnings and the current DAC balance. Conversely, a change in assumption that decreases EGP will have the effect of speeding up the amortization of DAC, thus reducing earnings and lowering the DAC balance.

The Company also adjusts DAC to reflect changes in the unrealized gains and losses on available for sale fixed maturity securities since this affects EGP. This adjustment to DAC is reflected in accumulated other comprehensive income.

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

The following table displays DAC balances for asset-intensive business and non-asset-intensive business by segment as of December 31, 2005:

(in thousands)

	Asset-Intensive DAC	Non-Asset-Intensive DAC	Total DAC
U.S.	$ 431,524	$ 1,009,604	$ 1,441,128
Canada	–	210,327	210,327
Asia Pacific	–	570,500	570,500
Europe & South Africa	–	243,675	243,675
Corporate and Other	–	–	–
Total	$ 431,524	$ 2,034,106	$ 2,465,630

As of December 31, 2005, the Company estimates that approximately 51.0% of its DAC balance is collateralized by surrender fees due to the Company and the reduction of policy liabilities, in excess of termination values, upon surrender or lapse of a policy.

Liquidity and Capital Resources

The Holding Company

RGA is an insurance holding company whose primary uses of liquidity include, but are not limited to, the immediate capital needs of its operating companies associated with the Company's primary businesses, dividends paid to its shareholders, interest payments on its indebtedness (See Note 15, "Debt and Trust Preferred Securities" of the Notes to Consolidated Financial Statements), and repurchases of RGA common stock under a Board of Directors approved plan. The primary sources of RGA's liquidity include proceeds from its capital raising efforts, interest income on undeployed corporate investments, interest income received on surplus notes with RGA Reinsurance and Reinsurance Company of Missouri, Incorporated ("RCM"), and dividends from operating subsidiaries. As the Company continues its expansion efforts, RGA will continue to be dependent upon these sources of liquidity.

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

During the fourth quarter of 2003, the Company issued 12,075,000 shares of its common stock at $36.65 per share, raising proceeds of approximately $426.7 million, net of expenses. The Company has used the proceeds for general corporate purposes, including funding its reinsurance operations. MetLife, Inc. and its affiliates purchased 3,000,000 shares of common stock in the offering with a total purchase price of approximately $110.0 million.

RGA has repurchased shares in the open market in the past primarily to satisfy obligations under its stock option program. In 2001, the

Board of Directors approved a repurchase program authorizing RGA to purchase up to $50 million of its shares of stock, as conditions warrant. During 2002, RGA purchased approximately 0.2 million shares of treasury stock under the program at an aggregate cost of $6.6 million. In December 2005, the Board of Directors authorized RGA to enter into an accelerated share repurchase ("ASR") agreement with a financial counterparty under which RGA purchased 1,600,000 shares of its outstanding common stock at an aggregate price of approximately $75.9 million. The common shares repurchased have been placed into treasury to be used for general corporate purposes. (See Note 3, "Stock Transactions," of the Notes to Consolidated Financial Statements for additional information regarding the ASR).

Statutory Dividend Limitations

RCM and RGA Reinsurance are subject to statutory provisions that restrict the payment of dividends. They may not pay dividends in any 12-month period in excess of the greater of the prior year's statutory operating income or 10% of capital and surplus at the preceding year-end, without regulatory approval. The applicable statutory provisions only permit an insurer to pay a shareholder dividend from unassigned surplus. Any dividends paid by RGA Reinsurance would be paid to RCM, its parent company, which in turn has restrictions related to its ability to pay dividends to RGA. The assets of RCM consist primarily of its investment in RGA Reinsurance. As of January 1, 2006, RCM and RGA Reinsurance could pay maximum dividends, without prior approval, of approximately $41.4 million and $97.5 million, respectively. Dividend payments from other subsidiaries are subject to regulations in the jurisdiction of domicile.

The dividend limitations for RCM and RGA Reinsurance are based on statutory financial results. Statutory accounting practices differ in certain respects from accounting principles used in financial statements prepared in conformity with generally accepted accounting principles ("GAAP"). The significant differences relate to deferred acquisition costs, deferred income taxes, required investment reserves, reserve calculation assumptions, and surplus notes.

Valuation of Life Insurance Policies Model Regulation (Regulation XXX)

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

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

Shareholder Dividends

Historically, RGA has paid quarterly dividends ranging from $0.027 per share in 1993 to $0.09 per share in 2005. All future payments of dividends are at the discretion of the Company's Board of Directors and will depend on the Company's earnings, capital requirements, insurance regulatory conditions, operating conditions, and such other factors as the Board of Directors may deem relevant. The amount of dividends that the Company can pay will depend in part on the operations of its reinsurance subsidiaries.

Debt and Trust Preferred Securities

Certain of the Company's debt agreements contain financial covenant restrictions related to, among others, liens, the issuance and disposition of stock of restricted subsidiaries, minimum requirements of net worth, maximum ratios of debt to capitalization, change in control provisions, and minimum rating requirements. A material ongoing covenant default could require immediate

payment of the amount due, including principal, under the various agreements. Additionally, the Company's debt agreements contain cross-default covenants, which would make outstanding borrowings immediately payable in the event of a material covenant default under any of the agreements which remains uncured, including, but not limited to, non-payment of indebtedness when due for amounts greater than $10.0 million or $25.0 million depending on the agreement, bankruptcy proceedings, and any event which results in the acceleration of the maturity of indebtedness. The facility fee and interest rate for the Company's credit facilities is based on its senior long-term debt ratings. A decrease in those ratings could result in an increase in costs for the credit facilities. As of December 31, 2005, the Company had $800.0 million in outstanding borrowings under its short- and long-term debt agreements and was in compliance with all covenants under those agreements. The ability of the Company to make debt principal and interest payments depends primarily on the earnings and surplus of subsidiaries, investment earnings on undeployed capital proceeds, and the Company's ability to raise additional funds.

In December 2005, RGA issued Junior Subordinated Debentures with a face amount of $400 million. Interest is payable semi-annually and is fixed at 6.75% per year until December 15, 2015. From December 15, 2015, until December 15, 2065, interest on the debentures will accrue at an annual rate of three-month LIBOR plus a margin equal to 266.5 basis points, payable quarterly. The Company has the option to defer interest payments, subject to certain limitations. In addition, interest payments are mandatorily deferred if the Company does not meet specified capital adequacy, net income and shareholders' equity levels. Upon an optional or mandatory deferral, the Company is not permitted to pay common-stock dividends or make payments of interest or principal on securities which rank equal or junior to the subordinated debentures, until the accrued and unpaid interest on the subordinated debentures is paid. The subordinated debentures are redeemable at the Company's option. Approximately $75.9 million of the net proceeds were used to purchase the Company's common stock under an ASR agreement with a financial counterparty. RGA intends to use a portion of the net proceeds from the sale of these debentures to repay approximately $100.0 million of its 7.25% senior notes when they mature on April 1, 2006. As of December 31, 2005, the average interest rate on long-term and short-term debt outstanding, excluding the Preferred Income Redeemable Securities Units, was 6.62% compared to 6.10% at the end of 2004.

The Company maintains three credit facilities. The Company's credit facility that expires in September 2010, is a syndicated credit facility with an overall capacity of $600.0 million. 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 December 31, 2005, the Company's outstanding cash balance was $50.0 million under this credit facility, with an average interest rate of 4.75%. The Company's other credit facilities consist of a £15.0 million credit facility that expires in May 2007 and an AUD$35.0 million credit facility that expires in February 2006, which is expected to be renewed. The Company's foreign credit facilities had a combined balance of $51.5 million as of December 31, 2005.

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

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

Reinsurance Operations

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

ceded prior to the recapture of such business, but would reduce premiums in subsequent periods.

Assets in Trust

Some treaties give ceding companies the right to request that the Company place assets in trust for the benefit of the cedant to support reserve credits in the event of a downgrade of the Company's ratings to specified levels. As of December 31, 2005, these treaties had approximately $388.0 million in reserves. Assets placed in trust continue to be owned by the Company, but their use is restricted based on the terms of the trust agreement. Securities with an amortized cost of $769.2 million were held in trust for the benefit of certain subsidiaries of the Company to satisfy collateral requirements for reinsurance business at December 31, 2005. Additionally, securities with an amortized cost of $1,454.3 million as of December 31, 2005, were held in trust to satisfy collateral requirements under certain third-party reinsurance treaties. Under certain conditions, RGA may be obligated to move reinsurance from one RGA subsidiary company to another RGA subsidiary or make payments under the treaty. These conditions include change in control of the subsidiary, insolvency, nonperformance under a treaty, or loss of reinsurance license of such subsidiary. If RGA was ever required to perform under these obligations, the risk to the consolidated company under the reinsurance treaties would not change; however, additional capital may be required due to the change in jurisdiction of the subsidiary reinsuring the business and may create a strain on liquidity.

Guarantees

RGA has issued guarantees to third parties on behalf of its subsidiaries' performance for the payment of amounts due under certain credit facilities, reinsurance treaties and an office lease obligation, whereby if a subsidiary fails to meet an obligation, RGA or one of its other subsidiaries will make a payment to fulfill the obligation. In limited circumstances, treaty guarantees are granted to ceding companies in order to provide them additional security, particularly in cases where RGA's subsidiary is relatively new, unrated, or not of a significant size, relative to the ceding company. Liabilities supported by the treaty guarantees, before consideration for any legally offsetting amounts due from the guaranteed party, totaled $256.2 million and $285.4 million as of December 31, 2005 and 2004, respectively, and are reflected on the Company's consolidated balance sheets in future policy benefits. Potential guaranteed amounts of future payments will vary depending on production levels and underwriting results. Guarantees related to trust preferred securities and credit facilities provide additional security to third parties should a subsidiary fail to make principal and/or interest payments when due. As of December 31, 2005, RGA's exposure related to these guarantees was $184.2 million. RGA has issued a guarantee on behalf of a subsidiary in the event the subsidiary fails to make payment under its office lease obligation, the exposure of which was insignificant as of December 31, 2005.

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

Off Balance Sheet Arrangements

The Company has commitments to fund investments in mortgage loans and limited partnerships in the amount of $25.7 million and $31.1 million, respectively, at December 31, 2005. The Company anticipates that the majority of these amounts will be invested over the next five years; however, contractually these commitments could become due at the request of the counterparties. Investments in mortgage loans and limited partnerships are carried at cost and included in total investments in the consolidated balance sheets.

In December 2005, the Company entered into an ASR agreement with a financial counterparty. Under the ASR agreement, the Company purchased 1,600,000 shares of its outstanding common stock at an initial price of $47.43 per share and an aggregate price of approximately $75.9 million. In order to deliver the shares to RGA on December 12, 2005, the counterparty borrowed RGA shares from the stock loan market. Under the ASR agreement, the counterparty purchases an equivalent number of shares of common stock in the open market from time to time in order to pay back the shares it borrowed. At the end of this period, the Company may receive, or may be required to remit, a purchase price adjustment based upon the volume weighted average price of its common shares during the period. The counterparty completed its purchases on February 22, 2006, and as a result, the Company was required to pay $130,000 to the counterparty for the final settlement.

In order to reduce the level of statutory reserves, primarily in the U.S. and Canada, which may be significantly in excess of reserves

required under GAAP, the Company has entered into various reinsurance agreements with affiliates and third parties. In order for the Company to receive statutory reserve credit, the affiliate or third party must provide collateral for the benefit of the Company, usually in the form of assets in trust or letters of credit.

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

Cash Flows

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

Additional sources of liquidity to meet unexpected cash outflows in excess of operating cash inflows include selling short-term investments or fixed maturity securities and drawing additional funds under existing credit facilities, under which the Company had availability of $230.0 million as of December 31, 2005.

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

The Company's net cash flows provided by operating activities for the years ended December 31, 2005, 2004 and 2003, were $599.4 million, $710.8 million and $574.6 million, respectively. Cash flows from operating activities are affected by the timing of premiums received, claims paid and working capital changes. Operating cash decreased $111.5 million during 2005 due to higher operating cash outlays of $613.3 million largely offset by increased cash from premiums and investment income of $438.2 million and $63.6 million, respectively. During 2004, operating cash increased $136.2 million as cash from premiums and investment income increased $921.5 million and $116.8 million, respectively, and was largely offset by higher operating net cash outlays of $902.1 million. The Company believes the short-term cash requirements of its business operations will be sufficiently met by the positive cash flows generated. Additionally, the Company believes it maintains a high-quality fixed maturity portfolio with positive liquidity characteristics. These securities are available for sale and could be sold if necessary to meet the Company's short- and long-term obligations, subject to market conditions.

Net cash used in investing activities was $893.1 million, $768.0 million and $1,288.3 million in 2005, 2004 and 2003, respectively. Changes in cash used in investing activities primarily relate to the management of the Company's investment portfolios and the investment of excess cash generated by operating and financing activities. Net cash invested in 2005 includes the investment of approximately $318.8 million of proceeds from the Company's subordinated debenture offering in December 2005. Net cash used in investing activities was relatively high in 2003 as a result of the investment of approximately $426.7 million related to the Company's stock offering.

Net cash provided by financing activities was $274.3 million, $120.9 million and $704.1 million in 2005, 2004 and 2003, respectively. Changes in cash provided by financing activities primarily relate to the issuance of equity or debt securities, borrowings or payments under the Company's existing credit agreements, treasury stock activity and excess deposits under investment-type contracts.

Contractual Obligations

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

	Payment Due by Period				
	Total	Less than 1 Year	1-3 years	4-5 Years	After 5 Years
Contractual Obligations:					
Short-term debt, including interest	$ 129.4	$ 129.4	$ –	$ –	$ –
Long-term debt, including interest	2,389.1	44.7	112.1	135.2	2,097.1
Fixed Rate Trust Pref Sec., including interest(1)	810.4	12.9	25.9	25.9	745.7
Life claims payable(2)	805.9	805.9	–	–	–
Operating leases	37.1	6.9	10.3	7.2	12.7
Limited partnerships	31.1	31.1	–	–	–
Structured investment contracts	22.7	2.5	11.4	8.8	–
Mortgage purchase commitments	25.7	25.7	–	–	–
Total	$ 4,251.4	$ 1,059.1	$ 159.7	$ 177.1	$ 2,855.5

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

(2) Included in the "Other policy claims and benefits" line item in the consolidated balance sheet.

See Note 9, "Income Tax," and Note 10, "Employee Benefit Plans," in Notes to Consolidated Financial Statements for information related to the Company's obligations for taxes and funding requirements for retirement and other post-employment benefits.

Life claims payable include benefit and claim liabilities for which the Company believes the amount and timing of the payment is essentially fixed and determinable. Such amounts generally relate to incurred and reported death and critical illness claims. As of December 31, 2005, liabilities for future policy benefits of approximately $4,693.5 million related primarily to reinsurance of traditional life insurance and related policies and approximately $5,503.5 million of interest sensitive contract liabilities, primarily deferred annuities, have been excluded from this table. Amounts excluded from the table are generally comprised of policies or contracts where (i) the Company is not currently making payments and will not make payments in the future until the occurrence of an insurable event, such as death or disability or (ii) the occurrence of a payment triggering event, such as a surrender of a policy or contract, is outside of the control of the Company. The timing of payment on these liabilities is not reasonably fixed and determinable since the insurable event or payment triggering event has not yet occurred, and the Company has no control over the timing of such occurrence. In addition to timing of payments, significant uncertainties relating to these liabilities include mortality, morbidity and persistency. On a consolidated basis, the Company has historically generated positive cash flows from operations; however, it must factor these uncertainties regarding its insurance obligations into its asset/liability management program. See "Asset/Liability Management" for additional discussion.

Letters of Credit

The Company has obtained letters of credit, issued by banks, in favor of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits. Certain of these letters of credit contain financial covenant restrictions similar to those described in the Debt and Trust Preferred Securities discussion above. At December 31, 2005, there were approximately $17.4 million of outstanding bank letters of credit in favor of third parties. Additionally, the Company utilizes letters of credit to secure statutory reserve credits when it retrocedes business to its offshore subsidiaries, including RGA Americas, RGA Barbados and RGA Worldwide Reinsurance Company, Ltd. ("RGA Worldwide"). The Company cedes business to its offshore affiliates to help reduce the amount of regulatory capital required in certain jurisdictions such as the U.S. and the 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 December 31, 2005, $439.8 million in letters of credit from various banks were outstanding between the various subsidiaries of the Company.

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

During the third quarter of 2005, the Company entered into a five-year, syndicated credit facility with an overall capacity of $600.0 million. The amount of the overall capacity available for issuance of letters of credit is reduced by any cash borrowings, up to $300.0 million, made by the Company against this credit facility. At December 31, 2005, there were $320.0 million letters of credit outstanding against this credit facility, which is included in the total above. Applicable letter of credit fees and fees payable for the credit facility depend upon the Company's senior unsecured long-term debt rating. Fees associated with the Company's other letters of credit are not fixed for periods in excess of one year and are based on the Company's ratings and the general availability of these instruments in the marketplace.

Asset/Liability Management

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

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

The Company's liquidity position (cash and cash equivalents and short-term investments) was $255.0 million and $184.1 million at December 31, 2005 and December 31, 2004, respectively. Liquidity needs are determined from valuation analyses conducted by operational units and are driven by product portfolios. Annual evaluations of demand liabilities and short-term liquid assets are designed to adjust specific portfolios, as well as their durations and maturities, in response to anticipated liquidity needs.

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

Investments

The Company had total cash and invested assets of $12.5 billion and $10.7 billion at December 31, 2005 and 2004, respectively. All investments held by RGA and its subsidiaries are monitored for conformance to the qualitative and quantitative limits prescribed by the applicable jurisdiction's insurance laws and regulations. In addition, the operating companies' Boards of Directors periodically review their respective investment portfolios. The Company's investment strategy is to maintain a predominantly investment-grade, fixed maturity portfolio, to provide adequate liquidity for expected reinsurance obligations, and to maximize total return through prudent asset management. The Company's asset/liability duration matching differs between operating segments. Based on Canadian reserve requirements, a portion of the Canadian liabilities is strictly

matched with long-duration Canadian assets, with the remaining assets invested to maximize the total rate of return, given the characteristics of the corresponding liabilities and Company liquidity needs. The duration of the Canadian portfolio exceeds twenty years. The target duration for other operating segments portfolios, which are segmented along product lines, range between four and seven years. The Company's earned yield on invested assets was 5.89% in 2005, compared with 5.91% in 2004, and 6.39% in 2003. See Note 5, "Investments," in the Notes to Consolidated Financial Statements for additional information regarding the Company's investments.

Fixed maturity securities and equity securities available-for-sale

The Company's fixed maturity securities are invested primarily in commercial and industrial bonds, mortgage- and asset-backed securities, public utilities, and Canadian government securities. As of December 31, 2005, 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 commercial and industrial bonds, which represented approximately 26.9% of fixed maturity securities as of December 31, 2005, down from 28.2% as of December 31, 2004. A majority of these securities were classified as corporate securities, with an average Standard and Poor's ("S&P") rating of A at December 31, 2005.

Within the fixed maturity security portfolio, the Company holds approximately $1.5 billion in mortgage-backed securities at December 31, 2005, which include agency-issued pass-through securities, collateralized mortgage obligations guaranteed or otherwise supported by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, or the Government National Mortgage Association, and commercial mortgage-backed securities. All of these securities were investment-grade. The principal risks inherent in holding residential mortgage-backed securities are prepayment and extension risks, which will affect the timing of when cash will be received and are dependent on the level of mortgage interest rates. Prepayment risk is the unexpected increase in principal payments, primarily as a result of homeowner refinancing. Extension risk relates to the unexpected slowdown in principal payments. The Company monitors its residential mortgage-backed securities to mitigate exposure to the cash flow uncertainties associated with these risks.

Within the fixed maturity security portfolio, the Company holds approximately $122.1 million in asset-backed securities at December 31, 2005, which include credit card and automobile receivables, home equity loans and collateralized bond obligations. The Company's asset-backed securities are diversified by issuer and contain both floating and fixed-rate securities. Approximately 0.7% of asset-backed securities, or $0.8 million, are collateralized bond obligations. In addition to the risks associated with floating rate securities, principal risks in holding asset-backed securities are structural, credit and capital market risks. Structural risks include the securities' priority in the issuer's capital structure, the adequacy of and ability to realize proceeds from collateral, and the potential for prepayments. Credit risks include consumer or corporate credits such as credit card holders, equipment lessees, and corporate obligors. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

The Company monitors its investment securities to determine impairments in value. The Company 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, intent and ability to hold securities and various other subjective factors. As of December 31, 2005, the Company held fixed maturities with a cost basis of $8.4 million and a market value of $8.7 million, representing 0.1% of fixed maturities at December 31, 2005, that were non-income producing. Based on management's judgment, securities with an other-than-temporary impairment in value are written down to management's estimate of fair value. The Company recorded other-than-temporary write-downs of fixed maturities totaling $0.5 million, $8.5 million and $20.1 million in 2005, 2004 and 2003, respectively. The circumstances that gave rise to these impairments were bankruptcy proceedings or deterioration in collateral value supporting certain asset-backed securities. During 2005 and 2004, the Company sold fixed maturity securities with fair values of $822.3 million and $394.0 million at losses of $21.8 million and $20.6 million, respectively, or at 97.4% and 95.0% of book value, respectively.

The following table presents the total gross unrealized losses for 679 fixed maturity securities and equity securities as of December 31, 2005, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in thousands):

	At December 31, 2005	
	Gross Unrealized Losses	% of Total
Less than 20%	$ 50,224	98.9%
20% or more for less than six months	545	1.1%
20% or more for six months or greater	–	–
Total	$ 50,769	100%

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 679 fixed maturity securities and equity securities that have estimated fair values below amortized cost as of December 31, 2005. These investments are presented by class and grade of security. The length of time the related market value has remained below amortized cost is provided for fixed maturity securities as of December 31, 2005.

(in thousands)

	As of December 31, 2005					
	Less than 12 months		Equal to or greater Than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Investment grade securities:						
Commercial and industrial	$ 761,601	$ 15,525	$ 53,040	$ 2,700	$ 814,641	$ 18,225
Public utilities	190,043	2,941	5,750	332	195,793	3,273
Asset-backed securities	48,134	912	18,791	440	66,925	1,352
Canadian and Canadian provincial governments	40,959	415	–	–	40,959	415
Mortgage-backed securities	905,373	14,085	45,175	1,393	950,548	15,478
Finance	371,643	4,907	20,872	904	392,515	5,811
U.S. government and agencies	31,102	238	681	25	31,783	263
State and political subdivisions	5,705	115	–	–	5,705	115
Foreign governments	25,109	76	–	–	25,109	76
Investment grade securities	$2,379,669	$39,214	$ 144,309	$ 5,794	$ 2,523,978	$ 45,008
Non-investment grade securities:						
Commercial and industrial	37,411	709	2,515	48	39,926	757
Public utilities	12,822	106	–	–	12,822	106
Finance	11,610	1,094	–	–	11,610	1,094
Non-investment grade securities	61,843	1,909	2,515	48	64,358	1,957
Total fixed maturity securities	$ 2,441,512	$ 41,123	$ 146,824	$ 5,842	$ 2,588,336	$ 46,965
Equity securities	$ 92,492	$ 3,629	$ 6,094	$ 175	$ 98,586	$ 3,804

The Company believes that the analysis of each security whose price has been below market for greater than twelve months indicated 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 December 31, 2005. The unrealized losses on fixed maturity securities did not exceed 17.0% on an individual security basis and are primarily a result of rising interest rates, changes in credit spreads and the long-dated maturities of the securities. One equity security had an unrealized loss of approximately 37.6% or $0.5 million at December 31, 2005, as a result of a reduction in the dividend rate.

Mortgage loans on real estate

Mortgage loans represented approximately 5.3% and 5.8% of the Company's investments as of December 31, 2005 and 2004, respectively. As of December 31, 2005, all mortgages were U.S.-based. The Company invests primarily in mortgages on commercial offices, industrial properties and retail locations. The Company's mortgage loans generally range in size from $0.5 million to $11.0 million, with the average mortgage loan investment as of December 31, 2005, totaling approximately $4.6 million. The mortgage loan portfolio was diversified by geographic region and property type as discussed further in Note 5 of the Notes to Consolidated Financial Statements. Substantially all mortgage loans are performing and no valuation allowance has been established as of December 31, 2005 or 2004.

Policy loans

Policy loans comprised approximately 8.0% and 9.1% of the Company's investments as of December 31, 2005 and 2004, respectively. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds withheld at interest

Substantially all of the Company's funds withheld at interest receivable balance is associated with its reinsurance of annuity contracts. The funds withheld receivable balance totaled $3.5 billion and $2.7 billion at December 31, 2005 and 2004, respectively, of which $2.5 billion and $1.9 billion, respectively, were subject to the provisions of Issue B36 (see Note 2, "New Accounting Pronouncements," in Notes to Consolidated Financial Statements for further discussion).

Under Issue B36, the Company's funds withheld receivable under certain reinsurance arrangements incorporate credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor and include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the consolidated balance sheets and changes in fair value reported in income.

Funds withheld at interest comprised approximately 28.1% and 25.9% of the Company's investments as of December 31, 2005 and 2004, 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 consolidated balance sheets. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed by the ceding company. Interest accrues to these assets at rates defined by the treaty terms and the Company estimates the yield was approximately 6.63% for the year ended December 31, 2005. The Company is subject to the investment performance on the withheld assets, although it does not directly control them. These assets are primarily fixed maturity investment securities and pose risks similar to the fixed maturity securities the Company owns. To mitigate this risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance. Ceding companies with funds withheld at interest had an average A.M. Best rating of "A." Certain ceding companies maintain segregated portfolios for the benefit of the Company.

Based on data provided by ceding companies as of December 31, 2005, funds withheld at interest were approximately (in thousands):

	At December 31, 2005		
	Book Value	Market Value	% of Total Market Value
Underlying Security Type:			
Investment grade U.S. corporate securities	$ 923,021	$ 927,120	37.5%
Below investment grade U.S. corporate securities	86,900	86,465	3.5%
Structured securities	759,317	766,279	31.0%
Foreign corporate securities	168,502	168,888	6.8%
U.S. government and agency debentures	145,464	142,044	5.7%
Unrated securities	85,593	85,913	3.5%
Derivatives	49,575	59,735	2.4%
Other	236,323	237,538	9.6%
Total segregated portfolios	2,454,695	2,473,982	100.0%
Funds withheld at interest associated with non-segregated portfolios	954,977	954,977	
Embedded derivatives	50,271	50,271	
Total funds withheld at interest	$ 3,459,943	$ 3,479,230	

Based on data provided by the ceding companies as of December 31, 2005, the maturity distribution of the segregated portfolio portion of funds withheld at interest was approximately (in thousands):

	At December 31, 2005		
	Book Value	Market Value	% of Total Market Value
Maturity:			
Within one year	$ 94,242	$ 105,072	3.7%
More than one, less than five years	253,392	254,335	9.0%
More than five, less than ten years	542,503	540,777	19.1%
Ten years or more	1,924,922	1,934,162	68.2%
Subtotal	2,815,059	2,834,346	100.0%
Less: Reverse repurchase agreements	(360,364)	(360,364)	
Total all years	$ 2,454,695	$ 2,473,982	

Other Invested Assets

Other invested assets represented approximately 1.9% and 2.0% of the Company's investments as of December 31, 2005 and 2004, respectively. Other invested assets include derivative contracts, equity securities, preferred stocks and limited partnership interests.

The Company has utilized derivative financial instruments on a very limited basis, primarily to improve the management of the investment-related risks associated with the reinsurance of equity-indexed annuities. The Company invests primarily in exchange-traded and customized Standard and Poor's equity index

options. The Company has established minimum credit quality standards for counterparties and seeks to obtain collateral or other credit supports. The Company limits its total financial exposure to counterparties. The Company's use of derivative financial instruments historically has not been significant to its financial position. The fair value of derivative investments totaled ($20.0) thousand as of December 31, 2005, and consisted of exchange-traded credit default swaps with a notional amount of $40.0 million.

Market Risk

Market risk is the risk of loss that may occur when fluctuation 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. RGA is primarily exposed to interest rate risk and foreign currency risk.

Interest Rate Risk

This 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 effect of sudden and sustained changes in interest rates on fair value, cash flows, and net interest income. The Company manages its exposure to interest rates principally by matching floating rate liabilities with corresponding floating rate assets and by matching fixed rate liabilities with corresponding fixed rate assets. On a limited basis, the Company uses equity options to minimize its exposure to movements in equity markets that have a direct correlation with certain of its reinsurance products.

The Company's exposure to interest rate price risk and interest rate cash flow risk is reviewed on a quarterly basis. Interest rate price risk exposure is measured using interest rate sensitivity analysis to determine the change in fair value of the Company's financial instruments in the event of a hypothetical change in interest rates. Interest rate cash flow risk exposure is measured using interest rate sensitivity analysis to determine the Company's variability in cash flows in the event of a hypothetical change in interest rates. If estimated changes in fair value, net interest income, and cash flows are not within the limits established, management may adjust its asset and liability mix to bring interest rate risk within board-approved limits.

In order to reduce the exposure of changes in fair values from interest rate fluctuations, RGA has developed strategies to manage its liquidity and increase the interest rate sensitivity of its asset base. From time to time, RGA has utilized the swap market to manage the volatility of cash flows to interest rate fluctuations.

Interest rate sensitivity analysis is used to measure the Company's interest rate price risk by computing estimated changes in fair value of fixed rate assets and liabilities in the event of a hypothetical 10% change in market interest rates. The Company does not have fixed-rate instruments classified as trading securities. The Company's projected loss in fair value of financial instruments in the event of a 10% unfavorable change in market interest rates at its fiscal years ended December 31, 2005 and 2004 was $262.6 million and $207.6 million, respectively.

The calculation of fair value is based on the net present value of estimated discounted cash flows expected over the life of the market risk sensitive instruments, using market prepayment assumptions and market rates of interest provided by independent broker quotations and other public sources, with adjustments made to reflect the shift in the treasury yield curve as appropriate.

At December 31, 2005, the Company's estimated changes in fair value were within the targets outlined in the Company's investment policy.

Interest rate sensitivity analysis is also used to measure the Company's interest rate cash flow risk by computing estimated changes in the cash flows expected in the near term attributable to floating rate assets and liabilities in the event of a range of assumed

changes in market interest rates. This analysis assesses the risk of loss in cash flows in the near term in market risk sensitive floating rate instruments in the event of a hypothetical 10% change (increase or decrease) in market interest rates. The Company does not have variable-rate instruments classified as trading securities. The Company's projected decrease in cash flows in the near term associated with floating-rate instruments in the event of a 10% unfavorable change in market interest rates at its fiscal years ended December 31, 2005 and 2004 was $0.4 million and $0.3 million, respectively.

The cash flows from coupon payments move in the same direction as interest rates for the Company's floating rate instruments. The volatility in mortgage prepayments partially offsets the cash flows from interest. At December 31, 2005, the Company's estimated changes in cash flows were within the targets outlined in the Company's investment policy.

Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, and mortgage prepayments, and should not be relied on as indicative of future results. Further, the computations do not contemplate any actions management could undertake in response to changes in interest rates.

Certain shortcomings are inherent in the method of analysis presented in the computation of the estimated fair value of fixed rate instruments and the estimated cash flows of floating rate instruments, which estimates constitute forward-looking statements. Actual values may differ materially from those projections presented due to a number of factors, including, without limitation, market conditions varying from assumptions used in the calculation of the fair value. In the event of a change in interest rates, prepayments could deviate significantly from those assumed in the calculation of fair value. Finally, the desire of many borrowers to repay their fixed-rate mortgage loans may decrease in the event of interest rate increases.

Foreign Currency Risk

The Company is subject to foreign currency translation, transaction, and net income exposure. The Company manages its exposure to currency principally by matching invested assets with the underlying reinsurance liabilities to the extent possible, but generally does not hedge the foreign currency translation or net investment 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 stockholders' equity on the consolidated balance sheets. The Company generally does not hedge the foreign currency exposure of its subsidiaries transacting business in currencies other than their functional currency (transaction exposure). The majority of the Company's foreign currency transactions are denominated in Australian dollars, British pounds, Canadian dollars, Japanese yen, Korean won and the South African rand.

Inflation

The primary, direct effect on the Company of inflation is the increase in operating expenses. A large portion of the Company's operating expenses consists of salaries, which are subject to wage increases at least partly affected by the rate of inflation. The rate of inflation also has an indirect effect on the Company. To the extent that a government's policies to control the level of inflation result in changes in interest rates, the Company's investment income is affected.

New Accounting Standards

In June 2005, the Financial Accounting Standards Board ("FASB") completed its review of Emerging Issues Task Force ("EITF") Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued FASB Staff Position ("FSP") 115-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" ("FSP 115-1"),

which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. As required by FSP 115-1, the Company adopted this guidance on a prospective basis, which had no material effect on the Company's consolidated financial statements. The Company has complied with the disclosure requirements of EITF 03-1, which was effective December 31, 2003 and remained in effect until the adoption of FSP 115-1.

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, which must be adopted as of the first day of the first fiscal quarter beginning after December 15, 2005, did not have a material effect on the Company's 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 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 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB revised SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS 123") to "Share-Based Payment" ("SFAS 123(r)"). SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be recorded in the financial statements. The revised pronouncement will be adopted by the Company during the first quarter of 2006. The Company expects SFAS 123(r) will increase compensation expense by approximately $2.4 million in 2006.

In July 2003, the Accounting Standards Executive Committee issued Statement of Position ("SOP") 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts." SOP 03-1 provides guidance on separate account presentation and valuation, the accounting for sales inducements and the classification and valuation of long-duration contract liabilities. The Company adopted the provisions of SOP 03-1 on January 1, 2004, recording a charge of $0.4 million as a cumulative effect of change in accounting principle.

In April 2003, the FASB cleared 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 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. The Company adopted the provisions of Issue B36 during the fourth quarter of 2003 and recorded a net gain of $0.5 million as a cumulative effect of change in accounting principle.

Substantially all of the Company's funds withheld receivable balance is associated with its reinsurance of annuity contracts. The funds withheld receivable balance totaled $3.5 billion and $2.7 billion at December 31, 2005 and 2004, respectively, and are subject to the provisions of Issue B36. Management believes the embedded derivative feature in each of these reinsurance treaties is similar to a total return swap on the assets held by the ceding companies. The Company has developed cash flow models as the basis for estimating the value of the total return swap. The cash flow models are based on the Company's expectations of the future cash flows under the reinsurance treaties that in turn are driven by the underlying annuity contracts. The fair value of the total return swap is affected by changes, both actual and expected, in the cash flows of the underlying annuity contracts, changes in credit risk associated with the assets held by the ceding company and changes in interest rates. The change in fair value, which is a non-cash item, also affects the amortization of deferred acquisition costs since the Company is required to include it in its expectation of gross profits. At December 31, 2005 and 2004, the fair value of the embedded derivative totaled $50.3 million and $42.8 million, respectively, and is included in the "funds withheld at interest" line item on the consolidated balance sheets. Subsequent to the initial adoption of Issue B36, the change in the market value of the underlying is recorded in the consolidated statement of income as change in value of embedded derivatives. Industry standards and practices continue to evolve related to valuing these types of embedded derivative features.

In addition to its annuity contracts, the Company has entered into various financial reinsurance treaties on a funds withheld and modified coinsurance basis. These treaties do not transfer significant insurance risk and are recorded on a deposit method of accounting with the Company earning a net fee. As a result of the experience refund provisions contained in these treaties, the value of the embedded derivatives in these contracts is currently considered immaterial. The Company monitors the performance of these treaties on a quarterly basis. Significant adverse performance or losses on these treaties may result in a loss associated with the embedded derivative.

(Dollars in thousands)

December 31,	2005	2004
Assets		
Fixed maturity securities available-for-sale, at fair value	$ 6,874,243	$ 6,023,696
Mortgage loans on real estate	648,067	609,292
Policy loans	987,442	957,564
Funds withheld at interest	3,459,943	2,734,655
Short-term investments	126,296	31,964
Other invested assets	235,464	207,054
Total investments	12,331,455	10,564,225
Cash and cash equivalents	128,692	152,095
Accrued investment income	62,498	58,076
Premiums receivable	393,375	376,298
Reinsurance ceded receivables	541,944	434,264
Deferred policy acquisition costs	2,465,630	2,225,974
Other reinsurance balances	179,770	159,440
Other assets	90,502	77,757
Total assets	$ 16,193,866	$ 14,048,129
Liabilities and Stockholders' Equity		
Future policy benefits	$ 4,693,454	$ 4,097,722
Interest sensitive contract liabilities	5,503,528	4,900,600
Other policy claims and benefits	1,529,298	1,316,225
Other reinsurance balances	212,422	247,164
Deferred income taxes	652,024	561,985
Other liabilities	117,101	81,209
Short-term debt	125,610	56,078
Long-term debt	674,392	349,704
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	158,553	158,417
Total liabilities	13,666,382	11,769,104
Commitments and contingent liabilities (See Note 14)		
Stockholders' Equity:		
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 December 31, 2005, and December 31, 2004)	631	631
Warrants	66,915	66,915
Additional paid-in-capital	1,053,814	1,046,515
Retained earnings	1,048,215	846,572
Accumulated other comprehensive income:		
Accumulated currency translation adjustment, net of income taxes	85,127	93,691
Unrealized appreciation of securities, net of income taxes	361,815	244,675
Total stockholders' equity before treasury stock	2,616,517	2,298,999
Less treasury shares held of 2,052,316 and 683,245 at cost at December 31, 2005, and December 31, 2004, respectively	(89,033)	(19,974)
Total stockholders' equity	2,527,484	2,279,025
Total liabilities and stockholders' equity	$ 16,193,866	$ 14,048,129

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

Twelve months ended December 31,	2005	2004	2003
Revenues:			
Net premiums	$ 3,866,775	$ 3,347,448	$ 2,643,163
Investment income, net of related expenses	639,165	580,528	465,579
Investment related gains, net	13,590	29,473	5,360
Change in value of embedded derivatives	7,444	26,104	43,596
Other revenues	57,791	55,366	47,300
Total revenues	4,584,765	4,038,919	3,204,998
Benefits and Expenses:			
Claims and other policy benefits	3,187,902	2,678,537	2,108,431
Interest credited	208,376	198,931	179,702
Policy acquisition costs and other insurance expenses	629,359	591,029	458,165
Change in deferred acquisition costs associated with change in value of embedded derivatives	6,972	22,896	30,665
Other operating expenses	154,382	139,896	119,636
Interest expense	41,428	38,437	36,789
Total benefits and expenses	4,228,419	3,669,726	2,933,388
Income from continuing operations before income taxes	356,346	369,193	271,610
Provision for income taxes	120,738	123,893	93,291
Income from continuing operations	235,608	245,300	178,319
Discontinued operations:			
Loss from discontinued accident and health operations, net of income taxes	(11,428)	(23,048)	(5,723)
Income before cumulative effect of change in accounting principle	224,180	222,252	172,596
Cumulative effect of change in accounting principle, net of income taxes	–	(361)	545
Net income	$ 224,180	$ 221,891	$ 173,141
Basic Earnings Per Share:			
Income from continuing operations	$ 3.77	$ 3.94	$ 3.47
Discontinued operations	(0.19)	(0.37)	(0.11)
Cumulative effect of change in accounting principle	–	(0.01)	0.01
Net income	$ 3.58	$ 3.56	$ 3.37
Diluted Earnings Per Share:			
Income from continuing operations	$ 3.70	$ 3.90	$ 3.46
Discontinued operations	(0.18)	(0.37)	(0.11)
Cumulative effect of change in accounting principle	–	(0.01)	0.01
Net income	$ 3.52	$ 3.52	$ 3.36
Dividends Declared Per Share	$ 0.36	$ 0.27	$ 0.24

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in thousands)

Twelve months ended December 31,	2005	2004	2003
Cash Flows From Operating Activities:			
Net income	$ 224,180	$ 221,891	$ 173,141
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in:			
Accrued investment income	(4,666)	(9,666)	(11,480)
Premiums receivable	(30,754)	50,356	(166,868)
Deferred policy acquisition costs	(287,405)	(416,017)	(596,482)
Reinsurance ceded balances	(107,679)	29,293	(38,170)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	788,769	823,621	1,164,871
Deferred income taxes	41,393	92,638	63,895
Other assets and other liabilities, net	25,169	(13,652)	26,493
Amortization of net investment discounts and other	(40,288)	(32,580)	(40,227)
Investment related gains, net	(13,722)	(29,473)	(5,360)
Other, net	4,354	(5,602)	4,779
Net cash provided by operating activities	599,351	710,809	574,592
Cash Flows From Investing Activities:			
Sales of fixed maturity securities - available for sale	1,550,653	1,298,647	1,768,107
Maturities of fixed maturity securities - available for sale	44,930	53,469	27,623
Purchases of fixed maturity securities - available for sale	(2,218,422)	(1,902,073)	(2,539,871)
Sales of mortgage loans	–	13,927	–
Cash invested in mortgage loans on real estate	(88,813)	(166,747)	(264,205)
Cash invested in policy loans	(61,460)	(64,205)	(67,727)
Cash invested in funds withheld at interest	(74,398)	16,411	(137,125)
Principal payments on mortgage loans on real estate	49,001	23,607	12,812
Principal payments on policy loans	31,582	9,499	5,991
Change in short-term investments and other invested assets	(126,187)	(50,485)	(93,857)
Net cash used in investing activities	(893,114)	(767,950)	(1,288,252)
Cash Flows From Financing Activities:			
Dividends to stockholders	(22,537)	(16,821)	(11,940)
Proceeds from long-term debt issuance	394,640	–	–
Net borrowings under credit agreements	–	4,600	64,662
Proceeds from offering of common stock, net	–	–	426,701
Purchases of treasury stock	(75,888)	–	–
Exercise of stock options	6,046	7,162	14,467
Excess deposits (payments) on universal life and other investment type policies and contracts	(27,912)	125,922	210,160
Net cash provided by financing activities	274,349	120,863	704,050
Effect of exchange rate changes	(3,989)	3,787	6,095
Change in cash and cash equivalents	(23,403)	67,509	(3,515)
Cash and cash equivalents, beginning of period	152,095	84,586	88,101
Cash and cash equivalents, end of period	$ 128,692	$ 152,095	$ 84,586
Supplementary information:			
Cash paid for interest	$ 38,303	$ 37,883	$ 35,873
Cash paid for income taxes, net of refunds	$ 47,040	$ 28,638	$ 6,391
Non-cash transfer from funds withheld at interest to fixed maturity securities	$ –	$ 606,040	$ –

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands)

	Preferred Stock	Common Stock	Warrants
Balance, January 1, 2003	$–	$ 511	$66,915
Comprehensive Income:			
Net income			
Other comprehensive income, net of income tax			
Currency translation adjustments			
Unrealized investment gains, net of related offsets and reclassification adjustment			
Other comprehensive income			
Comprehensive income			
Dividends to stockholders			
Issuance of common stock, net of expenses		120	
Reissuance of treasury stock			
Balance, December 31, 2003	–	631	66,915
Comprehensive Income:			
Net income			
Other comprehensive income, net of income tax			
Currency translation adjustments			
Unrealized investment gains, net of related offsets and reclassification adjustment			
Other comprehensive income			
Comprehensive income			
Dividends to stockholders			
Reissuance of treasury stock			
Balance, December 31, 2004	–	631	66,915
Comprehensive Income:			
Net income			
Other comprehensive income, net of income tax			
Currency translation adjustments			
Unrealized investment gains, net of related offsets and reclassification adjustment			
Other comprehensive income			
Comprehensive income			
Dividends to stockholders			
Purchase of treasury stock			
Reissuance of treasury stock			
Balance, December 31, 2005	$–	$631	$66,915

See accompanying notes to consolidated financial statements.

Additional Paid In Capital	Retained Earnings	Comprehensive Income	Accumulated Other Comprehensive Income	Treasury Stock	Total
$ 613,042	$ 480,301		$ 103,483	$(41,789)	$1,222,463
	173,141	$ 173,141			173,141
		52,886			52,886
		67,890			67,890
		120,776	120,776		
		$ 293,917			
	(11,940)				(11,940)
426,581					426,701
2,821				13,761	16,582
1,042,444	641,502		224,259	(28,028)	1,947,723
	221,891	$ 221,891			221,891
		40,090			40,090
		74,017			74,017
		114,107	114,107		
		$335,998			
	(16,821)				(16,821)
4,071				8,054	12,125
1,046,515	846,572		338,366	(19,974)	2,279,025
	224,180	$224,180			224,180
		(8,564)			(8,564)
		117,140			117,140
		108,576	108,576		
		$ 332,756			
	(22,537)				(22,537)
				(75,888)	(75,888)
7,299				6,829	14,128
$ 1,053,814	$1,048,215		$446,942	$(89,033)	$2,527,484

For the years ended December 31, 2005, 2004, and 2003

NOTE 1 *Organization*

Reinsurance Group of America, Incorporated (“RGA”) is an insurance holding company that was formed on December 31, 1992. As of December 31, 2005, General American Life Insurance Company (“General American”), a Missouri life insurance company, directly owned approximately 52.8% of the outstanding shares of common stock of RGA. General American is a wholly-owned subsidiary of MetLife, Inc., a New York-based insurance and financial services holding company.

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

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

NOTE 2 *Summary of Significant Accounting Policies*

Consolidation and Basis of Presentation. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred policy acquisition costs, premiums receivable, future policy benefits, other policy claims and benefits, including incurred but not reported claims, provision for adverse litigation, and valuation of investment impairments. Actual results could differ materially from the estimates and assumptions used by management.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject to or features that delay the timely reimbursement of claims. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on the consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to premiums, on the consolidated statements of income.

The accompanying consolidated financial statements include the accounts of RGA and its subsidiaries, both direct and indirect, subject to an ownership position greater than fifty percent, and any variable interest entities where the Company is the primary beneficiary. Entities in which the Company has an ownership position greater than twenty percent, but less than or equal to fifty percent are reported under the equity method of accounting. The Company evaluates variable interest entities in accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. 46(r) “Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51.” All significant intercompany balances and transactions have been eliminated.

Investments. Fixed maturity securities available-for-sale are reported at fair value and are so classified based upon the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs.

Impairments in the value of securities held by the Company, considered to be other than temporary, are recorded as a reduction of the book value of the security, and a corresponding realized investment loss is recognized in the consolidated statements of income. The Company's policy is to recognize such impairment when the projected cash flows of these securities have been reduced on an other-than-temporary basis so that the fair value is reduced to an amount less than the book value. The Company 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, intent and ability to hold securities, and various other subjective factors. The actual value at which such financial instruments could actually be sold or settled with a willing buyer may differ from such estimated fair values.

Unrealized gains and losses on marketable equity securities and fixed maturity securities classified as available for sale, less applicable deferred income taxes as well as related adjustments to deferred acquisition costs, if applicable, are reflected as a direct charge or credit to accumulated other comprehensive income in stockholders' equity on the consolidated balance sheets.

Mortgage loans on real estate are carried at unpaid principal balances, net of any unamortized premium or discount and valuation allowances. Valuation allowances on mortgage loans are established based upon losses expected by management to be realized in connection with future dispositions or settlement of mortgage loans, including foreclosures. The valuation allowances are established after management considers, among other things, the value of underlying collateral and payment capabilities of debtors.

Short-term investments represent investments with original maturities of greater than three months but less than twelve months and are stated at amortized cost, which approximates fair value.

Policy loans are reported at the unpaid principal balance.

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance basis and agreements written on a coinsurance funds withheld basis, assets equal to the net statutory reserves are withheld and legally owned by the ceding company. Interest accrues to these assets at rates defined by the treaty terms.

For reinsurance transactions executed through December 31, 1994, assets and liabilities related to treaties written on a modified coinsurance basis with funds withheld are reported on a gross basis. For modified coinsurance reinsurance transactions with funds withheld executed on or after December 31, 1994, assets and liabilities are reported on a net or gross basis, depending on the specific details within each treaty. Reinsurance agreements reported on a net basis are generally included in other reinsurance balances on the consolidated balance sheets because a legal right of offset exists.

Change in value of embedded derivatives reflects the change in the market value of specific financial instruments as required upon the adoption of Statement of Financial Accounting Standards ("SFAS") No. 133 Implementation Issue No. B36, "Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments" ("Issue B36").

Other invested assets include derivative contracts, common stocks and preferred stocks, carried at fair value, and limited partnership interests, carried at cost. Changes in fair value are recorded through accumulated other comprehensive income. Other invested assets are periodically reviewed for impairment.

The Company has a variety of reasons to use derivative instruments, such as to attempt to protect the Company against possible changes in the market value of its investment portfolio as a result of interest rate changes and to manage the portfolio's effective yield, maturity, and duration. The Company does not invest in derivatives for speculative purposes. The Company uses both exchange-traded and customized over-the-counter derivative financial instruments. The Company's use of derivatives historically has not been significant to its financial position. Income or expense on derivative financial instruments used to manage interest-rate exposure is recorded on an accrual basis as an adjustment to the yield of the related interest-earning assets or interest-bearing liabilities for the periods covered by the contracts. Upon sale, exercise, expiration or termination, gains or losses on derivatives accounted for as cash flow hedges are reclassified from accumulated other comprehensive income into earnings in the same period or periods during which the hedged transaction affects earnings. As of December 31, 2005 and 2004, the Company did not hold any derivatives accounted for as cash flow hedges. At December 31, 2005, the Company held exchange-traded credit default swaps with a notional amount of $40.0 million, which are carried at a fair value of ($20.0) thousand. Changes in the fair value of these derivatives are recorded as investment related gains/(losses), net on the consolidated statements of income. It is the Company's policy to enter into derivative contracts primarily with highly rated companies.

Cash and Cash Equivalents. The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Additional Information Regarding Statements of Cash Flows. Cash and cash equivalents include cash on deposit and highly liquid debt instruments purchased with an original maturity of three months or less. The consolidated statements of cash flows includes the results of discontinued operations in net cash from operations for all years presented, as the effect of the discontinued operations on cash flows is not considered material.

Premiums Receivable. Premiums are accrued when due and in accordance with information received from the ceding company. When a ceding company fails to report information on a timely basis, the Company records accruals based on the terms of the reinsurance treaty as well as historical experience. Other management estimates include adjustments for lapsed premiums given historical experience, the financial health of specific ceding companies, collateral value and the legal right of offset on related amounts (i.e., allowances and claims) owed to the ceding company. Under the legal right of offset provisions in its reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on its review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2005 or 2004.

Deferred Policy Acquisition Costs. 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. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. The Company performs periodic tests to establish that DAC remains recoverable, and if financial performance significantly deteriorates to the point where a premium deficiency exists, a cumulative charge to current operations will be recorded. No such adjustments were made during 2005, 2004 or 2003. Deferred costs related to traditional life insurance contracts, substantially all of which relate to long-duration contracts, are amortized over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

Deferred costs related to interest-sensitive life and investment-type policies are amortized over the lives of the policies, in relation to the present value of estimated gross profits from mortality, investment income less interest credited, and expense margins.

Other Reinsurance Balances. The Company assumes and retrocedes financial reinsurance contracts that represent low mortality risk reinsurance treaties. These contracts are reported as deposits and are included in other reinsurance assets/liabilities. The amount of revenue reported in other revenues on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement. Balances resulting from the assumption and/or subsequent transfer of benefits and obligations resulting from cash flows related to variable annuities have also been classified as other reinsurance balance assets and/or liabilities.

Goodwill and Value of Business Acquired. The Company reports goodwill pursuant to the provisions of SFAS No. 142. Accordingly, goodwill and certain intangibles are not amortized into results of operations, but instead are reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. From 2003 through 2005, there were no changes to goodwill as a result of acquisitions or disposals. Goodwill as of December 31, 2005 and 2004, totaled $7.0 million and was related to the purchase by the Company's U.S. operations of RGA Financial Group L.L.C. in 2000. The value of business acquired is amortized in proportion to the ratio of annual premium revenues to total anticipated premium revenues or in relation to the present value of estimated profits. Anticipated premium revenues have been estimated using assumptions consistent with those used in estimating reserves for future policy benefits. The carrying value is reviewed at least annually for indicators of impairment in value. The value of business acquired was approximately $3.5 million and $4.5 million, including accumulated amortization of $9.9 million and $8.9 million, as of December 31, 2005 and 2004, respectively. The value of business acquired amortization expense for the years ended December 31, 2005, 2004, and 2003 was $1.0 million, $1.3 million, and $1.7 million, respectively. These amortized balances are included in other assets on the consolidated balance sheets. Amortization of the value of business acquired is estimated to be $0.8 million, $0.6 million, $0.4 million, $0.4 million and $0.3 million during 2006, 2007, 2008, 2009 and 2010, respectively.

Other Assets. In addition to the goodwill and value of business acquired previously discussed, other assets primarily includes separate accounts, unamortized debt issuance costs, capitalized software, and other capitalized assets. Capitalized software is stated at cost, less accumulated amortization. Purchased software costs, as well as internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. As of December 31, 2005 and 2004, the Company had unamortized computer software costs of approximately $18.9 million and $20.3 million, respectively. During 2005, 2004 and 2003, the Company amortized computer software costs of $5.7 million, $2.2 million, and $0.5 million, respectively. Amortization of software costs is recorded on a straight-line basis over periods ranging from three to ten years. Carrying values are reviewed periodically for indicators of impairment in value. The amortization in 2005 includes an asset impairment charge of $2.7 million.

Future Policy Benefits and Interest-Sensitive Contract Liabilities. Liabilities for future benefits on life policies are established in an amount adequate to meet the estimated future obligations on policies in force. Liabilities for future policy benefits under long-term life insurance policies have been computed based upon expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions. These assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. Interest rates range from 4.0% to 6.0%. The mortality and withdrawal assumptions are based on the Company's experience as well as industry experience and standards. Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish policy benefits. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be 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 by a charge to income, as well as a reduction in unamortized acquisition costs and, to the extent there are no unamortized acquisition costs, an increase in future policy benefits.

In establishing reserves for future policy benefits, the Company assigns policy liability assumptions to particular time frames (eras) in such a manner as to be consistent with the underlying assumptions and economic conditions at the time the risks are assumed. The Company generally maintains a consistent level of provision for adverse deviation between eras.

The reserving process includes normal periodic reviews of assumptions used and adjustments of reserves to incorporate the refinement of the assumptions. Any such adjustments relate only to policies assumed in recent periods and the adjustments are reflected by a cumulative charge or credit to current operations.

The Company reinsures asset-intensive products, including annuities and corporate-owned life insurance. The investment portfolios for these products are segregated for management purposes within the general account of RGA Reinsurance. The liabilities under asset-intensive reinsurance contracts are included in interest-sensitive contract liabilities on the consolidated balance sheets.

Other Policy Claims and Benefits. Claims payable for incurred but not reported losses are determined using case basis estimates and lag studies of past experience. The time lag from the date of the claim or death to when the ceding company reports the claim to the Company can vary significantly by ceding company and business segment, but generally averages around 3.0 months on a consolidated basis. The Company updates its analysis of incurred but not reported, including lag studies, on a quarterly basis and adjusts its claim liabilities accordingly.

Other liabilities primarily include investments in transit, separate accounts, employee benefits, and current federal income taxes payable. The Company occasionally enters into sales of investment securities under agreements to repurchase the same securities and participates in a securitized lending program. These transactions are reported as collateralized financings and the settlement obligation is a component of other liabilities. At December 31, 2005 and 2004, there were no repurchase agreements outstanding.

Income Taxes. RGA and its eligible U.S. subsidiaries file a consolidated federal income tax return. The U.S. consolidated tax return includes RGA, RGA Americas Reinsurance Company, Ltd., RGA Reinsurance, RGA Barbados, RGA Technology Partners, Inc., Reinsurance Company of Missouri, Incorporated ("RCM"), and Fairfield Management Group, Inc. Due to rules that affect the ability of an entity to join in a consolidated tax return, RGA Sigma Reinsurance SPC, and RGA Worldwide Reinsurance Company, Ltd. ("RGA Worldwide"), formerly Triad Re, Ltd., file separate tax returns, even though they are considered to be U.S. taxpayers. The Company's Argentine, Australian, Canadian, South African, Indian, Irish and United Kingdom subsidiaries are taxed under applicable local statutes. The Company's branch operations are taxable under U.S. tax law and applicable local statutes.

For all years presented the Company uses the asset and liability method to record deferred income taxes. Accordingly, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using enacted tax rates.

Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. During December 2001, RGA Capital Trust I (the "Trust"), a wholly-owned subsidiary of RGA, sold Preferred Income Equity Redeemable Securities ("PIERS") Units. Each unit consists of a preferred security ("Preferred Securities") issued by the Trust with a detachable warrant to purchase 1.2508 shares of RGA common stock. The Trust sold 4.5 million PIERS units. The market value of the Preferred Securities on the date issued ($158.1 million) was recorded in liabilities on the consolidated balance sheets under the caption "Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures." The coupon rate of the Preferred Securities is 5.75% on a face amount of $225.0 million.

Warrants. The market value of the detachable warrants on the date the PIERS units were issued is recorded in stockholders' equity on the consolidated balance sheets under the caption "Warrants." In the aggregate as of December 31, 2005, 4.5 million warrants to purchase approximately 5.6 million shares of Company common stock at a price per share of $39.98 were outstanding. If on any date after December 18, 2004, the closing price of RGA common stock exceeds and has exceeded a price per share equal to $47.97 for at least 20 trading days within the immediately preceding 30 consecutive trading days, the Company may redeem the warrants in whole for cash, RGA common stock, or a combination of cash and RGA common stock.

Foreign Currency Translation. The translation of the foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during each year. Gains or losses, net of applicable deferred income taxes, resulting from such translation are included in accumulated currency translation adjustments, in accumulated other comprehensive income on the consolidated balance sheets. The Company's material functional currencies are the Australian dollar, the British pound, the Canadian dollar, the Japanese yen, the Korean won and the South African rand.

Retrocession Arrangements and Reinsurance Ceded Receivables. The Company generally reports retrocession activity on a gross basis. Amounts paid or deemed to have been paid for reinsurance are reflected in reinsurance ceded receivables. The cost of reinsurance related to long-duration contracts is recognized over the terms of the reinsured policies on a basis consistent with the reporting of those policies.

In the normal course of business, the Company seeks to limit its exposure to losses 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 (quota share) contracts. Effective July 1, 2003, the Company increased its retention amount from $4.0 million of coverage per individual life to $6.0 million. RGA Reinsurance has a number of retrocession arrangements whereby certain business in force is retroceded on an automatic or facultative basis. The Company also retrocedes most of its financial reinsurance business to other insurance companies to alleviate statutory capital requirements created by this business.

Retrocessions are arranged through the Company's retrocession pools for amounts in excess of the Company's retention limit. As of December 31, 2005, all rated retrocession pool participants followed by the A.M. Best Company were rated B++ or better. For a majority of the retrocessionaires that were not rated, security in the form of letters of credit or trust assets has been given as additional security in favor of RGA Reinsurance. In addition, the Company performs annual financial reviews of its retrocessionaires to evaluate financial stability and performance. In addition to its third party retrocessionaires, various RGA reinsurance subsidiaries retrocede amounts in excess of their retention to RGA Reinsurance, RGA Barbados and RGA Americas.

The Company has never experienced a material default in connection with retrocession arrangements, nor has it experienced any difficulty in collecting claims recoverable from retrocessionaires; however, no assurance can be given as to the future performance of such retrocessionaires or as to recoverability of any such claims.

Recognition of Revenues and Related Expenses. Life and health premiums are recognized as revenue when due from the insured, and are reported net of amounts retroceded. Benefits and expenses are reported net of amounts retroceded and are associated with earned premiums so that profits are recognized over the life of the related contract. This association is accomplished through the provision for future policy benefits and the amortization of deferred policy acquisition costs. Other revenue includes items such as treaty recapture fees, and fees associated with financial reinsurance. Any fees that are collected in advance of the period benefited are deferred and recognized over the period benefited. Initial reserve changes are netted against premiums when an in force block of business is reinsured.

For certain reinsurance transactions involving in force blocks of business, the ceding company pays a premium equal to the initial required reserve (future policy benefit). In such transactions, for income statement presentation, the Company nets the expense associated with the establishment of the reserve on the consolidated balance sheet against the premiums from the transaction.

Revenues for interest-sensitive and investment-type products consist of investment income, policy charges for the cost of insurance, policy administration, and surrenders that have been assessed against policy account balances during the period. Interest-sensitive contract liabilities for these products represent policy account balances before applicable surrender charges. Deferred policy acquisition costs are recognized as expenses over the term of the policies. Policy benefits and claims that are charged to expenses include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rates for interest-sensitive products were 4.1%, 4.5% and 4.7% during 2005, 2004 and 2003, respectively. Interest crediting rates for U.S. dollar-denominated investment-type contracts ranged from 3.2% to 5.8% during 2005, 2.8% to 5.9% during 2004 and 4.0% to 9.5% during 2003. Weighted average interest crediting rates for Mexican peso-denominated investment-type contracts were 12.7%, 5.0% and 21.8% for 2005, 2004 and 2003, respectively.

Investment income is recognized as it accrues or is legally due. Realized gains and losses on sales of investments are included in net income, as are write-downs of investments where declines in value are deemed to be other than temporary in nature. The cost of investments sold is determined based upon the specific identification method.

Net Earnings Per Share. Basic earnings per share exclude any dilutive effects of options and warrants. Diluted earnings per share include the dilutive effects assuming outstanding stock options and warrants were exercised.

New Accounting Pronouncements. In June 2005, the FASB completed its review of Emerging Issues Task Force ("EITF") Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued FASB Staff Position ("FSP") 115-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" ("FSP 115-1"), which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. As required by FSP 115-1, the Company adopted this guidance on a prospective basis, which had no material effect on the Company's consolidated financial statements. The Company has complied with the disclosure requirements of EITF 03-1, which was effective December 31, 2003 and remained in effect until the adoption of FSP 115-1.

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, which must be adopted as of the first day of the first fiscal quarter beginning after December 15, 2005, did not have a material effect on the Company's 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 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 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB revised SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS 123") to "Share-Based Payment" ("SFAS 123(r)"). SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be recorded in the financial statements. The revised pronouncement will be adopted by the Company during the first quarter of 2006. The Company expects SFAS 123(r) will increase compensation expense by approximately $2.4 million in 2006.

In July 2003, the Accounting Standards Executive Committee issued Statement of Position ("SOP") 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts." SOP 03-1 provides guidance on separate account presentation and valuation, the accounting for sales inducements and the classification and valuation of long-duration contract liabilities. The Company adopted the provisions of SOP 03-1 on January 1, 2004, recording a charge of $0.4 million as a cumulative effect of change in accounting principle.

In April 2003, the FASB cleared 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 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. The Company adopted the provisions of Issue B36 during the fourth quarter of 2003 and recorded a net gain of $0.5 million as a cumulative effect of change in accounting principle.

Substantially all of the Company's funds withheld receivable balance is associated with its reinsurance of annuity contracts. The funds withheld receivable balance totaled $3.5 billion and $2.7 billion at December 31, 2005 and 2004, respectively, and are subject to the provisions of Issue B36. Management believes the embedded derivative feature in each of these reinsurance treaties is similar to a total return swap on the assets held by the ceding companies. The Company has developed cash flow models as the basis for estimating the value of the total return swap. The cash flow models are based on the Company's expectations of the future cash flows under the reinsurance treaties that in turn are driven by the underlying annuity contracts. The fair value of the total return swap is affected by changes, both actual and expected, in the cash flows of the underlying annuity contracts, changes in credit risk associated with the assets held by the ceding company and changes in interest rates. The change in fair value, which is a non-cash item, also affects the amortization of deferred acquisition costs since the Company is required to include it in its expectation of gross profits. At December 31, 2005 and 2004, the fair value of the embedded derivative totaled $50.3 million and $42.8 million, respectively, and is included in the "funds withheld at interest" line item on the consolidated balance sheets. Subsequent to the initial adoption of Issue B36, the change in the market value of the underlying is recorded in the consolidated statements of income as "change in value of embedded derivatives." Industry standards and practices continue to evolve related to valuing these types of embedded derivative features.

In addition to its annuity contracts, the Company has entered into various financial reinsurance treaties on a funds withheld and modified coinsurance basis. These treaties do not transfer significant insurance risk and are recorded on a deposit method of accounting with the Company earning a net fee. As a result of the experience refund provisions contained in these treaties, the value of the embedded derivatives in these contracts is currently considered immaterial. The Company monitors the performance of these treaties on a quarterly basis. Significant adverse performance or losses on these treaties may result in a loss associated with the embedded derivative.

Reclassification. The Company has reclassified the presentation of certain prior period information to conform to the 2005 presentation.

NOTE 3 *Stock Transactions*

On December 12, 2005, RGA entered into an accelerated share repurchase ("ASR") agreement with a financial counterparty. Under the ASR agreement, RGA purchased 1,600,000 shares of its outstanding common stock at an initial price of $47.43 per share and at an aggregate price of approximately $75.9 million. In order to deliver the shares to RGA on December 12, 2005, the counterparty borrowed RGA shares from the stock loan market. RGA funded the repurchase from the proceeds of a junior subordinated debenture offering. Under the ASR agreement, the counterparty purchases an equivalent number of shares of common stock in the open market over time in order to pay back the shares it borrowed. At the end of this period, RGA may receive, or may be required to remit, a purchase price adjustment based upon the volume weighted average price of its common shares during the period. The purchase price adjustment can be settled, at the election of RGA, in cash or in shares of its common stock. The counterparty completed its purchases on February 22, 2006, and as a result, the Company was required to pay $130,000 to the counterparty for the final settlement. The common shares repurchased have been placed into treasury to be used for general corporate purposes. The repurchase of shares pursuant to the ASR agreement is in addition to the Company's previously announced stock repurchase authorization.

On November 13, 2003, RGA issued 10,500,000 shares of its common stock at $36.65 per share. On December 4, 2003, underwriters for the public offering exercised their entire option to purchase an additional 1,575,000 newly issued shares of common stock, also at a price of $36.65 per share. After giving effect to the exercise of the option, RGA sold 12,075,000 shares of its common stock and received proceeds of approximately $426.7 million, net of expenses. MetLife, Inc. purchased 3,000,000 of these newly issued shares.

On January 23, 2002, the Board of Directors approved a stock repurchase program authorizing the Company to purchase up to $50 million of its shares of stock, as conditions warrant. The Board's action allows management, at its discretion, to purchase shares on the open market. As of December 31, 2005, the Company purchased 225,500 shares under this program at an aggregate cost of $6.6 million. Purchased shares are held as treasury stock. 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.

NOTE 4 *Significant Transaction*

During December 2003, the Company completed a large coinsurance agreement with Allianz Life Insurance Company of North America ("Allianz Life"). Under this agreement, RGA Reinsurance assumed the traditional life reinsurance business of Allianz Life, including yearly renewable term reinsurance and coinsurance of term policies. The business assumed does not include any accident and health risk, annuities or related guaranteed minimum death benefits or guaranteed minimum income benefits. This transaction added additional scale to the Company's U.S. traditional business, but did not significantly add to the Company's client base since most of the underlying ceding companies were already clients. The transaction was effective retroactive to July 1, 2003. Under the agreement, Allianz Life transferred to RGA Reinsurance $425.7 million in cash and statutory reserves. RGA Reinsurance paid Allianz Life a ceding commission of $310.0 million. As a result of this transaction, during the fourth quarter of 2003 the Company's U.S. traditional sub-segment reflected an additional $246.1 million in net premiums and approximately $6.8 million of net income, after tax.

NOTE 5 *Investments*

Major categories of net investment income consist of the following (in thousands):

Years ended December 31,	2005	2004	2003
Fixed maturity securities available-for-sale	$ 339,051	$ 287,471	$ 228,260
Mortgage loans on real estate	40,827	34,045	23,599
Policy loans	57,237	54,309	59,883
Funds withheld at interest	192,122	199,094	144,975
Short-term investments	2,236	1,314	2,501
Other invested assets	17,569	14,045	12,820
Investment revenue	649,042	590,278	472,038
Investment expense	9,877	9,750	6,459
Net investment income	$ 639,165	$ 580,528	$ 465,579

The amortized cost, gross unrealized gains and losses, and estimated fair values of investments in fixed maturity securities and equity securities at December 31, 2005 and 2004, are as follows (in thousands):

2005	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Commercial and industrial	$ 1,817,190	$ 53,023	$ 18,983	$ 1,851,230
Public utilities	904,291	249,293	3,378	1,150,206
Asset-backed securities	119,913	3,571	1,352	122,132
Canadian and Canadian provincial governments	700,487	240,059	415	940,131
Mortgage-backed securities	1,530,795	9,889	15,478	1,525,206
Finance	965,177	29,909	6,905	988,181
U.S. government and agencies	38,352	48	263	38,137
State and political subdivisions	31,493	385	115	31,763
Other foreign government securities	223,527	3,806	76	227,257
Total fixed maturity securities	$ 6,331,225	$ 589,983	$ 46,965	$ 6,874,243
Equity securities	$ 199,531	$ 5,359	$ 3,804	$ 201,086

2004	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Commercial and industrial	$ 1,629,094	$ 76,927	$ 5,559	$ 1,700,462
Public utilities	844,099	140,163	1,450	982,812
Asset-backed securities	132,417	4,167	388	136,196
Canadian and Canadian provincial governments	561,041	116,257	174	677,124
Mortgage-backed securities	1,381,185	27,047	4,409	1,403,823
Finance	873,249	37,052	3,282	907,019
U.S. government and agencies	44,585	338	184	44,739
Other foreign government securities	169,087	2,885	451	171,521
Total fixed maturity securities	$ 5,634,757	$ 404,836	$ 15,897	$ 6,023,696
Equity securities	$ 171,430	$ 6,597	$ 453	$ 177,574

As of December 31, 2005, the Company held securities with a market value of $586.1 million issued by the Federal Home Loan Mortgage Corporation, $407.4 million issued by the Federal National Mortgage Corporation, $485.7 million that were issued by a Canadian province, and $454.0 million in one entity that were guaranteed by a Canadian province, all of which exceeded 10% of consolidated stockholders' equity. As of December 31, 2004, the Company held securities with a market value of $535.7 million issued by the Federal Home Loan Mortgage Corporation, $290.5 million issued by the Federal National Mortgage Corporation, $318.4 million in one entity were guaranteed by a Canadian province, and $260.2 million in one entity that were guaranteed by a Canadian province, all of which exceeded 10% of consolidated stockholders' equity.

The amortized cost and estimated fair value of fixed maturity securities available-for-sale at December 31, 2005, are shown by contractual maturity for all securities except certain U.S. government agencies securities, which are distributed to maturity year based on the Company's estimate of the rate of future prepayments of principal over the remaining lives of the securities. These estimates are developed using prepayment rates provided in broker consensus data. Such estimates are derived from prepayment rates experienced at the interest rate levels projected for the applicable underlying collateral and can be expected to vary from actual experience. Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2005, the contractual maturities of investments in fixed maturity securities were as follows (in thousands):

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$ 109,757	$ 109,842
Due after one year through five years	707,043	714,248
Due after five years through ten years	1,650,162	1,672,150
Due after ten years	2,213,555	2,730,666
Asset and mortgage-backed securities	1,650,708	1,647,337
	$ 6,331,225	$ 6,874,243

Net investment related gains consist of the following (in thousands):

Years ended December 31,	2005	2004	2003
Fixed maturities and equity securities available-for-sale:			
Realized gains	$ 36,463	$ 48,306	$ 52,602
Realized losses	(24,733)	(21,038)	(45,742)
Other, net	1,860	2,205	(1,500)
Net gains	$ 13,590	$ 29,473	$ 5,360

The Company monitors its investment securities to determine impairments in value. The Company 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, intent and ability to hold securities, and various other subjective factors. Based on management's judgment, securities with an other-than-temporary impairment in value are written down to management's estimate of fair value. Included in net realized losses are other-than-temporary write-downs of fixed maturity securities of approximately $0.5 million, $8.5 million, and $20.1 million in 2005, 2004 and 2003, respectively. The circumstances that gave rise to these impairments were management's intention to sell certain securities, bankruptcy proceedings or deterioration in collateral value supporting certain asset-backed securities. Realized losses included other-than-temporary impairment in value of collateralized bond obligations of $9.7 million during 2003.

At December 31, 2005, fixed maturity securities held by the Company that were below investment grade had a book value and estimated fair value of approximately $178.7 million and $182.1 million, respectively. At December 31, 2005, the Company owned non-income producing securities with an amortized cost of $8.4 million and market value of $8.7 million. During 2005, 2004, and 2003 the Company sold fixed maturity securities with fair values of $822.3 million, $394.0 million, and $460.3 million, which were below amortized cost, at losses of $21.8 million, $20.6 million and $25.2 million, respectively.

The following table presents the total gross unrealized losses for 679 and 403 fixed maturity securities and equity securities as of December 31, 2005 and 2004, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in thousands):

	At December 31, 2005		At December 31, 2004	
	Gross Unrealized Losses	% of Total	Gross Unrealized Losses	% of Total
Less than 20%	$ 50,224	98.9%	$ 16,350	100%
20% or more for less than six months	545	1.1%	–	–
20% or more for six months or greater	–	–	–	–
Total	$ 50,769	100%	$ 16,350	100%

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 679 and 403 fixed maturity securities and equity securities that have estimated fair values below amortized cost as of December 31, 2005 and 2004, respectively. 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.

(in thousands)

	As of December 31, 2005					
	Less than 12 months		Equal to or greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Investment grade securities:						
Commercial and industrial	$ 761,601	$ 15,525	$ 53,040	$ 2,700	$ 814,641	$ 18,225
Public utilities	190,043	2,941	5,750	332	195,793	3,273
Asset-backed securities	48,134	912	18,791	440	66,925	1,352
Canadian and Canadian provincial governments	40,959	415	–	–	40,959	415
Mortgage-backed securities	905,373	14,085	45,175	1,393	950,548	15,478
Finance	371,643	4,907	20,872	904	392,515	5,811
U.S. government and agencies	31,102	238	681	25	31,783	263
State and political subdivisions	5,705	115	–	–	5,705	115
Foreign governments	25,109	76	–	–	25,109	76
Investment grade securities	$ 2,379,669	$ 39,214	$ 144,309	$ 5,794	$ 2,523,978	$ 45,008
Non-investment grade securities:						
Commercial and industrial	37,411	709	2,515	48	39,926	757
Public utilities	12,822	106	–	–	12,822	106
Finance	11,610	1,094	–	–	11,610	1,094
Non-investment grade securities	61,843	1,909	2,515	48	64,358	1,957
Total fixed maturity securities	$ 2,441,512	$ 41,123	$ 146,824	$ 5,842	$ 2,588,336	$ 46,965
Equity securities	$ 92,492	$ 3,629	$ 6,094	$ 175	$ 98,586	$ 3,804

(in thousands)

	As of December 31, 2004					
	Less than 12 months		Equal to or greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Investment grade securities:						
Commercial and industrial	$ 268,633	$ 3,591	$ 48,727	$ 1,735	$ 317,360	$ 5,326
Public utilities	83,473	1,201	5,714	229	89,187	1,430
Asset-backed securities	38,568	388	–	–	38,568	388
Canadian and Canadian provincial governments	21,497	173	–	–	21,497	173
Mortgage-backed securities	264,617	4,314	–	–	264,617	4,314
Finance	180,990	2,632	22,210	649	203,200	3,281
U.S. government and agencies	30,199	280	–	–	30,199	280
Foreign governments	56,142	451	–	–	56,142	451
Investment grade securities	$ 944,119	$ 13,030	$ 76,651	$ 2,613	$ 1,020,770	$ 15,643
Non-investment grade securities:						
Commercial and industrial	20,667	233	–	–	20,667	233
Public utilities	3,417	20	–	–	3,417	20
Finance	204	1	–	–	204	1
Non-investment grade securities	24,288	254	–	–	24,288	254
Total fixed maturity securities	$ 968,407	$ 13,284	$ 76,651	$ 2,613	$ 1,045,058	$ 15,897
Equity securities	$ 36,619	$ 453	$ –	$ –	$ 36,619	$ 453

The Company believes that the analysis of each security whose price has been below market for greater than twelve months indicated that the financial strength, liquidity, leverage, future outlook, and the Company's ability and intent to hold the security until recovery support the view that the security was not other-than-temporarily impaired as of December 31, 2005. The unrealized losses on fixed maturity securities did not exceed 17.0% on an individual security basis and are primarily a result of rising interest rates, changes in credit spreads and the long-dated maturities of the securities. Additionally, all of the gross unrealized losses are associated with investment grade securities. One equity security had an unrealized loss of approximately 37.6% or $0.5 million at December 31, 2005, as a result of a reduction in the dividend rate.

The Company participates in a securities lending program whereby blocks of securities, which are included in investments, are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. No securities were loaned to third parties as of December 31, 2005 or 2004. Securities loaned transactions are accounted for as financing arrangements on the Company's consolidated balance sheets and consolidated statements of cash flow and the income and expenses associated with the program are reported in net investment income since such transactions are entered into for income generation purposes, not funding purposes.

The Company makes mortgage loans on income producing properties, such as apartments, retail and office buildings, light warehouses and light industrial facilities. Loan to value ratios at the time of loan approval are 75 percent or less for domestic mortgages. The distribution of mortgage loans by property type is as follows as of December 31, 2005 and 2004 (in thousands):

	2005		2004	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
Property type:				
Apartment	$ 49,185	7.59%	$ 58,298	9.57%
Retail	150,083	23.16%	133,654	21.94%
Office building	199,095	30.72%	209,737	34.42%
Industrial	226,217	34.91%	190,518	31.27%
Other commercial	23,487	3.62%	17,085	2.80%
Total	$ 648,067	100.00%	$ 609,292	100.00%

All of the Company's mortgage loans are amortizing loans. As of December 31, 2005 and 2004, the Company's mortgage loans were distributed as follows (in thousands):

	2005		2004	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
United States:				
Alabama	$ 9,638	1.49%	$ 9,700	1.59%
Arizona	24,506	3.78%	29,193	4.79%
California	151,191	23.34%	137,153	22.51%
Colorado	32,506	5.02%	21,527	3.53%
Connecticut	1,982	0.31%	2,021	0.33%
Florida	56,735	8.75%	50,252	8.25%
Georgia	46,088	7.11%	39,458	6.48%
Illinois	50,882	7.85%	52,478	8.61%
Indiana	10,723	1.65%	11,094	1.82%
Kansas	20,510	3.16%	21,372	3.51%
Louisiana	–	–	5,139	0.84%
Maine	9,535	1.47%	9,752	1.60%
Maryland	6,216	0.96%	10,822	1.78%
Massachusetts	12,094	1.87%	12,174	2.00%
Missouri	15,801	2.44%	12,923	2.12%
Nevada	9,646	1.49%	9,819	1.61%
New Hampshire	2,280	0.35%	2,330	0.38%
New Jersey	27,392	4.23%	20,810	3.42%
New Mexico	3,758	0.58%	3,832	0.63%
New York	9,922	1.53%	6,771	1.11%
North Carolina	18,202	2.81%	20,669	3.39%
Ohio	3,759	0.58%	3,828	0.63%
Oregon	5,615	0.87%	5,735	0.94%
Pennsylvania	4,526	0.70%	–	–
Rhode Island	5,439	0.84%	5,547	0.91%
South Carolina	3,566	0.55%	–	–
South Dakota	7,091	1.09%	7,221	1.19%
Texas	28,612	4.41%	23,080	3.79%
Virginia	40,584	6.26%	38,326	6.29%
Washington	18,815	2.90%	28,512	4.68%
Wisconsin	10,453	1.61%	7,754	1.27%
Total	$ 648,067	100.00%	$ 609,292	100.00%

All mortgage loans are performing and no valuation allowance had been established as of December 31, 2005 and 2004.

The maturities of the mortgage loans as of December 31, 2005 and 2004, are as follows (in thousands):

	2005	2004
Due one year through five years	$ 90,466	$ 97,880
Due after five years	438,911	388,744
Due after ten years	118,690	122,668
Total	$ 648,067	$ 609,292

Policy loans comprised approximately 8.0% and 9.1% of the Company's investments as of December 31, 2005 and 2004, respectively. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds withheld at interest comprised approximately 28.1% and 25.9% of the Company's investments as of December 31, 2005 and 2004, respectively. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance funds withheld basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company and are reflected as funds withheld at interest on the Company's consolidated balance sheets. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. Interest accrues to these assets at rates defined by the treaty terms and the Company estimates the yield was approximately 6.63%, 7.51% and 6.51% for the years ended December 31, 2005, 2004 and 2003, respectively. In most cases, the Company is subject to the investment performance on the funds withheld assets, although it does not control them. To mitigate this risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance.

Other invested assets include equity securities, preferred stocks, limited partnership interests and derivative contracts. Other invested assets represented approximately 1.9% and 2.0% of the Company's investments as of December 31, 2005 and 2004, respectively. During 2005, the Company recorded other-than-temporary write-downs of $1.3 million on its investments in limited partnerships based on losses in the underlying holdings.

Note 6 *Fair Value of Financial Instruments*

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2005 and 2004. Fair values have been determined by using available market information and the valuation methodologies described below. Considerable judgment is often required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not necessarily be indicative of amounts that could be realized in a current market exchange. The use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts (in thousands):

	2005		2004	
	Carrying Value	Estimated Fair Value	Carrying of Total	Estimated Fair Value
Assets:				
Fixed maturity securities	$ 6,874,243	$ 6,874,243	$ 6,023,696	$ 6,023,696
Mortgage loans on real estate	648,067	663,743	609,292	631,970
Policy loans	987,442	987,442	957,564	957,564
Funds withheld at interest	3,459,943	3,479,230	2,734,655	2,788,237
Short-term investments	126,296	126,296	31,964	31,964
Other invested assets	235,464	235,656	207,054	201,829
Liabilities:				
Interest-sensitive contract liabilities	$ 5,503,528	$ 4,904,127	$ 4,900,600	$ 4,438,784
Long-term and short-term debt	800,002	821,889	405,782	431,388
Company-obligated mandatorily redeemable preferred securities	158,553	228,459	158,417	223,451

Publicly traded fixed maturity securities are valued based upon quoted market prices. Private placement securities are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. The fair value of mortgage loans on real estate is estimated using discounted cash flows. Policy loans typically carry an interest rate that is tied to the crediting rate applied to the related policy and contract reserves. The carrying value of funds withheld at interest approximates fair value except where the funds withheld are specifically identified in the agreement. The carrying value of short-term investments at December 31, 2005 and 2004 approximates fair value. Common and preferred equity investments and derivative financial instruments included in other invested assets are reflected at fair value on the consolidated balance sheets, while limited partnership interests are carried at cost.

The fair value of the Company's interest-sensitive contract liabilities is based on the cash surrender value of the liabilities, adjusted for recapture fees. The fair value of the Company's long-term debt and the company-obligated mandatorily redeemable preferred securities are estimated based on either quoted market prices or quoted market prices for the debt of corporations with similar credit quality.

NOTE 7 *Reinsurance*

Retrocession reinsurance treaties do not relieve the Company from its obligations to direct writing companies. Failure of retrocessionaires to honor their obligations could result in losses to the Company. Consequently, allowances would be established for amounts deemed uncollectible. At December 31, 2005 and 2004, no allowances were deemed necessary. The Company regularly evaluates the financial condition of its reinsurers/retrocessionaires.

The effect of reinsurance on net premiums and amounts earned is as follows (in thousands):

Years ended December 31,	2005	2004	2003
Direct	$ 3,795	$ 4,930	$ 3,966
Reinsurance assumed	4,218,033	3,644,472	2,918,488
Reinsurance ceded	(355,053)	(301,954)	(279,291)
Net premiums and amounts earned	$ 3,866,775	$ 3,347,448	$ 2,643,163

The effect of reinsurance on policyholder claims and other policy benefits is as follows (in thousands):

Years ended December 31,	2005	2004	2003
Direct	$ 3,374	$ 4,299	$ 8,272
Reinsurance assumed	3,596,131	2,945,413	2,350,135
Reinsurance ceded	(411,603)	(271,175)	(249,976)
Net policyholder claims and benefits	$ 3,187,902	$ 2,678,537	$ 2,108,431

At December 31, 2005 and 2004, there were no reinsurance ceded receivables associated with a single reinsurer with a carrying value in excess of 5% of total assets.

The effect of reinsurance on life insurance in force is shown in the following schedule (in millions):

	Direct	Assumed	Ceded	Net	Assumed/ Net %
Life Insurance In Force:					
December 31, 2005	$ 77	$ 1,736,614	$ 389,976	$ 1,346,715	128.95%
December 31, 2004	76	1,458,827	161,978	1,296,925	112.48%
December 31, 2003	75	1,252,161	254,822	997,414	125.54%

At December 31, 2005, the Company has provided approximately $1.9 billion of statutory financial reinsurance, as measured by pre-tax statutory surplus, to other insurance companies under financial reinsurance transactions to assist ceding companies in meeting applicable regulatory requirements. Generally, such financial reinsurance is provided by the Company committing cash or assuming insurance liabilities, which are collateralized by future profits on the reinsured business. The Company retrocedes the majority of the assumed financial reinsurance. The Company earns a fee based on the amount of net outstanding financial reinsurance.

Reinsurance agreements, whether facultative or automatic, may provide for recapture rights on the part of the ceding company. Recapture rights permit the ceding company to reassume all or a portion of the risk formerly ceded to the reinsurer after an agreed-upon period of time, generally 10 years, or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business, but would reduce premiums in subsequent periods. Additionally, some treaties give the ceding company the right to request the Company to place assets in trust for their benefit to support their reserve credits, in the event of a downgrade of the Company's ratings to specified levels. As of December 31, 2005, these treaties had approximately $388.0 million in reserves. Assets placed in trust continue to be owned by the Company, but their use is restricted based on the terms of the trust agreement. Securities with an amortized cost of $769.2 million were held in trust to satisfy collateral requirements for reinsurance business for the benefit of certain subsidiaries of the Company at December 31, 2005. Additionally, securities with an amortized cost of $1,454.3 million, as of December 31, 2005, were held in trust to satisfy collateral requirements under certain third-party reinsurance treaties. Additionally, under certain conditions, RGA may be obligated to move reinsurance from one RGA subsidiary company to another or make payments under the treaty. These conditions include change in control of the subsidiary, insolvency, nonperformance under a treaty, or loss of reinsurance license of such subsidiary.

Note 8 *Deferred Policy Acquisition Costs*

The following reflects the amounts of policy acquisition costs deferred and amortized (in thousands):

Years ended December 31,	2005	2004	2003
Deferred policy acquisition costs:			
Assumed	$ 2,557,268	$ 2,321,731	$ 1,835,923
Retroceded	(91,638)	(95,757)	(78,827)
Net	$ 2,465,630	$ 2,225,974	$ 1,757,096

Years ended December 31,	2005	2004	2003
Beginning of year	$ 2,225,974	$ 1,757,096	$ 1,084,936
Capitalized:			
Assumed	920,372	915,071	1,045,932
Retroceded	(15,529)	(15,296)	(23,772)
Amortized:			
Assumed	(677,863)	(406,367)	(341,600)
Allocated to change in value of embedded derivatives	(6,972)	(22,896)	(30,665)
Retroceded	19,648	(1,634)	22,265
End of year	$ 2,465,630	$ 2,225,974	$ 1,757,096

Some reinsurance agreements involve reimbursing the ceding company for allowances and commissions in excess of first-year premiums. These amounts represent acquisition costs and are capitalized to the extent deemed recoverable from the future premiums and amortized against future profits of the business. This type of agreement presents a risk to the extent that the business lapses faster than originally anticipated, resulting in future profits being insufficient to recover the Company's investment.

NOTE 9 *Income Tax*

The provision for income tax expense attributable to income from continuing operations consists of the following (in thousands):

Years ended December 31,	2005	2004	2003
Current income tax expense	$ 44,583	$ 22,351	$ 27,347
Deferred income tax expense	32,815	80,764	46,313
Foreign current tax expense	34,762	8,904	2,048
Foreign deferred tax expense	8,578	11,874	17,583
Provision for income taxes	$ 120,738	$ 123,893	$ 93,291

Provision for income tax expense differed from the amounts computed by applying the U.S. federal income tax statutory rate of 35% to pre-tax income as a result of the following (in thousands):

Years ended December 31,	2005	2004	2003
Tax provision at U.S. statutory rate	$ 124,721	$ 129,217	$ 95,064
Increase (decrease) in income taxes resulting from:			
Foreign tax rate differing from U.S. tax rate	(3,410)	(1,063)	(2,227)
Amounts related to audit resolution	–	(1,900)	–
Travel and entertainment	167	241	2
Deferred tax valuation allowance	(4,739)	(2,602)	556
Amounts related to tax audit contingencies	3,234	–	–
Other, net	765	–	(104)
Total provision for income taxes	$ 120,738	$ 123,893	$ 93,291

Total income taxes were as follows (in thousands):

Years ended December 31,	2005	2004	2003
Income taxes from continuing operations	$ 120,738	$ 123,893	$ 93,291
Tax benefit on discontinued operations	(6,154)	(12,410)	(3,082)
Tax effect on cumulative change in accounting principle	–	(195)	293
Income tax from stockholders' equity:			
Net unrealized holding gain on debt and equity securities recognized for financial reporting purposes	47,048	39,855	36,637
Exercise of stock options	(1,566)	(1,329)	(2,919)
Foreign currency translation	(3,238)	(15,455)	28,477
Total income taxes provided	$ 156,828	$ 134,359	$ 152,697

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2005 and 2004, are presented in the following tables (in thousands):

Years ended December 31,	2005	2004
Deferred income tax assets:		
Nondeductible accruals	$ 19,651	$ 31,877
Reserve for policies and investment income differences	–	186,454
Deferred acquisition costs capitalized for tax	43,448	30,163
Net operating loss carryforward	570,066	169,453
Nondeductible foreign taxes	108	–
Capital loss carryforward	–	6,969
Subtotal	633,273	424,916
Valuation allowance	(4,727)	(9,466)
Total deferred income tax assets	628,546	415,450
Deferred income tax liabilities:		
Deferred acquisition costs capitalized for financial reporting	858,693	773,055
Reserve for policies and investment income differences	175,857	–
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	42,690	23,579
Differences in foreign currency translation	10,169	13,407
Differences in the tax basis of cash and invested assets	193,161	167,394
Total deferred income tax liabilities	1,280,570	977,435
Net deferred income tax liabilities	$ 652,024	$ 561,985

As of December 31, 2005 and 2004, a valuation allowance for deferred tax assets of approximately $4.7 million and $9.5 million, respectively, was provided on the net operating and capital losses of General American Argentina Seguros de Vida, S.A. and RGA South Africa Holdings. The Company utilizes valuation allowances when it realizes, based on the weight of the available evidence, that it is more likely than not that the deferred income taxes will not be realized. Except for RGA International Reinsurance Company Ltd., the Company has not recognized a deferred tax liability for the undistributed earnings of its wholly owned foreign subsidiaries because the Company considers these earnings to be permanently reinvested and does not expect these earnings to be repatriated in the foreseeable future.

During 2005, 2004, and 2003, the Company received federal income tax refunds and foreign tax credit reimbursements of approximately $32.3 million, $1.4 million and $1.6 million, respectively. The Company made cash income tax payments of approximately $79.3 million, $29.9 million and $8.0 million in 2005, 2004 and 2003, respectively. At December 31, 2005 and 2004, the Company recognized gross deferred tax assets associated with net operating losses of approximately $1.6 billion and $458.9 million, respectively, that will expire between 2011 and 2025. However, these net operating losses are expected to be utilized in the normal course of business during the period allowed for carryforwards and in any event, will not be lost due to the application of tax planning strategies that management would utilize.

The Company's U.S. tax returns have been audited by the relevant taxing authorities for all years through 2001. The Company believes established tax contingency reserves are adequate in relation to the potential for additional assessments. Once established, reserves are adjusted as information becomes available or when an event requiring a change to the reserve occurs. The resolution of tax matters could have an effect on the Company's effective rate.

NOTE 10 *Employee Benefit Plans*

Most of the Company's U.S. employees participate in a non-contributory qualified defined benefit pension plan sponsored by RGA Reinsurance. The benefits under the pension plan are based on years of service and compensation levels. Certain management individuals participate in several nonqualified defined benefit and defined contribution plans sponsored by RGA Reinsurance. Those plans are unfunded and are deductible for federal income tax purposes when the benefits are paid. The projected obligation was approximately $30.9 million and $22.8 million as of December 31, 2005 and 2004, respectively.

The Company's full time U.S. employees may participate in a defined contribution profit sharing plan. The plan also has a cash or deferred option under Internal Revenue Code section 401(k). The Company's contributions, which are partially tied to RGA's financial results and employee 401(k) contributions, were approximately $2.3 million, $2.2 million, and $1.9 million in 2005, 2004 and 2003, respectively.

The Company also provides certain health care and life insurance benefits for retired employees. The health care benefits are provided through a self-insured welfare benefit plan. Employees become eligible for these benefits if they meet minimum age and service requirements. The retiree's cost for health care benefits varies depending upon the credited years of service. The Company recorded benefits expense of approximately $1.3 million for 2005 and $0.7 million for 2004 and 2003, related to these postretirement plans. The projected obligation was approximately $10.2 million and $8.6 million as of December 31, 2005 and 2004, respectively.

(in thousands)

	December 31,			
	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 22,845	$ 18,652	$ 8,583	$ 5,331
Service cost	2,047	1,827	598	342
Interest cost	1,589	1,274	518	331
Settlements	(158)	–	–	–
Participant contributions	–	–	17	15
Actuarial losses	4,873	1,395	613	2,664
Benefits paid	(298)	(303)	(97)	(100)
Projected benefit obligation at end of year	$ 30,898	$ 22,845	$ 10,232	$ 8,583

(in thousands)

	December 31,			
	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in plan assets:				
Contract value of plan assets at beginning of year	$ 13,875	$ 9,839	$ –	$ –
Actual return on plan assets	834	1,319	–	–
Settlements	(158)	–	–	–
Employer and participant contributions	1,846	3,028	97	100
Benefits paid and expenses	(320)	(311)	(97)	(100)
Contract value of plan assets at end of year	$ 16,077	$ 13,875	$ –	$ –
Underfunded	$ (14,821)	$ (8,970)	$ (10,232)	$ (8,583)
Unrecognized net actuarial losses	7,575	2,711	4,627	4,234
Unrecognized prior service cost	217	247	–	–
Accrued benefit cost	$ (7,029)	$ (6,012)	$ (5,605)	$ (4,349)
Qualified plan accrued pension cost	$ (1,632)	$ (1,121)	$ –	$ –
Non-qualified plan accrued pension cost	(6,199)	(5,116)	–	–
Intangible assets	128	108	–	–
Accumulated other comprehensive income	674	117	–	–
Accrued benefit cost	$ (7,029)	$ (6,012)	$ –	$ –

The aggregate projected benefit obligation and aggregate contract value of plan assets for the pension plans were as follows as of December 31, 2005 and 2004 (in thousands):

	2005		2004	
	Qualified Plan	Non-Qualified Plan	Qualified Plan	Non-Qualified Plan
Aggregate projected benefit obligation	$ (22,000)	$ (8,898)	$ (17,881)	$ (4,964)
Aggregate contract value of plan assets	16,077	–	13,875	–
Underfunded	$ (5,923)	$ (8,898)	$ (4,006)	$ (4,964)
Accumulated benefit obligation	$ 17,708	$ 6,047	$ 14,344	$ 4,070

Weighted average assumptions used to determine the accumulated benefit obligation and net benefit cost or income for the year ended December 31:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.75%	6.00%	5.75%	6.00%
Expected rate of return on plan assets	8.50%	8.50%	–	–
Rate of compensation increase	4.25%	4.25%	–	–

The assumed health care cost trend rates used in measuring the accumulated non-pension postretirement benefit obligation were as follows:

December 31,	2005	2004
Pre-Medicare eligible claims	11% down to 5% in 2012	12% down to 5% in 2012
Medicare eligible claims	11% down to 5% in 2012	12% down to 5% in 2012

Assumed health care cost trend rates may have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects (in thousands):

	One Percent Increase	One Percent Decrease
Effect on total of service and interest cost components	$ 302	$ (225)
Effect on accumulated postretirement benefit obligation	$ 2,340	$ (1,780)

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

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Service cost	$ 2,047	$ 1,827	$ 1,473	$ 598	$ 342	$ 314
Interest cost	1,589	1,274	1,052	518	331	303
Expected return on plan assets	(1,156)	(1,000)	(643)	–	–	–
Amortization of prior actuarial losses	353	133	141	221	58	60
Amortization of prior service cost	30	30	30	–	–	–
Net periodic benefit cost	$ 2,863	$ 2,264	$ 2,053	$ 1,337	$ 731	$ 677

The Company expects to contribute $3.8 million in pension benefits and $0.1 million in other benefits during 2006.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid (in thousands):

	Pension Benefits	Other Benefits
2006	$ 2,087	$ 136
2007	1,828	165
2008	1,929	197
2009	2,538	227
2010	2,456	265
2011-2015	16,773	1,974

Results for the Pension and Other Benefits Plans are measured at December 31 for each year presented.

Allocation of the Pension Plan's total plan fair value by asset type:

	2005	2004
Asset Category:		
Equity securities	75%	76%
Debt securities	25%	24%
Total	100%	100%

2006 target range of allocation by asset type of the Pension Plan's total plan fair value on a weighted average basis:

Asset Category:	
Equity securities	75%
Debt securities	25%
Total	100%

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the effect of economic factors and market conditions.

NOTE 11 *Related Party Transactions*

General American and MetLife have historically provided certain administrative services to RGA and RGA Reinsurance. Such services include risk management and corporate travel. The cost for the years ended December 31, 2005, 2004 and 2003 was approximately $1.7 million, $1.0 million and $1.0 million, respectively.

Management does not believe that the various amounts charged for these services would be materially different if they had been incurred from an unrelated third party.

RGA Reinsurance also has a product license and service agreement with MetLife. Under this agreement, RGA has licensed the use of its electronic underwriting product to MetLife and provides Internet hosting services, installation and modification services for the product. The Company recorded revenue under the agreement for the years ended December 31, 2005, 2004 and 2003 of approximately $1.6 million, $3.5 million and $3.2 million, respectively.

The Company also has arms-length direct policies and reinsurance agreements with MetLife and certain of its subsidiaries. As of December 31, 2005, the Company had reinsurance related assets and liabilities from these agreements totaling $226.9 million and $281.0 million, respectively. Prior-year comparable assets and liabilities were $143.2 million and $173.3 million, respectively. Additionally, the Company reflected net premiums of approximately $226.7 million, $164.4 million and $157.9 million in 2005, 2004 and 2003, respectively. The premiums reflect the net of business assumed from and ceded to MetLife and its subsidiaries. The pre-tax gain on this business was approximately $14.7 million, $36.5 million and $19.4 million in 2005, 2004 and 2003, respectively.

NOTE 12 *Lease Commitments*

The Company leases office space and furniture and equipment under non-cancelable operating lease agreements, which expire at various dates. Future minimum office space annual rentals under non-cancelable operating leases at December 31, 2005, are as follows:

2006	$ 6.9 million
2007	5.6 million
2008	4.7 million
2009	4.3 million
2010	2.9 million
Thereafter	12.7 million

The amounts above are net of expected sublease income of approximately $0.4 million annually through 2010. Rent expenses amounted to approximately $8.0 million, $8.0 million and $6.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 13 *Financial Condition and Net Income on a Statutory Basis – Significant Subsidiaries*

The following table presents selected statutory financial information for the Company's primary life reinsurance legal entities, as of or for the years ended December 31, 2005, 2004, and 2003 (in thousands):

	Statutory Capital & Surplus		Statutory Net Income (Loss)		
	2005	2004	2005	2004	2003
RCM	$ 1,007,351	$ 887,694	$ (90,070)	$ 6,768	$ 3,883
RGA Reinsurance	$ 975,110	$ 869,443	$ (62,759)	$ 117,378	$ (73,285)
RGA Canada	$ 346,065	$ 276,863	$ (5,084)	$ 10,204	$ 18,231
RGA Barbados	$ 165,461	$ 138,864	$ 31,034	$ 16,203	$ 19,380
RGA Americas	$ 228,071	$ 200,683	$ 37,738	$ 40,012	$ 43,796
Other reinsurance subsidiaries	$ 219,952	$ 167,828	$ 12,002	$ 7,811	$ (21,697)

The total capital and surplus positions of RCM, RGA Reinsurance and RGA Canada exceed the risk-based capital requirements of the applicable regulatory bodies. RCM and RGA Reinsurance are subject to Missouri statutory provisions that restrict the payment of dividends. They may not pay dividends in any 12-month period in excess of the greater of the prior year's statutory operating income or 10% of capital and surplus at the preceding year-end, without regulatory approval. The applicable statutory provisions only permit an insurer to pay a shareholder dividend from unassigned surplus. Any dividends paid by RGA Reinsurance would be paid to RCM, its parent company, which in turn has restrictions related to its ability to pay dividends to RGA. The assets of RCM consist primarily of its investment in RGA Reinsurance. As of January 1, 2006, RCM and RGA Reinsurance could pay maximum dividends, without prior approval, of approximately $41.4 million and $97.5 million, respectively. Dividend payments by other subsidiaries are subject to regulations in the jurisdiction of domicile.

NOTE 14 *Commitments and Contingent Liabilities*

The Company has commitments to fund investments in limited partnerships in the amount of $31.1 million at December 31, 2005. 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 and included in other invested assets in the consolidated balance sheets.

The Company is currently a party to three arbitrations that involve its discontinued accident and health business, including personal accident business (including London market excess of loss business) and workers' compensation carve-out business. The Company is also party to one pending and one threatened arbitration related to its life reinsurance business. In addition, the Company has been joined in a suit filed against one of its ceding companies alleging wrongful denial of a life insurance claim. As of January 31, 2006, the parties involved in these actions have raised claims, or established reserves that may result in claims, in the amount of $31.5 million, which is $27.6 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," 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. While it is difficult to predict or determine the ultimate outcome of the pending litigation or arbitrations or provide useful ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

The Company has reinsured privately-owned pension funds that were formed as a result of reform and privatization of Argentina's social security system. The Company ceased renewal of reinsurance treaties associated with privatized pension contracts in Argentina during 2001 because of adverse experience on this business, as several aspects of the pension fund claims flow did not develop as was contemplated when the reinsurance programs were initially priced. Since 2001, the Company has pursued various courses of action to reduce and eliminate its obligations associated with the reinsurance of Argentine pension accounts. The Company's actions have resulted in one AFJP ceding company demanding arbitration and could result in other litigation or arbitrations in the future. However, as of January 2006, the Company had commuted about 95% of its obligations associated with the AFJP business and is in discussions with the remaining clients regarding settlement of all obligations under the remaining treaties. Therefore, the risk of litigation or arbitrations in the future has significantly declined. While it is not feasible to predict or determine the ultimate outcome of any such future litigations or arbitrations or provide reasonable ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position.

The Company has obtained letters of credit, issued by banks, in favor of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits. Certain of these letters of credit contain financial covenant restrictions similar to those described in the "Debt and Preferred Securities" discussion above. At December 31, 2005 and 2004, there were approximately $17.4 million and $32.6 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, RGA Barbados and RGA Worldwide. The Company cedes business to its offshore affiliates to help reduce the amount of regulatory capital required in certain jurisdictions such as the U.S. and the 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 December 31, 2005 and 2004, $439.8 million and $370.5 million, respectively, in letters of credit from various banks were outstanding between the various subsidiaries of the Company. During the third quarter of 2005, the Company entered into a five-year, syndicated credit facility with an overall capacity of $600.0 million. The amount of the overall capacity available for issuance of letters of credit is reduced by any cash borrowings, up to $300.0 million, made by the Company against this credit facility. At December 31, 2005, there were $320.0 million letters of credit outstanding against this credit facility, which is included in the total above. Applicable letter of credit fees and fees payable for the credit facility depend upon the Company's senior unsecured long-term debt rating. Fees associated with the Company's other letters of credit are not fixed for periods in excess of one year and are based on the Company's ratings and the general availability of these instruments in the marketplace.

RGA has issued guarantees to third parties on behalf of its subsidiaries' performance for the payment of amounts due under certain credit facilities, reinsurance treaties and an office lease obligation, whereby if a subsidiary fails to meet an obligation, RGA or one of its other subsidiaries will make a payment to fulfill the obligation. In limited circumstances, treaty guarantees are granted to ceding companies in order to provide them additional security, particularly in cases where RGA's subsidiary is relatively new, unrated, or not of a significant size, relative to the ceding company. Liabilities supported by the treaty guarantees, before consideration for any legally offsetting amounts due from the guaranteed party, totaled $256.2 million and $285.4 million as of December 31, 2005 and 2004, respectively, and are reflected on the Company's consolidated balance sheets in future policy benefits. Potential guaranteed amounts of future payments will vary depending on production levels and underwriting results. Guarantees related to trust preferred securities and credit facilities provide additional security to third party banks should a subsidiary fail to make principal and/or interest payments when due. As of December 31, 2005, RGA's exposure related to these guarantees was $184.2 million. RGA has issued a guarantee on behalf of a subsidiary in the event the subsidiary fails to make payment under its office lease obligation, the exposure of which was insignificant as of December 31, 2005.

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.

Note 15 *Debt and Trust Preferred Securities*

The Company's long-term debt consists of the following (in millions):

	2005	2004
$400 million 6.75% Junior Subordinated Debentures due 2065	$ 398.6	$ –
$200 million 6.75% Senior Notes due 2011	199.9	$ 199.9
$100 million 7.25% Senior Notes due 2006	100.0	99.8
Revolving Credit Facilities	101.5	106.1
Total Debt	800.0	405.8
Less portion due in less than one year (short-term debt)	(125.6)	(56.1)
Long-term debt	$ 674.4	$ 349.7
$225.0 million 5.75% Preferred Securities due 2051	$ 158.6	$ 158.4

On December 8, 2005, RGA issued Junior Subordinated Debentures with a face amount of $400.0 million. Interest is payable semi-annually and is fixed at 6.75% per year until December 15, 2015. From December 15, 2015, until December 15, 2065, interest on the debentures will accrue at an annual rate of three-month LIBOR plus a margin equal to 266.5 basis points, payable quarterly. The Company has the option to defer interest payments, subject to certain limitations. In addition, interest payments are mandatorily deferred if the Company does not meet specified capital adequacy, net income and shareholders' equity levels. Upon an optional or mandatory deferral, the Company is not permitted to pay common-stock dividends or make payments of interest or principal on securities which rank equal or junior to the subordinated debentures, until the accrued and unpaid interest on the subordinated debentures is paid. The subordinated debentures are redeemable at the Company's option. The net proceeds from the offering were approximately $394.6 million, a portion of which was used to purchase $75.9 million of the Company's common stock under an ASR agreement with a financial counterparty. RGA intends to use a portion of the net proceeds from the sale of these debentures to repay approximately $100.0 million of its 7.25% senior notes when they mature on April 1, 2006. Capitalized issue costs were approximately $5.5 million.

The Company has three revolving credit facilities under which it may borrow up to approximately $351.5 million. As of December 31, 2005, the Company had drawn approximately $101.5 million under these facilities. During 2005, the interest rates on these facilities ranged from 3.47% to 6.58% during the year. The Company may draw up to $300.0 million in cash on its revolving credit facility that expires in September 2010. As of December 31, 2005, the Company had $50.0 million outstanding under this facility. Terminations of revolving credit facilities and maturities of senior notes over the next five years total $125.6 million in 2006, $25.8 million in 2007 and $50.0 million in 2010.

Certain of the Company's debt agreements contain financial covenant restrictions related to, among others, liens, the issuance and disposition of stock of restricted subsidiaries, minimum requirements of consolidated net worth, maximum ratios of debt to capitalization, change of control provisions, and minimum rating requirements. A material ongoing covenant default could require immediate payment of the amount due, including principal, under the various agreements. Additionally, the Company's debt agreements contain cross-default covenants, which would make outstanding borrowings immediately payable in the event of a material uncured covenant default under any of the agreements, including, but not limited to, non-payment of indebtedness when due for amounts greater than $10 million or $25 million depending on the agreement, bankruptcy proceedings, and any other event which results in the acceleration of the maturity of indebtedness. As of December 31, 2005, the Company had $800.0 million in outstanding borrowings under its debt agreements and was in compliance with all covenants under those agreements. The ability of the Company to make debt principal and interest payments depends on the earnings and surplus of subsidiaries, investment earnings on undeployed capital proceeds, and the Company's ability to raise additional funds.

RGA guarantees the payment of amounts outstanding under the credit facility maintained by its subsidiary operation in Australia. The total amount of debt outstanding, subject to the guarantee, as of December 31, 2005, was $25.6 million and is reflected on the Company's consolidated balance sheet under short-term debt.

In December 2001, RGA, through its wholly-owned trust, RGA Capital Trust I, issued $225.0 million face amount in Preferred Securities due 2051 at a discounted value of $158.1 million. RGA fully and unconditionally guarantees, on a subordinated basis, the obligations of the Trust under the Preferred Securities.

NOTE 16 *Segment Information*

The Company has five main operational segments, each of which is a distinct reportable segment: U.S., Canada, Europe & South Africa, Asia Pacific and Corporate and Other. The U.S. operations provide traditional life, asset-intensive, and financial reinsurance to domestic clients. Asset-intensive products primarily include reinsurance of corporate-owned life insurance and annuities. The Canada operations provide insurers with reinsurance of traditional life products as well as reinsurance of critical illness products. Asia Pacific operations provide primarily traditional life reinsurance, critical illness and, to a lesser extent, financial reinsurance through RGA Australia and RGA Reinsurance. Europe & South Africa operations include traditional life reinsurance and critical illness business from Europe & South Africa, in addition to other markets being developed by the Company. The Company's discontinued accident and health operations are not reflected in the continuing operations of the Company. The Company measures segment performance based on income or loss before income taxes.

Effective January 1, 2003, as a result of the Company's declining presence in Argentina and changes in management responsibilities for part of the Latin America region, Latin America results relating to the Argentine privatized pension business as well as direct insurance operations in Argentina are reported in the Corporate and Other segment. The results for all other Latin America business, primarily traditional reinsurance business in Mexico, are reported as part of the Europe & South Africa segment.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in Note 2. 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. Investment income is allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

The Company's reportable segments are strategic business units that are primarily segregated by geographic region. Information related to revenues, income (loss) before income taxes, interest expense, depreciation and amortization, and assets of the Company's continuing operations are summarized below (in thousands).

For the years ended December 31,	2005	2004	2003
Revenues:			
U.S.	$2,944,026	$ 2,718,722	$ 2,221,875
Canada	468,227	365,533	315,161
Europe & South Africa	563,133	490,326	373,138
Asia Pacific	568,652	421,026	270,132
Corporate and Other	40,727	43,312	24,692
Total from continuing operations	$ 4,584,765	$ 4,038,919	$ 3,204,998

For the years ended December 31,	2005	2004	2003
Income (loss) from continuing operations before income taxes:			
U.S.	$ 269,161	$ 289,924	$ 216,088
Canada	87,978	73,485	59,564
Europe & South Africa	35,375	31,682	20,272
Asia Pacific	40,366	12,605	19,262
Corporate and Other	(76,534)	(38,503)	(43,576)
Total from continuing operations	$ 356,346	$ 369,193	$ 271,610

For the years ended December 31,	2005	2004	2003
Interest expense:			
Europe & South Africa	$ 1,599	$ 1,336	$ 1,043
Asia Pacific	1,679	1,614	1,096
Corporate and Other	38,150	35,487	34,650
Total from continuing operations	$ 41,428	$ 38,437	$ 36,789

For the years ended December 31,	2005	2004	2003
Depreciation and amortization:			
U.S.	$ 483,125	$ 374,470	$ 310,548
Canada	56,396	24,824	9,315
Europe & South Africa	188,975	114,112	85,657
Asia Pacific	106,192	54,653	39,723
Corporate and Other	8,533	3,381	1,981
Total from continuing operations	$ 843,221	$ 571,440	$ 447,224

The table above includes amortization of deferred acquisition costs and the DAC offset to the change in value of embedded derivatives related to Issue B36.

As of December 31,	2005	2004
Assets:		
U.S.	$ 11,156,718	$ 9,535,297
Canada	3,045,003	2,459,845
Europe & South Africa	613,919	706,643
Asia Pacific	998,788	696,613
Corporate and Other and discontinued operations	379,438	649,731
Total assets	$ 16,193,866	$ 14,048,129

Companies in which RGA has an ownership position greater than twenty percent, but less than or equal to fifty percent, are reported on the equity basis of accounting. The equity in the net income of such subsidiaries is not material to the results of operations or financial position of individual segments or the Company taken as a whole.

Capital expenditures of each reporting segment were immaterial in the periods noted.

During 2005, two clients generated $143.5 million or 35.3% of gross premiums for the Canada operations. Three clients of the Company's United Kingdom operations generated approximately $337.7 million, or 57.1% of the total gross premiums for the Europe & South Africa operations. Five clients, four in Australia and one in Japan, generated approximately $208.9 million, or 36.7% of the total gross premiums for the Asia Pacific operations.

Note 17 *Equity Based Compensation*

The Company adopted the RGA Flexible Stock Plan (the "Plan") in February 1993 and the Flexible Stock Plan for Directors (the "Directors Plan") in January 1997 (collectively, the "Stock Plans"). The Stock Plans provide for the award of benefits (collectively "Benefits") of various types, including stock options, stock appreciation rights ("SARs"), restricted stock, performance shares, cash awards, and other stock-based awards, to key employees, officers, directors and others performing significant services for the benefit of the Company or its subsidiaries. As of December 31, 2005, shares authorized for the granting of Benefits under the Plan and the Directors Plan totaled 6,260,077 and 212,500, respectively.

In general, options granted under the Plan become exercisable over vesting periods ranging from one to eight years while options granted under the Directors Plan become exercisable after one year. Options are generally granted with an exercise price equal to the stock's fair value at the date of grant and expire 10 years after the date of grant. Information with respect to option grants under the Stock Plans follows.

	2005		2004		2003	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance at beginning of year	2,737,036	$29.85	2,728,317	$28.31	2,692,752	$26.35
Granted	292,981	$47.45	309,398	$39.61	735,654	$27.29
Exercised	(224,923)	$26.97	(274,179)	$25.32	(627,822)	$18.51
Forfeited	(6,334)	$36.59	(26,500)	$32.16	(72,267)	$30.17
Balance at end of year	2,798,760	$31.90	2,737,036	$29.85	2,728,317	$28.31

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as of 12/31/2005	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable as of 12/31/2005	Weighted-Average Exercise Price
$0.00 - $24.99	351,848	3.2	$22.49	351,848	$22.49
$25.00 - $29.99	1,151,668	5.7	$ 28.11	653,345	$28.38
$30.00 - $34.99	488,891	5.7	$31.90	289,861	$31.90
$35.00 - $39.99	515,056	5.8	$38.03	290,664	$36.82
$45.00 - $49.99	291,297	9.0	$47.45	–	$ –
Totals	2,798,760	5.8	$31.90	1,585,718	$29.26

The per share weighted-average fair value of stock options granted during 2005, 2004 and 2003 was $17.35, $12.81 and $9.51 on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 2005-expected dividend yield of 0.76%, risk-free interest rate of 3.86%, expected life of 6.0 years, and an expected rate of volatility of the stock of 33.4% over the expected life of the options; 2004-expected dividend yield of 0.61%, risk-free interest rate of 3.30%, expected life of 6.0 years, and an expected rate of volatility of the stock of 28.7% over the expected life of the options; and 2003-expected dividend yield of 0.95%, risk-free interest rate of 2.79%, expected life of 6.0 years, and an expected rate of volatility of the stock of 35.0% over the expected life of the options.

In general, restrictions lapse on restricted stock awards at the end of a three- or ten-year vesting period. Restricted stock awarded under the plan generally has no strike price and is included in the Company's shares outstanding. During 2005, the Company awarded 5,450 shares of restricted stock that vest over a three-year holding period.

During 2005 and 2004, the Company also issued 126,305 and 128,693 of performance contingent units ("PCUs") to key employees at a weighted average fair value of $47.45 and $39.61, respectively. As of December 31, 2005, 125,594 PCUs and 124,365 PCUs were outstanding from the 2005 and 2004 grants, respectively. Each PCU represents the right to receive from zero to two shares of Company common stock depending on the results of certain performance measures over a three-year period.

Prior to January 1, 2003, the Company applied APB Opinion No. 25 in accounting for its Stock Plans and, accordingly, no compensation cost was recognized for its stock options in the consolidated financial statements. For grants from 2003 through 2005, the Company determined compensation cost based on the fair value at the grant date for its stock options using the "prospective" approach under FASB Statement No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123." Beginning January 1, 2006, the Company was required to use the "modified prospective" method for recording compensation expense in accordance with SFAS 123(r), a revision of SFAS 123. The modified prospective approach will require compensation cost on all unvested options to be recorded in the income statement over its remaining vesting period, regardless of when the options were granted. Had the Company realized compensation expense based on the fair value at the grant date for all stock grants, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below. The effects of applying SFAS No. 123(r) will increase compensation cost in 2006 as the Company will expense the unvested portion of options granted in 2002, which were previously not expensed under APB Opinion No. 25.

(in thousands, except per share amounts)

	2005	2004	2003
Net income as reported	$ 224,180	$ 221,891	$ 173,141
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4,348	2,534	1,087
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	5,974	4,454	3,040
Pro forma net income	$ 222,554	$ 219,971	$ 171,188

(in whole dollars)

	2005	2004	2003
Net income per share:			
Basic – as reported	$ 3.58	$ 3.56	$ 3.37
Basic – pro forma	$ 3.56	$ 3.53	$ 3.34
Diluted – as reported	$ 3.52	$ 3.52	$ 3.36
Diluted – pro forma	$ 3.49	$ 3.49	$ 3.32

In February 2006, the Board approved an incentive compensation package including 335,012 incentive stock options at $47.48 per share and 143,374 PCUs under the Plan. In addition, non-employee directors received 4,800 shares of common stock under the Directors Plan.

NOTE 18 *Earnings Per Share*

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

	2005	2004	2003
Earnings:			
Income from continuing operations (numerator for basic and diluted calculations)	$ 235,608	$ 245,300	$ 178,319
Shares:			
Weighted average outstanding shares (denominator for basic calculation)	62,545	62,309	51,318
Equivalent shares from outstanding stock options and warrants	1,179	655	280
Diluted shares (denominator for diluted calculation)	63,724	62,964	51,598
Earnings per share from continuing operations:			
Basic	$ 3.77	$ 3.94	$ 3.47
Diluted	$ 3.70	$ 3.90	$ 3.46

The calculation of equivalent shares from outstanding stock options does not include the effect of options having a strike price that exceeds the average stock price for the earnings period, as the result would be antidilutive. Approximately 0.3 million outstanding stock options were not included in the calculation of common equivalent shares during 2005. All outstanding options were included in the calculation during 2004, while approximately 0.3 million outstanding stock options were not included in the calculation of common equivalent shares during 2003. Diluted earnings per share also exclude the antidilutive effect in 2003 of 5.6 million shares that would be issued upon exercise of the outstanding warrants associated with the PIERS units, as the Company could have repurchased more shares than it would have issued with the exercise proceeds.

Note 19 *Comprehensive Income*

The following table presents the components of the Company's accumulated other comprehensive income for the years ended December 31, 2005, 2004 and 2003 (in thousands):

For the year ended December 31, 2005:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments:			
Change arising during year	$ (11,802)	$ 3,238	$ (8,564)
Unrealized gains on securities:			
Unrealized net holding gains arising during the year	177,772	(47,701)	130,071
Less: Reclassification adjustment for net gains realized in net income	13,590	(659)	12,931
Net unrealized gains	164,182	(47,042)	117,140
Other comprehensive income	$ 152,380	$ (43,804)	$ 108,576

For the year ended December 31, 2004:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments:			
Change arising during year	$ 24,635	$ 15,455	$ 40,090
Unrealized gains on securities:			
Unrealized net holding gains arising during the year	143,280	(47,219)	96,061
Less: Reclassification adjustment for net gains realized in net income	29,473	(7,429)	22,044
Net unrealized gains	113,807	(39,790)	74,017
Other comprehensive income	$ 138,442	$ (24,335)	$ 114,107

For the year ended December 31, 2003:	Before-Tax Amount	Tax Expense	After-Tax Amount
Foreign currency translation adjustments:			
Change arising during year	$ 81,363	$ (28,477)	$ 52,886
Unrealized gains on securities:			
Unrealized net holding gains arising during the year	109,887	(38,176)	71,711
Less: Reclassification adjustment for net gains realized in net income	5,360	(1,539)	3,821
Net unrealized gains	104,527	(36,637)	67,890
Other comprehensive income	$ 185,890	$ (65,114)	$ 120,776

A summary of the components of net unrealized appreciation of balances carried at fair value is as follows (in thousands):

Years ended December 31,	2005	2004	2003
Change in net unrealized appreciation on:			
Fixed maturity securities available-for-sale	$ 153,440	$ 112,419	$ 105,562
Other investments	(3,949)	31	5,715
Effect of unrealized appreciation on:			
Deferred policy acquisition costs	14,676	1,373	(6,750)
Other	15	(16)	-
Net unrealized appreciation	$ 164,182	$ 113,807	$ 104,527

NOTE 20 *Discontinued Operations*

Since December 31, 1998, the Company has formally reported its accident and health division as a discontinued operation. The accident and health business was placed into run-off, and all treaties were terminated at the earliest possible date. Notice was given to all cedants and retrocessionaires that all treaties were being cancelled at the expiration of their terms. If a treaty was continuous, a written Preliminary Notice of Cancellation was given, followed by a final notice within 90 days of the expiration date. The nature of the underlying risks is such that the claims may take several years to reach the reinsurers involved. Thus, the Company expects to pay claims over a number of years as the level of business diminishes. The Company will report a loss to the extent claims exceed established reserves.

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

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

The Company is currently a party to three arbitrations that involve personal accident business as mentioned above. As of January 31, 2006, the companies involved in these actions have raised claims, or established reserves that may result in claims, that are $23.5 million in excess of the amounts held in reserve by the Company. The Company generally has little information regarding any reserves established by 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. While it is not feasible to predict or determine the ultimate outcome of the pending litigation or arbitrations or provide reasonable ranges of potential losses, it is the opinion of management, after consultation with counsel, that their outcomes, after consideration of the provisions made in the Company's consolidated financial statements, would not have a material adverse effect on its consolidated financial position. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

The loss from discontinued accident and health operations, net of income taxes, decreased to $11.4 million in 2005 from $23.0 million in 2004. The decrease in loss in 2005 is due primarily to a $24.0 million, pretax, negotiated settlement of all disputed claims associated with the Company's largest identified accident and health exposure during 2004.

The calculation of the claim reserve liability for the entire portfolio of accident and health business requires management to make estimates and assumptions that affect the reported claim reserve levels. Management must make estimates and assumptions based on historical loss experience, changes in the nature of the business, anticipated outcomes of claim disputes and claims for rescission, anticipated outcomes of arbitrations, and projected future premium run-off, all of which may affect the level of the claim reserve liability. Due to the significant uncertainty associated with the run-off of this business, net income in future periods could be affected positively or negatively. The consolidated statements of income for all periods presented reflect this line of business as a discontinued operation. Revenues associated with discontinued operations, which are not reported on a gross basis in the Company's consolidated statements of income, totaled $2.5 million, $1.4 million, and $4.8 million for 2005, 2004, and 2003, respectively.

To the Board of Directors and Stockholders of Reinsurance Group of America, Incorporated
St. Louis, Missouri

We have audited the accompanying consolidated balance sheets of Reinsurance Group of America, Incorporated and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Reinsurance Group of America, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Company changed its method of accounting for certain non-traditional long duration contracts and separate accounts, and for embedded derivatives in certain insurance products as required by new accounting guidance which became effective on January 1, 2004, and October 1, 2003, respectively, and recorded the effect as cumulative effects of changes in accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte + Touche LLP

St. Louis, Missouri
February 27, 2006

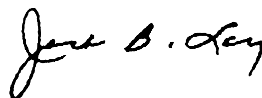
Management of Reinsurance Group of America, Incorporated and subsidiaries (collectively, the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Financial management has documented and evaluated the effectiveness of the internal control of the Company as of December 31, 2005, pertaining to financial reporting in accordance with the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the opinion of management, the Company maintained effective internal control over financial reporting as of December 31, 2005.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of the Company's internal control over financial reporting and on the effectiveness of the Company's internal control over financial reporting.

A. Greig Woodring
President and Chief Executive Officer



Jack B. Lay
Executive Vice President and
Chief Financial Officer

To the Board of Directors and Stockholders of Reinsurance Group of America, Incorporated
St. Louis, Missouri

We have audited management's assessment, included in management's annual report on internal control over financial reporting, that Reinsurance Group of America, Incorporated and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2005, of the Company and our report dated February 27, 2006, expressed an unqualified opinion on those consolidated financial statements.

Deloitte + Touche LLP

St. Louis, Missouri
February 27, 2006

(in thousands, except per share data)

Years ended December 31,	First	Second	Third	Fourth
2005				
Revenues from continuing operations	$ 1,096,216	$ 1,091,332	$ 1,158,417	$ 1,238,800
Revenues from discontinued operations	$ 354	$ (500)	$ 328	$ 2,332
Income from continuing operations before income taxes	$ 100,535	$ 32,609	$ 113,562	$ 109,640
Income from continuing operations	$ 67,264	$ 25,160	$ 73,519	$ 69,665
Loss from discontinued accident and health operations, net of income taxes	(707)	(3,343)	(5,890)	(1,488)
Cumulative effect of change in accounting principle, net of income taxes	–	–	–	–
Net income	$ 66,557	$ 21,817	$ 67,629	$ 68,177
Total outstanding common shares – end of period	62,614	62,639	62,641	61,076
Basic Earnings Per Share				
Continuing operations	$ 1.08	$ 0.40	$ 1.17	$ 1.12
Discontinued operations	(0.02)	(0.05)	(0.09)	(0.03)
Cumulative effect of change in accounting principle	–	–	–	–
Net income	$ 1.06	$ 0.35	$ 1.08	$ 1.09
Diluted Earnings Per Share				
Continuing operations	$ 1.05	$ 0.39	$ 1.15	$ 1.09
Discontinued operations	(0.01)	(0.05)	(0.09)	(0.02)
Cumulative effect of change in accounting principle	–	–	–	–
Net income	$ 1.04	$ 0.34	$ 1.06	$ 1.07
Dividends declared per share	$ 0.09	$ 0.09	$ 0.09	$ 0.09
Market price of common stock				
Quarter end	$ 42.58	$ 46.51	$ 44.70	$ 47.76
Common stock price, high	48.73	46.62	47.99	48.21
Common stock price, low	42.46	41.52	40.76	42.48

(in thousands, except per share data)

Years ended December 31,	First	Second	Third	Fourth
2004				
Revenues from continuing operations[1]	$ 979,222	$ 976,415	$ 959,464	$ 1,123,818
Revenues from discontinued operations	$ 1,310	$ 341	$ (690)	$ 481
Income from continuing operations before income taxes[1]	$ 94,815	$ 105,393	$ 89,106	$ 79,879
Income from continuing operations	$ 62,994	$ 68,390	$ 57,999	$ 55,917
Loss from discontinued accident and health operations, net of income taxes	(894)	(3,053)	(18,604)	(497)
Cumulative effect of change in accounting principle, net of income taxes	(361)	–	–	–
Net income	$ 61,739	$ 65,337	$ 39,395	$ 55,420
Total outstanding common shares - end of period	62,246	62,314	62,361	62,445
Basic Earnings Per Share				
Continuing operations	$ 1.01	$ 1.10	$ 0.93	$ 0.90
Discontinued operations	(0.01)	(0.05)	(0.30)	(0.01)
Cumulative effect of change in accounting principle	(0.01)	–	–	–
Net income	$ 0.99	$ 1.05	$ 0.63	$ 0.89
Diluted Earnings Per Share				
Continuing operations	$ 1.00	$ 1.09	$ 0.92	$ 0.88
Discontinued operations	(0.01)	(0.05)	(0.29)	(0.01)
Cumulative effect of change in accounting principle	(0.01)	–	–	–
Net income	$ 0.98	$ 1.04	$ 0.63	$ 0.87
Dividends per share on common stock	$ 0.06	$ 0.06	$ 0.06	$ 0.09
Market price of common stock				
Quarter end	$ 40.97	$ 40.65	$ 41.20	$ 48.45
Common stock price, high	41.30	42.27	41.68	48.65
Common stock price, low	37.65	36.40	39.28	40.17

(1)Revenues for the first and second quarters of 2004 differ from amounts included in the Company's respective Quarterly Reports on Form 10-Q filed during 2004 due to a change in presentation related to Issue B36. Approximately $4,200 and $13,293 of DAC offsets were netted against "Change in value of embedded derivatives" within revenues in the first and second quarters, respectively, but were reclassed to "Change in deferred acquisition costs associated with change in value of embedded derivatives" within expenses beginning in the third quarter.

Reinsurance Group of America, Incorporated common stock is traded on the New York Stock Exchange (NYSE) under the symbol "RGA." There were 76 stockholders of record of RGA's common stock on January 31, 2006.

Transfer Agent:

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Independent Auditors:

Deloitte and Touche LLP

Annual Report on Form 10-K:

Reinsurance Group of America, Incorporated files with the Securities and Exchange Commission an Annual Report (Form 10-K).

The Company has submitted to the New York Stock Exchange the certification of the Company's chief executive officer required by Section 303A.12(a) of the New York Stock Exchange listing standards. Additionally, the certifications of the Company's chief executive officer and chief financial officer required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, have been filed with the Securities and Exchange Commission as Exhibits 31.1 and 31.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Shareholders may obtain a copy of the Form 10-K without charge by writing to:

Jack B. Lay
Chief Financial Officer
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Shareholders may contact us through our Internet site at http://www.rgare.com or may email us at investrelations@rgare.com

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Actuary

A specialist in the mathematics of risk, especially as it relates to insurance calculations such as premiums, reserves, dividends, and insurance and annuity rates.

Annuity

Contract that provides for income payments to an insured at regular intervals, either for a specific period or for the lifetime of the insured, in exchange for premium.

ASEAN

Association of Southeast Asian Nations.

Asset-intensive reinsurance

A transaction (usually coinsurance or funds withheld, and often involving reinsurance of annuities) where performance of the underlying assets, in addition to any mortality, is a key element.

Assumed reinsurance

Insurance risk that a reinsurer accepts (assumes) from a ceding company.

Automatic reinsurance

Reinsurance arrangement whereby the ceding company and reinsurer agree that all business of a certain description will be ceded to the reinsurer. Under this arrangement, the ceding company assumes full underwriting responsibility for all business reinsured.

Bancassurance

The provision of insurance and banking products and services through a common distribution channel and/or to the same client base.

Capital-motivated reinsurance

(Also known as financial reinsurance, financially motivated reinsurance or non-traditional reinsurance)

Reinsurance designed to meet a financial objective of an insurer. For example, financial reinsurance can aid in an insurer's tax planning efforts or can provide capital in order to support an insurer's future growth.

Cedant/Ceding company

Direct insurer (or reinsurer) that passes on, or cedes, shares of its insured or reinsured risks to a reinsurer or retrocessionaire.

Claim

Demand on an insurer or reinsurer for payment under the terms of an insurance policy.

Coinsurance

A form of reinsurance under which the ceding company shares its premiums, death claims, surrender benefits, dividends, and policy loans with the reinsurer and the reinsurer pays expense allowances to reimburse the ceding company for a share of its expenses.

Critical illness insurance

(Also known as dread disease insurance)

Insurance that provides a guaranteed fixed sum upon diagnosis of a specified illness or condition such as cancer, heart disease or permanent total disability. The policy can be arranged in its own right or can be an add-on to a life policy.

Expected mortality

Number of deaths predicted to occur in a defined group of people.

Face amount

Amount payable at the death of the insured or at the maturity of the policy.

Facultative reinsurance

A type of reinsurance in which the reinsurer makes an underwriting decision, to accept or decline, on each risk sent to it by the ceding company.

Financial reinsurance

(Also known as financially motivated reinsurance, asset-intensive reinsurance, capital-motivated reinsurance or non-traditional reinsurance)

Reinsurance designed to meet a financial objective of an insurer. For example, financial reinsurance can aid in an insurer's tax planning efforts or can provide capital in order to support an insurer's future growth.

GAAP

(Generally Accepted Accounting Principles)

A set of financial accounting principles that companies follow when preparing financial statements for reporting results to stockholders.

Group life insurance

Insurance policy under which the lives of a group of people are insured in accordance with the terms of one master contract.

In force sum insured

A measure of insurance in effect at a specific date.

Individual life insurance

Insurance policy that is issued to insure the life of a named person or persons, rather than that of a group.

Mortality experience

Actual number of deaths occurring in a defined group of people.

Mortality risk reinsurance

Removing some of the major mortality or lapse risk associated with life insurance from the client company.

Preferred risk coverage

Coverage designed for applicants who represent a better-than-average risk to an insurer.

Primary insurance

(Also known as direct insurance)

Insurance business relating to contracts directly between insurers and policyholders. The insurance company is directly responsible to the insured.

Premium

Amounts paid to insure a risk.

Production

Refers to new business that was produced during a specified period.

Portfolio

The totality of risks assumed by an insurer or reinsurer.

Quota share

(Also known as "first dollar" quota share)

A reinsurance arrangement in which the reinsurer receives a certain percentage of each risk reinsured.

Recapture

The right to cancel reinsurance under certain conditions.

Reinsurance

A type of insurance coverage that one company, the ceding company, purchases from another company, the reinsurer, in order to transfer risk associated with insurance. Through reinsurance, a reinsurer "insures" the ceding company.

Reserves

The amount required to be carried as a liability in the financial statement of an insurer or reinsurer, to provide for future commitments under outstanding policies and contracts.

Retention limit

The maximum amount of risk a company will insure on one life. Any amount in excess of the retention limit must be reinsured.

Retrocession

Transaction in which the reinsurer transfers all or part of the risks it has assumed to another reinsurer (the retrocessionaire), in return for payment of premium.

Statutory capital

The excess of statutory assets over statutory reserves, both of which are calculated in accordance with standards established by insurance regulators.

Treaty

(Also known as a contract)

A reinsurance agreement between a reinsurer and a ceding company. The three most common methods of accepting reinsurance are automatic, facultative, and facultative-obligatory. The three most common types of reinsurance treaties are YRT (yearly renewable term), coinsurance, and modified coinsurance.

Underwriting

The process by which a company assesses the risk inherent in an application for insurance prior to acceptance of the policy.

Variable life insurance

A form of whole life insurance under which the death benefit and the cash value of the policy fluctuate according to the performance of an investment fund. Most variable life insurance policies guarantee that the death benefit will not fall below a specified minimum.

Produced by

RGA Marketing Communications
St. Louis, Missouri

Design

Buck Communications
St. Louis, Missouri

Photography

Unless otherwise noted,
all photography by:

Greg Rannells
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Page 9, Jason Ou portrait:

Henry Westheim
Westheim Photo
Taipei, Taiwan

Page 11, Jason Hurley portrait:

Christine Donnier-Valentin
The Ground Floor Studio
London, United Kingdom

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