

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of RGA Reinsurance Company for the period ended December 31,
2012

ORDER

After full consideration and review of the report of the financial examination of RGA Reinsurance Company for the period ended December 31, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Reinsurance Company of Missouri, Inc. as of December 31, 2012 be and is hereby ADOPTED as filed and for RGA Reinsurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 17th day of April, 2014.



A handwritten signature in black ink, appearing to read "John M. Huff", written over a horizontal line.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

FILED

APR 28 2014

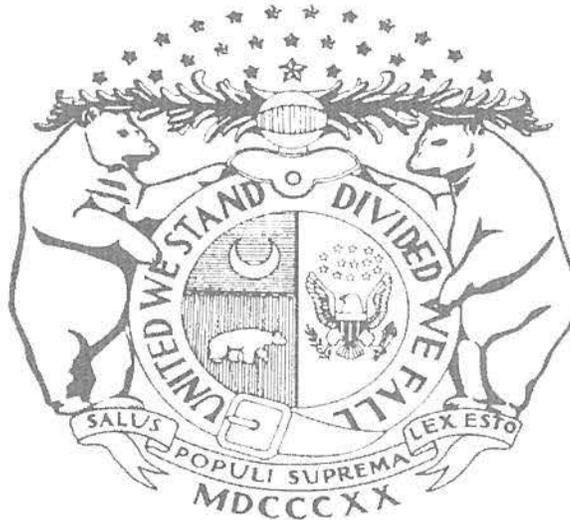
**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**

REPORT OF
FINANCIAL EXAMINATION

RGA Reinsurance Company

As of:

DECEMBER 31, 2012



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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November 7, 2013

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

RGA Reinsurance Company

hereinafter referred to as such or as "RGA Re" or as the "Company." The Company's main administrative office is located at 1370 Timberlake Manor Parkway, Chesterfield, MO 63017-6039, telephone number (636) 736-7000. This examination began on March 4, 2013 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of RGA Re. The last examination was completed as of December 31, 2008. This examination covers the period of January 1, 2009 through December 31, 2012. This examination also included material transactions or events occurring subsequent to December 31, 2012.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (DIFP) or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examiners relied upon information and workpapers provided by the Company's independent auditor, Deloitte, for its audit covering the period from January 1, 2012, through December 31,

2012. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

Reinsurance Group of America, Incorporated's internal studies indicated that the actual claim experience was significantly higher than projected on its group business originating in its Australian subsidiary, RGA Reinsurance Company of Australia, Ltd. (RGA Australia). The studies provided evidence of lengthening claim lag reporting as well as deterioration of loss ratios for the remainder of the current premium guarantee periods.

As a result of these findings and its requirements under a stop loss agreement with RGA Australia, RGA Re strengthened reserves, which resulted in an after-tax loss of \$141.4 million in the second quarter of 2013. The DIFP determined that although the studies identifying the deterioration of the business were performed in 2013, the situation also existed at year end 2012. The DIFP requested that the Company determine what the adjustments to its liabilities would have been at December 31, 2012, had the results of the study been available at that time. The DIFP consulting actuary reviewed the Company's reserve analysis, and determined the following adjustments were reasonable.

- Net Reserve for Accident and Health Policies increase of \$175,900,000
- Policy and contract claims: A&H increase by \$104,300,000
- Current federal and foreign income taxes decrease by \$98,070,000
- Net surplus effect is a decrease of \$182,130,000

SUBSEQUENT EVENTS

The adjustments noted above in Summary of Significant Findings are a result of a study performed by the Company subsequent to the December 31, 2012, Annual Report.

No other material subsequent events were noted.

COMPANY HISTORY

General

The Company was incorporated on August 31, 1981, as General American Life & Annuity Company and was issued a Certificate of Authority as a stock life company under the provisions of Chapter 376 RSMo (Life, Health and Accident Insurance).

On September 1, 1988, the Company changed its name to Saint Louis Reinsurance Company. The Company changed its name again on April 26, 1995, to its current name, RGA Reinsurance Company.

RGA Reinsurance Company is currently licensed by the Department of Insurance, Financial Institutions and Professional Registration, under Chapter 376 RSMo. The Company's Certificate of Authority authorizes it to write life insurance, annuities and endowments, accident and health insurance and variable contracts.

Capital Stock and Paid In Surplus

The articles of incorporation authorize the Company to issue one hundred thousand shares of capital stock with a par value of \$100 per share. Twenty five thousand shares of common stock were issued and outstanding at December 31, 2012, for a balance of \$2,500,000 in the Company's capital account. Reinsurance Company of Missouri, Incorporated (RCM) owns all outstanding shares.

Gross paid in and contributed surplus totaled \$981,000,000 at December 31, 2012. The following table shows the changes to the gross paid in and contributed capital account during the examination period.

Prior to 2009	\$	760,000,000
2009	\$	58,000,000
2010		13,000,000
2011		-
2012		150,000,000
TOTAL	\$	<u>981,000,000</u>

Dividends

The Company made dividend payments of \$80,000,000 in 2011 and \$40,000,000 in 2012. The payments were made to the Company's parent, RCM.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or major corporate events during the examination period.

Surplus Debentures

The Company had three surplus debentures issued and outstanding at December 31, 2012, to Reinsurance Group of America, Incorporated (RGA, Inc.). The principal amounts outstanding were as follows:

<u>Issue Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
December 15, 1997	\$40,000,000	7.35%	December 15, 2027
December 15, 1998	\$60,000,000	7.08%	December 15, 2028
March 10, 2010	<u>100,000,000</u>	7.15%	December 15, 2040
Total	<u>\$200,000,000</u>		

Additionally, \$597,417 of interest was accrued and reported with the surplus notes for a total of \$200,597,417, as special surplus funds per Missouri 20 CSR 200-1.070(5)(c) (Subordinated Indebtedness). This regulation states "All outstanding subordinated indebtedness and interest accruing shall be reported at face value in the Annual Statement on page 3 and in other financial statements of the company as a special surplus account."

CORPORATE RECORDS

The Company's articles of incorporation and bylaws were reviewed. The bylaws were amended and restated as of December 1, 2009. There were no amendments to the articles of incorporation during the examination period.

The minutes of the shareholder, board of directors, and relevant RGA, Inc. committee meetings were reviewed and appear to properly support and approve the corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of directors, which per the articles of incorporation and bylaws, will consist of not less than nine or more than twenty-five members. The Company had ten Directors serving at December 31, 2012, as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
David B. Atkinson Chesterfield, MO	Executive Vice President Reinsurance Company of Missouri, Inc.
David C. Fischer Chesterfield, MO	Executive Vice President and Chief Investment Officer Reinsurance Group of America, Inc.
James M. Kellett Chesterfield, MO	Senior Vice President and Appointed Actuary Reinsurance Company of Missouri, Inc.
Todd C. Larson Chesterfield, MO	Executive Vice President and Treasurer Reinsurance Group of America, Inc.
John P. Laughlin Chesterfield, MO	Executive Vice President, Global Financial Solutions RGA Reinsurance Company
Jack B. Lay Chesterfield, MO	Senior Executive Vice President and Chief Financial Officer Reinsurance Group of America, Inc.
Anna Manning Chesterfield, MO	Executive Vice President and Head of U.S. Markets Reinsurance Group of America, Inc.
Robert M. Musen Chesterfield, MO	Executive Vice President RGA Reinsurance Company
Albert G. Woodring Chesterfield, MO	President and Chief Executive Officer Reinsurance Group of America, Inc.
Melville J. Young Chesterfield, MO	Executive Vice President RGA Reinsurance Company

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2012, were as follows:

<u>Name</u>	<u>Position</u>
Anna Manning	President and Chief Executive Officer
Todd C. Larson	Executive Vice President and Treasurer
James M. Kellett	Senior Vice President and Appointed Actuary
Jack B. Lay	Senior Executive Vice President and Chief Financial Officer
David C. Fischer	Executive Vice President and Chief Investment Officer
Brendan J. Galligan	Executive Vice President, Business Development
William L. Hutton	Executive Vice President, General Counsel and Secretary
Mark E. Showers	Executive Vice President and Chief Information Officer
Michael S. Stein	Executive Vice President and Chief Risk Officer
Paula J. Boswell-Beier	Senior Vice President and Chief Operations Officer
John W. Hayden	Senior Vice President and Controller
David P. Wheeler	Senior Vice President and Chief Underwriting Officer

Committees

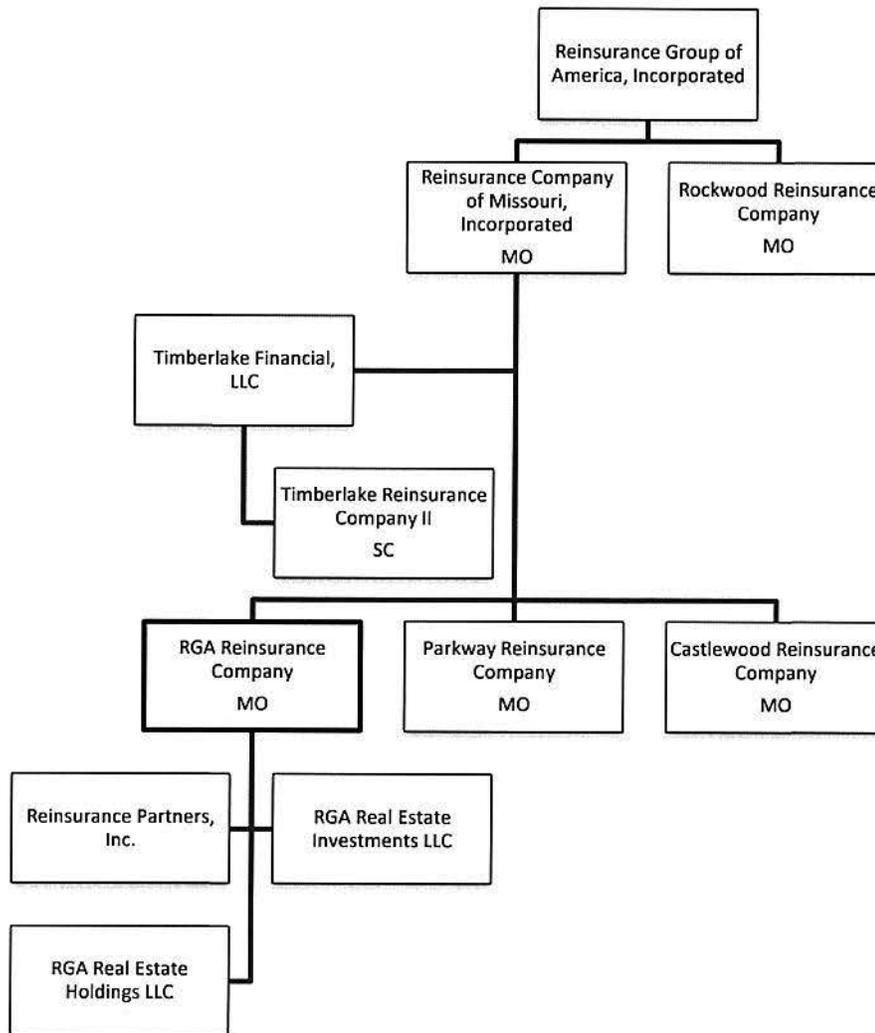
The Company had no active committees as of December 31, 2012. Generally RGA Re has not had board committees. RGA, Inc. has an Audit Committee, Compensation Committee, Nominating & Corporate Governance Committee and a Finance, Investment & Risk Management (FIRM) Committee, all of which have provided management oversight to RGA Re.

Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of Reinsurance Company of Missouri, Incorporated, which in turn, is a wholly owned subsidiary of Reinsurance Group of America, Incorporated, a Missouri holding company formed in December 1992. Reinsurance Group of America, Incorporated is the ultimate parent of the holding company system.

Organization Chart

The following organizational chart depicts a portion of the holding company system at December 31, 2012, of which the Company is directly a part, and includes other Missouri domestic insurance company affiliates and their subsidiaries.



Affiliated Transactions

At year end 2012, the Company was a party to forty-six intercompany agreements, all of which the DIFP had approved. The Company incurred \$42,451,298 in intercompany fees due affiliates, and affiliates incurred \$51,433,443 in fees due to the Company. In addition, the Company incurred \$74,210,266 in federal income tax payable pursuant to the intercompany tax allocation agreement. Agreements with incurred fees greater than \$2,000,000 are described below. The nine agreements described represent 84% of RGA Re incurred fees, 91% of fees incurred by affiliates to RGA Re, and the intercompany tax allocation agreement.

Marketing Agreement

Affiliates: RGA International, Ltd (RGA International)
Effective: September 1, 1997.
Terms: RGA International identifies future reinsurance ventures in markets outside of North America.
Rate(s): RGA Re reimburses for costs and pays a fee of 0.5% of net premium developed by RGA International.
Incurred: \$17,612,198

Services Agreement

Affiliates: RGA Asia Pacific Pty Limited now known as RGA International Division Sydney Office Pty Limited (RGA IDSO)
Effective: September 4, 2003.
Terms: RGA IDSO provides accounting, sales, marketing, investment administration, pricing, underwriting and claims practices, treaty and administration system development, and data validation and handling consultative services in connection with RGA Re's business in New Zealand and Asia.
Rate(s): RGA Re reimburses RGA IDSO at cost plus 8% to comply with Australia's transfer pricing rules.
Incurred: \$10,908,113

Administrative Services Agreement

Affiliates: RGA Australian Holdings Pty Limited
Effective: December 1, 1997, third amendment November 11, 2011.
Terms: RGA Australian provides policy and treaty administration functions, and ancillary services.
Rate(s): RGA Re reimburses for costs incurred plus 8% mark-up to comply with Australian transfer pricing rules.
Incurred: \$4,882,019

Administrative Services Agreement

Affiliates: RGA Global Reinsurance Company, Ltd. (RGA Global)
Effective: April 25, 2007, amended May 13, 2011.
Terms: RGA Re provides administrative services necessary to handle the finance, valuation, tax, investment systems, and reinsurance administration functions as well as necessary or appropriate ancillary functions. The amendment revised the agreement to add administrative services for RGA Global's Japanese business.
Rate(s): RGA Global pays an amount equal to 1% of the annual gross reinsurance premiums payable under the relevant reinsurance treaty, adjusted by a factor agreed upon between RGA Global and RGA Re with respect to each applicable reinsurance treaty or program as identified on a schedule attached to the agreement.
Incurred: \$2,106,014

Software License & Maintenance Agreement

Affiliates: RCM and other affiliates

Effective: January 1, 2012.

Terms: RGA Re developed the Core Financial Reporting Initiative (CFRI) software, a common global general ledger, and accounts payable and financial reporting system. RGA Re grants a CFRI software license to each signatory to the agreement, and provides software maintenance services. These services include all information, advice, and services to correct errors or defects or performance failures arising in the software. RGA Re will create and make available new releases of the software and other improvements and alterations, and will provide training on use and operation of the software.

Rate(s): Each affiliate paid a one-time license fee to RGA Re for the use of the CFRI software. Each affiliate pays an amount equal to all expenses, direct and indirect, reasonably and equitably determined by RGA Re to be attributable to such affiliate for maintenance services. The fees are calculated monthly and payable to RGA Re within 30 days of each month end.

Incurred: (\$16,261,718)

Administrative Services Agreement

Affiliates: RGA Americas Reinsurance Company, Ltd. (RGA Americas)

Effective: July 1, 2004, amendment May 16, 2011.

Terms: RGA Re provides administrative services including services necessary to handle the finance, valuation, tax, investment systems and reinsurance administration functions, including any necessary or appropriate ancillary functions related to business between the parties, excluding financial reinsurance.

Rate(s): RGA Americas pays an amount equal to all expenses, direct and indirect, reasonably and equitably determined for services and facilities provided. The basis for determining such charges is similar to those used by RGA Re for internal cost distribution.

Incurred: (\$15,898,858)

Administrative Services Agreement

Affiliates: RGA Reinsurance Company (Barbados) Ltd. (RGA Barbados)

Effective: July 1, 2004, amendment May 16, 2011.

Terms: RGA Re provides administrative services including services necessary to handle the finance, valuation tax, investment systems and reinsurance administration functions, including any necessary or appropriate ancillary functions related to business between the parties, excluding financial reinsurance.

Rate(s): RGA Barbados pays an amount equal to all expenses, direct and indirect, reasonably and equitably determined for services and facilities provided. The basis for determining such charges is similar to those used by RGA Re for internal cost distribution.

Incurred: (\$7,364,242)

Administrative Services Agreement

Affiliates: RGA Technology Partners (RTP) and RGA Re
Effective: May 5, 2003.
Terms: RGA Re agrees to provide administrative services including human resources, legal, finance, facilities, corporate communications, corporate training, network administration, and system infrastructure on behalf of RTP.
Rate(s): RTP will reimburse RGA Re for services provided at cost.
Incurred: (\$7,169,348)

Tax Allocation Agreement

Affiliates: RGA, Inc., RGA Re, RCM, Parkway Reinsurance Company, Rockwood Reinsurance Company, Castlewood Reinsurance Company, and other affiliates.
Effective: July 1, 1998, thirteenth amendment November 1, 2012.
Terms: RGA Inc. will file on behalf of participants. Tax liability is computed on a separate return basis and provides that the members shall receive reimbursement to the extent their losses and other credits result in a reduction of the consolidated tax income. Participants will be paid for losses or credits used on consolidated tax return to the extent of the amounts previously paid to RGA, Inc.
Rate(s): There are no fees related to the agreement.
Incurred: \$74,210,266

FIDELITY BOND AND OTHER INSURANCE

Insurance programs are administered through RGA, Inc. for the benefit of the members of the insurance holding company system. RGA, Inc.'s fidelity bond policy has an aggregate limit of liability of \$15,000,000, with a \$250,000 single loss deductible. Blended excess policies provide additional layers of coverage up to a maximum aggregate limit of liability of \$50,000,000. This coverage exceeds the minimum amount of fidelity insurance suggested by the NAIC.

RGA, Inc. is also a named insured on policies that provide the following coverage: Professional Liability, Employment Practices Liability, Cyber Liability, General Liability, Auto Liability, and Workers' Compensation. The level of insurance coverage appears reasonable.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers a comprehensive benefits package to its employees, including medical, dental, and vision coverage; life, accidental death and dismemberment; long-term disability, flexible spending accounts, paid time off, holidays, tuition reimbursement, and a bonus plan. Additionally, life insurance and medical and dental coverage are available for retirees.

The Company also sponsors tax-qualified pension and savings plans, as well as non-qualified "parity" pension and savings plans providing benefits to employees whose benefits under the tax-qualified plans are limited by Internal Revenue Service Code.

Adequate provisions were made in the financial statements for the Company's obligations under the benefit plans described above.

TERRITORY AND PLAN OF OPERATION

RGA Reinsurance Company is licensed with the Department of Insurance, Financial Institutions and Professional Registration under Chapter 376 RSMo "Life and Accident Insurance" to write life insurance, annuities and endowments, accident and health insurance and variable contracts. The Company markets life and health reinsurance to other insurers through company sales representatives and is one of the largest reinsurers in the world. At December 31, 2012, the Company was licensed in 46 states and the District of Columbia. It was not licensed in Connecticut, Maine, New Hampshire and New York. However, in all four states mentioned above, the Company was an authorized reinsurer. The Company writes a negligible amount of direct insurance.

The Company engages in life, annuity and accident and health reinsurance within the United States and internationally. It provides its clients with traditional ordinary life mortality reinsurance as well as significant amounts of reinsurance on in force blocks of business, financial reinsurance and asset intensive reinsurance including ordinary annuity business and corporate-owned ordinary life insurance. A significant amount of the Company's assumed business is retroceded to other reinsurers.

GROWTH OF COMPANY

RGA Reinsurance Company typically enters into numerous assumption and retrocession agreements each year making written premium an unreliable indicator of financial performance. The Company's financial performance is tracked by monitoring the Company's unassigned funds and its change in surplus as a result of reinsurance.

The Company's unassigned funds grew from \$241.0 million as of the previous examination to \$460.5 million at December 31, 2012. A sharp gain in unassigned funds was experienced in 2009, as unassigned funds increased from \$241.0 million to \$495.8 million. This increase was due to several factors including an increase in surplus as a result of reinsurance of \$123.0 million and \$58.0 million of paid-in surplus from the parent company. Unassigned funds decreased slightly each year during the remainder of the examination period.

The change in surplus as a result of reinsurance was positive for the majority of the examination period. The only exception was a reduction of (\$38.0) million reported for calendar year 2011.

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company during the examination period. Amounts are in 000's.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Premium Income	\$2,239,593	\$2,225,929	\$3,176,485	\$5,213,812
Investment Income	456,845	524,164	528,299	661,420
Other Income	(2,399)	655,426	168,833	185,185
Total Benefits and Expenses	(2,321,191)	(3,250,668)	(3,629,373)	(5,958,818)
Dividends, Taxes, and Capital Gains	<u>(309,661)</u>	<u>(86,842)</u>	<u>(114,526)</u>	<u>(98,101)</u>
Net Income	<u>\$ 63,188</u>	<u>\$ 68,009</u>	<u>\$ 129,717</u>	<u>\$ 3,497</u>

Net Premium Income and Total Benefits and Expenses experienced significant volatility during the examination period. This is common in the reinsurance industry as operating results for a particular period reflect the agreements in place at that time. In particular, a large increase in premiums and expenses were noted in 2012, as a result of an agreement with John Hancock Life Insurance Company under which the Company assumed a sizable block of fixed deferred annuities. Investment Income increased fairly steadily during the exam period and the Company reported a positive net income in four of the five years.

REINSURANCE

General

RGA Re offers a range of reinsurance products to insurance companies that are 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. Likewise, RGA Re enters into retrocession agreements for the same reasons. Underwriting is performed on a facultative or automatic basis and treaties can be structured as yearly renewable term, coinsurance, modified coinsurance, or coinsurance with funds withheld.

The Company's written premium activity on a direct, assumed, and ceded basis for the period under examination is detailed below in (000's):

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Business	\$ 2,259	\$ 2,669	\$ 2,589	\$ 5,732
Reinsurance Assumed	5,528,623	6,213,949	6,157,967	12,644,379
Reinsurance Ceded	<u>(3,291,289)</u>	<u>(3,990,689)</u>	<u>(2,984,071)</u>	<u>(7,436,299)</u>
Net Premiums Written	<u>\$ 2,239,593</u>	<u>\$ 2,225,929</u>	<u>\$ 3,176,485</u>	<u>\$ 5,213,812</u>

Assumed

RGA Re obtained substantially all of its revenue through reinsurance agreements that cover a portfolio of life and health insurance products, including term life, credit life, universal life, whole life, group life and health, joint and last survivor insurance, critical illness, disability income as well as asset-intensive (i.e. annuities) and financial reinsurance (i.e. surplus relief, redundant reserve relief, and risk-based capital relief). Generally, the reinsurance was for mortality, morbidity, and lapse risks associated with such products. With respect to asset-intensive products, the reinsurance covered investment-related risks.

Assumed premium fluctuated slightly from 2009 thru 2011. In 2012, assumed premium more than doubled to \$12.6 billion. This was primarily a result of \$5.4 billion in premium related to a quota share of a block of ordinary fixed deferred annuities being assumed from John Hancock Life Insurance Company on a coinsurance basis.

As of December 31, 2012, RGA Re was providing \$824.4 million of surplus relief to ceding insurers through financial reinsurance, and retroceded 85% of this business to unaffiliated and

affiliated unlicensed reinsurers and special purpose life insurance captives in order to reduce statutory capital and reserve requirements.

Ceded

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured, and to recover a portion of claims paid by ceding reinsurance to other insurance enterprises (or retrocessionaires) under excess coverage and coinsurance contracts. In individual life markets, the Company retains a maximum of \$8.0 million of coverage per individual life.

The Company also accesses the markets each year for annual catastrophic coverage. The current policy covers the RGA group of company's worldwide portfolio for events involving 10 or more insured deaths from a single occurrence and covers \$100 million of claims in excess of the Company's \$50 million deductible.

Also, a significant number of the retrocession agreements are designed to offset the impact of surplus strain, stemming from RGA Re providing this type of relief to direct writers, by retroceding the associated reserves to unaffiliated and affiliated unlicensed reinsurers and special purpose captives in order to reduce statutory capital and reserve requirements.

Ceded premium fluctuated slightly from 2009 thru 2011, and then more than doubled in 2012 to \$7.4 billion, largely as a result of a 50% quota share of the John Hancock business discussed above being retroceded to Rockwood Reinsurance Company, an affiliated special purpose captive, on a coinsurance with funds withheld basis.

ACCOUNTS AND RECORDS

General

The Company's financial statements were prepared with PeopleSoft Financials which were re-implemented to permit a common chart of accounts across domestic and international operations. The majority of administration of the Company's reinsurance agreements (including the related premiums, claim payments, etc.) is performed on the General American Reinsurance (GARE) System.

Reserves and related actuarial items as of December 31, 2012, were reviewed and certified by James Kellett, FSA, MAAA, Senior Vice President – Valuation and Financial Analysis for RGA Re.

Independent Actuary

Pursuant to a contract with the DIFP, Timothy F. Harris, FSA, MAAA, Principal & Consulting Actuary, Milliman, Inc. reviewed the underlying actuarial assumptions and actuarial methods used in determining actuarial liabilities and related items.

Independent Auditor

The Company's financial statements for the period January 1, 2009 to December 31, 2012, were audited by Deloitte. The workpapers and reports of the independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Information Systems

In conjunction with this examination, Andrew Balas, AES, Information Systems Financial Examiner with the DIFP, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2012, as reflected below, were sufficient in par and market value to meet the capital deposit requirements for the state of Missouri in accordance with RSMo Section 376.290 (Deposit and transfer of securities).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Notes	<u>\$ 1,500,000</u>	<u>\$ 1,690,680</u>	<u>\$ 1,472,156</u>

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2012, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	US Treasury Note	\$ 120,000	\$ 124,660	\$ 120,253
Florida	US Treasury Note	120,000	124,660	120,253
Georgia	US Treasury Note	50,000	54,846	46,549
Massachusetts	US Treasury Note	100,000	122,768	99,656
New Mexico	US Treasury Note	105,000	106,955	105,198
North Carolina	US Treasury Note	425,000	479,026	417,111
South Carolina	US Treasury Note	200,000	225,424	196,287
Virginia	US Treasury Note	<u>65,000</u>	<u>67,524</u>	<u>65,137</u>
Totals		<u>\$ 1,185,000</u>	<u>\$ 1,305,863</u>	<u>\$ 1,170,444</u>

Other Special Deposits

In addition to the funds on deposit with the various states, RGA Re has other securities reported as special deposits. These deposits are not for the benefit of all policyholders. The deposits are funds held by RGA Re to secure specific reinsurance obligations to various cedents, funds held on joint deposit with banks to meet regulatory requirements for operations in foreign countries, and funds on deposit that provide collateral for the Company's liquidity policy with the Federal Home Loan Bank (FHLB).

<u>Beneficiary</u>	<u>Market Value</u>	<u>Statement Value</u>
Various Cedents	\$ 7,761,796,845	\$ 7,410,688,053
Foreign Countries	5,529,016	5,259,338
FHLB	582,218,130	531,767,050
	<u>\$ 8,349,543,991</u>	<u>\$ 7,947,714,441</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on the Financial Statements." These differences, if any, were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 11,284,764,881		\$ 11,284,764,881
Preferred stocks	51,223,857		51,223,857
Common stocks	48,033,167		48,033,167
First liens - mortgage loans on real estate	2,301,593,993		2,301,593,993
Properties held for the production of income	14,922,485		14,922,485
Cash, cash equivalents, and short-term investments	586,571,659		586,571,659
Contract loans	1,256,560,052		1,256,560,052
Derivatives	196,418,537		196,418,537
Other invested assets	386,179,576		386,179,576
Receivables for securities	7,073,919		7,073,919
Subtotals, cash and invested assets	<u>16,133,342,126</u>		<u>16,133,342,126</u>
Investment income due and accrued	126,619,974		126,619,974
Uncollected premiums and agents' balances	970,688,222	8,521,644	962,166,578
Amounts recoverable from reinsurers	40,625,736	3,539,486	37,086,250
Funds held by or deposited with reinsured companies	5,242,768,773		5,242,768,773
Other amounts receivable under reinsurance contracts	74,012,464		74,012,464
Net deferred tax asset	169,517,480	120,850,685	48,666,795
Electronic data processing equipment and software	26,607,587	22,320,464	4,287,123
Furniture and equipment	3,954,145	3,954,145	
Receivables from parent, subsidiaries and affiliates	25,770,295	312,075	25,458,220
Cash surrender value of corporate owned life insurance	99,348,384		99,348,384
Other amounts due on reinsurance assumed	82,085,682	2,223,846	79,861,836
Deposit accounting assets	825,972		825,972
Premiums paid in advance	626,510		626,510
Other assets	13,665,103	13,649,653	15,450
Totals	<u>\$ 23,010,458,451</u>	<u>\$ 175,371,998</u>	<u>\$ 22,835,086,454</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts		\$ 10,491,629,872
Aggregate reserve for A & H contracts	Note 1	952,267,847
Liability for deposit-type contracts		200,002,550
Life (contract claims)		1,163,968,911
Accident and health (contract claims)	Note 2	240,064,372
Dividends apportioned for payment		6,993,689
Premiums and annuity considerations received in advance		1,614,401
Provision for experience rating refunds		70,045,701
Other amounts payable on reinsurance		347,097,274
Interest maintenance reserve		263,549,216
Commissions to agents due or accrued		14,054
Comm & expense allowances payable on rein assumed		100,346,272
General expenses due or accrued		101,384,669
Taxes, licenses and fees		4,620,343
Current federal and foreign income taxes	Note 3	20,611,474
Unearned investment income		2,868,111
Amounts withheld		24,445,176
Remittances and items not allocated		339,467,164
Asset valuation reserve		158,259,692
Reinsurance in unauthorized companies		23,070,199
Funds held under reins treaties with unauthorized		2,086,127,399
Payable to parent, subsidiaries and affiliates		4,221,724
Funds held under coinsurance		4,420,347,267
Derivatives		200,605,891
Payable for securities		8,623,572
Cash collateral on derivatives		138,273,699
Deposit accounting liability		100,000
Other liabilities		2,006,520
Total liabilities		\$ 21,372,627,059
Common capital stock		\$ 2,500,000
Surplus notes		\$ 200,597,417
Gross paid in and contributed surplus		981,000,000
Unassigned funds (surplus)		278,361,980
Surplus		\$ 1,459,959,397
Totals of common and preferred stock and surplus		\$ 1,462,459,397
Totals of liabilities, common and preferred stock and surplus		\$ 22,835,086,454

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$ 5,213,812,050
Net investment income	661,419,508
Amortization of Interest Maintenance Reserve (IMR)	34,804,193
Commissions and expense allowances on reinsurance ceded	712,894,975
Reserve adjustments on reinsurance ceded	(571,610,026)
Aggregate write-ins for miscellaneous income	9,095,904
Totals	\$ 6,060,416,604
Death benefits	\$ 1,385,390,697
Annuity benefits	308,240,435
Disability benefits and benefits under accident and health contracts	160,947,959
Surrender benefits and withdrawals for life contracts	916,219,303
Interest and adjustments on contract or deposit-type contract funds	22,965,913
Increase in aggregate reserves for life and accident and health contracts	2,276,524,786
Totals	\$ 5,070,289,093
Commissions on premiums, annuity considerations and deposit-type contract fund	\$ 144,278
Commissions and expense allowances on reinsurance assumed	1,652,722,250
General insurance expenses	257,524,041
Insurance taxes, licenses and fees, excluding federal income taxes	23,638,475
Reserve adjustments on reinsurance assumed	(1,178,841,383)
Interest maintenance reserve assumed under reinsurance agreement	133,341,621
Totals	\$ 5,958,818,375
Net gain from operations before dividends to policyholders and federal income taxes	\$ 101,598,229
Dividends to policyholders	7,123,995
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 94,474,234
Federal and foreign income taxes incurred (excluding tax on capital gains)	74,210,266
Net gain from operations after dividends and FIT and before realized capital gains or (losses)	\$ 20,263,968
Net realized capital gains or (losses) (excluding gains (losses) transferred to the IMR)	(16,767,309)
Net income	\$ 3,496,659

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from December 31, 2009 to December 31, 2012

	2009	2010	2011	2012
Capital and surplus, December 31 prior year	\$ 1,103,752,539	\$ 1,416,549,740	\$ 1,528,886,876	\$ 1,515,933,750
Net income	63,188,670	68,009,630	129,716,895	3,496,659
Change in unrealized capital gains (losses)	(3,688,871)	(23,655,006)	10,525,250	14,470,124
Change in unrealized foreign exchange capital gains (losses)	11,649,491	2,748,970	3,927,728	1,768,520
Change in net deferred income tax	31,746,116	64,635,997	(17,956,426)	12,995,697
Change in non-admitted assets	35,076,520	(41,694,896)	(2,861,260)	(44,175,580)
Change in liability for reinsurance in unauthorized companies	(6,679,736)	(6,282,115)	(14,156,065)	4,439,236
Change in asset valuation reserve	(11,686,219)	(10,401,509)	(44,061,730)	(89,542,738)
Change in surplus notes		100,297,917		
Cumulative effect of change in accounting principles	12,149,160			54,831,141
Paid in surplus	58,000,000	13,000,000		150,000,000
Change in surplus as a result of reinsurance	123,042,670	25,976,065	(37,990,275)	20,412,246
Dividends to stockholders		(80,000,000)	(40,000,000)	
Aggregate write-ins for gains and (losses) in surplus	(600)	(297,917)	(97,243)	(39,657)
Examination changes				(182,130,000)
Change in capital and surplus for the year	\$ 312,797,201	\$ 112,337,136	\$ (12,953,126)	\$ (53,474,353)
Capital and surplus, December 31 current year	\$ 1,416,549,740	\$ 1,528,886,876	\$ 1,515,933,750	\$ 1,462,459,397

**ANALYSIS OF
EXAMINATION CHANGES IN THE FINANCIAL STATEMENTS**

Total Capital & Surplus Per Company

Common capital stock	\$2,500,000
Surplus notes	200,597,417
Gross paid in surplus	981,000,000
Unassigned funds	<u>460,491,980</u>
Total capital and surplus per company	<u>\$1,644,589,397</u>

Increases:

Current federal and foreign income taxes	Note 3	98,070,000
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Decreases:

Aggregate reserve for A & H contracts	Note 1	(175,900,000)
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Accident and health (contract claims)	Note 2	(104,300,000)
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Net change in unassigned surplus	(182,130,000)
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Total Capital & Surplus Per Examination

Common capital stock	\$2,500,000
Surplus notes	200,597,417
Gross paid in surplus	981,000,000
Unassigned funds	<u>278,361,980</u>
Total capital and surplus per examination	<u><u>\$1,462,459,397</u></u>

COMMENTS ON THE FINANCIAL STATEMENTS

(1) Net Reserve for Accident and Health Policies

\$952,267,847

This account was increased from \$776,367,847 by \$175,900,000.

This liability represents accident and health premiums that are collected but not yet earned, additional contract reserves, and the present value of amounts not yet due on claims. Coinsurance and YRT reserves for RGA Australia represent approximately \$449 million of the booked reserve.

RGA, Inc. determined in July, 2013, that it would be reporting a net loss of \$49.6 million for the second quarter. This was primarily due to an after-tax charge of approximately \$184 million needed to increase claim reserves in Australia. Experience studies of RGA Inc.'s Australian group business showed that actual claim experience was worse than anticipated and provided evidence showing lengthening claim lag reporting as well as deterioration of loss ratios for the remainder of the current premium guarantee periods.

The Company concluded that it was necessary to increase reserves for Total and Permanent Disability (TPD), which call for lump sum payments, and Disability Income (DI) benefits, which are monthly. These are attached as riders to Australia's Superannuation Funds, or mandatory retirement funds. They are reinsured with RGA Australia and retroceded to RGA Re under a stop-loss agreement.

Based on this information the DIFP determined that group reserves would need to be restated as of December 31, 2012. As a result of an increase in the claims incurred but not yet reported (IBNR) reserve, a test was performed regarding the necessity for a premium deficiency reserve (PDR). Because projected loss ratios plus expenses exceeded 100%, it was determined that a PDR was required.

The Company calculated the required PDR at December 31, 2012, to be \$175.9 million in US dollars.

(2) Policy and contract claims: A&H

\$240,064,372

This account was increased from \$135,764,372 by \$104,300,000.

This liability is for accident and health claims that were incurred prior to December 31, 2012, and were not paid until after year-end. This includes claims in course of settlement and IBNR.

As discussed in the note for the Net Reserve for Accident and Health Policies above, it was determined that RGA Re's Australian group reserves as of December 31, 2012, needed to be restated for TPD and DI policies. The IBNR reserve originally included in December 31, 2012, account balance was \$14.9 million AUS. The restated IBNR at year-end is \$115.2 million AUS, an increase of approximately \$100.3 million AUS, which converts to an adjustment in US dollars of \$104.3 million.

(3) Current federal and foreign income taxes **\$20,611,474**

This account was decreased from \$118,681,474 by \$98,070,000.

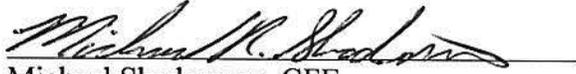
The decrease in this liability represents the changes in current income taxes as a result of the increases in IBNR and PDR reserves discussed in notes 1 and 2.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration