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RGA Reinsurance Company
(New Zealand Branch)

NPC# 15

14 JUN 2011

Annual Financial Report for the year ended 31 December 2010

Registered Office & Principal Place of Business:
C/- KPMG
10 Customhouse Quay
Wellington

Other Place of Business:
Suite No 4, Level 5
22 The Terrace
Wellington

RGA
The security of experience. The power of innovation.

www.rgare.com

Statement of Comprehensive Income for the Year Ended 31 December 2010

	Note	2010 $	2009 $
Revenue			
Premium revenue from reinsurance contracts	6	73,676,967	68,038,176
Outward reinsurance expense		(2,344,569)	(2,013,487)
Net insurance premium revenue		71,332,398	66,024,689
Investment income	7	7,795,292	(6,117,978)
Other income	8	102,809	186,351
Total Revenue		**79,230,499**	**60,093,062**
Claims and expenses			
Claims expense from reinsurance contracts	9	37,001,854	49,033,701
Reinsurance recoveries		(2,602,199)	(2,123,702)
Net claims expense		34,399,655	46,909,999
Policy acquisition costs	11	14,380,938	9,771,181
Other expenses	11	13,013,716	10,223,944
Movement in net insurance contract liabilities	19(a)	(18,568,772)	12,877,861
Total claims and expenses		**43,225,537**	**79,782,985**
Profit/(loss) before related income tax expense		**36,004,962**	**(19,689,923)**
Income tax expense	21	39,827	39,981
Profit/(loss) for the year		35,965,135	(19,729,904)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year	17	**35,965,135**	**(19,729,904)**

The statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 5 to 25.

Statement of Financial Position
as at 31 December 2010

	Note	2010 $	2009 $
Assets			
Cash and cash equivalents		11,094,191	7,798,634
Premium receivable	12	4,522,073	6,600,270
Other receivables	12	3,087,777	2,922,937
Funds withheld		-	765,792
Investments	13	126,375,463	116,887,951
Net insurance contract assets	19	4,446,487	-
Total assets		**149,525,991**	**134,975,584**
Liabilities			
Outstanding claims payable	14	13,388,600	15,274,290
Other payables	14	1,490,967	2,650,166
Net insurance contract liabilities	19	-	14,122,285
Total liabilities		**14,879,567**	**32,046,741**
Net assets		**134,646,424**	**102,928,843**
Head office account		111,933,806	116,181,360
Retained profit / (deficit)		22,712,618	(13,252,517)
Total deemed equity		**134,646,424**	**102,928,843**

The statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 5 to 25.

Statement of Changes in Equity
for the year ended 31 December 2010

	Head Office Account	Retained Earnings	Total
Balance at 1 January 2009	**81,413,797**	**6,477,387**	**87,891,184**
Loss for the year	-	(19,729,904)	(19,729,904)
Transfer in from Head Office	38,644,312	-	38,644,312
Decrease in Head Office Current Account	(3,876,749)	-	(3,876,749)
Balance at 31 December 2009	**116,181,360**	**(13,252,517)**	**102,928,843**
Profit for the year	-	35,965,135	35,965,135
Transfer in from Head Office	2,936,585	-	2,936,585
Decrease in Head Office Current Account	(7,184,139)	-	(7,184,139)
Balance at 31 December 2010	**111,933,806**	**22,712,618**	**134,646,424**

The statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 5 to 25.

Signed for and on behalf of the board of RGA Reinsurance Company:

Todd Larson, Director

Jack Lay, Director

May 26 2011
Date

Date
May 26, 2011

Notes to the Financial Statements
for the Year Ended 31 December 2010

1. Nature of business activities

RGA Reinsurance Company – New Zealand Branch ("The Branch") was established on 29 November 1996. The Branch's principal business activity is life reinsurance. There were no significant changes in the nature of the activities of the Branch during the year.

2. Summary of significant accounting policies

Basis of preparation

The financial report is presented in New Zealand dollars.

The Branch is a branch of RGA Reinsurance Company, a company incorporated in the United States of America. The ultimate parent entity of RGA Reinsurance Company is Reinsurance Group of America Incorporated, a company incorporated in the United States of America.

The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon.

The financial statements have been prepared in accordance with the New Zealand Financial Reporting Act 1993, the Companies Act 1993 and the Life Insurance Act 1908.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with IFRS and other Financial Reporting Standards, as appropriate to profit-oriented entities that qualify for and apply all differential reporting concessions.

The Branch is a qualifying entity under the Framework for Differential Reporting. The criteria that establish this are that the entity does not have public accountability and all of its owners are members of the entity's governing body. The Branch has taken advantage of all available differential reporting exemptions apart from certain disclosure exemptions.

The financial statements were authorised for issue by the Directors on 31 May 2011.

The Financial Statements have been prepared on the historical cost basis modified to include the financial assets and financial liabilities at fair value.

The significant policies that have been adopted in the preparation of the financial statements are:

(a) Principles for life insurance business

The life insurance operations of the Branch are conducted as required by the Life Insurance Act 1908 and are reported in aggregate in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the Branch. The life reinsurance operations of the Branch comprise the selling and administration of life reinsurance contracts. All contracts are non-investment linked business. All business written by the Branch is non-participating and all profits and losses are allocated to equity.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if "an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance" (i.e. have no discernible effects on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness.

2. Summary of significant accounting policies (continued)

(b) Revenue recognition

Revenue is recognised for the major business activities as follows:

Premium revenue

Premiums with a regular due date are recognised as revenue on an accrual basis. Premiums that do not have a regular due date are recognised as revenue on a cash received basis.

As is customary in the reinsurance business, ceding companies continually update, refine and revise information provided to the reinsurers. Such revised information is used by the Branch in the preparation of its financial statements and the financial effects resulting from the incorporation of revised data are reflected in the current year's Statement of Comprehensive Income.

Deposit components of a contract are unbundled and recognised as an asset. The Branch categorises such assets as "funds withheld", interest thereon is recognised in "other revenues".

Interest income

Interest is recognised on an accruals basis.

Other income

Allowances received from reinsurers under retrocession contracts are recorded as other income and recognised in accordance with the pattern of reinsurance service received. Accordingly, a portion of other income may be deferred at the balance date.

(c) Outwards reinsurance premiums

Premiums ceded to reinsurers under retrocession contracts are recorded as an outward reinsurance expense and recognised in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium may be treated as a prepayment at the balance date. All deposit components of payments made under retrocession contracts are recognised as a change in insurance contract liabilities.

(d) Claims

Claims incurred relate to life insurance contracts (providing services and bearing risks including income protection business) and are treated as expenses. Claims are recognised when the liability to the policyholder under the policy contract has been established, or upon notification of the insured event depending on the type of claim.

(e) Policy acquisition costs

Policy acquisition costs relate to the fixed and variable costs incurred in acquiring new business during the financial year. They do not include general growth and development costs incurred. The actual acquisition costs incurred are recorded in the Statement of Comprehensive Income.

The proportion of life acquisition costs not recovered by specific charges received from the cedant at inception is deferred provided that these amounts are recoverable from future profit margins. The deferred amounts are recognised in the Statement of Financial Position as a reduction in insurance contract liabilities and are amortised through the Statement of Comprehensive Income over the expected duration of the relevant policies.

Notes to the Financial Statements
for the Year Ended 31 December 2010

2. Summary of significant accounting policies (continued)

(f) Basis of expense apportionments

Expense apportionments have been made as follows:

- Where an item of expense relates directly to a category of business, the expense will be included in the records relating to that category of business.
- Where an item of expense does not relate directly to one category of business, the expense will be apportioned between the relevant categories of business on the basis of an appropriate underlying driver. Drivers include time weighted salary, number of Full Time Equivalent (FTE) staff and premium income.

(g) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims that are incurred but not yet reported (IBNR) and unexpired risk liabilities are recognised as a reduction in expense. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. All deposit components of retrocession recoveries are recognised as a change in insurance contract liabilities

(h) Receivables

The collectability of receivables is assessed on an ongoing basis and specific provision is made for any doubtful debts.

(i) Assets backing insurance contract liabilities

The Branch has determined that all financial assets held are assets backing insurance contract liabilities.

Financial assets held to back life insurance activities are designated at fair value through profit and loss. Initial recognition and subsequent measurement is at fair value. Unrealised profits and losses on subsequent measurement to fair value are recognised in the Statement of Comprehensive Income. Fair value is determined as follows:

- Cash and cash equivalents and bank overdrafts are carried at the face value of the amounts deposited or drawn. The carrying amount of cash and cash equivalents approximates to its fair value;
- Receivables are stated at their cost less impairment losses. This is the best estimate of fair value as they are settled within a short period;
- Listed fixed interest securities' are stated at the bid price of the instrument listed on the relevant exchange. This is taken as their fair value;
- Unlisted fixed interest securities, if held, are recorded at fund managers' valuation. This is taken as their fair value.

Notes to the Financial Statements
for the Year Ended 31 December 2010

2. Summary of significant accounting policies (continued)

(j) Deferred acquisition costs

Insurance contracts

The costs incurred in acquiring specific life insurance contracts include commission payments, underwriting costs and other acquisition costs deferrable under the relevant standards.

The proportion of life acquisition costs not recovered by specific charges received from the cedant at inception is deferred provided that these amounts are recoverable from future profit margins. The deferred amounts are recognised in the Statement of Financial Position as a reduction in insurance contract liabilities and are amortised through the Statement of Comprehensive Income over the expected duration of the relevant policies.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at bank and deposits held at call with financial institutions that are readily convertible to known amounts of cash.

(l) Outstanding claims liability

The liability for outstanding claims is recorded as part of payables. For claims with a lump sum benefit, the liability for outstanding claims is measured as the sum reinsured on any claim notified to the Branch prior to balance date. For claims with a disability income benefit, the liability for outstanding claims is measured as any outstanding amounts payable on or prior to balance date.

(m) Income tax

The Branch adopts the tax payable method of tax accounting. Income tax expense for the current period equals to the income tax payable for the same period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or receivable).

(n) Foreign currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In those circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of current asset or liability in the Statement of Financial Position.

3. Critical accounting estimates and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the year end. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The main areas where critical accounting judgments and estimates are applied are noted below.

(a) Insurance contract liabilities

Insurance contract liabilities for life insurance contracts are computed using statistical or mathematical methods. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs are connected with the measurement basis of life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- discontinuance experience, which affects the Branch's ability to recover the cost of acquiring new business over the lives of the contracts;
- data supplied by ceding companies in relation to the underlying policies being reinsured;
- the cost of providing benefits and administering these insurance contracts; and
- the discount rate applied to calculate the present value of future benefits.

In addition, factors such as regulation, inflation, interest rates, taxes, investment market conditions and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods are set out in Note 4.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods where required. All reinsurance contracts are with a pool of international retrocesionaires and recoverability of such assets is not considered to be impaired by any counterparty or credit risk.

Notes to the Financial Statements
for the Year Ended 31 December 2010

4. Summary of significant actuarial methods and assumptions

The effective date of the actuarial investigation is 31 December 2010. Mr. Peter Davies (B.Bus.Sc., FIA, FNZSA) conducted the actuarial investigation. The amount of insurance contract liabilities has been determined by Mr. Davies in accordance with the methods and assumptions disclosed in this financial report and with the standards of the New Zealand Society of Actuaries. Mr. Davies is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

(a) Insurance contract Liabilities

Policy liabilities have been determined in accordance with the New Zealand Society of Actuaries PS No 3. "Determination of Life Insurance Policy Liabilities".

The major product groups are individual risk business (lump sum and disability income) and group business. Policy liabilities are reviewed annually and were calculated by the "accumulation" method. The result of using this method is not materially different to the "projection" method required under NZ IFRS 4 Appendix C, Life Insurance.

Mr. Davies, in determining the policy liabilities, has taken account of the deferral and future recovery of acquisition costs, resulting in policy liabilities being lower than otherwise with those costs being amortised over the period that they will be recoverable. The amortisations of these costs were established by financial model projections of representative policy portfolios. The costs are assumed to be amortised in line with expected premiums.

(b) Disclosure of assumptions

Actuarial assumptions about future experience are required for the insurance contract liability determination to establish the recoverability and amortisation rate of the deferred acquisition costs, and to calculate any required present value liabilities. The assumptions used were best estimate assumptions. The key assumptions were:

Mortality and morbidity

Mortality: Tables derived from the NZ04 Insured lives tables with allowance for subsequent improvements in mortality, subdivided into smoker and non-smoker classes and adjusted to the classes of life insurance written.

Disability: Tables derived from the IAD89-93 tables with the principal adjustment being a reduction in assumed claim termination rates at some intermediate duration.

Trauma: Trauma claims were derived from various studies of the incidence of the individual trauma conditions.

Rates of discontinuance

Future rates of discontinuance for the major classes of business are assumed in aggregate to be between 14.0% to 18.5% based on the type of business and age of the life insured. In addition there are duration and smoker adjustments applied to these rates.

Rates of taxation

The Branch is taxed as a resident insurer for tax purposes. The Branch is liable to taxation on 30% (2009: 30%) of the underwriting profit less expenses plus investment income.

Notes to the Financial Statements
for the Year Ended 31 December 2010

4. Summary of significant actuarial methods and assumptions (continued)

Maintenance Expenses

Maintenance expenses are assumed to remain a stable percentage of inforce premiums over the life of the business. These have been assumed at expected ongoing costs. Benefits and premiums are assumed to increase by the rate of inflation, or by some other factor, where specified for the policies being reinsured.

Discount rates

The discount rates are based on a risk free rate of return for the expected term of the liabilities. The yield curve for New Zealand government bonds was used as a basis to determine the appropriate discount rate for calculation of the insurance contract liabilities as per below:

- 5.2% pa (2009: 5.80% pa) for individual disability business.
- 5.7% pa (2009: 6.10% pa) for deferred acquisition costs and recoverability of expenses.

Discount rates, as stated above, are gross of tax, but net of investment costs.

Inflation

The assumed inflation rates are set after considering current market conditions, the Reserve Bank of New Zealand's inflation targets, the implied real discount rate and the average duration of the liabilities.

(c) Effects of changes in actuarial assumptions from 31 December 2009 to 31 December 2010

Assumption category	Effect on net profit margins increase/(decrease)	Effect on net insurance contract liabilities increase/(decrease)
Discount and inflation rates	1,014,473	(1,014,473)
Mortality and morbidity	8,073,879	(8,073,879)
Discontinuance rates	-	-
Expenses	-	-
Total	9,088,352	(9,088,352)

Insurance contract liabilities are valued on an accumulation basis where profit margins are not applicable. Note that figures in the table above are before tax.

(d) Processes used to select assumptions

Discount rate

Benefits under life insurance contracts are discounted for the time value of money using risk-free discount rates based on current observable objective rates that relate to the nature, structure and term of future obligations.

Tax

The future assumed tax rate is zero, taking account of the branch's current tax loss position, and expected future levels of taxable income.

Notes to the Financial Statements
for the Year Ended 31 December 2010

4. Summary of significant actuarial methods and assumptions (continued)

Mortality and morbidity

An appropriate base table of mortality (and morbidity) is chosen or derived from industry or population experience for the type of product being written. An investigation into the actual experience of the major cedants of the Branch over recent years is performed and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality or morbidity for future years. Where data is sufficient to be statistically credible, the statistics generated by the data are generally used without reference to an industry table.

Discontinuance

An investigation into the actual experience of the major cedants of the Branch over the recent years is performed and the results compared with existing assumptions for discontinuances. Statistical methods are used to determine the suitability of current assumptions and/or adjust the basis for any trends in the data to arrive at a best estimate of future discontinuance rates.

Interest rates

The gross interest rates used are the annualised gross yield to redemption of benchmark government securities.

Sensitivity analysis

The Branch conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as interest rate, security prices, mortality, morbidity and inflation. The valuations included in the reported results and the Branch's best estimate of future performance is calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Branch and as such represents a risk.

Notes to the Financial Statements
for the Year Ended 31 December 2010

4. Summary of significant actuarial methods and assumptions (continued)

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholder equity.
Interest rate risk	A reduction in interest rates would result in an increase in the life insurance contract *liabilities*, although this would be offset by increases to the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profiles of assets and liabilities; to the extent these are not matched.
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims costs and therefore reducing profit and shareholder equity.
Morbidity rates	The cost of health-related claims depends on both the incidence of policyholders becoming ill and the duration they remain ill. Higher than expected incidence and duration would likely increase claim costs, reducing profit and shareholders equity.
Discontinuance	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of the life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.
Inflation risk	The impact of the inflation rate assumption varies depending on the type of policy. For example an increase in future inflation will increase the cost for disabled lives but will also increase the premium revenue for products that have indexed benefits.

Notes to the Financial Statements
for the Year Ended 31 December 2010

4. Summary of significant actuarial methods and assumptions (continued)

The table below illustrates how changes in key assumptions regarding future experience would impact the reported profit and equity of the Branch (before tax and after retrocession).

	Change in variable	Profit / (loss)	Equity at 31 December
		2010 $	2010 $
Balance per financial statements		**35,965,135**	**134,646,424**
Result of change in variables:			
Worsening of future mortality and morbidity claim costs	10%	(16,117,441)	(16,117,441)
Worsening of discontinuance rate	20%	-	-
Improvement in discontinuance rate	20%	-	-
Increase in discount rate	1%	(1,646,690)	(1,646,690)
Reduction in discount rate	1%	1,749,375	1,749,375
Increase in future maintenance expenses	10%	-	-
Increase in future inflation rates	1%	(1,991,326)	(1,991,326)

Notes to the Financial Statements
for the Year Ended 31 December 2010

5. Risk and capital management policies and procedures

The financial condition and operating results of the Branch are affected by a number of key risks, including interest rate risk, credit risk, market risk, currency risk, liquidity risk, insurance risk, compliance risk and operational risk. The objective of the Branch's risk management procedures is to ensure that these risks are properly managed.

(a) Risk management policies and procedures for mitigating financial and non-financial risks

The Branch regularly reviews and assesses its risk exposure and the effectiveness of its controls.

The Branch's objective is to satisfactorily manage the identified risks.. Various procedures are put in place to control and mitigate the risks faced by the Branch depending on the nature of the risk. The Branch's overall risk exposure is monitored by management.

Financial risks are generally monitored and controlled by selecting appropriate assets to back insurance contract liabilities and the use of maximum acceptable limits for other financial risks such as liquidity risk and credit risk.

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates, policy charges and sufficient reinsurance arrangements. Tight controls are also maintained over claims management practices to ensure correct and timely payment of insurance claims.

Operational risk, incorporating Legal and Regulatory risk, is monitored by management. The Branch has a process in place for regularly reporting to the parent on the effectiveness of the controls used to mitigate these risks.

(b) Strategy for managing insurance risk

Portfolio of risks

The Branch issues term life and disability reinsurance treaties covering both individual and group business. The Branch has a risk strategy that summarises the Branch's approach to risk and risk management.

Risk strategy

In compliance with contractual and policy requirements, a strategy is in place to ensure that the risks underwritten should not jeopardise the Branch's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced.

Capital position

Capital is allocated to the Branch where business is written to ensure that the solvency reserve (New Zealand Society of Actuaries Professional standard No. 5.01 Solvency Reserving for Life Insurance Business) is met. Additional capital is held to ensure a buffer exists above the reserve that allows for further adverse experience and/or additional growth of the business without impacting these regulatory requirements. There is a process in place for monitoring the level of capital and requesting additional capital should the need arise.

Notes to the Financial Statements

for the Year Ended 31 December 2010

5. Risk and capital management policies and procedures (continued)

(c) Methods to monitor and assess insurance risk exposures

Asset management

The parent assigns adequate assets to support life insurance liabilities of the Branch. These assets are publicly traded fixed interest securities.

Management reporting

The Branch reports and monitors its financial and operational results on a regular basis. The results are summarised to give an overall view of the Branch's performance. The process undertaken and controls over the process are reviewed by the parent. Additionally, an annual review is undertaken by the parent's internal auditors.

(d) Methods to limit or transfer insurance risk exposures

Reinsurance

To limit the exposure, the Branch has its own reinsurance program (commonly referred to as retrocession) in place. The Branch retrocedes business to external entities, either by surplus or quota share arrangements.

Underwriting procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Branch's underwriting manual. Such procedures include limits to delegated authorities and signing powers. Individual underwriting decisions are to be supported by the policies and procedures manual and, if necessary, by obtaining a medical opinion. Underwriting decisions are regularly monitored and reviewed. Where authority is delegated to cedants, the Branch has processes in place for auditing the underwriting processes used by the ceding company.

Claims management

Procedures exist for the verification, assessment and payment of claims. Income protection claims are monitored on a monthly basis. Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy and/or treaty conditions. Where authority is delegated to cedants, the Branch has processes in place for auditing the claims assessment processes used by the ceding company.

Asset and liability management techniques

The Branch's investment policy, enacted through its parent, contains objectives and constraints to reflect the nature of its liabilities. The compliance of the investment portfolio with the investment policy is monitored regularly. The extent of any asset liability mismatch is also monitored regularly as it is allowed for in the Branch's prudential reserves.

(e) Concentration of Insurance Risk

The branch's exposure to concentrations of insurance risk is mitigated by having a diversified portfolio and by retroceding portions of certain risks.

Notes to the Financial Statements
for the Year Ended 31 December 2010

5. Risk and capital management policies and procedures (continued)

(f) Terms and conditions of insurance contracts

The nature of the terms of the insurance contracts written is such that certain external variables can be identified on which related cash flows for claims payments depend. The table below provides an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract	Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability).
Details of contract workings	Guaranteed benefits payable on death, ill health or maturity that are fixed and guaranteed and not at the discretion of the issuer.
Nature of compensation for claims	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.
Key variables that affect the timing and uncertainty of future cash flows	Mortality, morbidity, interest rates, discontinuance rates and expenses

Notes to the Financial Statements
for the Year Ended 31 December 2010

6. Insurance premium revenue

	2010 $	2009 $
Premium revenue from reinsurance contracts	**73,676,967**	**68,038,176**

7. Investment income

	2010 $	2009 $
Interest income:		
Bank deposits	247,099	307,866
Investments at fair value through profit or loss	6,997,266	5,332,263
Gain on disposal of investments	47,466	148,584
Change in fair value of investment carried at fair value through profit or loss	503,461	(11,906,691)
Total investment income	**7,795,292**	**(6,117,978)**

8. Other income

	2010 $	2009 $
Reinsurance allowances	82,750	87,057
Interest revenue on funds withheld	20,059	99,294
Total other income	**102,809**	**186,351**

Notes to the Financial Statements
for the Year Ended 31 December 2010

9. Gross claims expense

	2010 $	2009 $
Claims expense from reinsurance contracts	**37,001,854**	**49,033,701**

10. Auditors remuneration

	2010 $	2009 $
Audit fees paid and payable	**115,618**	**106,434**

The Branch's auditor is Deloitte Touche Tohmatsu.

11. Operating expenses

	2010 $	2009 $
Policy acquisition costs		
Commission	11,772,695	7,174,701
Other	2,608,243	2,596,480
	14,380,938	9,771,181
Policy maintenance cost		
Commission	9,596,888	7,151,612
Other	3,416,828	3,072,332
	13,013,716	10,223,944
Total operating expenses	**27,394,654**	**19,995,125**

12. Receivables

	2010 $	2009 $
Premium Receivable[1]	**4,522,073**	**6,600,270**

	2010 $	2009 $
Other receivables		
Receivables from reinsurance	1,804,196	1,671,123
Lease rental bond	1,079	1,079
Investment income accrued and receivable	1,282,502	1,250,735
Total other receivables	**3,087,777**	**2,922,937**

(1) Premium receivable balance is net of prepaid and unallocated cash.

Notes to the Financial Statements
for the Year Ended 31 December 2010

13. Investments

	2010 $	2009 $
Financial assets at fair value through profit or loss:		
Interest bearing securities:		
National Government	1,022,310	1,030,130
Private Sector (Unsecured)	125,353,153	115,857,821
Total Investment Assets	**126,375,463**	**116,887,951**

The Branch has deposited government stock with the face value of $1,000,000 (2009: $1,000,000) with the Public Trust as required by the Life Insurance Act of 1908 and the Insurance Companies Deposits Act 1955. These deposits are required to be maintained while the Branch transacts life and non-life business in New Zealand.

14. Payables

Outstanding claims payable	**13,388,600**	**15,274,290**

Other payables		
Related entities	541,860	1,177,672
Income tax payable	79,807	81,925
Other Creditors	869,300	1,390,569
Total other payables	**1,490,967**	**2,650,166**

15. Head Office

RGA Reinsurance Company – New Zealand Branch is a branch of RGA Reinsurance Company, a company incorporated in the United States of America.

16. Related Parties

During the year, the Branch carried out the following transactions with related parties:

RGA Australian Holdings Pty Ltd (RGAH), a wholly owned subsidiary of Reinsurance Group of America Inc, provides the Branch with administration and management services. The Branch incurred and paid $5,670,895 expenditure for services in 2010 ($5,239,117 in 2009). As at 31 December 2010, amounts payable to RGAH $541,895 ($1,177,672 payable to RGAH in 2009). The amount payable is not subject to interest charges or any repayment conditions.

During the year, the Branch did not provide or receive any loan from related parties.

Notes to the Financial Statements
for the Year Ended 31 December 2010

17. Statement of sources of operating profit / (loss)

The Branch operating profit/(loss) after income tax of the insurance fund is represented by:

	2010 $	2009 $
Planned margins of revenues over expenses released	4,571,112	-
Difference between actual and assumed experience	12,058,250	(13,039,068)
Effects of changes to underlying assumptions	1,014,473	(460,983)
Reversal / (capitalisation) of expected future losses	8,073,879	(1,391,967)
Investment earnings on assets in excess of insurance contract liabilities	10,247,421	(4,837,886)
Branch profit/(loss) after tax	**35,965,135**	**(19,729,904)**

Notes to the Financial Statements
for the Year Ended 31 December 2010

18. Prudential reserving requirement of the life fund

NZ IFRS 4 and the Prudential Reserving Professional Standard No. 5.01 from the New Zealand Society of Actuaries mandate disclosure of the solvency position of the Branch. This requires disclosure of a hypothetical Branch solvency position, as if the Branch were a separate entity. This means that the assets reported below are a notional allocation of the parent's total assets to the NZ Branch. The Branch position is:

	2010 $	2009 $
Prudential reserving requirement	105,495,164	120,329,501
Represented by:		
- Current Termination Value--CTV	60,844,042	65,368,411
- Other Liabilities	1,490,967	2,650,165
- Solvency Reserve	43,160,155	52,310,925
	105,495,164	120,329,501
Assets available for solvency reserve	80,300,630	64,796,752
Determined as:		
- Excess of Net Policy Liability over Current Termination Value	(54,345,797)	(38,132,092)
- Capital and Retained Profits required for solvency	97,505,953	90,443,016
- Excess Assets	37,140,474	12,485,828
	80,300,630	64,796,752
Solvency Reserve %	69.2	76.9
Coverage of Solvency Reserve	1.9	1.2

Explanatory Notes:

a. The Prudential Reserving Requirement is the minimum level of assets required to be held in the Life Fund, as per Professional Standard No 5 of the New Zealand Society of Actuaries.
b. Other liabilities for this purpose exclude accrued claims (but includes provisions for disputed claims expenses) and retrocession payables as they are included in the current termination value.
c. For consistency with the current termination value, the net policy liability includes accrued claims and retrocession payables for this purpose.

Notes to the Financial Statements
for the Year Ended 31 December 2010

19. Net Policy Liabilities Assumed Under Reinsurance

Insurance contract liabilities

(a) Reconciliation of movements in insurance contract liabilities

	Note	2010 $	2009 $
Gross insurance contract liabilities at 1 January		18,155,598	4,503,556
(Decrease)/increase in insurance contract liabilities reflected in the Statement of Comprehensive Income	(i)	(19,480,272)	13,652,042
Gross insurance contract liabilities at 31 December		**(1,324,674)**	**18,155,598**
Liabilities ceded under reinsurance			
Opening balance at 1 January		4,033,313	3,259,132
(Decrease)/increase in reinsurance assets reflected in the Statement of Comprehensive Income	(ii)	(911,500)	774,181
Closing balance at 31 December		**3,121,813**	**4,033,313**
Net insurance contract (assets)/liabilities at 31 December		**(4,446,487)**	**14,122,285**
(i) less (ii) = increase in net insurance contract liabilities as disclosed in the Statement of Comprehensive Income		**(18,568,772)**	**12,877,861**
Expected to be realised within 12 months		25,388,146	26,794,996
Expected to be realised in more than 12 months		(29,834,633)	(12,672,711)
		(4,446,487)	**14,122,285**

(b) Components of net life insurance contract (assets)/liabilities

	2010 $	2009 $
Future policy benefits	49,955,946	50,024,248
Future bonuses(1)	-	-
Future expenses(1)	-	-
Planned margins over future expenses(1)	-	-
Future charges for acquisition costs	(54,402,433)	(35,901,963)
Balance of future revenues(1)	-	-
Net life insurance contract liabilities	**(4,446,487)**	**14,122,285**

(1) These components are not explicitly determined under the accumulation approach to calculating insurance contract liabilities.

Notes to the Financial Statements
for the Year Ended 31 December 2010

20. Financial risk management

The Branch undertakes transactions in a range of financial instruments including cash assets, receivables, payables and fixed income investments. These activities result in exposure to a number of financial risks including currency risk, market risk, credit risk, operational risk and liquidity risk.

Financial risks are generally monitored and controlled by selecting appropriate assets to back insurance contract liabilities. The Branch has developed and implemented Risk and Capital Management policies, which are described in Note 5. The assets are regularly monitored by the parent to ensure asset and liability mismatching and other risks such as currency risk, liquidity risk and credit risk are maintained within acceptable limits. In addition, the Branch holds an additional reserve, within the solvency reserve to allow for currency risks.

Throughout the year 2010, the Branch held no derivative financial instrument contracts (2009: nil activity).

(a) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Branch seeks to minimise its credit risk by the appropriate selection and spread of investment assets.

The Branch's maximum exposure to credit risk at balance date is the fair value of financial assets as indicated in the Statement of Financial Position. The carrying amount of financial assets is not past due or impaired.

(b) Liquidity risk

Liquidity risk represents the risk that the Branch will have difficulty in meeting its obligations associated with Insurance Contracts as they fall due as a result of a lack of cash. The Branch minimises its liquidity risk by appropriate selection of maturity duration for its investments and by monitoring and managing its emerging needs for liquidity.

The maturity profile of the insurance contract liabilities is shown in note 19 (a).

(c) Market risk

The Branch is required to record its investment assets at fair value, with unrealised movements in market value recognised as income or expense in the period in which they occur. Accordingly, the full extent of exposure to market movements is reflected in the statement of financial position. The Branch manages market risk by maintaining a balanced portfolio with an appropriate selection and spread of investment assets.

21. Income Tax

The Branch is subject to a special tax regime. Generally, two tax bases are maintained for Life Insurance business: the life office base that is subject to tax on investment income less expenses plus underwriting income, and the policyholder base that taxes benefits as they accrue to policyholders under the policies in the form of claim, surrender and maturity payments and increments in the value of policies.

On 15 September 2009, the New Zealand Government enacted law resulting in complete change in the basis of taxation for Life Insurance business. The Branch will be liable to taxation on the underwriting profit less expenses plus investment income.The new legislation applies to insurance policies issued from 1 July 2010 with option to grand-parent the existing rules for 5 years for policies issued prior to 1 July 2010.

Notes to the Financial Statements
for the Year Ended 31 December 2010

21. Income Tax (continued)

The non-life business of the Branch is taxed on the underwriting profit less expenses plus investment income.

The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:

	2010 $'000	2009 $'000
Operating profit/(loss) before tax	**36,004,962**	**(19,689,923)**
Prima facie tax on operating profit/(loss) At 30% (2009: 30%)	10,801,489	(5,906,977)
Tax effect of		
Non assessable income/expenses	(10,801,489)	5,906,977
Withholding tax	39,827	39,981
Total income tax expense attributable to operating profit	**39,827**	**39,981**

22. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Branch, the results of its operations or state of affairs of the Branch, in subsequent financial years.

Deloitte.

Independent Auditor's Report to the Members of RGA Reinsurance Company – New Zealand Branch

Report on the Annual Report

We have audited the accompanying annual report of RGA Reinsurance Company – New Zealand Branch ("the Branch"), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information of the Branch during the financial year as set out on pages 2 to 25.

Directors' Responsibility for the Annual Report

The directors of the Branch are responsible for the preparation of the annual report that gives a true and fair view in accordance with generally accepted accounting practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of the annual report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the annual report that gives a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual report.

Our firm carries out other assurance engagements for RGA Reinsurance Company. In addition to this, partners and employees of our firm deal with the company on normal terms within the ordinary course of trading activities of the business of the company. The firm has no other relationship with or interests in RGA Reinsurance Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual report of RGA Reinsurance Company – New Zealand Branch:

a. gives a true and fair view of RGA Reinsurance Company– New Zealand Branch's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

b. complies with generally accepted accounting practice in New Zealand.

Emphasis of Matter

The New Zealand Branch is part of RGA Reinsurance Company which is incorporated in the United States of America. The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the annual report, which describes the basis of accounting. The annual report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under New Zealand law. As a result, the financial report may not be suitable for another purpose.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the annual report for the year ended 31 December 2010:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by RGA Reinsurance Company, as far as appears from our examination of those records.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 26 May 2011

RGA®

6 June 2011

BUSINESS & REGISTRIES
BRANCH, AUCKLAND

14 JUN 2011

RECEIVED

Ministry of Economic Development
Companies Office
National Processing Centre
Private Bag 92061
Victoria Street West
Auckland 1142
New Zealand.

Dear Sir,

RGA Reinsurance Company
Financial Statements – Financial Reporting Act 1993

Please find attached the audited financial statements for the years ended 31 December 2010. We have enclosed the following:

1. Financial Statement of RGA Reinsurance Company
2. Financial Statement for the New Zealand Branch
3. Fast Track Filing Forms

If you have any questions, please do not hesitate to call Karu Rangasamy at (612) 8264 5804 or e-mail at krangasamy@aus.rgare.com

Sincerely yours,

Karu Rangasamy
Finance Manager

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Audited Financial Report

RGA Reinsurance Company

Statutory-Basis Financial Statements as of and
for the Years Ended December 31, 2010 and 2009,
Additional Information as of and
for the Year Ended December 31, 2010, and
Independent Auditors' Report

RGA REINSURANCE COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
RGA Reinsurance Company
Chesterfield, Missouri

We have audited the accompanying statutory-basis statements of admitted assets, liabilities, and capital and surplus of RGA Reinsurance Company (the "Company") as of December 31, 2010 and 2009, and the related statutory-basis statements of operations and capital and surplus, and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As described more fully in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Missouri Department of Insurance, Financial Institutions and Professional Registration, and such practices differ from accounting principles generally accepted in the United States of America. The effects on such financial statements of the differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of RGA Reinsurance Company as of December 31, 2010 and 2009, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of RGA Reinsurance Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our 2010 audit was conducted for the purpose of forming an opinion on the basic 2010 statutory-basis financial statements taken as a whole. The supplemental schedule of investment risk interrogatories, the supplemental summary investment schedule, and the supplemental schedule of selected financial data as of and for the year ended December 31, 2010 are presented for purposes of additional analysis and are not a required part of the basic 2010 statutory-basis financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2010 statutory-basis financial statements. The effects on these schedules of the differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. Accordingly, in our opinion, such schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the information shown therein. However, in our opinion, such schedules are fairly stated in all material respects when considered in relation to the basic 2010 statutory-basis financial statements taken as a whole.

Deloitte & Touche LLP

May 27, 2011

RGA REINSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2010 AND 2009
(In thousands of dollars, except share data)

	2010	2009
ADMITTED ASSETS		
INVESTED ASSETS:		
Bonds	$ 6,559,075	$ 5,975,093
Preferred stocks	94,472	124,934
Common stocks — affiliates	1,062	895
Common stocks — nonaffiliates	24,245	32,818
Mortgage loans on real estate	879,992	785,693
Policy loans	1,202,779	1,136,564
Cash, cash equivalents and short-term investments	210,998	321,098
Other invested assets	260,438	156,456
Total invested assets	9,233,061	8,533,551
Accrued investment income	78,250	70,440
Premium deferred and uncollected	945,472	803,116
Amounts due from reinsurers	258,207	140,806
Funds withheld on reinsurance assumed	4,712,597	5,295,334
Deferred federal income tax asset	29,086	24,786
Receivables from parent, subsidiaries and affiliates	7,347	10,316
Other assets	63,926	15,084
TOTAL	$ 15,327,946	$ 14,893,433

See notes to statutory-basis financial statements.

(Continued)

RGA REINSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2010 AND 2009
(In thousands of dollars, except share data)

LIABILITIES, AND CAPITAL AND SURPLUS	2010	2009
LIABILITIES:		
Policyholders' liabilities:		
Policy reserves:		
Life insurance	$ 7,547,859	$ 7,583,990
Accident and health insurance	456,998	354,640
Liability for deposit-type contracts	199,326	410,685
Policy and contract claims:		
Life insurance	1,017,939	899,275
Accident and health insurance	88,632	97,056
Commissions, expenses, and taxes accrued and payable	159,784	117,817
Amounts due to reinsurers	212,202	140,641
Funds withheld on reinsurance ceded	3,375,837	3,011,224
Income tax due and accrued	133,135	221,322
Asset valuation reserve	24,655	14,254
Payables to parent, subsidiaries and affiliates	6,773	4,033
Other liabilities	562,566	614,876
Unauthorized reinsurance liability	13,353	7,071
Total liabilities	13,799,059	13,476,884
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 14)		
CAPITAL AND SURPLUS:		
Common capital stock — par value of $100 per share; 100,000 shares authorized; 25,000 shares issued and outstanding	2,500	2,500
Surplus notes	200,597	100,299
Additional paid-in-surplus	831,000	818,000
Unassigned surplus	494,790	495,750
Total capital and surplus	1,528,887	1,416,549
TOTAL	$ 15,327,946	$ 14,893,433

See notes to statutory-basis financial statements.

(Concluded)

May 26, 2011

May 26, 2011

RGA REINSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS AND CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
REVENUE:		
Premiums and annuity considerations	$2,225,929	$2,239,593
Net investment income	532,589	458,152
Commissions and expense allowances on reinsurance ceded	753,660	458,498
Adjustments on reinsurance ceded	(187,741)	(535,845)
Other income	81,082	73,642
Total revenue	3,405,519	2,694,040
BENEFITS AND EXPENSES:		
Policyholder benefits	2,227,391	1,995,532
Change in reserves for life and accident and health contracts	(232,873)	(686,875)
Commissions and expense allowances	1,043,524	829,668
General and administrative expenses and taxes	212,625	182,865
Total benefits and expenses	3,250,667	2,321,190
GAIN FROM OPERATIONS BEFORE DIVIDENDS AND INCOME TAX EXPENSE	154,852	372,850
DIVIDENDS TO POLICYHOLDERS	6,550	6,752
NET GAIN FROM OPERATIONS BEFORE INCOME TAX EXPENSE	148,302	366,098
INCOME TAX EXPENSE	56,805	219,503
NET GAIN FROM OPERATIONS	91,497	146,595
CAPITAL LOSSES — Net of income tax expense, and transfers to the interest maintenance reserve	(23,487)	(83,406)
NET INCOME	68,010	63,189

See notes to statutory-basis financial statements.

(Continued)

RGA REINSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF OPERATIONS AND CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
OTHER CAPITAL AND SURPLUS CHANGES:		
Change in net unrealized capital losses — net of income taxes	$ (20,906)	$ 7,961
Change in net deferred income tax	64,636	31,745
Change in nonadmitted assets and related items	(41,695)	35,076
Change in surplus as a result of reinsurance	25,976	123,043
Change in asset valuation reserve	(10,401)	(11,687)
Surplus contribution	13,000	58,000
Change in accounting principles	-	12,150
Change in surplus notes	100,298	-
Dividends to stockholders	(80,000)	-
Other items — net	(6,580)	(6,681)
Total other capital and surplus changes	44,328	249,607
NET CHANGE IN CAPITAL AND SURPLUS	112,338	312,796
CAPITAL AND SURPLUS — Beginning of year	1,416,549	1,103,753
CAPITAL AND SURPLUS — End of year	$ 1,528,887	$ 1,416,549

See notes to statutory-basis financial statements. (Concluded)

May 26, 2011

May 26, 2011

RGA REINSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
CASH FLOW FROM OPERATIONS:		
Cash received:		
Premiums and deposit-type funds	$3,057,961	$ 1,855,479
Net investment income	504,930	429,204
Reinsurance ceded and other income	733,470	671,276
Income taxes refunded	-	43,556
Total cash received from operations	4,296,361	2,999,515
Cash paid:		
Policyholder benefits and dividends to policyholders	1,982,327	972,972
Commissions, expenses, and taxes	1,215,414	1,039,470
Income taxes	145,127	-
Total operating charges paid	3,342,868	2,012,442
Net cash received from operations	953,493	987,073
CASH FLOW FROM INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	1,898,021	1,595,623
Common and preferred stocks	63,569	81,182
Mortgage loans on real estate	32,839	59,319
Other invested assets	26,483	4,727
Miscellaneous proceeds	4,625	7,918
Total investment proceeds	2,025,537	1,748,769
Cost of investments acquired:		
Bonds	2,433,311	2,687,302
Common and preferred stocks	22,284	52,818
Mortgage loans on real estate	132,801	84,107
Other invested assets	174,214	37,503
Net increase in loans to policyholders	66,215	39,850
Total cost of investments acquired	2,828,825	2,901,580
Net cash used in investments	(803,288)	(1,152,811)

See notes to statutory-basis financial statements.

(Continued)

RGA REINSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
CASH FLOW FROM FINANCING AND MISCELLANEOUS SOURCES:		
Surplus notes, capital and surplus paid-in	$ 113,000	$ 58,000
Borrowed funds	(226,550)	226,550
Net (withdrawals) deposits on deposit-type contracts	(200,000)	211,403
Other applications — net	53,245	(239,597)
Net cash (used in) from financing and miscellaneous sources	(260,305)	256,356
NET CHANGE IN CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS	(110,100)	90,618
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS — Beginning of year	321,098	230,480
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS — End of year	$ 210,998	$ 321,098

See notes to statutory-basis financial statements. (Concluded)

1. ORGANIZATION AND NATURE OF BUSINESS

RGA Reinsurance Company ("RGA Reinsurance" or the "Company") is a wholly owned subsidiary of Reinsurance Company of Missouri, Incorporated ("RCM"), which is a wholly owned subsidiary of Reinsurance Group of America, Incorporated ("RGA, Inc.").

The Company engages in U.S. life reinsurance and, to a lesser extent, in Canadian life reinsurance, and international life and disability 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statutory-Basis Accounting Practices — The accompanying statutory-basis financial statements were prepared in conformity with accounting practices prescribed or permitted by the Missouri Department of Insurance, Financial Institutions and Professional Registration (MDI). The MDI requires that insurance companies domiciled in the State of Missouri prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP), subject to any deviations as prescribed or permitted by the MDI. Accounting practices and procedures of the NAIC as prescribed or permitted by the MDI comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The effects on these financial statements of the differences between the statutory basis of accounting and GAAP are not reasonably determinable, however, the more significant of these variances from GAAP are:

(a) As the Company maintains an Asset Valuation Reserve (AVR), investments in bonds are reported at amortized cost, except for those with an NAIC designation of 6, which are reported at the lower of amortized cost or fair value. Under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's intent to sell or ability and intent to hold the securities.

(b) As the Company maintains an AVR, investments in preferred stocks rated NAIC 3 or higher are recorded at cost or amortized cost and preferred stocks rated NAIC 4 or lower are recorded at the lower of cost, amortized cost, or fair value. Under GAAP, preferred stocks are reported at fair value.

(c) Costs related to acquiring business, such as commissions, premium taxes and other items are charged to operations as incurred rather than being deferred and amortized in relation to the revenue/gross profit streams from the related contracts.

(d) Statutory-basis policy benefit reserves are based on statutory-basis mortality and interest assumptions without the consideration of withdrawals. Statutory-basis policy reserves generally differ from policy reserves under GAAP, which are based on the Company's estimates of mortality, interest, and withdrawals. The effect, if any, on reserves due to a change in reserve because of a change in valuation basis, is recorded directly to unassigned surplus rather than included in the determination of net gain from operations.

(e) Assets are included in the statutory-basis statements of admitted assets, liabilities, and capital and surplus at "admitted asset value", and "nonadmitted assets" are excluded through a charge or credit to surplus.

(f) The statutory-basis statements of admitted assets, liabilities, and capital and surplus are presented net of the effects of reinsurance.

(g) Additional liabilities are provided for reinsurance ceded to unauthorized reinsurers, which are not required for GAAP.

(h) Overdue amounts from reinsurers are non-admitted assets under NAIC SAP. Under GAAP, the overdue amount is recorded net of allowance for non-collection.

(i) The AVR, determined by formula, represents a reserve against possible losses on investments and is recorded as a liability through a charge to surplus. An AVR is not required for GAAP.

(j) Certain capital gains and losses resulting from the sale of debt securities may be subject to deferral as an interest maintenance reserve (IMR) and amortized through the stated maturity dates. An IMR is not required for GAAP.

(k) Investments in domestic life insurance subsidiaries and other subsidiaries and affiliates that have significant ongoing insurance related operations are carried at their net statutory-basis equity value with changes in value being recorded directly to surplus. Entities in which the reporting entity has a majority voting interest or is the primary beneficiary of a variable interest entity are not consolidated. Investments in noninsurance subsidiaries and affiliated entities that have significant ongoing operations beyond the holding of assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates are recorded based on the audited GAAP equity of the investee.

(l) Deferred income taxes are calculated on temporary differences between statutory-basis and tax-basis reporting (rather than the difference between GAAP and tax-basis reporting). In addition, under NAIC SAP, there are limitations as to the amount of deferred income tax assets that may be reported as admitted assets. Deferred income tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred income tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred income tax assets, electronic data processing (EDP) equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred income tax assets that can be offset against existing gross deferred income tax liabilities. The remaining deferred income tax assets are non-admitted. Deferred income taxes do not include amounts for state taxes. SSAP No. 10R, *Income Taxes — a Temporary Replacement of SSAP No. 10*, (SSAP 10R) has additional admissibility requirements that would allow additional deferred income tax assets to be admitted, however as of

December 31, 2010, the Company had not adopted the additional deferred tax admissibility criteria under paragraph 10e of SSAP 10R.

(m) Increases in surplus, net of federal income tax, resulting from the reinsurance of in-force blocks of business are identified separately as a surplus item and recognition of the surplus increase as income are reflected on a net of tax basis as earnings emerge from the business reinsured.

(n) Surplus notes are included as surplus rather than reflected as debt under GAAP.

(o) Statutory-basis financial statements do not provide for a statement of comprehensive income.

(p) Goodwill under GAAP is calculated as the difference between the cost of acquiring the entity and the fair value of the assets received and liabilities assumed. Under NAIC SAP, goodwill is calculated as the difference between the cost of acquiring the entity and the reporting entity's share of the historical book value of the acquired entity. However, under NAIC SAP, the total amount of goodwill recorded as an admitted asset is limited to 10% of the Company's current capital and surplus adjusted to exclude goodwill, EDP equipment, operating system software, and net deferred income tax assets. Under GAAP, goodwill is not amortized. Under NAIC SAP, goodwill is amortized on a straight-line basis over a period of ten years.

As of December 31, 2010 and 2009, only one MDI prescribed accounting practice differing from the NAIC SAP was applicable to the Company's statutory-basis financial statements. Specifically, the MDI requires that surplus note interest accrued but not approved for payment be reported as a direct reduction of surplus and an addition to the surplus note balance. Under NAIC SAP, surplus note interest is not to be reported until approved for payment and is reported as a reduction of net investment income in the Statement of Operations. The MDI has the right to permit other specific practices that deviate from NAIC SAP.

There were no differences between the Company's reported net income or surplus under NAIC SAP and practices prescribed and permitted by the MDI at December 31, 2010 and 2009.

Revenues and Expenses — Life premiums are reflected as earned on the policy anniversary date. Accident and health premiums are reported as revenue when due and earned on a pro rata basis over the period covered by the policy. Deferred life premiums represent modal premiums (other than annual) to be billed in the year subsequent to the commencement of the policy year. Uncollected premiums represent premiums receivable that are more than 90 days past due. Expenses, including acquisition costs related to acquiring new business, are charged to operations as incurred. Investment income is recognized as earned.

Investments — Investment securities are valued as prescribed by the NAIC. Bonds with a NAIC designation of 5 or higher are stated at amortized cost. Bonds with a NAIC designation of 6 are stated at the lower of fair value or amortized cost. Bonds are amortized using the scientific to worst method. The retrospective adjustment method is used to value all securities except where the yield had become negative or loan-backed securities that have been impaired. Interest only securities or securities where the yield has become negative are valued using the prospective method. For loan-backed securities, the retrospective adjustment method is used except in the case of a security with a recognized other-than-temporary impairment. Bonds that have been other-than-temporarily impaired are carried at their impaired value and will be evaluated in subsequent periods. If there is a significant increase in cash flows expected to be collected, such changes will be accounted for as a prospective adjustment to the accretable yield.

Common stocks are stated at fair value, except for investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more, which are carried on the equity basis.

Preferred stocks with a NAIC designation of 3 or higher are stated at amortized cost. Preferred stocks with a NAIC designation lower than 3 are stated at the lower of fair value or amortized cost.

Mortgage loans on real estate are stated at the balance of unpaid principal, net of any unamortized premium or discount and less any valuation allowance.

Policy loans are carried at the outstanding principal balance. 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.

Other invested assets are comprised of investments in limited partnerships, receivables for securities, other long-term assets and derivative instruments which include interest rate swaps, consumer price index swaps, credit default swaps, and equity options. Investments in limited partnerships are recorded at net asset value and investments in receivables for securities and other long-term assets are recorded at cost. Derivative instruments that qualify as fair value hedges are carried at amortized cost and derivative instruments used in hedging transactions that do not meet the criteria of an effective hedge are reported at fair value.

The Company's investment in Reinsurance Partners, Inc. common stock is recorded on the statutory-basis equity method and is included in common stocks — affiliates on the statutory-basis statements of admitted assets, liabilities, and capital and surplus.

Investment income is recognized as it accrues or is legally due. All investment income due and accrued that is over 90 days past due is excluded from surplus. Realized gains and losses on sales of investments are included in net income, net of amounts transferred to the IMR, as are write-downs of securities where declines in value are deemed to be other-than-temporary. The cost of investment securities sold is determined based upon the specific identification method. Unrealized gains and losses on stocks are reflected as a direct charge to surplus.

Cash and bonds on deposit with regulatory authorities were $8.7 million and $8.0 million as of December 31, 2010 and 2009, respectively. Cash, bonds and mortgage loans of $2.1 billion and $1.9 billion were held in trust to satisfy collateral requirements for reinsurance business as of December 31, 2010 and 2009, respectively. Bonds in the amount of $245.2 million and bonds and mortgage loans in the amount of $696.4 million were pledged to the Federal Home Loan Bank as collateral against future borrowings as of December 31, 2010 and 2009, respectively. Bonds of $3.4 million were posted as collateral to counterparties in connection with the Company's derivative instruments as of December 31, 2010.

Certain capital gains and losses realized on the sale of invested assets which resulted from changes in the level of interest rates are recorded in an IMR, net of related income taxes. The IMR is amortized into operating income over the approximate remaining maturities of the investments sold. Certain other realized gains and losses from the sale or decrease in valuation basis due to change in credit quality of invested assets are presented separately from operating income, net of applicable income taxes.

The NAIC has established an AVR for the potential losses on investments. This reserve is maintained for the purpose of stabilizing surplus against the effect of fluctuations in the value of certain bond, stock, mortgage loan, and real estate investments by a direct charge to surplus.

Impairment losses on preferred stock securities are considered to be other-than-temporary when the Company believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the security. A decline in fair value which is deemed to be other-than-temporary includes situations where the Company has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a preferred stock is other-than-temporary, an impairment loss is recognized as a realized loss equal to the entire difference between the preferred stock's carrying value and its fair value at the balance sheet date.

The way in which impairment losses on bonds are recognized in the statutory-basis financial statements is dependent on the facts and circumstances related to the specific security and the type of bond. If the Company intends to sell a bond or it is more likely than not that it would be required to sell a bond before the recovery of its amortized cost, it recognizes an other-than-temporary impairment (OTTI) in earnings equal to the difference between the security's fair value and amortized cost. Further, for non-loan-backed securities, the Company determines if the decline in value is only interest related and if so, an OTTI is not recognized as long as the Company does not have the intent to sell. If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the non-loan-backed security or if other factors such as the length of time and extent to which fair value has been less than cost, compliance with covenants, general market conditions or if the financial condition and short-term prospects of the issuer indicate that an OTTI should be recorded, the Company records an OTTI equal to the difference between the security's fair value and amortized cost in earnings. For loan-backed securities, the Company compares the present value of expected future cash flows to amortized cost. If amortized cost exceeds the present value of the futures cash flows, an OTTI is recognized in earnings equal to the difference between the present value of expected future cash flows and amortized cost. 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. Non-interest related OTTI losses are recorded through the AVR. If a security is written down to fair value due to the intent to sell or the Company does not have the intent and ability to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, the non-interest related portion of the OTTI loss is recorded through the AVR and the interest related OTTI is recorded through the IMR.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the mortgage agreement. The Company measures impairments of mortgage loans based on the fair value of the collateral less estimated costs to obtain and sell. The difference between the net value of the collateral and the recorded investment in the mortgage loan is recognized as an impairment by establishing a valuation allowance with a corresponding charge to unrealized gain or loss or by adjusting an existing valuation for the impaired loan with a corresponding charge to unrealized gain or loss. The unrealized gain or loss on impairment is included in the calculation of the AVR. If the impairment is other than temporary, a direct write down shall be recognized as a realized loss, and a new cost basis is established.

Other Assets — Other assets are primarily composed of the cash surrender value of corporate owned life insurance and electronic data processing (EDP) equipment and operating software. EDP equipment and operating software is recorded at cost less accumulated depreciation. Depreciation is charged to operations using the straight-line method, generally over three years. Maintenance and repairs are charged to expense as incurred.

Funds Withheld on Reinsurance Assumed — Funds withheld on reinsurance assumed represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. Interest accrues on these assets at rates defined by the treaty terms.

Policy Reserves — The liability for future life policy benefits is based on statutory mortality and interest requirements without consideration of withdrawals. The liability for future policy benefits on interest sensitive products is not less than the cash value of the contracts. The mortality table and interest assumptions currently being used on the majority of new ordinary life policies is the 2001 Commissioners Standard Ordinary (CSO) table, with the 2001 CSO Preferred Structure set of tables applicable to US term coinsurance, with 4.0% interest, using the reserve methodology specified under the Valuation of Life Insurance Policies regulation (XXX) for policies issued January 1, 2000 and later, floored at the unearned modal tabular cost of insurance. With respect to the majority of ordinary life policies issued prior to January 1, 2000, the mortality table and interest assumptions are primarily from the 1958 and 1980 CSO tables with 2.0% to 6.0% interest, using a unitary methodology floored at the unearned modal tabular cost of insurance.

Future policy benefits on accident and health insurance are generally based on unearned premiums computed on a pro rata basis as well as prescribed morbidity tables, such as the 1985 Commissioner's Individual Disability table for disability business. The Company also provides a liability for accident and health claims which represents an estimate of the ultimate cost of unpaid claims incurred through December 31 of each year.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves. All policies issued or assumed by the Company with ratings based upon multiple mortality tables have an extra reserve equal to one-half of the extra premium. The Company had approximately $1.1 billion of insurance in force and $0.6 million of reserves, and $1.4 billion of insurance in force and $0.7 million of reserves, at December 31, 2010 and 2009, respectively, for which the gross premiums are less than the net premiums according to the standard valuation set by the MDI. The Tabular Interest, Tabular Less Actual Reserve Released, and Tabular Cost have been calculated on a theoretical basis as described in the NAIC annual statement instructions. The Company had no other increases in reserves because of valuation changes or other increases (net). Management believes this liability will be adequate to cover such costs; however, the ultimate liability may be more or less than the estimated liability.

Income Taxes — Income taxes are charged to operations based on the Company's income that is currently taxable. Deferred taxes are established for the tax effects of temporary differences between the statutory-basis financial reporting and tax bases of assets and liabilities.

Additional Information Regarding Statements of Cash Flow — Cash, cash equivalents and short-term investments include cash on deposit and highly liquid investments with an original maturity of one year or less.

Foreign Currency Translation — The translation of the foreign currency into U.S. dollars is performed for asset and liability accounts using current exchange rates in effect at the statutory-basis financial statement date and for revenue and expense accounts using a weighted-average exchange rate for each year. Gains or losses resulting from such translation are included in unrealized capital gains or losses. The Company's material foreign functional currencies are the Australian dollar, Canadian dollar, Japanese yen and Korean won.

Statutory-Basis Fair Value of Financial Instruments — The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Bonds, Preferred Stocks and Common Stocks — non-affiliates — The statutory-basis fair values for bonds, preferred stocks, and common stocks — non-affiliates have been determined by using available market information and the valuation methodologies described in Note 6 to the statutory-basis financial statements. 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. Publicly traded bonds are valued based upon quoted market prices or estimates from independent pricing services. Private placement bonds 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 statutory-basis fair values of loan-backed bonds are estimated using values obtained from independent pricing services and based on expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments.

Mortgage Loans on Real Estate — The statutory-basis fair values for mortgage loans are estimated using discounted cash flow calculations that are based on interest rates currently being offered for similar loans to borrowers with similar credit ratings, credit quality, and maturity of the investments. Loans that exceed 100% loan-to-value are valued at the estimated fair value of the underlying collateral.

Policy Loans — Policy loans typically carry an interest rate that is adjusted annually based on a market index and therefore carrying value approximates fair value.

Derivatives — The statutory-basis fair values for derivative instruments are determined using standard market valuation techniques, including published swap curves and other available market data.

Cash, Cash Equivalents, Short-Term Investments — The carrying amounts for these instruments approximate their statutory-basis fair values.

Other Invested Assets — The fair value of limited partnerships included in other invested assets is based on net asset values.

Liability for Deposit-Type Contracts — The statutory-basis fair values for liabilities under deposit-type contracts are estimated using discounted cash flow calculations, which are based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

Management's Estimates — The preparation of statutory-basis financial statements in accordance with statutory-basis accounting principles requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts that the Company deems to be sensitive to changes in estimates include premiums deferred and uncollected, policy reserves, policy and contract claims, provision for adverse litigation, valuation of investment impairments and income taxes. In all instances, actual results could differ from management's estimates.

Recent Statutory-Basis Accounting Pronouncements — In October 2010, the NAIC issued SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets – Revised.* SSAP 5R is effective for reporting periods ending on or after December 31, 2011. SSAP 5R requires the recognition, at the inception of a guarantee, of a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. The adoption of this statement is not expected to have a significant impact on the Company's statutory-basis financial statements.

In October 2010, the NAIC issued SSAP No. 35R, *Guaranty Funds and Other Assessments – Revised.* SSAP 35R is effective for reporting periods ending on or after January 1, 2011. SSAP 35R modifies the conditions required before recognizing liabilities for insurance-related assessments. The adoption of this statement is not expected to have a significant impact on the Company's statutory-basis financial statements.

In May 2010, the NAIC issued SSAP No. 91R, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – Revised.* SSAP 91R is effective for reporting periods ending on or after December 31, 2010. SSAP 91R updates securities lending accounting, reporting and disclosures. The adoption of this statement did not have a significant impact on the Company's statutory-basis financial statements.

In December 2009, the NAIC issued Statement of Statutory Accounting Principles (SSAP) No. 100, *Fair Value Measurements* (SSAP 100). SSAP 100 is effective for reporting periods ending on or after December 31, 2010. SSAP 100 defines fair value, establishes a framework for measuring fair value and establishes disclosure requirements about fair value. The adoption of this statement did not have a significant impact on the Company's statutory-basis financial statements. See Note 6 – Statutory-Basis Fair Value of Financial Instruments for the new required disclosures.

In November 2009, the NAIC issued SSAP No. 10R, *Taxes – Revised, A Temporary Replacement of SSAP No. 10* (SSAP 10R). SSAP 10R is effective only for December 31, 2009 annual financial statements and 2010 interim and annual financial statements. In October 2010, SSAP 10R was extended one year to include 2011. SSAP 10R modifies two components of the admission calculation that may be utilized by certain reporting entities subject to risk-based capital requirements that meet certain risk-based capital thresholds. The adoption of this statement did not have a significant impact on the Company's statutory-basis financial statements. See Note 7 – Federal Income Taxes for additional information.

In September 2009, the NAIC issued SSAP No. 43R, *Loan-backed and Structured Securities – Revised* (SSAP 43R). SSAP 43R is generally effective for reporting periods ending on or after September 30, 2009. SSAP 43R revises accounting and reporting for investments in loan-backed securities and structured securities. The adoption of this statement resulted in a $12.1 million increase to surplus in the Company's statutory-basis financial statements.

Change in Accounting Principle — As a result of the Company's application of SSAP 43R, the Company recognized a $12.1 million increase in surplus reported as an adjustment to the balance of unassigned funds (surplus) as of July 1, 2009.

3. INVESTMENTS

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

	2010	2009
Bonds (including IMR amortization)	$413,823	$348,062
Preferred stocks	8,890	11,468
Mortgage loans on real estate	50,793	46,242
Loans to policyholders	69,026	68,212
Cash, cash equivalents, and short-term investments	1,672	2,547
Other	22,608	3,963
Gross investment income (including IMR amortization)	566,812	480,494
Investment expenses	21,622	15,032
Interest and depreciation expense	12,601	7,310
Net investment income	$532,589	$458,152

Bonds and Preferred Stocks — The carrying value and estimated fair values of the Company's bond and preferred stock investments at December 31, 2010 and 2009, by category, are as follows (in thousands):

	2010			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate securities	$4,122,107	$ 328,369	$ 37,103	$4,413,373
U.S. government and agencies	152,753	7,746	527	159,972
State and local governments and agencies	129,988	1,968	4,350	127,606
Canadian and Canadian provincial governments	6,979	540	-	7,519
Mortgage-backed/asset-backed securities	1,780,308	103,302	48,596	1,835,014
Hybrids	189,177	4,766	14,835	179,108
Other foreign government	177,763	1,124	6,754	172,133
Total bonds	$6,559,075	$ 447,815	$112,165	$6,894,725
Preferred stocks	$ 94,472	$ 2,350	$ 2,827	$ 93,995

	2009			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate securities	$3,401,192	$ 213,699	$ 62,897	$3,551,994
U.S. government and agencies	517,270	10,379	9,369	518,280
State and local governments and agencies	96,408	273	15,588	81,093
Canadian and Canadian provincial governments	6,351	350	-	6,701
Mortgage-backed/asset-backed securities	1,649,544	27,353	196,729	1,480,168
Hybrids	175,624	2,865	22,868	155,621
Other foreign government	128,704	377	10,195	118,886
Total bonds	$5,975,093	$ 255,296	$317,646	$5,912,743
Preferred stocks	$ 124,934	$ 2,256	$ 8,455	$ 118,735

As of December 31, 2010, the Company did not have an investment in a single issuer, excluding investments issued or guaranteed by the U.S. government, with a carrying value that exceeded 10% of the Company's capital and surplus. As of December 31, 2009, excluding investments issued or guaranteed by the U.S. government, the Company held securities with a carrying value of $162.7 million issued by the Federal National Mortgage Corporation and $159.1 million issued by the Federal Home Loan Mortgage Corporation and $138.3 million issued by the Bank of New York Mellon Corporation, all of which exceeded 10% of the Company's capital and surplus.

The carrying and estimated fair values of the Company's bond investments at December 31, 2010, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without penalties (in thousands):

	Carrying Value	Estimated Fair Value
Due in one year or less	$ 109,788	$ 111,501
Due after one year through five years	879,942	926,104
Due after five years through ten years	2,237,162	2,381,837
Due after ten years	1,551,875	1,640,269
Mortgaged-backed/asset-backed securities	1,780,308	1,835,014
Total	$6,559,075	$6,894,725

Proceeds from the sales and maturities of bonds were $1.9 billion and $1.6 billion in 2010 and 2009, respectively. Gross gains of approximately $67.5 million and $61.3 million and gross losses of $11.8 million and $42.8 million were realized on these sales in 2010 and 2009, respectively.

Proceeds from sales of common and preferred stocks were $63.6 million and $81.2 million in 2010 and 2009, respectively. Gross gains of approximately $3.6 million and $7.8 million and gross losses of $2.1 million and $11.6 million were realized on these sales in 2010 and 2009, respectively.

The cost of investments sold is generally determined on a first-in, first-out method and includes the effects of any related amortization of premium or accretion of discount. Realized capital gains and losses are reported net of income taxes and exclude $60.0 million and $12.8 million of pre-tax capital gain transferred into the IMR in 2010 and 2009, respectively.

The following table presents the total gross unrealized losses for 416 and 678 bonds and preferred stocks as of December 31, 2010 and 2009, respectively, where the estimated fair value had declined and remained below carrying value by the indicated amount (in thousands):

	At December 31, 2010		At December 31, 2009	
	Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses	Percent of Total
Less than 20%	$ 63,080	55 %	$ 138,433	42 %
20% or more for less than six months	10,509	9	-	-
20% or more for six months or greater	41,403	36	187,668	58
Total	$ 114,992	100 %	$ 326,101	100 %

As of December 31, 2010 and 2009, there were no gross unrealized losses on common stocks — non-affiliates.

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 416 and 678 bonds and preferred stocks that have estimated fair values below carrying value as of December 31, 2010 and 2009, respectively. These investments are presented by class and grade of security. The length of time the related estimated fair value has remained below carrying value is provided for bonds and preferred stock securities as of December 31, 2010 and 2009 (in thousands).

	As of December 31, 2010					
	Less than 12 months		Equal to or Greater Than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Bonds:						
Corporate securities	$587,682	$18,828	$110,914	$10,348	$ 698,596	$ 29,176
Hybrid securities	1,900	78	84,678	12,645	86,578	12,723
U.S. government and agencies	8,948	527	-	-	8,948	527
State and local governments and agencies	55,653	2,062	11,512	2,288	67,165	4,350
Mortgage-backed/asset-backed securities	133,333	3,676	109,599	13,208	242,932	16,884
Other foreign government securities	86,495	796	49,455	5,958	135,950	6,754
Total bonds	874,011	25,967	366,158	44,447	1,240,169	70,414
Preferred stocks	16,382	748	14,036	1,528	30,418	2,276
Total investment grade securities	890,393	26,715	380,194	45,975	1,270,587	72,690
Non-investment grade securities:						
Bonds:						
Corporate securities	53,522	1,621	53,218	6,305	106,740	7,926
Hybrid securities	-	-	19,784	2,112	19,784	2,112
Mortgage-backed/asset-backed securities	-	-	78,321	31,713	78,321	31,713
Total bonds	53,522	1,621	151,323	40,130	204,845	41,751
Preferred stocks	4,781	162	5,561	389	10,342	551
Total non-investment grade securities	58,303	1,783	156,884	40,519	215,187	42,302
Total	$948,696	$28,498	$537,078	$86,494	$1,485,774	$114,992

	As of December 31, 2009					
	Less than 12 months		Equal to or Greater Than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Bonds:						
Corporate securities	$ 879,531	$ 39,376	$ 29,085	$ 11,698	$ 908,616	$ 51,074
Hybrid securities	73,162	9,573	18,064	7,993	91,226	17,566
U.S. government and agencies	282,778	9,255	-	-	282,778	9,255
State and local governments and agencies	65,591	12,224	1,296	454	66,887	12,678
Mortgage-backed/asset-backed securities	765,231	57,272	49,639	35,948	814,870	93,220
Other foreign government securities	100,373	10,195	-	-	100,373	10,195
Total bonds	2,166,666	137,895	98,084	56,093	2,264,750	193,988
Preferred stocks	47,511	4,036	5,337	1,819	52,848	5,855
Total investment grade securities	2,214,177	141,931	103,421	57,912	2,317,598	199,843
Non-investment grade securities:						
Bonds:						
Corporate securities	158,139	10,838	5,764	2,012	163,903	12,850
Hybrid securities	16,806	1,326	7,050	2,949	23,856	4,275
State and local governments and agencies	-	-	5,170	2,911	5,170	2,911
Mortgage-backed/asset-backed securities	43,608	20,944	48,542	82,678	92,150	103,622
Total bonds	218,553	33,108	66,526	90,550	285,079	123,658
Preferred stocks	19,957	2,461	527	139	20,484	2,600
Total non-investment grade securities	238,510	35,569	67,053	90,689	305,563	126,258
Total	$2,452,687	$177,500	$170,474	$148,601	$2,623,161	$326,101

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, and future outlook support the view that the security was not other-than-temporarily impaired as of December 31, 2010. Impairment losses on preferred stock securities are considered to be other-than-temporary when the Company believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the security. A decline in fair value that is deemed to be other-than-temporary includes situations where the Company has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a preferred stock is other-than-temporary, an impairment loss is recognized as a realized loss equal to the entire difference between the preferred stock's carrying value and its fair value at the balance sheet date. If the Company intends to sell a bond or it is more likely than not that it would be required to sell a bond before the recovery of its amortized cost, it recognizes an other-than-temporary impairment (OTTI) in earnings equal to the difference between the security's fair value and amortized cost. Further, for non-loan-backed securities, the Company determines if the decline in value is only interest related and if so, an OTTI is not recognized, assuming the Company does not have the intent to sell the security. If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the non-loan-backed security or if other factors such as the length of time and extent to which fair value has been less than cost, compliance with covenants, general market conditions or if the financial condition and short-term prospects of the issuer indicate that an OTTI should be recorded, the Company records an OTTI equal to the difference between the security's fair value and amortized cost in earnings. For loan-backed securities, the Company compares the present value of expected future cash flows to amortized cost. If amortized cost exceeds the present value of the future cash flows an OTTI is recognized in earnings equal to the difference between the present value of expected future cash flows and amortized cost. The unrealized losses are primarily a result of rising interest rates, changes in credit spreads and the long-dated maturities of the securities.

The Company realized losses of $17.4 million and $72.7 million resulting from other-than-temporary impairments of bonds during 2010 and 2009, respectively. The Company realized no losses from other-than-temporary impairments of preferred stock in 2010 and $9.5 million of losses from other-than-temporary impairments of preferred stock in 2009.

Subprime Mortgage Related Risk Exposure — In practice, the Company defines its exposure to subprime mortgage related risk with respect to residential mortgage backed securities classifying borrowers with a FICO score of 640 or less as either Residential B or Residential C borrowers. Pooled transactions are classified as subprime if they have average FICO scores of 640 or less, generally showing a distribution of FICO ranges from the low 500s to 800 in a more or less normal distribution. When classifying investments as subprime related, the Company includes traditional first mortgage loan pools as well as home equity loan pools and other, esoteric asset structures, including collateralized debt obligations (CDOs) and collateralized bond obligations (CBOs), where the underlying collateral fits the description above. The Company further noted that many home equity loan pools originated in the last 4 years are substantially of subprime quality collateral. This is due to the tendency of subprime borrowers to finance their 20% equity down payments behind the conforming 80% loan to value first mortgage lien.

Substantially all unrealized losses to this point are due to continued poor collateral performance and lack of recovery in the residential mortgage market nationwide. The Company recorded other-than-temporary impairments related to subprime investments of $3.3 million and $13.2 million during 2010 and 2009, respectively. When evaluating the risks from subprime-related securities, the Company bases its evaluation on cash-flow modeling, which includes assumptions for rates of default, loss severity and prepayment experience. As such, the Company expects no revisions at this time to cash-flow loss expectations, which the Company believes to be immaterial. Further, the Company does not expect to become a forced seller of securities based on, among other factors, overall level of capitalization, the size of our subprime holdings relative to other assets, and the Company's access to alternative sources of liquidity.

As of December 31, 2010 and 2009, respectively, the Company held investments in securities with subprime mortgage exposure with amortized costs totaling \$25.3 million and \$36.2 million and estimated fair values of \$22.7 million and \$23.2 million. Those amounts include exposure to subprime mortgages through securities held directly in the Company's investment portfolios. The securities are highly rated with a credit rating on an S&P scale of approximately "A" at December 31, 2010 and "A-" at December 31, 2009. Additionally, the Company has largely avoided investing in securities originated in the second half of 2005 and beyond, which management believes was a period of lessened underwriting quality. The majority of the Company's holdings are originations from 2005 and prior periods. Although many subprime investments were downgraded during 2008, the Company still maintains a high credit quality for this portfolio.

The following tables summarize the securities by rating and underwriting year at December 31, 2010 and 2009 (in thousands):

	December 31, 2010					
	AAA		AA		A	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
2004 and Prior	\$3,124	\$2,996	\$3,043	\$2,846	\$ 3,981	\$ 3,849
2005	1,375	1,271	2,196	2,199	2,505	2,260
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
Total	\$4,499	\$4,267	\$5,239	\$5,045	\$ 6,486	\$ 6,109

	BBB		Below Investment Grade		Total	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
2004 and Prior	\$ 877	\$ 877	\$1,955	\$1,274	\$12,980	\$11,842
2005	1,435	1,029	2,295	1,281	9,806	8,040
2006	-	-	2,152	2,507	2,152	2,507
2007	-	-	313	331	313	331
2008	-	-	-	-	-	-
Total	\$2,312	\$1,906	\$6,715	\$5,393	\$25,251	\$22,720

	December 31, 2009					
	AAA		AA		A	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
2003 and Prior	$ 5,002	$ 4,126	$ 1,841	$ 1,438	$ 3,993	$ 2,436
2004	-	-	-	-	-	-
2005	5,114	3,641	2,506	1,836	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
Total	$ 10,116	$ 7,767	$ 4,347	$ 3,274	$ 3,993	$ 2,436

	BBB		Below Investment Grade		Total	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
2003 and Prior	$ 975	$ 431	$ 1,906	$ 1,116	$ 13,717	$ 9,547
2004	-	-	-	-	-	-
2005	521	521	382	382	8,523	6,380
2006	4,997	1,506	4,566	2,562	9,563	4,068
2007	-	-	4,419	3,167	4,419	3,167
Total	$ 6,493	$ 2,458	$ 11,273	$ 7,227	$ 36,222	$ 23,162

Federal Home Loan Bank Agreements — The Company is a member of the Federal Home Loan Bank of Des Moines (FHLB). While the Company occasionally enters into traditional funding agreements with the FHLB, it did not have any outstanding traditional funding agreements with the FHLB at December 31, 2010 or 2009. During 2010 and 2009, the Company entered into a funding agreement with the FHLB under a guaranteed investment contract whereby the Company issued the funding agreement in exchange for cash and for which the FHLB has been granted a blanket lien on the Company's commercial mortgage-backed securities used to collateralize the Company's obligations under the funding agreement. In 2009, the company also added mortgage loans to the FHLB blanket lien used to collateralize the Company's obligations under the funding agreement.

The Company maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The funding agreement and the related security agreement represented by this blanket lien provides that upon any event of default by the Company, the FHLB's recovery is limited to the amount of the Company's liability under the outstanding funding agreement.

The Company held common stock totaling $18.9 million and $27.8 million at December 31, 2010 and 2009, respectively, of which $8.9 million and $17.8 million represented stock activity related to borrowings.

The Company had pledged collateral in the amount of $245.2 million and $696.4 million at December 31, 2010 and 2009, respectively.

The Company had $26.9 million and $475.2 million available as total borrowing/funding capacity at December 31, 2010 and 2009, respectively.

The amount of the Company's liability for the funding agreements with the FHLB under guaranteed investment contracts was $199.3 million and $399.3 million at December 31, 2010 and 2009, respectively, which is reflected as a deposit fund liability. The advance on this agreement was collateralized primarily by commercial mortgage-backed securities during 2010 and 2009 as well as commercial mortgage loans during 2009.

Mortgage Loans — 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% or less. The minimum and maximum interest rates on new commercial loans in 2010 were 5.00% and 6.62%, respectively.

As of December 31, 2010 and 2009, the Company's mortgage loans were distributed as follows (in thousands):

	2010		2009	
States	**Carrying Value**	**Percent of Total**	**Carrying Value**	**Percent of Total**
Alabama	$ 16,861	1.9%	$ 17,291	2.2 %
Arizona	43,350	4.9	43,926	5.6
California	205,641	23.4	175,001	22.3
Colorado	38,988	4.4	28,818	3.7
Florida	82,409	9.4	89,016	11.3
Georgia	43,674	5.0	46,985	6.0
Illinois	37,076	4.2	46,176	5.9
Indiana	5,271	0.6	5,867	0.7
Iowa	2,972	0.3	3,036	0.4
Kansas	20,294	2.3	21,093	2.7
Maine	8,210	0.9	8,510	1.1
Maryland	14,827	1.7	15,146	1.9
Massachusetts	20,929	2.4	21,265	2.7
Michigan	12,305	1.4	12,507	1.6
Missouri	47,013	5.3	41,500	5.3
Nevada	9,351	1.1	9,647	1.2
New Hampshire	2,262	0.3	2,279	0.3
New Jersey	28,075	3.2	28,860	3.7
New York	34,978	4.0	22,717	2.9
North Carolina	16,573	1.9	17,167	2.2
Ohio	3,338	0.4	3,431	0.4
Oklahoma	4,300	0.5	5,051	0.6
Oregon	19,512	2.2	15,148	1.9
Pennsylvania	20,791	2.4	6,037	0.8
Rhode Island	4,778	0.5	4,928	0.6
South Carolina	5,673	0.6	5,946	0.8
Tennessee	24,860	2.8	3,466	0.4
Texas	47,050	5.3	23,875	3.0
Utah	4,653	0.5	4,722	0.6
Virginia	46,957	5.3	47,094	6.0
Washington	7,021	0.8	7,178	1.0
Wisconsin	-	-	2,010	0.2
Total	$ 879,992	100.0 %	$ 785,693	100.0 %

Property Type	2010 Carrying Value	2010 Percent of Total	2009 Carrying Value	2009 Percent of Total
Apartment	$ 93,042	10.6 %	$ 72,041	9.1 %
Retail	249,320	28.3	218,940	27.9
Office Building	257,989	29.3	229,126	29.2
Industrial	227,868	25.9	231,567	29.5
Other Commercial	51,773	5.9	34,019	4.3
Total	$ 879,992	100.0 %	$ 785,693	100.0 %

The carrying value of the Company's mortgage loans by maturity at December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009
Due in one year through five years	$ 408,945	$ 309,690
Due after five years	396,275	433,744
Due after ten years	74,772	42,259
Total	$ 879,992	$ 785,693

The estimated fair value of the Company's mortgage loan portfolio at December 31, 2010 and 2009, was approximately $926.8 million and $785.8 million, respectively. There were seven and six restructured loans in the amount of $19.2 million and $9.6 million at December 31, 2010 and 2009, respectively. The Company had two loans in the amount of $7.0 million with interest overdue greater than 180 days at December 31, 2010, and one loan in the amount of $4.5 million with interest overdue greater than 180 days at December 31, 2009.

The Company has established an internal credit risk grading process for the commercial mortgage loan portfolio. The internal risk rating model is used to estimate the probability of default and the likelihood of loss upon default. The rating scale ranges from "high investment grade" to "in or near default " with high investment grade being the highest quality and least likely to default and lose principal. Likewise, a rating of in or near default indicates the lowest quality and most likely to default and lose principal. All loans are assigned a rating at origination and ratings are updated at least annually. Lower rated loans appear on the Company's watch list and are re-evaluated more frequently. The debt service coverage ratio and the loan to value ratio are the most heavily weighted factors in determining the loan rating. Other factors involved in determining the final rating are loan amortization, tenant rollover, location and market stability, and borrower's financial condition and experience. Information regarding the Company's credit quality indicators for mortgage loans as of December 31, 2010 are as follows (in thousands):

	2010
Internal credit risk grade:	
High investment grade	$ 205,127
Investment grade	579,999
Average	38,152
Watchlist	44,208
In or near default	12,506
	$ 879,992

The age analysis of the Company's past due mortgage loan receivables as of December 31, 2010 is as follows (in thousands):

	2010
31-60 days past due	$ -
61-90 days past due	-
Greater than 90 days	10,413
Total past due	10,413
Current	869,579
Total mortgage loans receivable	$ 879,992

A mortgage loan is considered to be impaired when, based on the current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the mortgage agreement. The Company measures impairments on mortgage loans based on the fair value of the collateral less estimated costs to obtain and sell. The difference between the net value of the collateral and the recorded investment in the mortgage loan is recognized as an impairment and a valuation allowance is recorded with a corresponding charge to unrealized loss. If the impairment is other than temporary, a direct write down shall be recognized as a realized loss, and a new cost basis is established. Charge-offs are defined as a loan that was permanently written-down. Information regarding the Company's loan valuation allowances for mortgage loans as of December 31, 2010 and 2009 are as follows (in thousands):

	2010	2009
Balance at January 1,	$ 5,784	$ 526
Charge-offs	(1,661)	(2,669)
Provisions	455	7,927
Balance at December 31,	$ 4,578	$ 5,784

As of December 31, 2010 and 2009, the Company held 10 and 9 impaired loans, respectively. The Company accrued interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis. The Company's average investment in impaired loans was $3.6 million and $3.3 million as of December 31, 2010 and 2009, respectively. Interest income on impaired loans was $0.8 million for each of the years ended December 31, 2010 and 2009.

Information regarding the portion of the Company's mortgage loans that were impaired as of December 31, 2010 and 2009 are as follows (in thousands):

	2010	2009
Impaired loans with valuation allowances	$ 14,041	$ 14,967
Impaired loans without valuation allowances	19,944	14,317
Subtotal	33,985	29,284
Less valuation allowances on impaired loans	(4,578)	(5,784)
Impaired loans	$ 29,407	$ 23,500

The Company did not foreclose on any commercial mortgage loans during 2010. The Company foreclosed on two commercial mortgage loans during 2009 and acquired real estate in the amount of $8.9 million.

Derivative Instruments — Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). With an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional principal amount. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments to be made by the counterparty at each due date.

Consumer Price Index (CPI) swaps are used by the Company primarily to economically hedge liabilities embedded in certain insurance products assumed by the Company whose value is directly affected by changes in a designated benchmark consumer price index. With a CPI swap transaction, the Company agrees with another party to exchange the actual amount of inflation realized over a specified period of time for a fixed amount of inflation determined at inception. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments to be made by the counterparty at each due date. Most of these swaps will require a single payment to be made by one counterparty at the maturity date of the swap.

The Company uses credit default swaps to reduce (hedge) its risk against specific credit exposure. The swaps are used to reduce exposure against specific corporate issuers as a better alternative to sell bonds from these issuers in a less liquid market. If the cash bond defaults, the credit default swap should pay the difference to the Company between par and the value of this bond. Price changes in the value of the cash bond from changes in creditworthiness should be offset by price changes in the value of the swap.

The Company also entered into credit default swaps to hedge the credit spreads on future security purchases. As a reinsurance company, the Company often guarantees the return on new reinsurance deals or acquisitions before cash is actually received. In order to earn the credit spreads at the time these yields become guaranteed, the Company enters into swaps and removes them as the funds are received and invested. These credit default swaps are over-the-counter instruments in which the Company receives payments at specified intervals to insure credit risk on a portfolio of 125 U.S. investment-grade securities. Generally, if a credit event, as defined by the contract, occurs, the contract will require the swap to be settled gross by the delivery of par quantities or value of the referenced investment securities equal to the specified swap notional amount in exchange for the payment of cash amounts by the Company equal to the par value of the investment security surrendered. In practice, cash settlements are more likely to happen where the Company will not take possession of the cash bonds but will simply pay the difference between the par value and the value of such bonds following the credit event. While such instruments were held during 2010, the Company had no positions outstanding as of December 31, 2010.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products. To hedge against adverse changes in equity indices volatility, the Company buys put options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price. For positions in which the hedged risk has been retroceded to an affiliated company, the Company enters into offsetting option positions with the affiliated companies.

The Company holds interest rate swaps that are designated and qualified as fair value hedges of interest rate risk. These derivative instruments are carried at amortized cost and generally require an insignificant amount of cash at inception of the contract. The Company, at inception, designates the derivative as a hedge of the fair value of a recognized asset or liability. A derivative designated as a hedging instrument must be highly effective in offsetting designated risk. Effectiveness of the hedge is formally assessed at inception and throughout the life of the hedging relationship. The Company uses various other derivative instruments for risk management purposes that either do not qualify for hedge accounting treatment or have not currently been qualified by the Company for hedge accounting treatment, to achieve the objectives stated above. These derivative instruments are carried at fair value and generally require an insignificant amount of cash at inception of the contract. Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products. To hedge against adverse changes in equity indices volatility, the Company enters into contracts to sell the equity options within a limited time at a contracted price. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

The Company designates and accounts for certain transactions where interest rate swaps are used to convert fixed rate investments to floating rate investments as fair value hedges if they meet the effectiveness requirements of SSAP No. 86, *Accounting for Derivative Instruments and Hedging, Income Generation and Replication (Synthetic Asset) Transactions*: (i) interest rate swaps to convert fixed rate investments to floating rate investments.

All derivative instruments qualifying for hedge accounting are valued consistently with the hedged item. The changes in carrying value for these derivatives, which qualify for hedge accounting, are recorded consistently with the hedged item, at amortized cost.

Upon termination of a derivative that qualified for hedge accounting, the gain or loss is reflected as an adjustment to the basis of the hedged item and is recognized in income consistent with the hedged item.

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

The Company uses various other derivative instruments for risk management purposes that either do not qualify for hedge accounting treatment or have not currently been qualified by the Company for hedge accounting treatment, to achieve the objectives stated above. All derivative instruments used in hedging transactions that do not meet the criteria of an effective hedge are reported at fair value. The changes in fair value of these derivatives are recorded as a component of surplus as unrealized gains (losses).

Credit Risk — The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts after consideration of any collateral received with a net positive fair value at the reporting date.

The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination.

With the exception of RGA Americas Reinsurance Company Ltd. ("RGA Americas"), a related party, the Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. The amount of collateral that is required is determined by the agreement executed between the Company and each individual counterparty and is subject to a threshold. The Company currently posts cash and bonds to satisfy collateral requirements.

As of December 31, 2010 and 2009, the Company pledged collateral of $3.4 million and $9.3 million, respectively, to swap counterparties, which is included in other assets. The Company held $10.3 million in cash collateral in connection with derivative instruments as of December 31, 2010. The Company held no cash collateral in connection with derivative instruments as of December 31, 2009.

The table below summarizes the notional and admitted value of the Company's derivatives as of December 31, 2010 and 2009.

	December 31, 2010			December 31, 2009		
		Admitted Value			Admitted Value	
(Dollars in thousands)	Notional	Asset	Liability	Notional	Asset	Liability
Derivatives not designated as hedging instruments:						
Interest rate swaps	$3,969,000	$ 12,757	$ 13,444	$2,692,200	$ 54,314	$ 56,586
CPI swaps	120,340	1,491	-	124,034	1,631	-
Credit default swaps	7,500	-	131	57,500	409	-
Equity options	66,081	5,043	5,043	-	-	-
Total non-hedging derivatives	4,162,921	19,291	18,618	2,873,734	56,354	56,586
Total derivatives	$4,162,921	$ 19,291	$ 18,618	$2,873,734	$ 56,354	$ 56,586

Loan-Backed Securities — The fair value of loan-backed securities at December 31, 2010 and 2009 was $1.8 billion and $1.5 billion respectively. All prepayment rates (conditional prepayment rate and prepayment speed assumptions) as well as corresponding principal prepayment start and end dates are provided by a proprietary prepayment modeling system. As of December 31, 2010 and 2009, the Company did not have any issuers whose amortized cost is greater than 10% of capital and surplus.

Securities within the scope of SSAP 43R with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment as of December 31, 2010 and 2009, are as follows (in thousands):

	Aggregate Other-Than-Temporary Impairment	
Basis	2010	2009
Intent to sell	$ -	$ -
Inability or lack of intent to retain the investment security for a period of time sufficient to recover the amortized cost basis	-	-
Present value of cash flows expected to be collected is less than the amortized cost basis of the security	12,925	39,818
Total	$ 12,925	$ 39,818

Following represents security details on credit impairments taken on loan-backed and structured securities pursuant to SSAP 43R where the present value of cash flows expected to be collected is less than the amortized cost basis of the securities as of December 31, 2010 and 2009(dollars in thousands):

2010 CUISIP	Impairment Date	Amortized Cost Prior to OTTI	OTTI Recognized in Earnings in 2010	Amortized Cost After Current Period OTTI	Fair Value of Security After Current Period OTTI
46632MAJ9	03/31/10	$ 2,253	$ (1,567)	$ 686	$ 411
55313KAJ0	03/31/10	4,853	(911)	3,942	759
61748HVL2	03/31/10	4,145	(488)	3,658	3,645
675748CF2	03/31/10	29	(29)	-	-
22540VHF2	06/30/10	773	(68)	705	232
70069FMV6	06/30/10	186	(64)	122	45
32027NXG1	06/30/10	111	(64)	47	100
46632MAJ9	06/30/10	722	(721)	1	1
55313KAJ0	06/30/10	3,942	(779)	3,163	776
22942JAS2	06/30/10	90	(75)	14	35
55313KAJ0	09/30/10	3,189	(2,558)	631	842
52523KAG9	09/30/10	4,500	(1,200)	3,300	2,410
61754PAD6	09/30/10	888	(575)	313	352
61755YAN4	12/31/10	3,689	(1,389)	2,301	2,076
61755YAN4	12/31/10	1,201	(366)	834	753
70069FMV6	12/31/10	122	(25)	97	40
04542BM$1	12/31/10	1,861	(139)	1,722	692
52523KAG9	12/31/10	3,300	(1,148)	2,152	2,508
46630PBB0	12/31/10	4,697	(759)	3,938	4,041
Total impairments			$(12,925)		

2009 CUISIP	Impairment Date	Amortized Cost Prior to OTTI	OTTI Recognized in Earnings in 2010	Amortized Cost After Current Period OTTI	Fair Value of Security After Current Period OTTI
02147XAT4	09/30/09	$ 6,049	$ (722)	$ 5,327	$ 3,848
05948KX87	09/30/09	2,100	(382)	1,718	817
12495RAA5	09/30/09	2,214	(1,993)	221	221
17311YAD5	09/30/09	3,922	(391)	3,531	2,612
22540VXF4	09/30/09	383	(91)	291	231
225470VP5	09/30/09	7,992	(63)	7,929	6,458
32027NXG1	09/30/09	143	(32)	111	111
46628MAH9	09/30/09	2,047	(1,504)	543	66
46632MAJ9	09/30/09	5,180	(2,648)	2,531	819
70069FMV6	09/30/09	2,796	(2,613)	183	57
964041AJ6	09/30/09	10,000	(2,500)	7,500	7,500
02147XAT4	12/31/09	5,394	(750)	4,644	4,094
22540VXF4	12/31/09	291	(61)	231	80
22942JAS2	12/31/09	198	(39)	160	119
46632MAJ9	12/31/09	2,530	(315)	2,215	850
55312YAL6	*12/31/09*	*8,251*	*(2,032)*	*6,219*	*1,195*
61754KAP0	12/31/09	4,797	(2,408)	2,388	866
92978QAK3	12/31/09	4,863	(187)	4,676	1,517
Total impairments since SSAP 43R implementation			$(18,731)		

Following represents the aggregate amount of unrealized losses and fair values for all impaired securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010 and 2009 (in thousands):

Basis	2010 Aggregate Unrealized Losses	2010 Aggregate Fair Value
Securities that have been in a continuous unrealized loss position for less than 12 months	$ 3,676	$ 133,333
Securities that have been in a continuous unrealized loss position for 12 months or longer	44,921	187,920
Total	$ 48,597	$ 321,253

Basis	2009 Aggregate Unrealized Losses	2009 Aggregate Fair Value
Securities that have been in a continuous unrealized loss position for less than 12 months	$ 24,394	$ 394,875
Securities that have been in a continuous unrealized loss position for 12 months or longer	162,239	472,843
Total	$ 186,633	$ 867,718

The Company considers the following in reaching the conclusion that the impairments are not other-than-temporary for loan-backed securities: the length of time and the extent to which the fair value has been less than the amortized cost basis; adverse conditions specifically related to the security, its industry, or its geographic area; the historical and implied volatility of the fair value of the security; the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future; failure of the issuer of the security to make scheduled interest or principal payments; changes to the rating of the security by a rating agency; changes in management's intentions including intent to sell the security and intent and ability to hold the security until recovery; decline in expected future cash flows below amortized cost; and recoveries or additional declines in fair value subsequent to the balance sheet date and any other such factors that may revise or otherwise alter management's view regarding the ultimate recoverability of the amortized cost basis.

4. SECURITIES LENDING

The Company did not participate in a securities lending program during 2010 and 2009.

5. REVERSE REPURCHASE AGREEMENTS

The Company occasionally enters into sales of investment securities under agreements to repurchase the same securities. At December 31, 2010 and 2009, the Company did not have any reverse repurchase agreements outstanding. However, during 2010 and 2009, the Company did participate in reverse repurchase agreements and incurred immaterial amounts of interest expense under these agreements.

6. STATUTORY-BASIS FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the admitted and the estimated statutory-basis fair values of the Company's financial instruments at December 31, 2010 and 2009. 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. SSAP 100 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale (in thousands):

	2010		2009	
	Admitted Value	**Estimated Statutory Fair Value**	**Admitted Value**	**Estimated Statutory Fair Value**
Admitted assets:				
Bonds	$ 6,559,075	$ 6,894,725	$ 5,975,093	$ 5,912,743
Preferred stocks	94,472	93,995	124,934	118,735
Common stocks — affiliates	1,062	1,062	895	895
Common stocks — nonaffiliates	24,245	24,245	32,818	32,818
Mortgage loans on real estate	879,992	926,829	785,693	785,803
Real estate	8,560	8,850	8,812	8,850
Policy loans	1,202,779	1,202,779	1,136,564	1,136,564
Short-term investments	128,413	128,413	114,634	114,704
Other invested assets	232,587	214,462	91,290	86,696
Derivative assets	19,291	19,291	56,354	56,354
Cash and cash equivalents	82,585	82,585	206,464	206,464
Accrued investment income	78,250	78,250	70,440	70,440
Liabilities:				
Liability for deposit-type contracts	199,326	199,326	410,685	410,685
Derivative instruments	18,618	20,336	56,586	56,586

Certain financial instruments are only periodically measured at fair value, such as when certain bonds and preferred stock are carried at the lower of cost or market based on NAIC designations.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets and liabilities can include investment securities that are traded in exchange markets.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or market standard valuation methodologies and assumptions with significant inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets and liabilities can include investment securities with quoted prices that are traded less frequently than exchange-traded instruments. This category can include U.S. and foreign corporate securities, residential and commercial mortgage-backed securities and derivative instruments, among others. Management values most of these securities using inputs that are market observable.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using market standard valuation methodologies described above. When observable inputs are not available, the market standard methodologies for determining the estimated fair value of certain securities that trade infrequently, and therefore have little transparency, rely on inputs that are significant to the estimated fair value and that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management judgment or estimation and cannot be supported by reference to market activity. Even though unobservable, management believes these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing similar assets and liabilities. For the Company's invested assets, this category can include U.S. and foreign corporate securities (primarily private placements), asset-backed securities (including those with exposure to subprime mortgages), and certain residential and commercial mortgage-backed securities.

The Company's investments in common stocks are reported at fair value. Certain other financial instruments are only periodically measured at fair value, such as when carried at the lower of cost or market for certain bonds and preferred stock based on NAIC designations. Fair values for those instruments 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.

Assets and liabilities carried at fair value as of December 31, 2010 and December 31, 2009 are summarized below (in thousands):

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE:				
Bonds:				
Corporate securities	$ -	$ 796	$ -	$ 796
Mortgage-backed/asset-backed	-	-	31,916	31,916
State and local government agencies	-	4,228	-	4,228
Total bonds	-	5,024	31,916	36,940
Stock:				
Common stock	5,126	19,120	1,062	25,308
Preferred stock	165	1,781	-	1,946
Total stock	5,291	20,901	1,062	27,254
Derivative assets:				
Interest rate swaps	-	12,757	-	12,757
CPI swaps	-	1,491	-	1,491
Put options	-	5,043	-	5,043
Total derivatives	-	19,291	-	19,291
TOTAL ASSETS AT FAIR VALUE	$ 5,291	$ 45,216	$ 32,978	$ 83,485
LIABILITIES AT FAIR VALUES:				
Derivative liabilities:				
Interest rate swaps	$ -	$(13,444)	$ -	$(13,444)
Credit default swaps	-	(131)	-	(131)
Put options	-	(5,043)	-	(5,043)
TOTAL LIABILITIES AT FAIR VALUE	$ -	$(18,618)	$ -	$(18,618)

December 31, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE:				
Bonds:				
Corporate securities	$ -	$ 5,810	$ 16,620	$ 22,430
Mortgage-backed/asset-backed	-	521	8,783	9,304
State and local government agencies	-	-	-	-
Total bonds	-	6,331	25,403	31,734
Stock:				
Common stock	1,925	27,770	895	30,590
Preferred stock	403	-	4,879	5,282
Total stock	2,328	27,770	5,774	35,872
Derivative assets:				
Interest rate swaps	-	54,314	-	54,314
CPI swaps	-	1,631	-	1,631
Credit default swaps	-	409	-	409
Total derivatives	-	56,354	-	56,354
TOTAL ASSETS AT FAIR VALUE	$ 2,328	$ 90,455	$ 31,177	$123,960
LIABILITIES AT FAIR VALUES:				
Derivative liabilities:				
Interest rate swaps	$ -	$(56,586)	$ -	$ (56,586)
Credit default swaps	-	-	-	-
Put options	-	-	-	-
TOTAL LIABILITIES AT FAIR VALUE	$ -	$(56,586)	$ -	$ (56,586)

The table below provides a summary of the changes in fair value of Level 3 assets, as well as the portion of gains or losses included in income for the year attributable to unrealized gains or losses related to those assets still held at December 31, 2010 (in thousands):

For the year ended December 31, 2010	Balance January 1, 2010	Transfers into Level 3	Transfers out of Level 3	Total gains (losses) included in net income	Total gains (losses) included in surplus	Purchases, issuances, sales and settlements	Balance December 31, 2010
Corporate securities	$16,620	$ -	$(9,056)	$(346)	$ 375	$ (7,593)	$ -
Mortgage-backed/asset-backed securities	8,783	23,086	(232)	691	(307)	(105)	31,916
State and local government agencies	-	-	-	-	-	-	-
Common stock	895	-	-	-	167	-	1,062
Preferred stock	4,879	-	(412)	550	100	(5,117)	-
Total	$31,177	$23,086	$(9,700)	$ 895	$ 335	$(12,815)	$32,978

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the beginning of the quarter in which the actual event or change in circumstances that caused the transfer occurs. Transfers into Level 3 are due to a lack of observable market data for these securities or, in accordance with Company policy, when the ratings of certain asset classes fall below investment grade, based on a review of ratings by Acceptable Rating Organizations. Transfers out of Level 3 are due to an increase in observable market data or when the underlying inputs are evaluated and determined to be market observable. There were no transfers between Level 1 and Level 2 during 2010 and 2009.

For assets reported at fair value, the Company utilizes, when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. When quoted prices in active markets are not available, fair value is based on the market approach, income approach or cost approach. The Company primarily uses a combination of the market approach, including matrix pricing, and the income approach. The assumptions and inputs used by management in applying these techniques include, but are not limited to interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and assumptions regarding liquidity and future cash flows.

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

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

7. FEDERAL INCOME TAXES

The Company is included in a consolidated federal income tax return with RGA, Inc., RCM, RGA Reinsurance Company (Barbados) Limited, RGA Americas Reinsurance Company, Ltd., RGA Worldwide Reinsurance Company, Ltd., Reinsurance Partners, Inc., RGA Technology Partners, Inc., Rockwood Reinsurance Company, Timberlake Financial L.L.C., Timberlake Reinsurance Company II and Parkway Reinsurance Company. The method of allocation is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually. When available, the Company utilizes net operating loss carryforwards to offset taxable income under terms of the tax sharing agreement. At December 31, 2010 and 2009, the Company had no operating loss carryforwards.

The components of the net deferred tax asset at December 31, 2010 and 2009, are as follows (in thousands):

	2010			2009			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Total deferred tax assets (admitted and non-admitted)	$192,521	$22,716	$215,237	$147,468	$ -	$147,468	$67,769
Statutory valuation allowance adjustment	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	192,521	22,716	215,237	147,468	-	147,468	67,769
Total deferred tax liabilities	27,489	1,415	28,904	24,356	8,001	32,357	(3,453)
Net deferred tax asset (liability)	165,032	21,301	186,333	123,112	(8,001)	115,111	71,222
Deferred tax asset non-admitted	135,946	21,301	157,247	90,325	-	90,325	66,922
Net admitted deferred tax assets	$ 29,086	$ -	$ 29,086	$ 32,787	$(8,001)	$ 24,786	$ 4,300

The amount of admitted adjusted gross deferred tax assets under each component of SSAP 10R as of December 31 are as follows (in thousands):

	2010			2009			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
10 a. Federal Income Taxes recoverable through loss carryback	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10 b.i. Adjusted gross deferred tax assets expected to be realized in one year	29,086	-	29,086	32,787	(8,001)	24,786	4,300
10 b.ii. 10% adjusted statutory and capital surplus limit	152,889	152,889	152,889	141,655	141,655	141,655	11,234
Admitted pursuant to 10 b. (lesser of i. or ii.)	29,086	-	29,086	32,787	(8,001)	24,786	4,300
10 c. Admitted pursuant to 10 c.	27,489	1,415	28,904	-	-	-	-
Additional admitted pursuant to 10 e.i, ii a, and ii b	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total admitted adjusted gross deferred tax asset	56,575	1,415	57,990	32,787	(8,001)	24,786	33,204
Total deferred tax liabilities	27,489	1,415	28,904	-	-	-	28,904
Net admitted deferred tax assets	$ 29,086	$ -	$ 29,086	$ 32,787	$ (8,001)	$ 24,786	$ 4,300
Non-admitted deferred tax assets	$135,946	$ 21,301	$157,247	$ 90,325	$ -	$ 90,325	$66,922

The Company has not elected to admit deferred tax assets pursuant to paragraph 10 e. as of December 31, 2010 and 2009.

The following table provides the Company's assets, capital and surplus, and risk base capital information with the deferred tax asset calculated under SSAP 10R paragraphs 10(a) to (c) and the additional deferred tax asset determined under SSAP 10R paragraph 10.e., if any, as of December 31, 2010 (in thousands):

	SSAP 10R 10.a.-c.	SSAP 10R 10. e.	Difference
Admitted deferred tax assets	$ 29,086	$ 29,086	$ -
Admitted assets	15,327,946	15,327,946	-
Statutory capital and surplus	1,528,887	1,528,887	-
Total adjusted capital	1,553,542	1,553,542	-
Authorized control level used in 10.d.	218,898	218,898	-

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2010 and 2009, and their related changes are approximately as follows (in thousands):

	2010	2009	Change
Deferred income tax assets:			
Ordinary:			
Reserves	$ 65,320	$ 75,663	$ (10,343)
Bond writedowns and premium amortization	47,941	13,202	34,739
Non deductible accruals	27,827	23,528	4,299
Proxy deferred acquisition costs capitalized for tax	44,715	34,663	10,052
Non deductible foreign taxes	6,718	412	6,306
Capital:			
Capital loss carryforward	22,716	-	22,716
Deferred income tax assets	215,237	147,468	67,769
Deferred income tax liabilities:			
Ordinary:			
Tax mark to mark adjustments on hedged assets	10,338	8,657	1,681
Tax-basis versus statutory-basis investment differences	8,622	8,593	29
Other — net	8,529	7,106	1,423
Capital — tax effect of unrealized gains	1,415	8,001	(6,586)
Deferred income tax liabilities	28,904	32,357	(3,453)
Net deferred income tax asset	186,333	115,111	71,222
Less total deferred income tax asset non-admitted in accordance with SSAP 10	157,247	90,325	66,922
Net admitted deferred income tax asset	$ 29,086	$ 24,786	$ 4,300
Change in deferred income tax asset non-admitted	$ 66,922	$ 12,504	

The change in the net deferred income tax asset during 2010 and 2009 is as follows (in thousands):

	2010	2009	Change
Net change in deferred income tax asset	$ 71,222	$ 27,459	$ 43,763
Tax effect of unrealized gains (losses)	(6,586)	4,286	(10,872)
Change in net deferred income tax asset	$ 64,636	$ 31,745	

The components of the current income tax expense (benefit) for the years ended December 31, 2010 and 2009 are as follows (in thousands):

	2010	2009
Federal	$ 56,719	$ 218,147
Foreign	86	1,356
Income tax expense	56,805	219,503
Federal capital gains	-	-
Total	$ 56,805	$ 219,503

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory-basis federal income tax rate to pre-tax income as a result of the following (in thousands):

	2010		2009	
	Amount	Percent of Pre-tax Income	Amount	Percent of Pre-tax Income
Provision computed at statutory rate	$ 51,906	35.0 %	$ 128,134	35.0 %
Provision to return adjustments	(37,615)	(25.4)	(6,975)	(1.9)
Interest maintenance reserve	(2,949)	(2.0)	(457)	(0.1)
Policy reserves	15,727	10.6	54,488	14.9
In-force reinsurance	9,091	6.1	43,065	11.8
Foreign tax credit carryforward	6,718	4.5	-	-
Change in deferred income taxes	(64,636)	(43.6)	(31,745)	(8.7)
Other — net	13,927	9.4	1,248	0.3
Total statutory income taxes	$ (7,831)	(5.4)%	$ 187,758	51.3 %

	2010	2009
Federal and foreign income taxes incurred	$ 56,805	$ 219,503
Change in net deferred income tax	(64,636)	(31,745)
Total statutory income taxes	$ (7,831)	$ 187,758

The reconciliation of the statutory-basis accounting pre-tax gain from operations to the taxable gain for the years ended December 31, 2010 and 2009, is as follows (in thousands):

	2010		2009	
	Balance	Tax Effect	Balance	Tax Effect
Statutory pre-tax gain from operations	$ 148,302	$ 51,906	$ 366,098	$ 128,134
Provision to return adjustments	(107,472)	(37,615)	(19,927)	(6,975)
Interest maintenance reserve	(8,425)	(2,949)	(1,307)	(457)
Policy reserves	44,933	15,727	155,677	54,488
In-force reinsurance	25,976	9,091	123,043	43,065
Other — net	58,984	20,645	3,567	1,248
Taxable gain	$ 162,298	$ 56,805	$ 627,151	$ 219,503

During 2009, the NAIC issued SSAP 10R. The application of SSAP 10R requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount which is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. Although the realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized by future reversals of existing taxable temporary differences or through the utilization of tax planning strategies. Therefore, the Company has not recorded a valuation allowance as of December 31, 2010 and 2009.

The Internal Revenue Service (IRS) has examined the Company's tax returns for the years through and including 2005. The Company believes that any adjustments that might be required for open years will not have a material effect on the Company's statutory-basis financial statements.

The Company incurred income taxes in the current and prior years that will be available for recoupment in the event of future net losses. The Company files income tax returns with the U.S. federal government and various state jurisdictions. As a result of being included in the RGA, Inc. consolidated federal income tax return, the Company is under continuous examination by the IRS and is subject to audit by taxing authorities in state jurisdictions where the Company has significant business operations. The income tax years under examination vary by jurisdiction.

As of December 31, 2010 and 2009, the Company's total amount of unrecognized tax benefits was $18.8 million and $14.9 million, respectively.

8. EMPLOYEE BENEFIT PLANS

Most of the Company's U.S. employees participate in a non-contributory qualified defined benefit pension plan sponsored by the Company. 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 the Company. Those plans are unfunded and are deductible for federal income tax purposes when the benefits are paid. The projected obligation was approximately $55.3 million and $54.7 million as of December 31, 2010 and 2009, 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, Inc.'s financial results and employee 401(k) contributions, were approximately $3.9 million and $2.7 million in 2010 and 2009, 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 $0.9 million and $0.8 million for 2010 and 2009, respectively, related to these postretirement plans. The projected obligation was approximately $6.9 million and $5.6 million as of December 31, 2010 and 2009, respectively (in thousands).

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Change in projected benefit obligation:				
Projected benefit obligation —				
Beginning of year	$ 54,658	$ 43,585	$ 5,589	$ 4,287
Service cost	3,786	3,147	511	613
Interest cost	2,683	2,890	368	255
Participant contributions	-	-	143	35
Actuarial gain (loss)	(4,753)	6,220	451	616
Benefits paid	(1,063)	(1,184)	(125)	(217)
Projected benefit obligation — End of year	$ 55,311	$ 54,658	$ 6,937	$ 5,589
Change in plan assets:				
Fair value of plan assets —				
Beginning of year	$ 30,923	$ 21,044	$ -	$ -
Actual return on plan assets	4,383	6,895	-	-
Employer contributions	1,645	4,168	70	182
Participant contributions	-	-	127	35
Benefits paid	(1,063)	(1,184)	(197)	(217)
Fair value of plan assets — End of year	$ 35,888	$ 30,923	$ -	$ -
Under funded	$ (19,423)	$ (23,735)	$ (6,937)	$ (5,589)
Unrecognized net actuarial losses (gains)	11,287	18,596	257	(194)
Unrecognized prior service cost	69	98	-	-
Accrued benefit cost	$ (8,067)	$ (5,041)	$ (6,680)	$ (5,783)
Benefit obligation for non-vested employees	$ -	$ -	$ 11,458	$ 8,733

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans were as follows (in thousands):

	2010		2009	
	Qualified Plan	Non-Qualified Plan	Qualified Plan	Non-Qualified Plan
Aggregate projected benefit obligation	$ (40,687)	$ (14,624)	$ (35,866)	$ (18,791)
Aggregate fair value of plan assets	35,888	-	30,923	-
Under funded	$ (4,799)	$ (14,624)	$ (4,943)	$ (18,791)
Accumulated benefit obligation	$ 38,483	$ 13,799	$ 33,729	$ 15,130

The Company does not expect any plan assets to be returned during the next twelve months.

For the years ended December 31, 2010 and 2009, the weighted average assumptions used to determine the accumulated benefit obligation and net benefit cost or income were as follows:

	2010	2009
Discount rate	5.75 %	6.30 %
Expected rate of return on plan assets	8.50	8.50
Rate of compensation increase	4.25	4.25

The expected rate of return on plan assets for the years ended December 31, 2010 and 2009 were determined based on the investment mix of the assets in the underlying plan portfolio.

The assumed health care cost trend rates used in measuring the accumulated nonpension postretirement benefit obligation at December 31, 2010 and 2009 were as follows:

	2010	2009
Pre-Medicare eligible claims	8% down to 5% in 2013	8% down to 5% in 2013
Medicare eligible claims	8% down to 5% in 2013	8% down to 5% in 2013

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	$ 132	$ (108)
Effect on accumulated postretirement benefit obligation	848	(705)

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

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$ 3,787	$ 3,147	$ 511	$ 613
Interest cost	2,683	2,890	368	255
Expected return on plan assets	(2,578)	(1,945)	-	-
Amortization of prior actuarial losses (gains)	751	1,755	-	(28)
Amortization of prior service cost	29	29	-	-
Net periodic benefit cost	$ 4,672	$ 5,876	$ 879	$ 840

The Company expects to contribute $3.9 million in pension benefits and $0.8 million in other benefits during 2011.

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

	Pension Benefits	Other Benefits
2011	$ 3,887	$ 254
2012	4,775	294
2013	4,920	352
2014	5,081	424
2015	5,174	489
2016–2020	32,411	3,804

Results for the pension and other benefits plans are measured at December 31 for each year presented.

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

	2010	2009
Asset category:		
Equity securities	62 %	62 %
Debt securities	38	38
Total	100 %	100 %

The 2011 target range of allocation by asset type of the Pension Plan's total plan fair value on a weighted average basis is as follows:

Asset category:	
Equity securities	60 %
Debt securities	40

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 impact of economic factors and market conditions.

9. RELATED-PARTY TRANSACTIONS

The Company is an indirect subsidiary of RGA, Inc. and has reinsurance and non-reinsurance transactions with related parties. Excluding reinsurance agreements and cost allocation transactions, the Company has no transactions with any related party that exceed 1/2 of 1% of the Company's total admitted assets as of December 31, 2010.

The Company received $13.0 million and $58.0 million in cash surplus contributions from RCM in 2010 and 2009, respectively.

On December 30, 2010, the Company declared an ordinary stockholder dividend, in the amount of $80.0 million, payable to its parent, RCM. The dividend was paid on March 15, 2011.

The Company reported $6.8 million and $4.0 million as amounts payable to affiliates as of December 31, 2010 and 2009, respectively, and reported $7.3 million and $10.3 million as amounts receivable from related parties as of December 31, 2010 and 2009, respectively. It is the policy of the Company and all related parties to settle all outstanding balances within ninety days.

The Company has agreed, under certain conditions, to assume life reinsurance business currently written by affiliated reinsurance companies under certain reinsurance agreements. These conditions generally include unusual or remote circumstances, such as change of control, insolvency, nonperformance under the reinsurance treaty, or loss of reinsurance license of such affiliate. Total net liabilities recorded by the affiliated entities associated with these reinsurance agreements were approximately $1.0 billion and $0.9 billion as of December 31, 2010 and 2009, respectively.

The Company did not have material management or service contracts and cost-sharing arrangements with a related party as of December 31, 2010 and 2009.

The Company did not have an investment in a related party in excess of 10% of the Company's admitted assets as of December 31, 2010 and 2009.

The Company did not own shares of any upstream or intermediate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company as of December 31, 2010 and 2009.

The Company did not recognize any impairment write-down for its investment in a related party for the years ended December 31, 2010 and 2009.

The Company did not have any investments in any related foreign insurance companies as of December 31, 2010 and 2009.

The Company has both assumed and ceded reinsurance agreements with affiliates. Under these agreements, the Company reflected policy and claim reserves of $4.5 billion, negative net premium income of $3.1 billion and a net pre-tax gain of $358.0 million in 2010. The Company reflected policy and claim reserves of $3.5 billion, negative net premium income of $2.1 billion and a net pre-tax gain of $329.8 million in 2009.

During 2010, the Company entered into a reinsurance agreement with Manor Reinsurance Ltd. ("Manor"), an affiliate, wherein it ceded a significant amount of ordinary life business, designed to assist the Company in the management of statutory strain inherent in reinsurance subject to Regulation XXX. As a result of this agreement, the Company reported $46.7 billion of ceded life insurance in force, $71.8 million of ceded premium, $394.4 million of ceded policy reserves, $70.0 million of ceded funds withheld and $322.5 million of additional pre-tax income in 2010.

During 2009, the Company entered into a reinsurance agreement with Parkway Reinsurance Company ("Parkway"), an affiliate, wherein it ceded a significant amount of ordinary life business, designed to assist the Company in the management of statutory strain inherent in reinsurance subject to Regulation XXX. This agreement replaced a comparable agreement, effective December 31, 2007 and terminated July 1, 2009, and incorporated additional issue years and increased quota shares. As a result of these agreements, the Company reported $78.2 billion of ceded life insurance in force, $283.9 million of ceded premium, $519.2 million of ceded policy reserves, $126.0 million of ceded funds withheld and $31.7 million reduction of pre-tax income in 2010. The Company reported $85.2 billion of ceded life insurance in force, $231.8 million of ceded premium, $509.1 million of ceded policy reserves, $116.9 million of ceded funds withheld and $271.1 million of additional pre-tax income in 2009.

Management does not believe that the various amounts earned or incurred on transactions with related parties would be materially different if they had been earned or incurred with an unrelated third party.

10. LEASE COMMITMENTS

The Company leases office space and furniture and equipment under noncancelable operating lease agreements which expire at various dates.

Future minimum annual rentals under noncancelable operating leases at December 31, 2010, are as follows (in thousands):

2011	$5,463
2012	5,603
2013	4,749
2014	4,255
2015	43
Thereafter	-

Rent expenses amounted to approximately $8.2 million and $7.0 million for the years ended December 31, 2010 and 2009, respectively.

11. REINSURANCE

Retrocession reinsurance treaties do not relieve the Company from its obligations to policyholders or ceding 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, 2010 and 2009, no allowances were deemed necessary. The Company regularly evaluates the financial condition of its reinsurers/retrocessionaires. At December 31, 2010 and 2009, there were no reinsurance receivables associated with a single nonaffiliated reinsurer with a carrying value in excess of 5% of admitted assets.

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

	2010	2009
Direct premiums and amounts assessed against policyholders	$ 2,669	$ 2,259
Reinsurance assumed	6,213,949	5,528,623
Reinsurance ceded	3,990,689	3,291,289
Net premiums and amounts earned	$2,225,929	$2,239,593

The effect of reinsurance on policyholder benefits and dividends to policyholders (in thousands):

	2010	2009
Direct	$ 3,023	$ 1,638
Reinsurance assumed	5,457,108	5,206,624
Reinsurance ceded	3,226,190	3,205,978
Net policyholder benefits and dividends to policyholders	$2,233,941	$2,002,284

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

	Life Insurance in Force				
	Direct	Assumed	Ceded	Net	Assumed/ Net Percent
December 31, 2010	$ 74	$ 1,593,881	$ 1,012,752	$ 581,203	274.24 %
December 31, 2009	72	1,522,937	967,900	555,109	274.35 %

In the accompanying statutory-basis statements of admitted assets, liabilities, and capital and surplus, policy and claim reserves are net of reinsurance ceded of $8.6 billion and $7.6 billion at December 31, 2010 and 2009, respectively.

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 at least ten 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.

Effective January 1, 2010, the Company assumed on a coinsurance basis, an ongoing block of reinsurance business from Reliastar Life Insurance Company ("Reliastar") consisting primarily of group life and group accident and health business. On the effective date of this agreement, the Company expensed $126.6 million of allowances. The Company also entered into a coinsurance/funds withheld agreement, effective January 1, 2010, with an affiliated reinsurance company, RGA Worldwide Reinsurance Company, Ltd. wherein it retrocedes 100% of the net retained business assumed under the aforementioned agreements. Under the terms of this retrocession agreement, the Company receives a pass-thru allowance in excess of the allowance and general expenses incurred by the Company in the assumed treaties. For the year ended December 31, 2010, these treaties resulted in $24.1 million of net investment income, $33.5 million of ceded interest on funds withheld, $169.5 million of assumed allowances, $78.3 million of ceded allowances, $22.5 million of general expenses, and $123.4 million pre-tax loss. In addition, as of December 31, 2010, the Company reported $616.6 million of cash and invested assets and $541.4 million of ceded funds withheld.

12. RESTRICTIONS OF SURPLUS

The Company generates cash flow from premium and investment income in excess of its immediate needs for policy obligations, expenses, and other requirements. Cash flow from operations is used to fund growth in the business.

The Company has a licensed branch office to conduct business in Hong Kong. In connection with this licensing, the Company agreed to internally allocate assets, as of December 31, 2010 and 2009, with a carrying value totaling $326.0 million and $303.7 million, respectively, to support the Hong Kong branch's reinsurance operations.

The Company has a licensed branch office to conduct business in Japan. In connection with this licensing, the Company was required to maintain capital and surplus of no less than 200.0 million yen or $2.5 million and $2.2 million, as of December 31, 2010 and 2009, respectively.

The Company has a licensed branch office to conduct business in South Korea. In connection with this licensing, the Company was required to maintain capital and surplus of no less than 3.0 billion Korean won, or $2.7 million and $2.6 million, as of December 31, 2010 and 2009, respectively.

The Company has a licensed branch office to conduct business in New Zealand. In connection with this licensing, the Company was required to maintain capital and surplus of no less than 1.0 million New Zealand dollars, or $0.8 million and $0.7 million, as of December 31, 2010 and 2009, respectively. The Company has also agreed to internally allocate assets with a carrying value totaling $91.6 million and $81.6 million as of December 31, 2010 and 2009, respectively, to support the New Zealand branch's reinsurance operations.

Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Missouri, to $152.9 million in 2011, an amount that is based upon restrictions relating to the greater of prior year net income or 10% of prior year statutory-basis capital and surplus, but limited to no more than current unassigned surplus.

13. RISK-BASED CAPITAL

The insurance departments of various states, including the Company's domiciliary state of Missouri, impose risk-based capital (RBC) requirements on insurance enterprises. The RBC calculation serves as a benchmark for the regulation of life insurance companies by state insurance regulators. The requirements apply various weighted factors to financial balances or activity levels based on their perceived degree of risk.

The RBC guidelines define specific capital levels where action by the Company or regulatory intervention is required based on the ratio of a Company's actual total adjusted capital (sum of capital and surplus and AVR) to control levels determined by the RBC formula. At December 31, 2010, the Company's actual total adjusted capital exceeded all regulatory requirements; thus, no action by the Company or its regulators is required.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has agreed, under certain conditions, to assume life reinsurance business currently written by affiliated reinsurance companies under certain reinsurance agreements. These conditions generally include unusual or remote circumstances, such as change of control, insolvency, nonperformance under the reinsurance treaty, or loss of reinsurance license of such affiliate. Total net liabilities recorded by the affiliated entities associated with these reinsurance agreements were approximately $1.0 billion and $0.9 billion as of December 31, 2010 and 2009, respectively.

The Company has a commitment to fund investments in limited partnerships in the amount of $147.2 million and $63.6 million at December 31, 2010 and 2009, respectively. The Company anticipates that the majority of this amount will be invested over the next five years; however, contractually this commitment could become due at the request of the counterparties. Investments in limited partnerships are carried at cost and are included in other invested assets in the statutory-basis statement of admitted assets, liabilities, and capital and surplus.

The Company has obtained letters of credit in favor of various unaffiliated insurance companies from which the Company assumes business. This allows the ceding company to take statutory-basis reserve credits. The letters of credit issued by the banks represent a guarantee of performance under the reinsurance agreements. There were approximately $1.2 million and $1.5 million of outstanding bank letters of credit in favor of unaffiliated entities as of December 31, 2010 and 2009, respectively

The Company is subject to litigation in the normal course of its business. The Company currently has no material litigation. However, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Company's statutory-basis net income or cash flows in a particular reporting period.

15. SURPLUS AND SURPLUS NOTES

As of December 31, 2010 and 2009, unassigned surplus was represented (reduced) by the following cumulative changes (in millions):

	2010	2009
Unrealized gains and losses, net of deferred income taxes	$ (3.0)	$ 14.9
Nonadmitted assets	(183.2)	(141.5)
Asset valuation reserve	(24.7)	(14.3)
Provision for reinsurance	(13.4)	(7.1)

On December 15, 1997, the Company issued $40.0 million in surplus notes to RGA, Inc. The notes have a maturity date of December 15, 2027, and bear an interest rate of 7.35%, with interest payable annually on December 15. Total interest paid related to this surplus note was $2.9 million in 2010 and 2009. As of December 31, 2010 and 2009, interest in the amount of $0.1 million was payable on this note.

On December 11, 1998, the Company issued $60.0 million in surplus notes to RGA, Inc. The notes have a maturity date of December 15, 2028, and bear an interest rate of 7.08% with interest payable annually on December 15. Total interest paid related to this surplus note was $4.2 million in 2010 and 2009. As of December 31, 2010 and 2009, interest in the amount of $0.2 million was payable on this note.

On March 10, 2010, the Company issued $100.0 million in surplus notes to RGA, Inc. The notes have a maturity date of December 15, 2040, and bear an interest rate of 7.15%, with interest payable annually on December 15. Total interest paid related to this surplus note was $5.6 million in 2010. As of December 31, 2010, interest in the amount of $0.3 million was payable on this note.

The surplus notes are not subject to redemption prior to maturity and any payment of principal or interest may be made only with the approval of the Director of the MDI. The surplus notes will rank pari passu with any other future surplus notes of RGA Reinsurance and with all other similarly subordinated claims. In the event that the Company is subject to such a insurance solvency proceedings, holders of indebtedness, policy claims and prior claims would be afforded a greater priority under the laws of the State of Missouri (RSMo 375.1218) and the terms of the surplus notes and, accordingly, would have the right to be paid in full before any payments of interest or principal are made to RGA, Inc.

16. ELECTRONIC DATA PROCESSING EQUIPMENT

Depreciation and amortization of major classes of EDP assets for the year ended December 31, 2010 and 2009 are as follows (in thousands):

2010	Accumulated Depreciation December 31, 2009	Depreciation Expense 2010	Disposals 2010	Accumulated Depreciation December 31, 2010
Servers and components	$ 6,929	$ 2,083	$ (409)	$ 8,603
Personal computers	1,545	442	(391)	1,596
	$ 8,474	$ 2,525	$ (800)	$ 10,199

	Accumulated Amortization December 31, 2009	Amortization Expense 2010	Impairments 2010	Accumulated Amortization December 31, 2010
Nonadmitted software	$ 28,343	$ 1,538	$ -	$ 29,881

2009	Accumulated Depreciation December 31, 2008	Depreciation Expense 2009	Disposals 2009	Accumulated Depreciation December 31, 2009
Servers and components	$ 5,210	$ 1,720	$ (1)	$ 6,929
Personal computers	1,137	408	-	1,545
	$ 6,347	$ 2,128	$ (1)	$ 8,474

	Accumulated Amortization December 31, 2008	Amortization Expense 2009	Impairments 2009	Accumulated Amortization December 31, 2009
Nonadmitted software	$ 26,881	$ 1,462	$ -	$ 28,343

17. SUBSEQUENT EVENTS

The Company has determined that there were no subsequent events that would require disclosures or adjustment to the statutory-basis financial statements through May 27, 2011, the date the statutory-basis financial statements were available to be issued.

* * * * * *

ADDITIONAL INFORMATION
(SEE INDEPENDENT AUDITORS' REPORT)

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2010 OF THE RGA REINSURANCE COMPANY

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2010

(To Be Filed by April 1)

OF The RGA REINSURANCE COMPANY

City, State, Zip Code Chesterfield, MO 63017-6039

NAIC Group Code 4639 NAIC Company Code 93572 Employer's ID Number 43-1235868

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 15,327,946,275

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	FEDERAL HOME LOAN MORTGAGE CORP - STRUCT	BONDS	$ 77,579,972	0.5 %
2.02	GOVNMT NATL MTGE ASSOC - STRUCTURED	BONDS	$ 76,188,122	0.5 %
2.03	NEW SOUTH WALES (STATE OF)	BONDS	$ 64,555,333	0.4 %
2.04	WELLS FARGO & COMPANY	BONDS/PREFERRED STOCK	$ 40,625,371	0.3 %
2.05	REINSURANCE GROUP OF AMERICA INC	BONDS	$ 39,994,102	0.3 %
2.06	GENERAL ELECTRIC	BONDS	$ 39,133,142	0.3 %
2.07	BANK OF AMERICA CORP	BONDS/PREFERRED STOCK/COMMON STOCK	$ 39,046,447	0.3 %
2.08	PNC FINANCIAL SVCS GROUP INC (THE)	BONDS/PREFERRED STOCK/SHORT TERM	$ 38,913,519	0.3 %
2.09	VERIZON COMMUNICATIONS INC	BONDS	$ 37,717,735	0.2 %
2.10	VICTORIA (STATE OF)	BONDS	$ 35,935,315	0.2 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 3,778,790,052	24.7 %	3.07	P/RP-1	$ 25,872,019	0.2 %
3.02	NAIC-2	$ 2,348,024,641	15.3 %	3.08	P/RP-2	$ 59,318,355	0.4 %
3.03	NAIC-3	$ 382,067,710	2.5 %	3.09	P/RP-3	$ 6,518,452	0.0 %
3.04	NAIC-4	$ 145,769,861	1.0 %	3.10	P/RP-4	$ 1,780,624	0.0 %
3.05	NAIC-5	$ 28,934,385	0.2 %	3.11	P/RP-5	$ 750,620	0.0 %
3.06	NAIC-6	$ 14,038,978	0.1 %	3.12	P/RP-6	$ 232,200	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

4.02	Total admitted assets held in foreign investments	$ 1,235,165,296	8.1 %
4.03	Foreign-currency-denominated investments	$ 303,424,903	2.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 230,699,007	1.5 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$ 1,123,274,143	7.3 %
5.02	Countries rated NAIC-2	$ 79,532,573	0.5 %
5.03	Countries rated NAIC-3 or below	$ 32,358,581	0.2 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC-1:		
6.01	Country 1: AUSTRALIA	$ 297,782,755	1.9 %
6.02	Country 2: UNITED KINGDOM	$ 218,967,379	1.4 %
	Countries rated NAIC-2:		
6.03	Country 1: MEXICO	$ 50,529,830	0.3 %
6.04	Country 2: INDIA	$ 12,750,000	0.1 %
	Countries rated NAIC-3 or below:		
6.05	Country 1: SUPRANATIONAL / OTHER	$ 28,572,603	0.2 %
6.06	Country 2: LIBERIA	$ 1,295,994	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$ 303,424,903	2.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$ 275,493,725	1.8 %
8.02	Countries rated NAIC-2	$ 6,946,559	0.0 %
8.03	Countries rated NAIC-3 or below	$ 20,984,619	0.1 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC-1:		
9.01	Country 1: AUSTRALIA	$ 188,893,006	1.2 %
9.02	Country 2: JAPAN	$ 23,414,791	0.2 %
	Countries rated NAIC-2:		
9.03	Country 1: MEXICO	$ 6,946,559	0.0 %
9.04	Country 2:	$	%
	Countries rated NAIC-3 or below:		
9.05	Country 1: SUPRANATIONAL	$ 18,494,635	0.1 %
9.06	Country 2: INDONESIA	$ 2,489,984	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating	3	4
10.01	CREDIT SUISSE GROUP AG	1	$ 27,498,744	0.2 %
10.02	WESTPAC BANKING CORP	1	$ 26,247,946	0.2 %
10.03	BARCLAYS	1, P1	$ 23,860,831	0.2 %
10.04	TELEFONICA	1, 2	$ 23,757,960	0.2 %
10.05	TELECOM ITALIA SPA	2	$ 21,407,597	0.1 %
10.06	MITSUBISHI UFJ FINANCIAL GROUP INC	1	$ 20,956,597	0.1 %
10.07	SOCIETE GENERALE	1, 2	$ 20,732,852	0.1 %
10.08	RABOBANK NEDERLAND	1	$ 19,992,006	0.1 %
10.09	ROYAL BANK OF SCOTLAND GROUP PLC	1, 2, 3	$ 19,976,802	0.1 %
10.10	HSBC HOLDINGS PLC	1, P1	$ 19,787,263	0.1 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?........ Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets .... Yes [X] No [ ]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	COMMERCIAL- ENRICO PARTNERS L.P.	$ 15,047,735	0.1 %
16.03	COMMERCIAL-LAMPLIGHTER CAMARILLO MHC LLC	$ 14,701,344	0.1 %
16.04	COMMERCIAL-RHINE DEVELOPMENT, INC	$ 14,696,282	0.1 %
16.05	COMMERCIAL-BATTLESHIP II LLC	$ 14,001,773	0.1 %
16.06	COMMERCIAL-ACC OP (CITYPARC),LP	$ 10,954,825	0.1 %
16.07	COMMERCIAL-WINDROSE TUSCON PROPERTES LLC	$ 10,529,781	0.1 %
16.08	COMMERCIAL-PARKSIDE GERSHAM LLC	$ 9,941,666	0.1 %
16.09	COMMERCIAL-DPS PLAZA MEMBERS LLC	$ 9,837,610	0.1 %
16.10	COMMERCIAL-BUTRUM DEER VALLEY COMMRC LLC	$ 9,566,847	0.1 %
16.11	COMMERCIAL-RUSSO PROPERTIES LTD	$ 9,502,049	0.1 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	%
16.13	Mortgage loans over 90 days past due	$ 7,368,869	0.0 %
16.14	Mortgage loans in the process of foreclosure	$ 3,043,395	0.0 %
16.15	Mortgage loans foreclosed	$	%
16.16	Restructured mortgage loans	$ 19,162,617	0.1 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

		Residential		Commercial		Agricultural	
	Loan-to-Value	1	2	3	4	5	6
17.01	above 95%	$	%	$ 61,024,843	0.4 %	$	%
17.02	91% to 95%	$	%	$ 9,243,531	0.1 %	$	%
17.03	81% to 90%	$	%	$ 49,814,154	0.3 %	$	%
17.04	71% to 80%	$	%	$ 93,241,932	0.6 %	$	%
17.05	below 70%	$	%	$ 666,667,457	4.3 %	$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	%	$	%
21.02 Income generation	$	%	$	%
21.03 Other	$ 5,042,973	0.0 %	$ (5,042,973)	(0.0) %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
22.01 Hedging	$ 1,405,384	0.0 %	$	$ 1,566,582	$ 4,241,090
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$ 42,168,140	0.3 %	$ 40,130,060	$ 46,697,572	$ 48,670,747

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	96,701,662	1.047	96,701,662	1.047
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	56,051,420	0.607	56,051,420	0.607
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	184,742,087	2.001	184,742,087	2.001
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	72,765,225	0.788	72,765,225	0.788
1.43 Revenue and assessment obligations	89,930,405	0.974	89,930,405	0.974
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	14,069,076	0.152	14,069,076	0.152
1.512 Issued or guaranteed by FNMA and FHLMC	113,778,118	1.232	113,778,118	1.232
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	181,872,789	1.970	181,872,789	1.970
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	1,274,781,021	13.807	1,274,781,021	13.807
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	3,330,599,703	36.073	3,330,599,703	36.073
2.2 Unaffiliated non-U.S. securities (including Canada)	1,103,789,474	11.955	1,103,789,474	11.955
2.3 Affiliated securities	39,994,102	0.433	39,994,102	0.433
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	94,472,270	1.023	94,472,270	1.023
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	5,375,595	0.058	5,375,595	0.058
3.4 Other equity securities:				
3.41 Affiliated	1,061,638	0.011	1,061,638	0.011
3.42 Unaffiliated	18,870,000	0.204	18,870,000	0.204
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans	879,991,917	9.531	879,991,917	9.531
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for the production of income (including $ .... of property acquired in satisfaction of debt)	8,559,631	0.093	8,559,631	0.093
5.3 Property held for sale (including $ .... property acquired in satisfaction of debt)				
6. Contract loans	1,202,778,613	13.027	1,202,778,613	13.027
7. Receivables for securities	7,482,236	0.081	7,482,236	0.081
8. Cash, cash equivalents and short-term investments	210,997,983	2.285	210,997,983	2.285
9. Other invested assets	244,396,154	2.647	244,396,154	2.647
10. Total invested assets	9,233,061,119	100.000	9,233,061,119	100.000

RGA REINSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Investment income earned:	
Government bonds	$ 7,098,051
Other bonds (unaffiliated)	392,882,785
Bonds of affiliates	5,416,655
Preferred stocks (unaffiliated)	8,889,737
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	531,648
Common stocks of affiliates	-
Mortgage loans	50,793,456
Real estate	1,181,365
Premium notes, policy loans, and liens	-
Collateral loans	69,025,732
Cash and cash equivalents	1,671,694
Short-term investments	-
Other invested assets	14,078,938
Derivative instruments	(773,077)
Aggregate write-ins for investment income	7,589,414
Gross investment income	$ 558,386,398
Real estate owned — book value less encumbrances	$ 8,559,631
Mortgage loans — book value:	
Farm mortgages	$ -
Residential mortgages	-
Commercial mortgages	879,991,917
Total mortgage loans	$ 879,991,917
Mortgage loans by standing — book value:	
Good standing	$ 850,417,036
Good standing with restructured terms	19,162,617
Interest overdue more than ninety days — not in foreclosure	7,368,869
Foreclosure in process	3,043,395
Other long-term assets — statement value	-
Collateral loans	-
Bonds and stocks of parents, subsidiaries, and affiliates — book value:	
Bonds	-
Preferred stocks	-
Common stocks	1,061,638

(Continued)

RGA REINSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Bonds, short-term investments, and cash equivalents by class and maturity:	
Bonds, short-term investments, and cash equivalents by maturity — statement value:	
Due within one year or less	$ 469,784,287
Over 1 year through 5 years	1,710,668,500
Over 5 years through 10 years	2,854,866,736
Over 10 years through 20 years	643,439,786
Over 20 years	1,018,866,318
Total by maturity	$ 6,697,625,627
Bonds, short-term investments, and cash equivalents by class — statement value:	
Class 1	$ 3,778,790,052
Class 2	2,348,024,641
Class 3	382,067,710
Class 4	145,769,861
Class 5	28,934,385
Class 6	14,038,978
Total by class	$ 6,697,625,627
Total bonds, short-term investments, and cash equivalents publicly traded	$ 5,100,693,140
Total bonds, short-term investments, and cash equivalents privately traded	1,596,932,487
Preferred stocks — statement value	94,472,270
Common stocks — market value	25,307,233
Short-term investments — book value	128,412,590
Financial options owned — statement value	-
Financial options written and in force — statement value	-
Financial options open — statement value	-
Financial futures contracts open — current price	-
Cash on deposit	71,451,681
Life insurance in force:	
Industrial	-
Ordinary	563,191,533,569
Credit Life	1,967,003,300
Group Life	16,044,221,132
Amount of accidental death insurance in force under ordinary policies	-
Life insurance policies with disability provisions in force:	
Industrial	-
Ordinary	36,919,885,988
Credit Life	-
Group Life	-

(Continued)

RGA REINSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Supplementary contracts in force:	
Ordinary — not involving life contingencies:	
Amount on deposit	$ -
Income payable	-
Ordinary — involving life contingencies — income payable	-
Group — not involving life contingencies:	
Amount of deposit	-
Income payable	-
Group — involving life contingencies — income payable	-
Annuities:	
Ordinary:	
Immediate — amount of income payable	-
Deferred — fully paid account balance	14,172,466,698
Deferred — not fully paid — account balance	-
Group:	
Amount of income payable	-
Fully paid account balance	26,439,428
Not fully paid — account balance	-
Accident and health insurance — premiums in force:	
Ordinary	218,793,559
Group	7,848,652
Credit	-
Deposit funds and dividend accumulations:	
Deposit funds — account balance	199,325,268
Dividend accumulations — account balance	-
Claim payments 2010:	
Group accident and health — year ended December 31, 2010:	
2010	-
2009	-
2008	-
Other accident and health:	
2010	-
2009	-
2008	-
Other coverages that use developmental methods to evaluate claims reserves:	
2010	-
2009	-
2008	-

(Concluded)