



A.M. Best Affirms Ratings of Reinsurance Group of America

May 31, 2002

OLDWICK, N.J., May 31, 2002 (BUSINESS WIRE) -- A.M. Best Co. has affirmed the financial strength ratings of A+ (Superior) on Reinsurance Group of America, Incorporated's (NYSE:RGA), St. Louis, two key operating companies, RGA Reinsurance Company (RGA RE) - U.S. and RGA Life Reinsurance Company of Canada (RGA CN).

In addition, A.M. Best affirmed RGA's existing debt securities and the indicative ratings under RGA's shelf offering.

The ratings reflect RGA's strong franchise and client retention in the North American market, high level of expertise in assessing and managing life insurance risk--which has led to sustained earnings growth in core businesses and superior risk-adjusted capitalization in its insurance companies. The ratings also reflect the company's moderate amount of financial leverage, and A.M. Best believes future earnings and cash flow will provide acceptable debt service coverage. Furthermore, the ratings consider the implicit and explicit benefits RGA derives from its strategic affiliation with its majority owner, MetLife, Inc. (NYSE:MET), which owns approximately 60% through affiliates.

Offsetting these strengths is an increasingly competitive pricing environment in the life reinsurance market that may pressure margins in the near term. Moreover, RGA recently reported in the United States unfavorable claims experience related to its life insurance and accident and health lines of business, operating and credit losses from discontinued pension operations in Argentina and credit losses in its investment portfolio. In A.M. Best's opinion, RGA has made progress to mitigate these exposures by the following actions:

- Completing a thorough review of its pricing objectives and reserve adequacy on its inforce business;
- Minimizing exposure in Argentina by writing down its subsidiary investment and;
- Actively monitoring impaired fixed income securities to minimize future investment losses and writedowns.

Nonetheless, A.M. Best notes RGA's dominant market position provides the ability to capitalize on underwriting expertise and operational efficiencies in core markets as primary writers continue to outsource mortality risk.

RGA has successfully executed a focused business plan that emphasizes superior operating performance by reinsuring life products through traditional reinsurance complemented by a moderate amount of non-traditional reinsurance. As a result of its well managed growth strategy, the company has achieved sustainable increases in revenue, while continuing to increase market share in North America and expand its presence in Europe and Asia. A.M. Best expects these favorable business fundamentals, which complement MetLife's market profile, will enable RGA to resume more stable earnings growth in core operations and widen its diverse client base. A.M. Best further believes continued growth in RGA's businesses, supported by strong cash flow, effective use of its retrocessional capacity and increasing profit levels will continue to provide adequate interest coverage--in the mid to upper single digit range--to support debt service requirements. However, dividend capacity from RGA Re is somewhat constrained by existing organizational structure through financial restrictions in Reinsurance Company of Missouri, Inc., RGA Re's parent company.

A.M. Best anticipates RGA's financial leverage defined as total borrowings--debt plus trust preferred securities--to total capital not to exceed 35% in the medium term. Likewise, while RGA maintains ample capital resources through bank credit facilities and shelf registration filing, A.M. Best regards the company's current financial flexibility as somewhat limited given RGA's high premium growth rates and the future level of capital requirements in its subsidiaries. Nevertheless, A.M. Best expects RGA to maintain superior risk-adjusted capitalization in its U.S. and Canadian operating units to support current ratings.

RGA offers a broad array of reinsurance products targeting life insurance and financial services companies and is a member of MetLife Inc. As of March 31, 2002, RGA reported assets of approximately \$7.2 billion, life insurance in-force of approximately \$607 billion and stockholders' equity of \$995 million.

For a complete listing of companies with affected financial strength and debt ratings, please visit <http://www.ambest.com/press/rga.pdf>

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