Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

Commission File Number 1-11848

REINSURANCE GROUP OF AMERICA, INCORPORATED

(Exact name of Registrant as specified in its charter)

MISSOURI (State or other jurisdiction of incorporation or organization)	43-1627032 (IRS employer identification number)

1370 Timberlake Manor Parkway
Chesterfield, Missouri 63017
(Address of principal executive offices)

(636) 736-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ **No** o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ **No** o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

As of October 29, 2010, 73,226,465 shares of the registrant's common stock were outstanding.

REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

Item		Page
	PART I — FINANCIAL INFORMATION	
1	Financial Statements	
	Condensed Consolidated Balance Sheets (Unaudited) September 30, 2010 and December 31, 2009	3
	Condensed Consolidated Statements of Income (Unaudited) Three and nine months ended September 30, 2010 and 2009	4
	Condensed Consolidated Statements of Cash Flows (Unaudited) Nine months ended September 30, 2010 and 2009	5
	Notes to Condensed Consolidated Financial Statements (Unaudited)	6
2	Management's Discussion and Analysis of Financial Condition and Results of Operations	36
3	Quantitative and Qualitative Disclosure About Market Risk	71
4	Controls and Procedures	71
	PART II — OTHER INFORMATION	
1	Legal Proceedings	71
1A	Risk Factors	71
2	Unregistered Sales of Equity Securities and Use of Proceeds	71
6	Exhibits	71
	Signatures	72
	Index to Exhibits	73

EX-31.1
EX-31.2
EX-32.1
EX-32.2
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT

Table of Contents

REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
	(Dollars in thousands, except share data)	
Assets		
Fixed maturity securities:		
Available-for-sale at fair value (amortized cost of $12,933,116 and $11,616,957 at September 30, 2010 and December 31, 2009, respectively)	$ 14,169,930	$ 11,763,358
Mortgage loans on real estate (net of allowances of $13,268 and $5,784 at at September 30, 2010 and December 31, 2009, respectively)	863,873	791,668
Policy loans	1,173,148	1,136,564
Funds withheld at interest	5,276,511	4,895,356
Short-term investments	84,091	121,060
Other invested assets	738,830	516,086
Total investments	22,306,383	19,224,092
Cash and cash equivalents	634,075	512,027
Accrued investment income	177,250	107,447
Premiums receivable and other reinsurance balances	987,342	850,096
Reinsurance ceded receivables	790,889	716,480
Deferred policy acquisition costs	3,741,534	3,698,972
Other assets	296,555	140,387
Total assets	$ 28,934,028	$ 25,249,501
Liabilities and Stockholders' Equity		
Future policy benefits	$ 8,906,977	$ 7,748,480
Interest-sensitive contract liabilities	7,884,874	7,666,002
Other policy claims and benefits	2,590,014	2,229,083
Other reinsurance balances	134,066	106,706
Deferred income taxes	1,064,726	613,222
Other liabilities	1,129,848	792,775
Long-term debt	1,216,320	1,216,052
Collateral finance facility	850,026	850,037
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company	159,368	159,217
Total liabilities	23,936,219	21,381,574
Commitments and contingent liabilities (See Note 8)		
Stockholders' Equity:		
Preferred stock (par value $.01 per share; 10,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock (par value $.01 per share; 140,000,000 shares authorized; shares issued: 73,363,523 at September 30, 2010 and December 31, 2009)	734	734
Warrants	66,912	66,912
Additional paid-in-capital	1,477,011	1,463,101
Retained earnings	2,402,167	2,055,549
Treasury stock, at cost; 191,996 and 373,861 shares at September 30, 2010 and December 31, 2009, respectively	(8,774)	(17,578)
Accumulated other comprehensive income (loss):		
Accumulated currency translation adjustment, net of income taxes	242,686	210,878
Unrealized appreciation of securities, net of income taxes	832,756	104,457
Pension and postretirement benefits, net of income taxes	(15,683)	(16,126)
Total stockholders' equity	4,997,809	3,867,927
Total liabilities and stockholders' equity	$ 28,934,028	$ 25,249,501

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(Dollars in thousands, except per share data)			
Revenues:				
Net premiums	$ 1,647,300	$ 1,405,179	$ 4,857,781	$ 4,126,407
Investment income, net of related expenses	287,504	299,471	883,433	807,303
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(4,904)	(16,945)	(15,823)	(88,282)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	26	(4,000)	2,231	12,135
Other investment related gains (losses), net	(11,902)	63,304	150,989	124,432
Total investment related gains (losses), net	(16,780)	42,359	137,397	48,285
Other revenues	37,515	31,972	108,990	140,992
Total revenues	1,955,539	1,778,981	5,987,601	5,122,987
Benefits and Expenses:				
Claims and other policy benefits	1,393,891	1,155,811	4,076,310	3,449,251
Interest credited	94,776	85,153	230,879	194,959
Policy acquisition costs and other insurance expenses	157,058	271,789	760,509	778,993
Other operating expenses	85,409	76,403	259,755	214,247
Interest expense	25,191	5,243	65,781	46,955
Collateral finance facility expense	2,041	2,031	5,807	6,402
Total benefits and expenses	1,758,366	1,596,430	5,399,041	4,690,807
Income before income taxes	197,173	182,551	588,560	432,180
Provision for income taxes	68,941	64,343	210,870	137,503
Net income	$ 128,232	$ 118,208	$ 377,690	$ 294,677
Earnings per share:				
Basic earnings per share	$ 1.75	$ 1.62	$ 5.17	$ 4.05
Diluted earnings per share	$ 1.72	$ 1.61	$ 5.06	$ 4.03
Dividends declared per share	$ 0.12	$ 0.09	$ 0.36	$ 0.27

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

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

	Nine months ended September 30,	
	2010	2009
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 377,690	$ 294,677
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(68,755)	(61,137)
Premiums receivable and other reinsurance balances	(98,274)	(94,650)
Deferred policy acquisition costs	(45,525)	84,861
Reinsurance ceded balances	(74,410)	20,394
Future policy benefits, other policy claims and benefits, and other reinsurance balances	1,385,629	682,234
Deferred income taxes	14,579	(46,756)
Other assets and other liabilities, net	38,453	182,090
Amortization of net investment premiums, discounts and other	(104,878)	(93,359)
Investment related gains, net	(137,397)	(48,285)
Gain on repurchase of long-term debt	—	(38,875)
Excess tax benefits from share-based payment arrangement	(1,379)	(1,491)
Other, net	44,546	23,235
Net cash provided by operating activities	1,330,279	902,938
Cash Flows from Investing Activities:		
Sales of fixed maturity securities available-for-sale	2,533,344	2,081,979
Maturities of fixed maturity securities available-for-sale	107,648	61,180
Purchases of fixed maturity securities available-for-sale	(3,664,819)	(3,019,892)
Cash invested in mortgage loans	(97,947)	(72)
Cash invested in policy loans	(38,996)	(9,508)
Cash invested in funds withheld at interest	(90,282)	(59,486)
Principal payments on mortgage loans on real estate	18,923	29,036
Principal payments on policy loans	2,412	27,170
Change in short-term investments and other invested assets	20,334	(35,343)
Net cash used in investing activities	(1,209,383)	(924,936)
Cash Flows from Financing Activities:		
Dividends to stockholders	(26,340)	(19,635)
Repurchase of long-term debt	—	(39,960)
Net repayments under credit agreements	—	(22,539)
Purchases of treasury stock	(718)	(1,607)
Excess tax benefits from share-based payment arrangement	1,379	1,491
Exercise of stock options, net	8,804	963
Change in cash collateral for derivative positions	121,054	(137,418)
Net withdrawals on universal life and other investment type policies and contracts	(117,346)	(104,694)
Net cash used in financing activities	(13,167)	(323,399)
Effect of exchange rate changes on cash	14,319	16,876
Change in cash and cash equivalents	122,048	(328,521)
Cash and cash equivalents, beginning of period	512,027	875,403
Cash and cash equivalents, end of period	$ 634,075	$ 546,882
Supplementary information:		
Cash paid for interest	$ 61,327	$ 49,193
Cash paid for income taxes, net of refunds	$ 41,368	$ 21,491

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

REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Reinsurance Group of America, Incorporated ("RGA") is an insurance holding company that was formed on December 31, 1992. The accompanying unaudited condensed consolidated financial statements of RGA and its subsidiaries (collectively, the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The Company has determined that there were no subsequent events that would require disclosure or adjustments to the accompanying condensed consolidated financial statements through the date the financial statements were issued. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2009 Annual Report on Form 10-K ("2009 Annual Report") filed with the Securities and Exchange Commission on March 2, 2010.

The accompanying unaudited condensed consolidated financial statements include the accounts of RGA and its subsidiaries. All intercompany accounts and transactions have been eliminated.

2. Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Earnings:				
Net income (numerator for basic and diluted calculations)	$ 128,232	$ 118,208	$ 377,690	$ 294,677
Shares:				
Weighted average outstanding shares (denominator for basic calculation)	73,162	72,781	73,117	72,754
Equivalent shares from outstanding stock options(1)	1,258	505	1,457	283
Denominator for diluted calculation	74,420	73,286	74,574	73,037
Earnings per share:				
Basic	$ 1.75	$ 1.62	$ 5.17	$ 4.05
Diluted	$ 1.72	$ 1.61	$ 5.06	$ 4.03

(1) Year-to-date amounts are weighted average of the individual quarterly amounts.

The calculation of common equivalent shares does not include the impact of options or warrants having a strike or conversion price that exceeds the average stock price for the earnings period, as the result would be antidilutive. The calculation of common equivalent shares also excludes the impact of outstanding performance contingent shares, as the conditions necessary for their issuance have not been satisfied as of the end of the reporting period. For the three months ended September 30, 2010, approximately 1.7 million stock options and approximately 0.7 million performance contingent shares were excluded from the calculation. For the three months ended September 30, 2009, approximately 1.2 million stock options and approximately 0.6 million performance contingent shares were excluded from the calculation.

3. Comprehensive Income

The following table presents the components of the Company’s other comprehensive income (loss) (dollars in thousands):

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net income	$ 128,232	$ 118,208	$ 377,690	$ 294,677
Other comprehensive income (loss), net of income tax:				
Unrealized investment gains, net of reclassification adjustment for gains included in net income	362,408	475,230	729,749	710,903
Reclassification adjustment for other-than-temporary impairments	(17)	2,600	(1,450)	(7,888)
Currency translation adjustments	68,701	79,939	31,808	165,776
Unrealized pension and postretirement benefit adjustment	325	1,019	443	1,304
Comprehensive income	$ 559,649	$ 676,996	$ 1,138,240	$ 1,164,772

The balance of and changes in each component of accumulated other comprehensive income (loss) for the nine months ended September 30, 2010 are as follows (dollars in thousands):

	Accumulated Other Comprehensive Income (Loss), Net of Income Tax			
	Accumulated Currency Translation Adjustments	Unrealized Appreciation of Securities	Pension and Postretirement Benefits	Total
Balance, December 31, 2009	$ 210,878	$ 104,457	$ (16,126)	$ 299,209
Change in component during the period	31,808	728,299	443	760,550
Balance, September 30, 2010	$ 242,686	$ 832,756	$ (15,683)	$ 1,059,759

4. Investments

The Company had total cash and invested assets of $22.9 billion and $19.7 billion at September 30, 2010 and December 31, 2009, respectively, as illustrated below (dollars in thousands):

	September 30, 2010	December 31, 2009
Fixed maturity securities, available-for-sale	$ 14,169,930	$ 11,763,358
Mortgage loans on real estate	863,873	791,668
Policy loans	1,173,148	1,136,564
Funds withheld at interest	5,276,511	4,895,356
Short-term investments	84,091	121,060
Other invested assets	738,830	516,086
Cash and cash equivalents	634,075	512,027
Total cash and invested assets	$ 22,940,458	$ 19,736,119

All investments held by the Company are monitored for conformance to the qualitative and quantitative limits prescribed by the applicable jurisdiction’s insurance laws and regulations. In addition, the operating companies’ boards of directors periodically review their respective investment portfolios. The Company’s investment strategy is to maintain a predominantly investment-grade, fixed maturity securities portfolio, which will provide adequate liquidity for expected reinsurance obligations and maximize total return through prudent asset management. The Company’s asset/liability duration matching differs between operating segments. The average duration for all the Company’s portfolios, when consolidated, ranges between eight and ten years. However, based on Canadian reserve requirements, the Canadian liabilities are matched with long-duration Canadian assets, and therefore, the duration of the Canadian portfolio exceeds twenty years.

Investment Income, Net of Related Expenses

Major categories of investment income, net of related expenses consist of the following (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Fixed maturity securities available-for-sale	$ 179,130	$ 153,752	$ 532,259	$ 443,849
Mortgage loans on real estate	13,406	11,323	37,567	34,279
Policy loans	18,271	17,298	56,150	50,647
Funds withheld at interest	69,677	114,731	245,249	267,717
Short-term investments	1,142	1,205	3,520	3,206
Other invested assets	11,926	5,902	26,694	21,067
Investment revenue	293,552	304,211	901,439	820,765
Investment expense	(6,048)	(4,740)	(18,006)	(13,462)
Investment income, net of related expenses	$ 287,504	$ 299,471	$ 883,433	$ 807,303

Investment Related Gains (Losses), Net

Investment related gains (losses), net consist of the following (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Fixed maturity and equity securities available for sale:				
Other-than-temporary impairment losses on fixed maturities	$ (4,904)	$ (16,945)	$ (15,823)	$ (88,282)
Portion of loss recognized in accumulated other comprehensive income (before taxes)	26	(4,000)	2,231	12,135
Net other-than-temporary impairment losses on fixed maturities recognized in earnings	(4,878)	(20,945)	(13,592)	(76,147)
Impairment losses on equity securities	—	—	(32)	(5,430)
Gain on investment activity	39,371	31,823	74,833	69,334
Loss on investment activity	(7,773)	(23,782)	(21,967)	(62,259)
Other impairment losses	(5,087)	(4,790)	(7,482)	(7,755)
Derivatives and other, net	(38,413)	60,053	105,637	130,542
Net gains (losses)	$ (16,780)	$ 42,359	$ 137,397	$ 48,285

The net other-than-temporary impairment losses on fixed maturity securities recognized in earnings of $4.9 million and $13.6 million in the third quarter and first nine months of 2010, respectively, were primarily due to a decline in value of structured securities with exposure to commercial mortgages. The much larger other-than-temporary impairments in 2009 were primarily due to the turmoil in the U.S. and global financial markets. That condition had moderated considerably by the beginning of 2010. The volatility in derivatives and other is primarily due to changes in the fair value of embedded derivative liabilities associated with modified coinsurance and funds withheld treaties and guaranteed minimum benefit riders.

During the three months ended September 30, 2010 and 2009, the Company sold fixed maturity securities and equity securities with fair values of $97.6 million and $191.7 million at gross losses of $7.8 million and $23.8 million, respectively, or at 92.6% and 89.0% of amortized cost, respectively. During the nine months ended September 30, 2010 and 2009, the Company sold fixed maturity securities and equity securities with fair values of $497.0 million and $514.3 million at gross losses of $22.0 million and $62.3 million, respectively, or at 95.8% and 89.2% of amortized cost, respectively. The Company generally does not engage in short-term buying and selling of securities.

Other-Than-Temporary Impairments

The Company has a process in place to identify fixed maturity and equity securities that could potentially have credit impairments that are other-than-temporary. This process involves monitoring market events that could impact issuers' credit ratings, business climates, management changes, litigation, government actions and other similar factors. This process also involves monitoring late payments, pricing levels, rating agency actions, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

The Company reviews all securities to determine whether an other-than-temporary decline in value exists and whether losses should be recognized. The Company considers relevant facts and circumstances in evaluating whether a credit or interest

rate-related impairment of a security is other-than-temporary. Relevant facts and circumstances considered include: (1) the extent and length of time the fair value has been below cost; (2) the reasons for the decline in fair value; (3) the issuer's financial position and access to capital and (4) for fixed maturity securities, the Company's intent to sell a security or whether it is more likely than not it will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity and for equity securities, its ability and intent to hold the security for a period of time that allows for the recovery in value. To the extent the Company determines that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized.

On April 1, 2009, ("Date of Adoption"), the Company adopted the amended general accounting principles for *Investments* as it relates to the recognition and presentation of other-than-temporary impairments. See Note 12 — "New Accounting Standards" for further discussion of the adoption. The amended recognition provisions apply only to fixed maturity securities classified as available-for-sale and held-to-maturity, while the presentation and disclosure requirements apply to both fixed maturity and equity securities.

Impairment losses on equity securities are recognized in net income. Recognition of impairment losses on fixed maturity securities is dependent on the facts and circumstances related to a specific security. If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, it recognizes an other-than-temporary impairment in net income for the difference between amortized cost and fair value. If the Company does not expect to recover the amortized cost basis, it does not plan to sell the security and if it is not more likely than not that it would be required to sell a security before the recovery of its amortized cost, the recognition of the other-than-temporary impairment is bifurcated. The Company recognizes the credit loss portion in net income and the non-credit loss portion in accumulated other comprehensive income ("AOCI").

For the three and nine months ended September 30, 2010, the Company recognized $4.9 million and $13.6 million, respectively, of credit related losses, primarily in various mortgage-backed securities and to a lesser extent, U.S. corporate securities. For the three months ended September 30, 2009, the Company recognized $20.9 million of credit related losses in various asset-backed and U.S. corporate securities. For the six-month period between the Date of Adoption and September 30, 2009, the Company recognized $41.8 million of credit related losses in mortgage-backed securities and U.S. corporate securities combined. The Company estimates the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset-backed or floating-rate security. The techniques and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities' cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds and structural support, including subordination and guarantees. The corporate fixed maturity security cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using security specific facts and circumstances including timing, security interests and loss severity.

The following tables set forth the amount of credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the other-than-temporary impairment ("OTTI") loss was recognized in AOCI, and the corresponding changes in such amounts (dollars in thousands):

	Three months ended September 30, 2010	Three months ended September 30, 2009
Balance, beginning of period	$ (53,348)	$ (23,936)
Initial impairments — credit loss OTTI recognized on securities not previously impaired	(2,296)	—
Additional impairments — credit loss OTTI recognized on securities previously impaired	(2,571)	(13,935)
Credit loss impairments previously recognized on securities which were sold during the period	10,360	—
Balance, end of period	$ (47,855)	$ (37,871)

	Nine months ended September 30, 2010	Six months ended September 30, 2009 (1)
Balance, beginning of period	$ (47,905)	$ (17,132)
Initial impairments — credit loss OTTI recognized on securities not previously impaired	(5,020)	(3,242)
Additional impairments — credit loss OTTI recognized on securities previously impaired	(7,975)	(17,497)
Credit loss impairments previously recognized on securities which were sold during the period	13,045	—
Balance, end of period	$ (47,855)	$ (37,871)

(1) Shortened period due to adoption of amended general accounting principles on April 1, 2009.

Table of Contents

Fixed Maturity and Equity Securities Available-for-Sale

As mentioned above, the amended general accounting principles for *Investments* changed how an entity recognizes an other-than-temporary impairment for a fixed maturity security by separating the other-than-temporary impairment loss between the amount representing the credit loss and the amount relating to other factors, such as an increase in interest rates, if the Company does not have the intent to sell or it more likely than not will not be required to sell prior to recovery of the amortized cost less any current period credit loss. Credit losses are recognized in net income and losses relating to other non-credit factors are recognized in AOCI and included in unrealized losses in the tables below. The following tables provide information relating to investments in fixed maturity securities and equity securities by sector as of September 30, 2010 and December 31, 2009 (dollars in thousands):

September 30, 2010:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
U.S. corporate securities	$ 4,499,821	$ 433,193	$ 81,964	$ 4,851,050	34.3%	$ —
Canadian and Canadian provincial governments	2,206,641	727,257	260	2,933,638	20.7	—
Residential mortgage-backed securities	1,520,269	63,274	22,255	1,561,288	11.0	(1,902)
Foreign corporate securities	2,158,647	170,202	12,797	2,316,052	16.3	—
Asset-backed securities	457,047	13,697	56,229	414,515	2.9	(5,203)
Commercial mortgage-backed securities	1,257,835	87,145	109,131	1,235,849	8.7	(9,493)
U.S. government and agencies	233,512	21,787	10	255,289	1.8	—
State and political subdivisions	133,955	1,211	7,718	127,448	0.9	—
Other foreign government securities	465,389	12,309	2,897	474,801	3.4	—
Total fixed maturity securities	$ 12,933,116	$ 1,530,075	$ 293,261	$ 14,169,930	100.0%	$ (16,598)
Non-redeemable preferred stock	$ 109,416	$ 5,394	$ 4,507	$ 110,303	73.3%	
Other equity securities	34,397	6,217	536	40,078	26.7	
Total equity securities	$ 143,813	$ 11,611	$ 5,043	$ 150,381	100.0%	

December 31, 2009:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
U.S. corporate securities	$ 3,689,797	$ 180,635	$ 147,384	$ 3,723,048	31.7%	$ —
Canadian and Canadian provincial governments	1,984,475	394,498	25,746	2,353,227	20.0	—
Residential mortgage-backed securities	1,494,021	32,538	70,015	1,456,544	12.4	(7,018)
Foreign corporate securities	1,627,806	77,340	33,398	1,671,748	14.2	—
Asset-backed securities	522,760	9,307	80,131	451,936	3.8	(2,194)
Commercial mortgage-backed securities	1,177,621	20,670	169,427	1,028,864	8.7	(13,690)
U.S. government and agencies	540,001	1,085	15,027	526,059	4.5	—
State and political subdivisions	107,233	273	17,744	89,762	0.8	—
Other foreign government securities	473,243	2,198	13,271	462,170	3.9	—
Total fixed maturity securities	$ 11,616,957	$ 718,544	$ 572,143	$ 11,763,358	100.0%	$ (22,902)
Non-redeemable preferred stock	$ 123,648	$ 1,878	$ 12,328	$ 113,198	66.0%	
Other equity securities	58,008	760	409	58,359	34.0	
Total equity securities	$ 181,656	$ 2,638	$ 12,737	$ 171,557	100.0%	

As of September 30, 2010, the Company held securities with a fair value of $912.7 million that were issued by the Canadian province of Ontario and $842.7 million in one entity that were guaranteed by the Canadian province of Quebec, all of which exceeded 10% of consolidated stockholders’ equity. As of December 31, 2009, the Company held securities with a fair value of $448.3 million issued by the Federal National Mortgage Corporation, $482.6 million that were issued by the United States

Treasury, $895.7 million that were issued by the Canadian province of Ontario, and $679.9 million in one entity that were guaranteed by the Canadian province of Quebec, all of which exceeded 10% of consolidated stockholders' equity.

The amortized cost and estimated fair value of fixed maturity securities available-for-sale at September 30, 2010 are shown by contractual maturity for all securities except certain U.S. government agency securities, which are distributed by maturity year based on the Company's estimate of the rate of future prepayments of principal over the remaining lives of the securities. These estimates are derived from prepayment rates experienced at the interest rate levels projected for the applicable underlying collateral and can be expected to vary from actual experience. Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. At September 30, 2010, the contractual maturities of investments in fixed maturity securities were as follows (dollars in thousands):

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$ 271,991	$ 276,720
Due after one year through five years	1,728,457	1,801,620
Due after five year through ten years	3,269,967	3,612,154
Due after ten years	4,427,550	5,267,784
Asset and mortgage-backed securities	3,235,151	3,211,652
Total	$ 12,933,116	$ 14,169,930

The table below includes major industry types and weighted average credit ratings of the Company's U.S. and foreign corporate fixed maturity holdings as of September 30, 2010 and December 31, 2009 (dollars in thousands):

September 30, 2010:	Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$ 1,554,491	$ 1,613,466	22.5%	A-
Industrial	2,253,731	2,475,680	34.5	BBB+
Foreign (1)	2,158,647	2,316,052	32.3	A+
Utility	688,293	758,115	10.6	BBB+
Other	3,306	3,789	0.1	AA-
Total	$ 6,658,468	$ 7,167,102	100.0%	A-

December 31, 2009:	Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$ 1,411,464	$ 1,358,925	25.2%	A-
Industrial	1,670,610	1,735,522	32.2	BBB+
Foreign (1)	1,627,352	1,671,090	30.9	A
Utility	603,958	624,710	11.6	BBB+
Other	4,219	4,549	0.1	A
Total	$ 5,317,603	$ 5,394,796	100.0%	A-

(1) Includes U.S. dollar-denominated debt obligations of foreign obligors and other foreign investments.

At September 30, 2010 and December 31, 2009, the Company had $298.3 million and $584.9 million, respectively, of gross unrealized losses related to its fixed maturity and equity securities. The distribution of the gross unrealized losses related to these securities is shown below.

	September 30, 2010	December 31, 2009
Sector:		
U.S. corporate securities	29%	26%
Canadian and Canada provincial governments	—	4
Residential mortgage-backed securities	7	12
Foreign corporate securities	4	7
Asset-backed securities	19	14
Commercial mortgage-backed securities	37	29
State and political subdivisions	3	3
U.S. government and agencies	—	3
Other foreign government securities	1	2
Total	100%	100%
Industry:		
Finance	24%	25%
Asset-backed	19	13
Industrial	8	7
Mortgage-backed	44	41
Government	4	12
Utility	1	2
Total	100%	100%

The following table presents total gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for 601 and 1,316 fixed maturity securities and equity securities as of September 30, 2010 and December 31, 2009, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (dollars in thousands):

	September 30, 2010			December 31, 2009		
	Number of Securities	Gross Unrealized Losses	% of Total	Number of Securities	Gross Unrealized Losses	% of Total
Less than 20%	482	$ 89,690	30.1%	1,112	$ 254,075	43.4%
20% or more for less than six months	101	166,714	55.9	38	69,322	11.9
20% or more for six months or greater	18	41,900	14.0	166	261,483	44.7
Total	601	$ 298,304	100.0%	1,316	$ 584,880	100.0%

As of September 30, 2010 and December 31, 2009, respectively, 55.8% and 71.4% of these gross unrealized losses were associated with securities that were investment grade. The Company has experienced a significant recovery of market value since December 31, 2009. The amount of the unrealized loss on these securities was primarily attributable to a widening of credit default spreads since the time securities were purchased.

While all of these securities are monitored for potential impairment, the Company believes due to fluctuating market conditions and liquidity concerns, and the relatively recent high levels of price volatility, the extent and duration of a decline in value have become less indicative of when there has been credit deterioration with respect to an issuer. The Company's determination of whether a decline in value is other-than-temporary includes analysis of the underlying credit and the extent and duration of a decline in value. The Company's credit analysis of an investment includes determining whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment. The Company continues to consider valuation declines as a potential indicator of credit deterioration.

The following tables present the estimated fair values and gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for the 601 and 1,316 fixed maturity securities and equity securities that have estimated fair values below amortized cost as of September 30, 2010 and December 31, 2009, respectively (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related market value has remained below amortized cost.

Table of Contents

September 30, 2010:	Less than 12 months Estimated Fair Value	Less than 12 months Gross Unrealized Losses	12 months or greater Estimated Fair Value	12 months or greater Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$ 78,777	$ 19,484	$ 276,688	$ 45,918	$ 355,465	$ 65,402
Canadian and Canadian provincial governments	61,724	243	4,526	17	66,250	260
Residential mortgage-backed securities	193,986	6,315	120,680	6,346	314,666	12,661
Foreign corporate securities	165,983	170	147,561	9,219	313,544	9,389
Asset-backed securities	18,695	1,408	147,091	29,488	165,786	30,896
Commercial mortgage-backed securities	78,393	9,221	113,820	27,037	192,213	36,258
U.S. government and agencies	1,817	10	—	—	1,817	10
State and political subdivisions	13,319	635	30,221	4,873	43,540	5,508
Other foreign government securities	69,996	183	43,042	2,714	113,038	2,897
Total investment grade securities	682,690	37,669	883,629	125,612	1,566,319	163,281
Non-investment grade securities:						
U.S. corporate securities	29,322	6,987	107,501	9,575	136,823	16,562
Asset-backed securities	2,388	6,192	26,243	19,141	28,631	25,333
Foreign corporate securities	1,762	3,408	—	—	1,762	3,408
Residential mortgage-backed securities	51	11	51,812	9,583	51,863	9,594
Commercial mortgage-backed securities	—	—	70,162	72,873	70,162	72,873
State and political subdivisions	—	—	5,914	2,210	5,914	2,210
Total non-investment grade securities	33,523	16,598	261,632	113,382	295,155	129,980
Total fixed maturity securities	$ 716,213	$ 54,267	$ 1,145,261	$ 238,994	$ 1,861,474	$ 293,261
Non-redeemable preferred stock	$ 11,396	$ 513	$ 29,019	$ 3,994	$ 40,415	$ 4,507
Other equity securities	6,606	271	1,044	265	7,650	536
Total equity securities	$ 18,002	$ 784	$ 30,063	$ 4,259	$ 48,065	$ 5,043
Total number of securities in an unrealized loss position	203		398		601	

December 31, 2010:	Less than 12 months Estimated Fair Value	Less than 12 months Gross Unrealized Losses	12 months or greater Estimated Fair Value	12 months or greater Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$ 373,049	$ 27,625	$ 679,908	$ 89,711	$ 1,052,957	$ 117,336
Canadian and Canadian provincial governments	494,718	15,374	135,315	10,372	630,033	25,746
Residential mortgage-backed securities	402,642	23,671	197,320	20,185	599,962	43,856
Foreign corporate securities	362,406	5,262	182,300	24,693	544,706	29,955
Asset-backed securities	48,651	1,927	166,603	57,262	215,254	59,189
Commercial mortgage-backed securities	177,360	10,312	425,793	79,297	603,153	89,609
U.S. government and agencies	496,514	15,027	—	—	496,514	15,027
State and political subdivisions	34,612	3,397	40,945	11,437	75,557	14,834
Other foreign government securities	240,216	8,370	30,321	4,901	270,537	13,271
Total investment grade securities	2,630,168	110,965	1,858,505	297,858	4,488,673	408,823
Non-investment grade securities:						
U.S. corporate securities	35,477	11,293	168,375	18,755	203,852	30,048
Asset-backed securities	6,738	3,256	24,408	17,686	31,146	20,942
Foreign corporate securities	1,755	17	3,771	3,426	5,526	3,443
Residential mortgage-backed securities	10,657	1,909	66,756	24,250	77,413	26,159
Commercial mortgage-backed securities	—	—	57,179	79,818	57,179	79,818
State and political subdivisions	—	—	5,170	2,910	5,170	2,910
Total non-investment grade securities	54,627	16,475	325,659	146,845	380,286	163,320
Total fixed maturity securities	$ 2,684,795	$ 127,440	$ 2,184,164	$ 444,703	$ 4,868,959	$ 572,143
Non-redeemable preferred stock	$ 8,320	$ 1,263	$ 68,037	$ 11,065	$ 76,357	$ 12,328
Other equity securities	5	15	7,950	394	7,955	409

Total equity securities	$ 8,325	$ 1,278	$ 75,987	$ 11,459	$ 84,312	$ 12,737
Total number of securities in an unrealized loss position	582		734		1,316	

As of September 30, 2010, the Company does not intend to sell these fixed maturity securities and does not believe it is more likely than not that it will be required to sell these fixed maturity securities before the recovery of the fair value up to the current amortized cost of the investment, which may be maturity. However, as facts and circumstances change, the Company may sell fixed maturity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality, asset-liability management and liquidity guidelines.

As of September 30, 2010, the Company has the ability and intent to hold the equity securities until the recovery of the fair value up to the current cost of the investment. However, from time to time, if facts and circumstances change, the Company may sell equity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines.

5. Derivative Instruments

The following table presents the notional amounts and fair value of derivative instruments as of September 30, 2010 and December 31, 2009 (dollars in thousands):

	September 30, 2010			December 31, 2009		
	Notional Amount	Carrying Value/Fair Value		Notional Amount	Carrying Value/Fair Value	
		Assets	Liabilities		Assets	Liabilities
Derivatives not designated as hedging instruments:						
Interest rate swaps(1)	$2,371,716	$128,233	$ 24,210	$1,388,570	$ 17,962	$ 47,061
Financial futures(1)	267,639	—	—	200,436	—	—
Foreign currency forwards(1)	40,500	4,696	—	40,500	2,200	—
Consumer Price index ("CPI") swaps(1)	133,266	1,332	—	124,034	1,631	—
Credit default swaps(1)	367,500	858	2,051	367,500	2,363	249
Equity options(1)	33,041	7,445	—	—	—	—
Embedded derivatives in:						
Modified coinsurance or funds withheld arrangements(2)	—	—	318,000	—	—	434,494
Indexed annuity products(3)	—	72,623	646,159	—	68,873	584,906
Variable annuity products(3)	—	—	173,743	—	—	23,748
Total non-hedging derivatives	3,213,662	215,187	1,164,163	2,121,040	93,029	1,090,458
Derivatives designated as hedging instruments:						
Interest rate swaps(1)	21,783	—	2,560	21,783	—	677
Foreign currency swaps(1)	615,323	—	19,654	226,715	—	9,008
Total hedging derivatives	637,106	—	22,214	248,498	—	9,685
Total derivatives	$3,850,768	$215,187	$1,186,377	$2,369,538	$ 93,029	$1,100,143

(1) Carried on the Company's condensed consolidated balance sheets in other invested assets or other liabilities, at fair value.

(2) Embedded liability is included on the condensed consolidated balance sheets with the host contract in funds withheld at interest, at fair value.

(3) Embedded liability is included on the condensed consolidated balance sheets with the host contract in interest-sensitive contract liabilities, at fair value. Embedded asset is included on the condensed consolidated balance sheets in reinsurance ceded receivables.

Accounting for Derivative Instruments and Hedging Activities

The Company does not enter into derivative instruments for speculative purposes. As of September 30, 2010 and December 31, 2009, the Company held interest rate swaps that were designated and qualified as fair value hedges of interest rate risk. As of September 30, 2010 and December 31, 2009, the Company held foreign currency swaps that were designated and qualified as fair value hedges of a portion of its net investment in its foreign operations. Gains of $50.0 million related to foreign currency swaps terminated in 2009 continue to be reflected in AOCI. As of September 30, 2010 and December 31, 2009, the Company also had derivative instruments that were not designated as hedging instruments. See Note 2 — "Summary of Significant Accounting Policies" of the Company's 2009 annual report on Form 10-K for a detailed discussion of the accounting treatment for derivative instruments, including embedded derivatives. Derivative instruments are carried at fair value and generally require an insignificant amount of cash at inception of the contracts.

Fair Value Hedges

The Company designates and accounts for certain interest rate swaps that convert fixed rate investments to floating rate investments as fair value hedges when they meet the requirements of the general accounting principles for *Derivatives and Hedging*. The gain or loss on the hedged item attributable to the hedged benchmark interest rate and the offsetting gain or loss on the related interest rate swaps for the three and nine months ended September 30, 2010 and 2009 were (dollars in thousands):

Type of Fair Value Hedge	Derivative Gain (Loss) Location	Hedge Gain (Loss) Recognized	Hedged Item	Hedged Item Gain (Loss) Location	Hedged Item Gain (Loss) Recognized
For the three months ended September 30, 2010:					
Interest rate swaps	Investment related gains (losses), net	$ (683)	Fixed rate fixed maturity securities	Investment related gains (losses), net	$ 922
For the three months ended September 30, 2009:					
Interest rate swaps	Investment related gains (losses), net	$ (346)	Fixed rate fixed maturity securities	Investment related gains (losses), net	$ 498
For the nine months ended September 30, 2010:					
Interest rate swaps	Investment related gains (losses), net	$(1,883)	Fixed rate fixed maturity securities	Investment related gains (losses), net	$2,422
For the nine months ended September 30, 2009:					
Interest rate swaps	Investment related gains (losses), net	$ 1,119	Fixed rate fixed maturity securities	Investment related gains (losses), net	$ (958)

The Company's investment related gains (losses), net representing the ineffective portion of all fair value hedges was immaterial for the three and nine months ended September 30, 2010 and 2009.

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.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency swaps to hedge a portion of its net investment in certain foreign operations against adverse movements in exchange rates. The following table illustrates the Company's net investments in foreign operations ("NIFO") hedges for the three and nine months ended September 30, 2010 and 2009 (dollars in thousands):

Type of NIFO Hedge	Derivative Gain (Loss) in OCI	Location of Gain (Loss) Reclassified From AOCI	Gain (Loss) Reclassified from AOCI into income	Income Statement Location of Gain (Loss)	Ineffective Gain (Loss) in Income
For the three months ended September 30, 2010:					
Foreign currency swaps	$(21,957)	None	$—	Investment income	$—
For the three months ended September 30, 2009:					
Foreign currency swaps	$ (4,000)	None	$—	Investment income	$—
For the nine months ended September 30, 2010:					
Foreign currency swaps	$(13,191)	None	$—	Investment income	$—
For the nine months ended September 30, 2009:					
Foreign currency swaps	$ (2,356)	None	$—	Investment income	$—

Ineffectiveness on the foreign currency swaps is based upon the change in forward rates. There was no ineffectiveness recorded in the periods presented herein.

The Company's other comprehensive income for the three months ended September 30, 2010 and 2009, includes losses of $22.0 million and $4.0 million, respectively, and $13.2 million and $2.4 million for the nine months ended September 30, 2010 and 2009, respectively, related to foreign currency swaps used to hedge a portion of its net investment in its foreign operations. The cumulative foreign currency translation gain recorded in AOCI related to these hedges was $27.3 million and $40.5 million at September 30, 2010 and December 31, 2009, respectively. If a foreign operation was sold or substantially liquidated, the amounts in AOCI would be reclassified to the consolidated statements of income. A pro rata portion would be reclassified upon partial sale of a foreign operation.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company uses various other derivative instruments for risk management purposes that either do not qualify or have not been qualified for hedge accounting treatment, including derivatives used to economically hedge changes in the fair value of liabilities associated with the reinsurance of variable annuities with guaranteed living benefits. The gain or loss related to the change in fair value for these derivative instruments is recognized in investment related gains (losses), in the consolidated statements of income, except where otherwise noted. For the three months ended September 30, 2010 and 2009, the Company recognized investment related gains (losses) of $11.6 million and ($5.7) million, respectively, and $129.6 million and ($162.0) million for the nine months ended September 30, 2010 and 2009, respectively, related to derivatives (not including embedded derivatives) that do not qualify or have not been qualified for hedge accounting.

Interest Rate Swaps

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 tied to an agreed-upon notional principal amount. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments at each due date.

Financial Futures

Exchange-traded equity futures are used primarily to economically hedge liabilities embedded in certain variable annuity products. With exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the relevant stock indices, and to post variation margin on a daily basis in an amount equal to the difference between the daily estimated fair values of those contracts. The Company enters into exchange-traded equity futures with regulated futures commission merchants that are members of the exchange.

Foreign Currency Swaps

Foreign currency swaps are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company may also use foreign currency swaps to economically hedge the foreign currency risk associated with certain of its net investments in foreign operations.

Foreign Currency Forwards

Foreign currency forwards are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date.

CPI Swaps

CPI swaps are used by the Company primarily to economically hedge liabilities embedded in certain insurance products where 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.

Credit Default Swaps

The Company invests in credit default swaps to diversify its credit risk exposure in certain portfolios. 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.

The Company also purchases credit default swaps to reduce its risk against a drop in bond prices due to credit concerns of certain bond issuers. If a credit event, as defined by the contract, occurs, the Company is able to put the bond back to the counterparty at par.

Equity Options

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 index 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.

Embedded Derivatives

The Company has certain embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance treaties structured on a modified coinsurance or funds withheld basis. Additionally, the Company reinsures equity-indexed annuity and variable annuity contracts with benefits that are considered embedded derivatives, including guaranteed minimum withdrawal benefits, guaranteed minimum accumulation benefits, and guaranteed minimum income benefits. The related gains (losses) for the three and nine months ended September 30, 2010 and 2009 are reflected in the following table (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Embedded derivatives in modified coinsurance or funds withheld arrangements and variable annuity contracts included in investment related gains (losses)	$ (54,885)	$ 61,581	$ (33,501)	$ 281,943
After the associated amortization of DAC and taxes, the related amounts included in net income	(17,604)	11,173	(4,197)	(21,423)
Amounts related to embedded derivatives in equity-indexed annuities included in benefits and expenses	(24,105)	(23,144)	(27,326)	(11,680)
After the associated amortization of DAC and taxes, the related amounts included in net income	864	(17,305)	(4,320)	(18,058)

Non-hedging Derivatives

A summary of the effect of non-hedging derivatives, including embedded derivatives, on the Company's income statement for the three and nine months ended September 30, 2010 and 2009 is as follows (dollars in thousands):

		Gain (Loss) for the Three Months Ended September 30,	
Type of Non-hedging Derivative	Income Statement Location of Gain (Loss)	2010	2009
Interest rate swaps	Investment related gains (losses), net	$ 49,825	$ 26,378
Financial futures	Investment related gains (losses), net	(42,270)	(36,951)
Foreign currency forwards	Investment related gains (losses), net	1,543	1,910
CPI swaps	Investment related gains (losses), net	(508)	61
Credit default swaps	Investment related gains (losses), net	3,730	2,919
Equity options	Investment related gains (losses), net	(731)	—
Embedded derivatives in:			
Modified coinsurance or funds withheld arrangements	Investment related gains (losses), net	(38,653)	51,454
Indexed annuity products	Policy acquisition costs and other insurance expenses	1,806	1,001
Indexed annuity products	Interest credited	(25,911)	(24,145)
Variable annuity products	Investment related gains (losses), net	(16,232)	10,127
Total non-hedging derivatives		$ (67,401)	$ 32,754
Interest rate swaps	Investment related gains (losses), net	$ 148,280	$ (111,502)
Financial futures	Investment related gains (losses), net	(21,192)	(62,699)
Foreign currency forwards	Investment related gains (losses), net	2,161	1,032
CPI swaps	Investment related gains (losses), net	524	915
Credit default swaps	Investment related gains (losses), net	446	10,296
Equity options	Investment related gains (losses), net	(604)	—
Embedded derivatives in:			
Modified coinsurance or funds withheld arrangements	Investment related gains (losses), net	116,494	75,366
Indexed annuity products	Policy acquisition costs and other insurance expenses	2,968	(1,495)
Indexed annuity products	Interest credited	(30,293)	(10,185)
Variable annuity products	Investment related gains (losses), net	(149,995)	206,577
Total non-hedging derivatives		$ 68,789	$ 108,305

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. As exchange-traded futures are affected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments.

The Company enters into various collateral arrangements, which require both the posting and accepting of collateral in connection with its derivative instruments. Collateral agreements contain attachment thresholds that vary depending on the posting party's financial strength ratings. Additionally, a decrease in the Company's financial strength rating to a specified level results in potential settlement of the derivative positions under the Company's agreements with its counterparties. As of September 30, 2010, the Company held cash collateral under its control of $105.0 million. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in other liabilities in the condensed consolidated balance sheets. No cash collateral was held as of December 31, 2009. As of September 30, 2010 the Company had no cash collateral pledged to counterparties. As of December 31, 2009, the Company had pledged collateral to counterparties on swaps of $16.0 million. The receivable related to cash collateral is included in other assets, in the condensed consolidated balance sheets. From time to time, the Company has both accepted and posted collateral consisting of various securities. As of September 30, 2010, the Company posted a U.S. Treasury security as collateral to a counterparty with a book value and market value of $18.0 million and $19.7 million, respectively, which is included in other invested assets. There were no securities posted as collateral at December 31, 2009. There were no securities held as collateral as of September 30, 2010 and December 31, 2009. In addition, the Company has exchange-traded futures, which require the maintenance of a margin account, which is included in cash and cash equivalents. The Company's margin account totaled $22.7 million and $17.1 million as of September 30, 2010 and December 31, 2009, respectively.

6. Fair Value of Financial Instruments

Fair values of financial instruments have been determined by using available market information and the valuation techniques 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 techniques may have a material effect on the estimated fair value amounts. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2010 and December 31, 2009 (dollars in thousands).

	September 30, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Fixed maturity securities	$14,169,930	$14,169,930	$11,763,358	$11,763,358
Mortgage loans on real estate	863,873	939,488	791,668	792,331
Policy loans	1,173,148	1,173,148	1,136,564	1,136,564
Funds withheld at interest	5,276,511	5,805,819	4,895,356	5,201,569
Short-term investments	84,091	84,091	121,060	121,060
Other invested assets	738,830	733,606	516,086	509,618
Cash and cash equivalents	634,075	634,075	512,027	512,027
Accrued investment income	177,250	177,250	107,447	107,447
Reinsurance ceded receivables	101,599	67,063	106,396	173,309
Liabilities:				
Interest-sensitive contract liabilities	$ 5,853,970	$ 5,662,556	$ 5,929,134	$ 6,196,420
Long-term and short-term debt	1,216,320	1,241,791	1,216,052	1,180,712
Collateral finance facility	850,026	514,250	850,037	510,000
Company-obligated mandatorily redeemable preferred securities	159,368	240,688	159,217	205,655

Publicly traded fixed maturity securities are valued based upon quoted market prices or estimates from independent pricing services, independent broker quotes and pricing matrices. Private placement fixed maturity securities are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. The fair value of mortgage loans on real estate is estimated using discounted cash flows. Policy loans typically carry an interest rate that is adjusted annually based on a market index and therefore carrying value approximates fair value. The carrying value of funds withheld at interest approximates fair value except where the funds withheld are specifically identified in the agreement. When funds withheld are specifically identified in the agreement, the fair value is based on the fair value of the underlying assets which are held by the ceding company. The carrying values of cash and cash equivalents and short-term investments approximates fair values due to the short-term maturities of these instruments. Common and preferred equity investments and derivative financial instruments included in other invested assets are reflected at fair value on the condensed consolidated balance sheets based primarily on quoted market prices, while limited partnership interests are carried at cost. The fair value of limited partnerships is based on net asset values. The carrying value for accrued investment income approximates fair value.

The carrying and fair values of interest-sensitive contract liabilities reflected in the table above exclude contracts with significant mortality risk. The fair value of the Company's interest-sensitive contract liabilities and related reinsurance ceded receivables is based on the cash surrender value of the liabilities, adjusted for recapture fees. The fair value of the Company's long-term debt is estimated based on either quoted market prices or quoted market prices for the debt of corporations with similar credit quality. The fair values of the Company's collateral finance facility and company-obligated mandatorily redeemable preferred securities are estimated using discounted cash flows.

General accounting principles for *Fair Value Measurements and Disclosures* define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with these principles, valuation techniques utilized by management for invested assets and embedded derivatives reported at fair value are generally categorized into three types:

Market Approach. Market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach include comparables and matrix pricing. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities but comparing the securities to benchmark or comparable securities.

Income Approach. Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current expectations of future amounts. Examples of income approach valuation techniques include present value techniques, option-pricing models and binomial or lattice models that incorporate present value techniques.

Cost Approach. Cost approach valuation techniques are based upon the amount that, at present, would be required to replace

the service capacity of an asset, or the current replacement cost. That is, from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility.

The three approaches described above are consistent with generally accepted valuation techniques. While all three approaches are not applicable to all assets or liabilities reported at fair value, where appropriate and possible, one or more valuation techniques may be used. The selection of the valuation technique(s) to apply considers the definition of an exit price and the nature of the asset or liability being valued and significant expertise and judgment is required. The Company performs regular analysis and review of the various techniques utilized in determining fair value to ensure that the valuation approaches utilized are appropriate and consistently applied, and that the various assumptions are reasonable. The Company also utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company’s financial statements. The Company performs analysis and review of the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by the Company’s investment and accounting personnel. Examples of procedures performed include, but are not limited to, initial and ongoing review of third party pricing services and techniques, review of pricing trends and monitoring of recent trade information. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

For invested 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. Generally, these are very liquid investments and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on the market valuation techniques described above, primarily 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.

The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company’s securities holdings.

For embedded derivative liabilities associated with the underlying products in reinsurance treaties, primarily equity-indexed and variable annuity treaties, the Company utilizes a market standard technique, which includes an estimate of future equity option purchases and an adjustment for the Company’s own credit risk that takes into consideration the Company’s financial strength rating, also commonly referred to as a claims paying rating. The capital market inputs to the model, such as equity indexes, equity volatility, interest rates and the Company’s credit adjustment, are generally observable. However, the valuation models also use inputs requiring certain actuarial assumptions such as future interest margins, policyholder behavior, including future equity participation rates, and explicit risk margins related to non-capital market inputs, that are generally not observable and may require use of significant management judgment. Changes in interest rates, equity indices, equity volatility, the Company’s own credit risk, and actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the value of embedded derivatives liabilities associated with equity-indexed annuity reinsurance treaties.

The fair value of embedded derivatives associated with funds withheld reinsurance treaties is determined based upon a total return swap technique with reference to the fair value of the investments held by the ceding company that support the Company’s funds withheld at interest asset. The fair value of the underlying assets is generally based on market observable inputs using market standard valuation techniques. However, the valuation also requires certain significant inputs based on actuarial assumptions about policyholder behavior, which are generally not observable.

For the quarter ended September 30, 2010, the application of market standard valuation techniques applied to similar assets and liabilities has been consistent.

General accounting principles for *Fair Value Measurements and Disclosures* also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 1 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 techniques 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. 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. The Company's Level 2 assets and liabilities include investment securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose values are determined using market standard valuation techniques. This category primarily includes U.S. and foreign corporate securities, Canadian and Canadian provincial government securities, and residential and commercial mortgage-backed securities, among others. Level 2 valuations are generally obtained from third party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs. Prices from services are validated through analytical reviews and assessment of current market activity.

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 techniques described above. When observable inputs are not available, the market standard techniques 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 generally includes U.S. and foreign corporate securities (primarily private placements), asset-backed securities (including those with exposure to subprime mortgages), and to a lesser extent, certain residential and commercial mortgage-backed securities, among others. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally considered Level 3. Under certain circumstances, based on its observations of transactions in active markets, the Company may conclude the prices received from independent third party pricing services or brokers are not reasonable or reflective of market activity. In those instances, the Company would apply internally developed valuation techniques to the related assets or liabilities. Additionally, the Company's embedded derivatives, all of which are associated with reinsurance treaties, are classified in Level 3 since their values include significant unobservable inputs associated with actuarial assumptions regarding policyholder behavior. Embedded derivatives are reported with the host instruments on the condensed consolidated balance sheet.

When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest priority level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorized within Level 3 may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009 are summarized below (dollars in thousands).

Table of Contents

September 30, 2010:	Total	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
U.S. corporate securities	$ 4,851,050	$ —	$ 4,042,673	$ 808,377
Canadian and Canadian provincial governments	2,933,638	—	2,933,638	—
Residential mortgage-backed securities	1,561,288	—	1,397,956	163,332
Foreign corporate securities	2,316,052	16,261	2,193,841	105,950
Asset-backed securities	414,515	—	184,621	229,894
Commercial mortgage-backed securities	1,235,849	—	1,080,467	155,382
U.S. government and agencies securities	255,289	216,501	38,788	—
State and political subdivision securities	127,448	7,357	71,739	48,352
Other foreign government securities	474,801	5,426	462,614	6,761
Total fixed maturity securities — available-for-sale	14,169,930	245,545	12,406,337	1,518,048
Funds withheld at interest — embedded derivatives	(318,000)	—	—	(318,000)
Short-term investments	6,446	5,832	—	614
Other invested assets — non-redeemable preferred stock	110,303	83,150	25,227	1,926
Other invested assets — other equity securities	40,078	2,821	21,050	16,207
Other invested assets — derivatives	142,564	—	142,564	—
Other invested assets — collateral	19,668	19,668	—	—
Reinsurance ceded receivable — embedded derivatives	72,623	—	—	72,623
Total	$14,243,612	$357,016	$12,595,178	$1,291,418
Liabilities:				
Interest sensitive contract liabilities — embedded derivatives	$ (819,902)	$ —	$ —	$ (819,902)
Other liabilities — derivatives	(48,475)	—	(48,475)	—
Total	$ (868,377)	$ —	$ (48,475)	$ (819,902)

December 31, 2009:	Total	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
U.S. corporate securities	$ 3,723,048	$ —	$ 2,901,535	$ 821,513
Canadian and Canadian provincial governments	2,353,227	—	2,353,227	—
Residential mortgage-backed securities	1,456,544	—	1,312,087	144,457
Foreign corporate securities	1,671,748	5,447	1,450,923	215,378
Asset-backed securities	451,936	—	189,169	262,767
Commercial mortgage-backed securities	1,028,864	—	699,304	329,560
U.S. government and agencies securities	526,059	517,929	8,130	—
State and political subdivision securities	89,762	6,251	71,431	12,080
Other foreign government securities	462,170	1,079	443,788	17,303
Total fixed maturity securities — available-for-sale	11,763,358	530,706	9,429,594	1,803,058
Funds withheld at interest — embedded derivatives	(434,494)	—	—	(434,494)
Short-term investments	12,937	2,714	9,780	443
Other invested assets — non-redeemable preferred stock	113,198	85,016	21,407	6,775
Other invested assets — other equity securities	58,359	17,523	30,400	10,436
Other invested assets — derivatives	24,156	—	24,156	—
Reinsurance ceded receivable — embedded derivatives	68,873	—	—	68,873
Total	$11,606,387	$635,959	$9,515,337	$1,455,091
Liabilities:				
Interest sensitive contract liabilities — embedded derivatives	$ (608,654)	$ —	$ —	$ (608,654)
Other liabilities — derivatives	(56,995)	—	(56,995)	—
Total	$ (665,649)	$ —	$ (56,995)	$ (608,654)

Table of Contents

As of September 30, 2010 and December 31, 2009, respectively, the Company classified approximately 10.7% and 15.3% of its fixed maturity securities in the Level 3 category. These securities primarily consist of private placement corporate securities with an inactive trading market. Additionally, the Company has included asset-backed securities with sub-prime exposure in the Level 3 category due to the current market uncertainty associated with these securities and the Company's utilization of information from third parties for the valuation of these securities. Other invested assets — derivatives and other liabilities — derivatives include amounts with fair values included in Level 2 at September 30, 2010 and December 31, 2009. See Note 5 — "Derivative Instruments" for additional information regarding these derivatives.

The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2010 and 2009 (dollars in thousands). The amount reported within purchases, sales, issuances and settlements is the purchase/issuance price (for purchases and issuances) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased/issued or sold/settled. Items purchased/issued and sold/settled in the same period are excluded from the rollforward. 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, in the amounts of $59.2 million and $276.4 million for the three and nine months ended September 30, 2010, respectively, 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. Transfers out of Level 3, in the amounts of $121.4 million and $731.4 million for the three and nine months ended September 30, 2010, respectively, are due to an increase in observable market data or when the underlying inputs are evaluated and determined to be market observable. Transfers between Level 1 and Level 2 were not significant for the three and nine months ended September 30, 2010 and 2009.

For the three months ended September 30, 2010:	Balance July 1, 2010	Total gains/losses (realized/unrealized) included in: Earnings, net	Total gains/losses (realized/unrealized) included in: Other comprehensive income	Purchases, sales, issuances and settlements	Transfers in and/or out of Level 3	Balance September 30, 2010
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 813,040	$ 388	$ 19,064	$ 3,696	$ (27,811)	$ 808,377
Residential mortgage-backed securities	212,781	(353)	10,503	(26,923)	(32,676)	163,332
Foreign corporate securities	75,929	94	2,582	14,146	13,199	105,950
Asset-backed securities	229,433	(5,081)	8,243	(15,144)	12,443	229,894
Commercial mortgage-backed securities	150,706	(1,605)	10,694	22,271	(26,684)	155,382
State and political subdivision securities	12,517	96	837	34,902	—	48,352
Other foreign government securities	6,303	1	322	135	—	6,761
Sub-total	1,500,709	(6,460)	52,245	33,083	(61,529)	1,518,048
Funds withheld at interest — embedded derivatives	(279,348)	(38,652)	—	—	—	(318,000)
Short-term investments	1,266	—	1	(1)	(652)	614
Other invested assets — non-redeemable preferred stock	1,626	—	300	—	—	1,926
Other invested assets — other equity securities	16,400	—	(700)	507	—	16,207
Reinsurance ceded receivable — embedded derivatives	70,154	2,701	—	(232)	—	72,623
Total	$ 1,310,807	$ (42,411)	$ 51,846	$ 33,357	$ (62,181)	$ 1,291,418
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ (759,604)	$ (43,678)	$ —	$ (16,620)	$ —	$ (819,902)
Total	$ (759,604)	$ (43,678)	$ —	$ (16,620)	$ —	$ (819,902)

For the three months ended September 30, 2009:	Balance July 1, 2009	Total gains/losses (realized/unrealized) included in: Earnings, net	Other comprehensive income	Purchases, sales, issuances and settlements	Transfers in and/or out of Level 3	Balance September 30, 2009
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 845,525	$ (554)	$ 74,775	$ (22,374)	$ 5,227	$ 902,599
Canadian and Canadian provincial governments	5,190	62	134	(3,079)	7,041	9,348
Residential mortgage-backed securities	53,653	(4,157)	9,858	20,855	20,862	101,071
Foreign corporate securities	294,711	(1,018)	11,971	71,183	1,302	378,149
Asset-backed securities	227,777	(10,087)	24,976	27,278	36,420	306,364
Commercial mortgage-backed securities	110,822	(1,223)	6,776	(1,261)	(43,627)	71,487
State and political subdivision securities	84,333	4	4,313	1,584	(3,939)	86,295
Other foreign government securities	145,133	71	399	(25,386)	(4,706)	115,511
Sub-total	1,767,144	(16,902)	133,202	68,800	18,580	1,970,824
Funds withheld at interest — embedded derivatives	(488,977)	51,454	—	1	—	(437,522)
Short-term investments	688	(14)	97	(242)	—	529
Other invested assets — non-redeemable preferred stock	9,348	2	(143)	3,412	(1,053)	11,566
Other invested assets — other equity securities	13,267	—	958	—	—	14,225
Reinsurance ceded receivable — embedded derivatives	60,075	2,369	—	(2,302)	—	60,142
Total	$ 1,361,545	$ 36,909	$ 134,114	$ 69,669	$ 17,527	$ 1,619,764
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ (575,225)	$ (16,363)	$ —	$ 6,757	$ —	$ (584,831)
Total	$ (575,225)	$ (16,363)	$ —	$ 6,757	$ —	$ (584,831)

For the nine months ended September 30, 2010:	Balance January 1, 2010	Total gains/losses (realized/unrealized) included in: Earnings, net	Other comprehensive income	Purchases, sales, issuances and settlements	Transfers in and/or out of Level 3	Balance September 30, 2010
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 821,513	$ 325	$ 47,469	$ 49,882	$ (110,812)	$ 808,377
Canadian and Canadian provincial						
Residential mortgage-backed securities	144,457	(5,155)	25,029	(34,372)	33,373	163,332
Foreign corporate securities	215,378	402	3,943	5,176	(118,949)	105,950
Asset-backed securities	262,767	(4,060)	27,519	(29,066)	(27,266)	229,894
Commercial mortgage-backed securities	329,560	(3,821)	20,969	26,499	(217,825)	155,382
State and political subdivision securities	12,080	112	1,337	34,862	(39)	48,352
Other foreign government securities	17,303	(9)	352	1,393	(12,278)	6,761
Sub-total	1,803,058	(12,206)	126,618	54,374	(453,796)	1,518,048
Funds withheld at interest — embedded derivatives	(434,494)	116,494	—	—	—	(318,000)
Short-term investments	443	—	—	995	(824)	614
Other invested assets — non-redeemable preferred stock	6,775	550	160	(5,146)	(413)	1,926
Other invested assets — other equity securities	10,436	—	4,639	1,132	—	16,207
Reinsurance ceded receivable — embedded derivatives	68,873	4,259	—	(509)	—	72,623
Total	$ 1,455,091	$ 109,097	$ 131,417	$ 50,846	$ (455,033)	$ 1,291,418
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ (608,654)	$ (182,504)	$ —	$ (28,744)	$ —	$ (819,902)

Total	$ (608,654)	$ (182,504)	$ —	$ (28,744)	$ —	$ (819,902)

Table of Contents

For the nine months ended September 30, 2009:	Balance January 1, 2009	Total gains/losses (realized/unrealized) included in: Earnings, net	Other comprehensive income	Purchases, sales, issuances and settlements	Transfers in and/or out of Level 3	Balance September 30, 2009
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 816,285	$ (28,355)	$ 146,109	$ (26,971)	$ (4,469)	$ 902,599
Canadian and Canadian provincial governments	9,965	62	100	1,242	(2,021)	9,348
Residential mortgage-backed securities	30,424	(14,466)	22,053	9,412	53,648	101,071
Foreign corporate securities	176,608	(3,131)	14,326	214,304	(23,958)	378,149
Asset-backed securities	231,869	(22,765)	16,327	38,964	41,969	306,364
Commercial mortgage-backed securities	59,041	(1,170)	25,963	(11,148)	(1,199)	71,487
State and political subdivision securities	32,487	23	14,338	3,266	36,181	86,295
Other foreign government securities	105,439	1,348	(4,179)	31,400	(18,497)	115,511
Sub-total	1,462,118	(68,454)	235,037	260,469	81,654	1,970,824
Funds withheld at interest — embedded derivatives	(512,888)	75,366	—	—	—	(437,522)
Short-term investments	352	(471)	709	(61)	—	529
Other invested assets — non-redeemable preferred stock	5,393	(4,786)	7,305	2,481	1,173	11,566
Other invested assets — other equity securities	12,056	(564)	737	1,901	95	14,225
Reinsurance ceded receivable — embedded derivatives	66,716	1,778	—	(8,352)	—	60,142
Total	$ 1,033,747	$ 2,869	$ 243,788	$ 256,438	$ 82,922	$ 1,619,764
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ (807,431)	$ 190,781	$ —	$ 31,819	$ —	$ (584,831)
Total	$ (807,431)	$ 190,781	$ —	$ 31,819	$ —	$ (584,831)

The tables below summarize gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities for the three and nine months ended September 30, 2010 and 2009 (dollars in thousands).

For the three months ended September 30, 2010:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale						
U.S. corporate securities	$ 43	$ 345	$ —	$ —	$ —	$ 388
Residential mortgage-backed securities	603	(956)	—	—	—	(353)
Foreign corporate securities	89	5	—	—	—	94
Asset-backed securities	610	(5,691)	—	—	—	(5,081)
Commercial mortgage-backed securities	966	(2,571)	—	—	—	(1,605)
State and political subdivision securities	100	(4)	—	—	—	96
Other foreign government securities	1	—	—	—	—	1
Sub-total	2,412	(8,872)	—	—	—	(6,460)
Funds withheld at interest — embedded derivatives	—	(38,652)	—	—	—	(38,652)
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	2,701	2,701
Total	$ 2,412	$ (47,524)	$ —	$ —	$ 2,701	$ (42,411)
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ (16,232)	$ (1,681)	$ (25,765)	$ —	$ (43,678)
Total	$ —	$ (16,232)	$ (1,681)	$ (25,765)	$ —	$ (43,678)

Table of Contents

For the three months ended September 30, 2009:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale						
U.S. corporate securities	$ 595	$ (1,149)	$ —	$ —	$ —	$ (554)
Canadian and Canadian provincial governments	(3)	65	—	—	—	62
Residential mortgage-backed securities	428	(4,585)	—	—	—	(4,157)
Foreign corporate securities	93	(1,111)	—	—	—	(1,018)
Asset-backed securities	366	(10,453)	—	—	—	(10,087)
Commercial mortgage-backed securities	121	(1,344)	—	—	—	(1,223)
State and political subdivision securities	7	(3)	—	—	—	4
Other foreign government securities	(435)	506	—	—	—	71
Sub-total	1,172	(18,074)	—	—	—	(16,902)
Funds withheld at interest — embedded derivatives	—	51,454	—	—	—	51,454
Short-term investments	(88)	74	—	—	—	(14)
Other invested assets — non-redeemable preferred stock	2	—	—	—	—	2
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	2,369	2,369
Total	$ 1,086	$ 33,454	$ —	$ —	$ 2,369	$ 36,909
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ 10,127	$ (1,299)	$ (25,191)	$ —	$ (16,363)
Total	$ —	$ 10,127	$ (1,299)	$ (25,191)	$ —	$ (16,363)

For the nine months ended September 30, 2010:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 287	$ 38	$ —	$ —	$ —	$ 325
Residential mortgage-backed securities	1,509	(6,664)	—	—	—	(5,155)
Foreign corporate securities	241	161	—	—	—	402
Asset-backed securities	2,144	(6,204)	—	—	—	(4,060)
Commercial mortgage-backed securities	2,743	(6,564)	—	—	—	(3,821)
State and political subdivision securities	123	(11)	—	—	—	112
Other foreign government securities	3	(12)	—	—	—	(9)
Sub-total	7,050	(19,256)	—	—	—	(12,206)
Funds withheld at interest — embedded derivatives	—	116,494	—	—	—	116,494
Other invested assets — non-redeemable preferred stock	—	550	—	—	—	550
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	4,259	4,259
Total	$ 7,050	$ 97,788	$ —	$ —	$ 4,259	$ 109,097
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ (149,995)	$ (1,795)	$ (30,714)	$ —	$ (182,504)
Total	$ —	$ (149,995)	$ (1,795)	$ (30,714)	$ —	$ (182,504)

Table of Contents

For the nine months ended September 30, 2009:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 1,408	$ (29,763)	$ —	$ —	$ —	$ (28,355)
Canadian and Canadian provincial governments	(3)	65	—	—	—	62
Residential mortgage-backed securities	868	(15,334)	—	—	—	(14,466)
Foreign corporate securities	183	(3,314)	—	—	—	(3,131)
Asset-backed securities	3,368	(26,133)	—	—	—	(22,765)
Commercial mortgage-backed securities	278	(1,448)	—	—	—	(1,170)
State and political subdivision securities	28	(5)	—	—	—	23
Other foreign government securities	(737)	2,085	—	—	—	1,348
Sub-total	5,393	(73,847)	—	—	—	(68,454)
Funds withheld at interest — embedded derivatives	—	75,366	—	—	—	75,366
Short-term investments	152	(623)	—	—	—	(471)
Other invested assets — non-redeemable preferred stock	(58)	(4,728)	—	—	—	(4,786)
Other invested assets — other equity securities	(142)	(422)	—	—	—	(564)
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	1,778	1,778
Total	$ 5,345	$ (4,254)	$ —	$ —	$ 1,778	$ 2,869
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ 206,577	$ (2,260)	$ (13,536)	$ —	$ 190,781
Total	$ —	$ 206,577	$ (2,260)	$ (13,536)	$ —	$ 190,781

The tables below summarize changes in unrealized gains or losses recorded in earnings for the three and nine months ended September 30, 2010 and 2009 for Level 3 assets and liabilities that were still held at September 30, 2010 and 2009 (dollars in thousands).

For the three months ended September 30, 2010:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 45	$ (8)	$ —	$ —	$ —	$ 37
Residential mortgage-backed securities	503	—	—	—	—	503
Foreign corporate securities	89	—	—	—	—	89
Asset-backed securities	606	(2,296)	—	—	—	(1,690)
Commercial mortgage-backed securities	966	(2,571)	—	—	—	(1,605)
State and political subdivision securities	100	—	—	—	—	100
Other foreign government securities	1	—	—	—	—	1
Sub-total	2,310	(4,875)	—	—	—	(2,565)
Funds withheld at interest — embedded derivatives	—	(38,652)	—	—	—	(38,652)
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	5,624	5,624
Total	$ 2,310	$ (43,527)	$ —	$ —	$ 5,624	$ (35,593)
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ (16,232)	$ (3,216)	$ (39,402)	$ —	$ (58,850)
Total	$ —	$ (16,232)	$ (3,216)	$ (39,402)	$ —	$ (58,850)

Table of Contents

For the three months ended September 30, 2009:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 564	$ (914)	$ —	$ —	$ —	$ (350)
Canadian and Canadian provincial governments	(4)	—	—	—	—	(4)
Residential mortgage-backed securities	412	(4,290)	—	—	—	(3,878)
Foreign corporate securities	87	(967)	—	—	—	(880)
Asset-backed securities	130	(8,968)	—	—	—	(8,838)
Commercial mortgage-backed securities	123	(2,646)	—	—	—	(2,523)
State and political subdivision securities	7	—	—	—	—	7
Other foreign government securities	(312)	—	—	—	—	(312)
Sub-total	1,007	(17,785)	—	—	—	(16,778)
Funds withheld at interest — embedded derivatives	—	51,454	—	—	—	51,454
Short-term investments	3	—	—	—	—	3
Other invested assets — non-redeemable preferred stock	2	—	—	—	—	2
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	4,706	4,706
Total	$ 1,012	$ 33,669	$ —	$ —	$ 4,706	$ 39,387
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ 10,127	$ (2,915)	$ (35,710)	$ —	$ (28,498)
Total	$ —	$ 10,127	$ (2,915)	$ (35,710)	$ —	$ (28,498)

For the nine months ended September 30, 2010:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 231	$ (594)	$ —	$ —	$ —	$ (363)
Residential mortgage-backed securities	1,339	(3,684)	—	—	—	(2,345)
Foreign corporate securities	196	—	—	—	—	196
Asset-backed securities	2,128	(2,748)	—	—	—	(620)
Commercial mortgage-backed securities	2,725	(6,563)	—	—	—	(3,838)
State and political subdivision securities	123	—	—	—	—	123
Other foreign government securities	3	—	—	—	—	3
Sub-total	6,745	(13,589)	—	—	—	(6,844)
Funds withheld at interest — embedded derivatives	—	116,494	—	—	—	116,494
Other invested assets — non-redeemable preferred stock	(1)	(3)	—	—	—	(4)
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	10,528	10,528
Total	$ 6,744	$ 102,902	$ —	$ —	$ 10,528	$ 120,174
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ (149,995)	$ (3,966)	$ (64,732)	$ —	$ (218,693)
Total	$ —	$ (149,995)	$ (3,966)	$ (64,732)	$ —	$ (218,693)

For the nine months ended September 30, 2009:	Investment income, net of related expenses	Investment related gains (losses), net	Claims & other policy benefits	Interest credited	Policy acquisition costs and other insurance expenses	Total
Assets:						
Fixed maturity securities — available-for-sale:						
U.S. corporate securities	$ 1,341	$ (20,769)	$ —	$ —	$ —	$ (19,428)
Canadian and Canadian provincial governments	(3)	—	—	—	—	(3)
Residential mortgage-backed securities	851	(17,271)	—	—	—	(16,420)
Foreign corporate securities	173	(2,272)	—	—	—	(2,099)
Asset-backed securities	2,680	(29,803)	—	—	—	(27,123)
Commercial mortgage-backed securities	292	(2,873)	—	—	—	(2,581)
State and political subdivision securities	28	—	—	—	—	28
Other foreign government securities	(583)	—	—	—	—	(583)
Sub-total	4,779	(72,988)	—	—	—	(68,209)
Funds withheld at interest — embedded derivatives	—	75,366	—	—	—	75,366
Short-term investments	244	(409)	—	—	—	(165)
Other invested assets — non-redeemable preferred stock	(58)	(3,858)	—	—	—	(3,916)
Other invested assets — other equity securities	(142)	(425)	—	—	—	(567)
Reinsurance ceded receivable — embedded derivatives	—	—	—	—	9,205	9,205
Total	$ 4,823	$ (2,314)	$ —	$ —	$ 9,205	$ 11,714
Liabilities:						
Interest sensitive contract liabilities — embedded derivatives	$ —	$ 206,577	$ (7,872)	$ (43,076)	$ —	$ 155,629
Total	$ —	$ 206,577	$ (7,872)	$ (43,076)	$ —	$ 155,629

7. Segment Information

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in Note 2 of the consolidated financial statements accompanying the 2009 Annual Report. The Company measures segment performance primarily based on profit or loss from operations before income taxes. There are no intersegment reinsurance transactions and the Company does not have any material long-lived assets. Investment income is allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes.

The Company allocates capital to its segments based on an internally developed economic capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model considers the unique and specific nature of the risks inherent in the Company's businesses. As a result of the economic capital allocation process, a portion of investment income and investment related gains and losses are credited to the segments based on the level of allocated capital. In addition, the segments are charged for excess capital utilized above the allocated economic capital basis. This charge is included in policy acquisition costs and other insurance expenses. Information related to total revenues, income before income taxes, and total assets of the Company for each reportable segment are summarized below (dollars in thousands).

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Total revenues:				
U.S.	$ 1,125,706	$ 1,082,838	$ 3,599,408	$ 3,094,496
Canada	253,894	186,246	727,921	551,793
Europe & South Africa	244,206	213,041	690,730	582,389
Asia Pacific	299,655	265,900	891,692	778,120
Corporate and Other	32,078	30,956	77,850	116,189
Total	$ 1,955,539	$ 1,778,981	$ 5,987,601	$ 5,122,987
Income before income taxes:				
U.S.	$ 111,786	$ 104,406	$ 364,133	$ 223,481
Canada	33,468	18,847	86,189	60,547
Europe & South Africa	17,494	6,981	50,477	27,879
Asia Pacific	28,483	30,925	78,689	60,018
Corporate and Other	5,942	21,392	9,072	60,255
Total	$ 197,173	$ 182,551	$ 588,560	$ 432,180

Total Assets:	September 30, 2010	December 31, 2009
U.S.	$ 17,911,750	$ 15,569,263
Canada	3,323,448	3,026,515
Europe & South Africa	1,492,574	1,400,580
Asia Pacific	2,245,034	2,060,425
Corporate and Other	3,961,222	3,192,718
Total	$ 28,934,028	$ 25,249,501

8. Commitments and Contingent Liabilities

The Company had commitments to fund investments in limited partnerships, commercial mortgage loans and private placement investments in the amounts of $153.1 million, $19.0 million and $2.5 million, respectively, at September 30, 2010. The Company had commitments to fund investments in limited partnerships, commercial mortgage loans and private placement investments in the amounts of $86.6 million, $12.6 million and $7.0 million, respectively, at December 31, 2009. The Company anticipates that the majority of its current commitments will be invested over the next five years; however, these commitments could become due any time at the request of the counterparties. Investments in limited partnerships are primarily carried at cost and included in other invested assets in the condensed consolidated balance sheets.

A legal reserve is established when the Company is notified of an arbitration demand or litigation or is notified that an arbitration demand or litigation is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated. The Company is subject to litigation in the normal course of its business. The Company currently has no material litigation. However, if such material litigation did arise, it is possible that an adverse outcome on any particular arbitration or litigation situation could have a material adverse effect on the Company's condensed consolidated financial position and/or net income in a particular reporting period.

The Company has obtained letters of credit, issued by banks, in favor of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits. At September 30, 2010 and December 31, 2009, there were approximately $16.9 million and $21.4 million, respectively, of outstanding bank letters of credit in favor of third parties. Additionally, the Company utilizes letters of credit to secure reserve credits when it retrocedes business to its subsidiaries, including Parkway Reinsurance Company, Timberlake Financial, L.L.C., RGA Americas Reinsurance Company, Ltd., RGA Reinsurance Company (Barbados) Ltd. and RGA Atlantic Reinsurance Company, Ltd. The Company cedes business to its affiliates to help reduce the amount of regulatory capital required in certain jurisdictions, such as the U.S. and the United Kingdom. The capital required to support the business in the affiliates reflects more realistic expectations than the original jurisdiction of the business, where capital requirements are often considered to be quite conservative. As of September 30, 2010 and December 31, 2009, $523.8 million and $617.5 million, respectively, in letters of credit from various banks were outstanding, backing reinsurance between various subsidiaries of the Company. The banks providing letters of credit to the Company are included on the National Association of Insurance Commissioners ("NAIC") list of approved banks. The Company maintains a syndicated revolving credit facility with an overall capacity of $750.0 million, which is scheduled to mature in September 2012. The Company may borrow cash and obtain letters of credit in multiple currencies under this facility. As of September 30, 2010, the Company had $278.6 million in issued, but undrawn, letters of credit under this facility, which is included in the total above. Applicable letter of credit fees and fees payable for the credit facility depend upon the Company's senior unsecured long-term debt rating. The Company also maintains a $200.0 million letter of credit facility which is scheduled to mature in September 2019. This letter of credit is expected to be fully utilized though 2016 and then amortize to zero by 2019. As of September 30, 2010, the Company had $200.0 million in issued, but undrawn, letters of credit under this facility, which is included in the total above. Letter of credit fees for this facility are fixed for the term of the facility. Fees associated with the Company's other letters of credit are not fixed for periods in excess of one year and are based on the Company's ratings and the general availability of these instruments in the marketplace.

RGA has issued guarantees to third parties on behalf of its subsidiaries for the payment of amounts due under certain credit facilities, reinsurance treaties and office lease obligations, whereby, if a subsidiary fails to meet an obligation, RGA or one of its other subsidiaries will make a payment to fulfill the obligation. In limited circumstances, treaty guarantees are granted to ceding companies in order to provide them additional security, particularly in cases where RGA's subsidiary is relatively new, unrated, or not of a significant size. Liabilities supported by the treaty guarantees, before consideration for any legally offsetting amounts due from the guaranteed party, totaled $353.9 million and $330.3 million as of September 30, 2010 and December 31, 2009, respectively, and are reflected on the Company's condensed consolidated balance sheets in future policy

benefits. Potential guaranteed amounts of future payments will vary depending on production levels and underwriting results. Guarantees related to trust preferred securities and credit facilities provide additional security to third parties should a subsidiary fail to make principal and/or interest payments when due. As of September 30, 2010, RGA's exposure related to these guarantees was $159.4 million.

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

9. Income Tax

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the nine months ended September 30, 2010 and 2009 are as follows (dollars in thousands):

	Total Unrecognized Tax Benefits		Unrecognized Tax Benefits That, If Recognized, Would Affect The Effective Tax Rate	
	2010	2009	2010	2009
Balance, beginning of year	$ 221,040	$ 206,665	$ 17,332	$ 28,106
Additions for tax positions of prior years	—	25,148	—	—
Reductions for tax positions of prior years	(42,628)	(14,711)	—	(14,711)
Additions for tax positions of current year	2,957	2,953	2,957	2,953
Reductions for tax positions of current year	—	—	—	—
Settlements with tax authorities	—	—	—	—
Balance, end of period	$ 181,369	$ 220,055	$ 20,289	$ 16,348

During the first quarter of 2010, the Company reduced its accrual for uncertain tax positions that are timing in nature and have no impact on the Company's effective tax rate by approximately $47.7 million, including after-tax interest. The Company also increased its uncertain tax positions that would impact the effective tax rate by approximately $1.0 million and $3.0 million during the third quarter and first nine months of 2010, respectively.

During the second quarter of 2009, the Company recognized a tax benefit of approximately $12.0 million, including after-tax interest, related to the release of an uncertain tax position. Following the evaluation of new information the Company believed this position to be highly certain.

During the third quarter of 2009, the Company recognized tax benefits associated with uncertain tax positions that are effectively settled of approximately $3.8 million, including after-tax interest. The Company also increased its accrual by approximately $25.1 million for unrecognized tax benefits that are timing in nature and have no impact on the Company's effective tax rate.

10. Employee Benefit Plans

The components of net periodic benefit costs for the three and nine months ended September 30, 2010 and 2009 were as follows (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net periodic pension benefit cost:				
Service cost	$ 1,288	$ 1,349	$ 3,780	$ 3,173
Interest Cost	862	1,149	2,585	2,639
Expected return on plan assets	(644)	(364)	(1,933)	(1,459)
Amortization of prior service cost	7	7	22	22
Amortization of prior actuarial gain	188	1,068	563	1,317
Total	$ 1,701	$ 3,209	$ 5,017	$ 5,692
Net periodic other benefits cost:				
Service cost	$ 337	$ 158	$ 635	$ 474
Interest Cost	324	159	661	478
Expected return on plan assets	—	—	—	—
Amortization of prior service cost	—	—	—	—
Amortization of prior actuarial gain	167	23	177	69
Total	$ 828	$ 340	$ 1,473	$ 1,021

The Company made pension contributions in the amount of $1.5 million during the second quarter of 2010, and expects to make total pension contributions of $2.3 million in 2010.

11. Equity Based Compensation

Equity compensation expense was $3.1 million and $2.6 million in the third quarter of 2010 and 2009, respectively, and $13.0 million and $9.1 million in the first nine months of 2010 and 2009, respectively. In the first quarter of 2010, the Company granted 0.5 million stock options at $47.10 weighted average per share and 0.3 million performance contingent units to employees. Additionally, non-employee directors were granted a total of 10,600 shares of common stock. As of September 30, 2010, 1.8 million share options at $39.11 weighted average per share were vested and exercisable with a remaining weighted average exercise period of 3.3 years. As of September 30, 2010, the total compensation cost of non-vested awards not yet recognized in the financial statements was $22.3 million. It is estimated that these costs will vest over a weighted average period of 2.5 years.

12. New Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles". Effective July 1, 2009, FASB Accounting Standards Codification™ ("Codification") has become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission for public companies. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted Codification on September 30, 2009 and has updated all disclosures to reference Codification herein.

Changes to the general accounting principles are established by the FASB in the form of accounting standards updates to the FASB's Codification. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial statements.

Consolidation and Business Combinations

In February 2010, the FASB amended the general accounting principles for *Consolidation* as it relates to the assessment of a variable interest entity for potential consolidation. The amendment defers the effective date of the *Consolidation* amendment made in June 2009 for certain variable interest entities. This update also clarifies how a related party's interest should be considered when evaluating variable interests. The amendment is effective for fiscal years and interim periods beginning after January 31, 2010. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

In January 2010, the FASB amended the general accounting principles for *Consolidation* as it relates to decreases in ownership of a subsidiary. This amendment clarifies the scope of the decrease in ownership provisions. This amendment also requires additional disclosures about the deconsolidation of a subsidiary or derecognition of a group of assets. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

In June 2009, the FASB amended the general accounting principles for *Consolidation* as it relates to the assessment of a variable interest entity for potential consolidation. This amendment also requires additional disclosures to provide transparent information regarding the involvement in a variable interest entity. The amendment is effective for fiscal years and interim periods beginning after November 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In December 2007, the FASB amended the general accounting principles for *Business Combinations*. This amendment establishes principles and requirements for how an acquirer recognizes and measures certain items in a business combination, as well as disclosures about the nature and financial effects of a business combination. The FASB also amended the general accounting principles for *Consolidation* as it relates to noncontrolling interests in consolidated financial statements. This amendment establishes accounting and reporting standards surrounding noncontrolling interest, or minority interests, which are the portions of equity in a subsidiary not attributable, directly or indirectly, to a parent. The amendments are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. The adoption of these amendments did not have a material impact on the Company's condensed consolidated financial statements.

Investments

In July 2010, the FASB amended the general accounting principles for *Receivables* as it relates to the disclosures about the credit quality of financing receivables and the allowance for credit losses. This amendment requires additional disclosures that provide a greater level of disaggregated information about the credit quality of financing receivables and the allowance for credit losses. It also requires the disclosure of credit quality indicators, past due information, and modifications of financing receivables. The amendment is effective for interim and annual reporting periods ending on or after December 15, 2010, except for disclosures about activity that occurs during the reporting period. Those disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of this amendment on its condensed consolidated financial statements.

In April 2009, the FASB amended the general accounting principles for *Investments* as it relates to the recognition and presentation of other-than-temporary impairments. This amendment updates the other-than-temporary impairment guidance for fixed maturity securities to make it more operational and to improve the presentation and disclosure of other-than-temporary impairments ("OTTI") on fixed maturity and equity securities in the financial statements. The recognition provisions apply only to fixed maturity securities classified as available-for-sale and held-to-maturity, while the presentation and disclosure requirements apply to both fixed maturity and equity securities. An impaired fixed maturity security will be considered other-than-temporarily impaired if the Company has the intent to sell or it more likely than not will be required to sell prior to recovery of the amortized cost. If the holder of a fixed maturity security does not expect recovery of the entire cost basis, even if there is no intention to sell the security, an OTTI has occurred. This amendment also changes how an entity recognizes an OTTI for a fixed maturity security by separating the loss between the amount representing the credit loss and the amount relating to other factors, if the Company does not have the intent to sell or it more likely than not will not be required to sell prior to recovery of the amortized cost less any current period credit loss. Credit losses will be recognized in net income and losses relating to other factors will be recognized in accumulated other comprehensive income ("AOCI"). If the Company has the intent to sell or it more likely than not will be required to sell before its recovery of amortized cost less any current period credit loss, the entire OTTI will be recognized in net income. This amendment is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this amendment resulted in a net after-tax increase to retained earnings and a decrease to accumulated other comprehensive income of $4.4 million, as of April 1, 2009. The required disclosures are provided in Note 4 — "Investments".

Transfers and Servicing

In June 2009, the FASB amended the general accounting principles for *Transfers and Servicing* as it relates to the transfers of financial assets. This amendment also requires additional disclosures to address concerns regarding the transparency of transfers of financial assets. The amendment is effective for fiscal years and interim periods beginning after November 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In February 2008, the FASB amended the general accounting principles for *Transfers and Servicing* as it relates to the accounting for transfers of financial assets and repurchase financing transactions. This amendment provides guidance for evaluating whether to account for a transfer of a financial asset and repurchase financing as a single transaction or as two separate transactions. The amendment is effective prospectively for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Derivatives and Hedging

In March 2010, the FASB amended the general accounting principles for *Derivatives and Hedging* as it relates to embedded derivatives. This amendment clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of a financial instrument to another. The amendment is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2010. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In March 2008, the FASB amended the general accounting principles for *Derivatives and Hedging* as it relates to the disclosures about derivative instruments and hedging activities. This amendment requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The amendment is effective for financial statements issued for fiscal years and interim periods beginning after November 15,

2008. The Company adopted this amendment in the first quarter of 2009. The required disclosures are provided in Note 5 — “Derivative Instruments”.

Fair Value Measurements and Disclosures

In January 2010, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to the disclosures about fair value measurements. This amendment requires new disclosures about the transfers in and out of Level 1 and 2 measurements and also enhances disclosures about the activity within the Level 3 measurements. It also clarifies the required level of disaggregation and the disclosures regarding valuation techniques and inputs to fair value measurements. The amendment is effective for interim and annual reporting periods beginning after December 15, 2009, except for the enhanced Level 3 disclosures. Those disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. The Company adopted the effective portions of this amendment in the first quarter of 2010 and is evaluating the impact of the enhanced Level 3 disclosures. The required disclosures are provided in Note 6 — “Fair Value of Financial Instruments”.

In September 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to the fair value measurement of investments in certain entities that calculate net asset value per share. This amendment allows the fair value of certain investments to be measured on the basis of the net asset value. It also requires disclosure, by major category type, of the attributes of those investments, such as the nature of any restrictions on redemption, any unfunded commitments, and the investment strategies of the investees. The amendment is effective for interim and annual reporting periods ending after December 15, 2009. The adoption of this amendment did not have a material impact on the Company’s condensed consolidated financial statements.

In August 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to measuring liabilities at fair value. This amendment provides guidance for measuring liabilities at fair value when a quoted price in an active market for the identical liability is not available. It also clarifies that the inclusion of a separate input, used in the fair value measurement, relating to the existence of a restriction that prevents the transfer of a liability is not necessary. The amendment is effective for interim and annual reporting beginning after issuance. The adoption of this amendment did not have a material impact on the Company’s condensed consolidated financial statements.

In April 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to determining fair value when the volume and level of activity for asset or liability have significantly decreased and identifying transactions that are not orderly. This amendment provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased in relation to normal market activity for the asset or liability and clarifies that the use of multiple valuation techniques may be appropriate. It also provides additional guidance on circumstances that may indicate a transaction is not orderly. Further, it requires additional disclosures about fair value measurements in annual and interim reporting periods. This amendment is effective prospectively for interim and annual reporting periods ending after June 15, 2009. The adoption of this amendment did not have a material impact on the Company’s condensed consolidated financial statements. The required disclosures are provided in Note 6 — “Fair Value of Financial Instruments”.

In October 2008, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to determining the fair value of a financial asset when the market for that asset is not active. This amendment clarifies the application of fair value in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The amendment was effective upon issuance on October 10, 2008, including prior periods for which financial statements had not been issued. The Company did not consider it necessary to change any valuation techniques as a result of the amendment. The Company also adopted an amendment that delayed the effective date of fair value measurement for certain nonfinancial assets and liabilities that are recorded at fair value on a nonrecurring basis. The effective date was delayed until January 1, 2009 and impacts balance sheet items including nonfinancial assets and liabilities in a business combination and the impairment testing of goodwill and long-lived assets. The adoption of this amendment did not have a material impact on the Company’s condensed consolidated financial statements.

Deferred Policy Acquisition Costs

In October 2010, the FASB amended the general accounting principles for *Financial Services — Insurance* as it relates to accounting for costs associated with acquiring or renewing insurance contracts. This amendment clarifies that only those costs that result directly from and are essential to the contract transaction and that would not have been incurred had the contract transaction not occurred can be capitalized. It also defines acquisitions costs as costs that are related directly to the

successful acquisitions of new or renewal insurance contracts. The amendment is effective for fiscal years and interim periods beginning after December 15, 2011. The Company is currently evaluating the impact of this amendment on its condensed consolidated financial statements.

Compensation

In April 2010, the FASB amended the general accounting principles for *Compensation* as it relates to stock compensation. This amendment clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, such an award should not be classified as a liability if it otherwise qualifies as equity. The amendment is effective for fiscal years and interim periods beginning after December 15, 2010. The adoption of this amendment is not expected to have an impact on the Company's condensed consolidated financial statements.

In December 2008, the FASB amended the general accounting principles for *Compensation* as it relates to employers disclosures about postretirement benefit plan assets. This amendment provides guidance for disclosure of the types of assets and associated risks in retirement plans. The new disclosures are designed to provide additional insight into the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period, significant concentrations of risk within plan assets and how investment decisions are made, including factors necessary to understanding investment policies and strategies. The disclosures about plan assets required by this amendment is effective for financial statements with fiscal years ending after December 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Debt

In October 2009, the FASB amended the general accounting principles for *Debt* as it relates to the accounting for own-share lending arrangements entered into in contemplation of a convertible debt issuance or other financing. This amendment provides accounting and disclosure guidance for own-share lending arrangements issued in contemplation of convertible debt issuance. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

Equity

In January 2010, the FASB amended the general accounting principles for *Equity* as it relates to distributions to shareholders with components of stock and cash. This amendment clarifies that the stock portion of a distribution to shareholders, which allows them to elect to receive cash or stock with a limitation on the total amount of cash that shareholders can receive, is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

13. Business Acquisition

Effective January 1, 2010, the Company completed its acquisition of ReliaStar Life Insurance Company's U.S. and Canadian group life, accident and health reinsurance business. ReliaStar Life Insurance Company is a subsidiary of ING Groep N.V. The acquisition was structured as an indemnity coinsurance agreement and resulted in an intangible asset of $129 million, which is reported in other assets in the condensed consolidated balance sheets. The acquisition is expected to enhance the Company's expertise and product offerings in the North American market, but is expected to contribute less than five percent to the Company's consolidated assets, liabilities and income in 2010.

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

Forward-Looking and Cautionary Statements

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

Numerous important factors could cause actual results and events to differ materially from those expressed or implied by forward-looking statements including, without limitation, (1) adverse capital and credit market conditions and their impact on the Company's liquidity, access to capital and cost of capital, (2) the impairment of other financial institutions and its effect on the Company's business, (3) requirements to post collateral or make payments due to declines in market value of assets subject to the Company's collateral arrangements, (4) the fact that the determination of allowances and impairments taken on the Company's investments is highly subjective, (5) adverse changes in mortality, morbidity, lapsation or claims experience, (6) changes in the Company's financial strength and credit ratings and the effect of such changes on the Company's future results of operations and financial condition, (7) inadequate risk analysis and underwriting, (8) general economic conditions or a prolonged economic downturn affecting the demand for insurance and reinsurance in the Company's current and planned markets, (9) the availability and cost of collateral necessary for regulatory reserves and capital, (10) market or economic conditions that adversely affect the value of the Company's investment securities or result in the impairment of all or a portion of the value of certain of the Company's investment securities, that in turn could affect regulatory capital, (11) market or economic conditions that adversely affect the Company's ability to make timely sales of investment securities, (12) risks inherent in the Company's risk management and investment strategy, including changes in investment portfolio yields due to interest rate or credit quality changes, (13) fluctuations in U.S. or foreign currency exchange rates, interest rates, or securities and real estate markets, (14) adverse litigation or arbitration results, (15) the adequacy of reserves, resources and accurate information relating to settlements, awards and terminated and discontinued lines of business, (16) the stability of and actions by governments and economies in the markets in which the Company operates, (17) competitive factors and competitors' responses to the Company's initiatives, (18) the success of the Company's clients, (19) successful execution of the Company's entry into new markets, (20) successful development and introduction of new products and distribution opportunities, (21) the Company's ability to successfully integrate and operate reinsurance business that the Company acquires, (22) regulatory action that may be taken by state Departments of Insurance with respect to the Company, (23) the Company's dependence on third parties, including those insurance companies and reinsurers to which the Company cedes some reinsurance, third-party investment managers and others, (24) the threat of natural disasters, catastrophes, terrorist attacks, epidemics or pandemics anywhere in the world where the Company or its clients do business, (25) changes in laws, regulations, and accounting standards applicable to the Company, its subsidiaries, or its business, (26) the effect of the Company's status as an insurance holding company and regulatory restrictions on its ability to pay principal of and interest on its debt obligations, and (27) other risks and uncertainties described in this document and in the Company's other filings with the Securities and Exchange Commission ("SEC").

Forward-looking statements should be evaluated together with the many risks and uncertainties that affect the Company's business, including those mentioned in this document and the cautionary statements described in the periodic reports the Company files with the SEC. These forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligations to update these forward-looking statements, even though the Company's situation may change in the future. The Company qualifies all of its forward-looking statements by these cautionary statements. For a discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, you are advised to see Item 1A — "Risk Factors" in the 2009 Annual Report.

Overview

RGA, an insurance holding company that was formed on December 31, 1992, is primarily engaged in the life reinsurance business, which involves reinsuring life insurance policies that are often in force for the remaining lifetime of the underlying individuals insured, with premiums earned typically over a period of 10 to 30 years. Each year, however, a portion of the business under existing treaties terminates due to, among other things, lapses or surrenders of underlying policies, deaths of policyholders, and the exercise of recapture options by ceding companies.

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

transactions. The Company believes that industry trends have not changed materially from those discussed in its 2009 Annual Report.

The Company's long-term profitability primarily depends on the volume and amount of claims incurred and its ability to adequately price the risks it assumes. While claims are reasonably predictable over a period of years, claims become less predictable over shorter periods and are subject to significant fluctuation from quarter to quarter and year to year. The maximum amount of individual life coverage the Company retains per life can be up to $8 million. Claims in excess of this retention amount are retroceded to retrocessionaires; however, the Company remains fully liable to the ceding company for the entire amount of risk it assumes. The Company believes its sources of liquidity are sufficient to cover potential claims payments on both a short-term and long-term basis.

The Company measures performance based on income or loss before income taxes for each of its five segments. The Company's U.S., Canada, Europe & South Africa and Asia Pacific operations provide traditional life reinsurance to clients. The Company's U.S. operations also provide long-term care, group life and health reinsurance, annuity and financial reinsurance products. The Company also provides insurers with critical illness reinsurance in its Canada, Europe & South Africa and Asia Pacific operations. Additionally, Canada and Europe & South Africa operations provide longevity reinsurance and Asia Pacific operations provide financial reinsurance. The Corporate and Other segment results include among other things, the corporate investment activity, general corporate expenses, interest expense of RGA, operations of RGA Technology Partners, Inc., a wholly-owned subsidiary that develops and markets technology solutions for the insurance industry, investment income and expense associated with the Company's collateral finance facility and the provision for income taxes.

The Company allocates capital to its segments based on an internally developed economic capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model considers the unique and specific nature of the risks inherent in the Company's businesses. As a result of the economic capital allocation process, a portion of investment income and investment related gains and losses are credited to the segments based on the level of allocated capital. In addition, the segments are charged for excess capital utilized above the allocated economic capital basis. This charge is included in policy acquisition costs and other insurance expenses.

Results of Operations

Consolidated

Consolidated income before income taxes increased $14.6 million, or 8.0%, and $156.4 million, or 36.2%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in the third quarter is primarily due to a decrease in investment impairments and increased net premiums offset by an unfavorable change in the value of embedded derivatives within the U.S. segment. The increase for the first nine months is primarily due to a decrease in investment impairments, increased net premiums and investment income, partially offset by the recognition of a gain on the repurchase of long-term debt of $38.9 million, recorded in other revenues in 2009. Foreign currency fluctuations relative to the prior year favorably affected income before income taxes by approximately $2.4 million and $18.9 million for the third quarter and first nine months of 2010, respectively, as compared to the same periods in 2009.

The Company recognizes in consolidated income, changes in the value of embedded derivatives on modified coinsurance or funds withheld treaties, equity-indexed annuity treaties ("EIAs") and variable annuity products. The change in the value of embedded derivatives related to reinsurance treaties written on a modified coinsurance or funds withheld basis are subject to the general accounting principles for *Derivatives and Hedging* related to embedded derivatives. The unrealized gains and losses associated with these embedded derivatives, after adjustment for deferred acquisition costs, affected income before income taxes unfavorably by $32.6 million and $4.3 million in the third quarter and first nine months of 2010, respectively, as compared to the same periods in 2009. Changes in risk free rates used in the fair value estimates of embedded derivatives associated with EIAs affect the amount of unrealized gains and losses the Company recognizes. The unrealized gains and losses associated with EIAs, after adjustment for deferred acquisition costs and retrocession, adversely affected income before income taxes by $15.0 million and $19.3 million in the third quarter and first nine months of 2010, respectively, as compared to the same periods in 2009. The change in the Company's liability for variable annuities associated with guaranteed minimum living benefits affects the amount of unrealized gains and losses the Company recognizes. The unrealized gains and losses associated with guaranteed minimum living benefits, after adjustment for deferred acquisition costs, affected income before income taxes unfavorably by $11.7 million in the third quarter and favorably by $30.8 million in the first nine months of 2010, respectively, as compared to the same periods in 2009.

The combined changes in these three types of embedded derivatives, after adjustment for deferred acquisition costs and retrocession, resulted in a decrease of approximately $59.3 million and an increase of approximately $7.2 million in consolidated income before income taxes in the third quarter and first nine months of 2010, respectively, as compared to the same periods in 2009. These fluctuations do not affect current cash flows, crediting rates or spread performance on the

underlying treaties. Therefore, management believes it is helpful to distinguish between the effects of changes in these embedded derivatives, net of related hedging activity, and the primary factors that drive profitability of the underlying treaties, namely investment income, fee income, and interest credited.

Consolidated net premiums increased $242.1 million, or 17.2%, and $731.4 million, or 17.7%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009, primarily due to growth in life reinsurance in force and the acquisition of Reliastar Life Insurance Company's group life and health reinsurance business, effective January 1, 2010. Foreign currency fluctuations favorably affected net premiums by approximately $15.4 million and $159.9 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Consolidated assumed insurance in force increased to $2,478.9 billion as of September 30, 2010 from $2,274.6 billion as of September 30, 2009 due to new business production. The Company added new business production, measured by face amount of insurance in force, of $77.4 billion and $70.3 billion during the third quarter of 2010 and 2009, respectively, and $246.5 billion and $216.9 billion during the first nine months of 2010 and 2009, respectively. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for growth, albeit at rates less than historically experienced in some markets.

Consolidated investment income, net of related expenses, decreased $12.0 million, or 4.0%, and increased $76.1 million, or 9.4%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The decrease in the third quarter was largely due to a $55.1 million decrease from market value changes related to the Company's funds withheld at interest investment associated with the reinsurance of certain EIAs, which are substantially offset by a corresponding change in interest credited to policyholder account balances resulting in an insignificant effect on net income. This decrease was largely offset by increased investment income from a larger average invested asset base. The increase in the first nine months was primarily due to a larger average invested asset base offset by a lower effective investment portfolio yield and a $47.2 million decrease from market value changes related to the Company's funds withheld at interest investment associated with the reinsurance of certain EIAs, which are substantially offset by a corresponding change in interest credited to policyholder account balances resulting in an insignificant effect on net income. Average invested assets at amortized cost at September 30, 2010 totaled $15.2 billion, an 18.6% increase over September 30, 2009. The average yield earned on investments, excluding funds withheld, decreased to 5.66%, for the third quarter of 2010 from 5.71% for the third quarter of 2009. The average yield earned on investments, excluding funds withheld, decreased to 5.67% for the first nine months of 2010 from 5.71% for the first nine months of 2009. The average yield will vary from quarter to quarter and year to year depending on a number of variables, including the prevailing interest rate and credit spread environment, changes in the mix of the underlying investments and cash balances, and the timing of dividends and distributions on certain investments. A continued low interest rate environment in the U.S. is expected to put downward pressure on this yield in future reporting periods.

Total investment related gains (losses), net reflect an unfavorable change of $59.1 million and a favorable change of $89.1 million, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The unfavorable change for the third quarter was primarily due to unfavorable changes in the embedded derivatives related to guaranteed minimum living benefits of $26.4 million and reinsurance treaties written on a modified coinsurance or funds withheld basis of $90.1 million, largely offset by an increase in net hedging gains related to the liabilities associated with guaranteed minimum living benefits of $24.5 million and a decrease in investment impairments, net of non-credit related adjustments, of $16.1 million. The improvement for the first nine months is primarily due to an increase in net hedging gains related to the liabilities associated with guaranteed minimum living benefits of $302.1 million, favorable changes in the value of embedded derivatives associated with reinsurance treaties written on a modified coinsurance or funds withheld basis of $41.1 million, a decrease in investment impairments, net of non-credit related adjustments, of $62.6 million, largely offset by unfavorable changes in the embedded derivatives related to guaranteed minimum living benefits of $356.6 million. See Note 4 — "Investments" and Note 5 — "Derivative Instruments" in the Notes to Condensed Consolidated Financial Statements for additional information on the impairment losses and derivatives. Investment income and investment related gains and losses are allocated to the operating segments based upon average assets and related capital levels deemed appropriate to support segment operations.

The effective tax rate on a consolidated basis was 35.0% and 35.3% for the third quarter of 2010 and 2009, respectively, and 35.8% and 31.8% for the first nine months of 2010 and 2009, respectively. The third quarter and first nine months of 2010 effective tax rates were affected by the expiration of the active financing exception tax rules on December 31, 2009. Since the U.S. Congress did not pass an extender package by September 30, 2010, the Company reflected an additional tax provision for the third quarter and first nine months of 2010 of approximately $5.0 million and $14.9 million, respectively. It is possible that the U.S. Congress will pass the extender package during 2010, at which time the Company would reverse these accruals. The 2009 effective tax rates were affected by the reduction of an account liability for a previously uncertain tax position and by the earnings of non-U.S. subsidiaries in which the Company is permanently reinvested whose statutory tax rates are less than the U.S. statutory tax rate.

Critical Accounting Policies

The Company's accounting policies are described in the Summary of Significant Accounting Policies in Note 2 of the consolidated financial statements accompanying the 2009 Annual Report. The Company believes its most critical accounting policies include the capitalization and amortization of deferred acquisition costs ("DAC"); the establishment of liabilities for future policy benefits, other policy claims and benefits, including incurred but not reported claims; the valuation of fixed maturity investments and investment impairments, if any; embedded derivatives; accounting for income taxes; and the establishment of arbitration or litigation reserves. The balances of these accounts require extensive use of assumptions and estimates, particularly related to the future performance of the underlying business.

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

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

Deferred Acquisition Costs ("DAC")

Costs of acquiring new business, which vary with and are primarily related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. DAC amounts reflect the Company's expectations about the future experience of the business in force and include commissions and allowances as well as certain costs of policy issuance and underwriting. Some of the factors that can affect the carrying value of DAC include mortality assumptions, interest spreads and policy lapse rates. For traditional life and related coverages, the Company performs periodic tests to determine that DAC remains recoverable at all times, including at issue, and the cumulative amortization is re-estimated and, if necessary, adjusted by a cumulative charge to current operations. For its asset-intensive business, the Company updates the estimated gross profits with actual gross profits each reporting period, resulting in an increase or decrease to DAC to reflect the difference in the actual gross profits versus the previously estimated gross profits.

Liabilities for Future Policy Benefits and Other Policy Liabilities

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

The Company periodically reviews actual historical experience and relative anticipated experience compared to the assumptions used to establish aggregate policy reserves. Further, the Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing aggregate policy reserves, together with the present value of future gross premiums, are not sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. The premium deficiency reserve is established through a charge to income, as well as a reduction to unamortized acquisition costs and, to the extent there are no unamortized acquisition costs, an increase to future policy benefits. Because of the many assumptions and estimates used in establishing reserves and the long-term nature of the Company's reinsurance contracts, the reserving process, while based on actuarial science, is inherently uncertain. If the Company's assumptions, particularly on mortality, are inaccurate, its reserves may be inadequate to pay claims and there could be a material adverse effect on its results of operations and financial condition.

Other policy claims and benefits include claims payable for incurred but not reported losses, which are determined using case-basis estimates and lag studies of past experience. These estimates are periodically reviewed and any adjustments to such estimates, if necessary, are reflected in current operations. The time lag from the date of the claim or death to the date when the ceding company reports the claim to the Company can be several months and can vary significantly by ceding company and business segment. The Company updates its analysis of incurred but not reported claims, including lag studies, on a periodic basis and adjusts its claim liabilities accordingly. The adjustments in a given period are generally not significant relative to the overall policy liabilities.

Valuation of Fixed Maturity Securities

The Company primarily invests in fixed maturity securities, including bonds and redeemable preferred stocks. These securities are classified as available-for-sale and accordingly are carried at fair value on the condensed consolidated balance sheets. The difference between amortized cost and fair value is reflected as an unrealized gain or loss, less applicable deferred taxes as well as related adjustments to deferred acquisition costs, if applicable, in accumulated other comprehensive income (“AOCI”) in stockholders’ equity. The determinations of fair value may require extensive use of assumptions and inputs. In addition, other-than-temporary impairment losses related to non-credit factors are recognized in AOCI.

The Company performs regular analysis and review of the various techniques, assumptions and inputs utilized in determining fair value to ensure that the valuation approaches utilized are appropriate and consistently applied, and that the various assumptions are reasonable. The Company also utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company’s financial statements. The Company performs analysis and review of the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by the Company’s investment and accounting personnel. Examples of procedures performed include, but are not limited to, initial and ongoing review of third party pricing services and techniques, review of pricing trends and monitoring of recent trade information. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

When available, fair values are based on quoted prices in active markets that are regularly and readily obtainable. Generally, these are very liquid investments and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on market standard valuation techniques, primarily a combination of a market approach, including matrix pricing and an 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.

The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company’s securities holdings.

Additionally, the Company evaluates its intent to sell fixed maturity securities and whether it is more likely than not that it will be required to sell fixed maturity securities, along with factors such as the financial condition of the issuer, payment performance, the extent to which the market value has been below amortized cost, compliance with covenants, general market and industry sector conditions, and various other factors. Securities, based on management’s judgments, with an other-than-temporary impairment in value are written down to management’s estimate of fair value.

Valuation of Embedded Derivatives

The Company reinsures certain annuity products that contain terms that are deemed to be embedded derivatives, primarily EIAs and variable annuities with guaranteed minimum benefits. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated under the general accounting principles for *Derivatives and Hedging*. If the instrument would not be accounted for in its entirety at fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and reported separately. Such embedded derivatives are carried on the condensed consolidated balance sheets at fair value with the host contract.

The valuation of the various embedded derivatives requires complex calculations based on actuarial and capital market inputs assumptions related to estimates of future cash flows. Such assumptions include, but are not limited to, equity market performance, equity market volatility, interest rates, credit spreads, benefits and related contract charges, mortality, lapses, withdrawals, benefit selections and non-performance risk. These assumptions have a significant impact on the value of the embedded derivatives. For example, independent future decreases in equity market returns, future decreases in interest rates and future increases in equity market volatilities would increase the value of the embedded liability derivative associated with guaranteed minimum withdrawal benefits on variable annuities, resulting in an increase in investment related losses. See “Market Risk” disclosures in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information.

Additionally, reinsurance treaties written on a modified coinsurance or funds withheld basis are subject to the general accounting principles for *Derivatives and Hedging* related to embedded derivatives. The majority of the Company’s funds withheld at interest balances are associated with its reinsurance of annuity contracts, the majority of which are subject to the general accounting principles for *Derivatives and Hedging* related to embedded derivatives. Management believes the embedded derivative feature in each of these reinsurance treaties is similar to a total return swap on the assets held by the ceding companies. The valuation of these embedded derivatives is sensitive to the credit spread environment. Decreases or increases in credit spreads result in an increase or decrease in value of the embedded derivative and therefore an increase in investment related gains or losses, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the U.S. Asset-Intensive Segment for additional information.

Income Taxes

Income taxes represent the net amount of income taxes that the Company expects to pay to or receive from various taxing jurisdictions in connection with its operations. The Company provides for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. The Company’s accounting for income taxes represents management’s best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. The Company has significant deferred tax assets related to net operating and capital losses. Most of the Company’s exposure related to its deferred tax assets are within legal entities that file a consolidated United States federal income tax return. The Company has projected its ability to utilize its net operating losses and has determined that all of these losses are expected to be utilized prior to their expiration. The Company has also done analysis of its capital losses and has determined that sufficient unrealized capital gains exist within its investment portfolios that should offset any capital loss realized. It is also the Company’s intention to hold all unrealized loss securities until maturity or until their market value recovers.

The Company will establish a valuation allowance when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

(i) future taxable income exclusive of reversing temporary differences and carryforwards;

(ii) future reversals of existing taxable temporary differences;

(iii) taxable income in prior carryback years; and

(iv) tax planning strategies.

The Company may be required to change its provision for income taxes in certain circumstances. Examples of such circumstances include when the ultimate deductibility of certain items is challenged by taxing authorities, when it becomes clear that certain items will not be challenged, or when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events such as changes in tax legislation could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the condensed consolidated financial statements in the period these changes occur.

Arbitration and Litigation Reserves

The Company at times is a party to various litigation and arbitrations. The Company cannot predict or determine the ultimate outcome of any pending litigation or arbitrations or even provide useful ranges of potential losses. A legal reserve is established when the Company is notified of an arbitration demand or litigation or is notified that an arbitration demand or litigation is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated. However, it is possible that an adverse outcome on any particular arbitration or litigation situation could have a material adverse effect on the Company's consolidated financial position and/or net income in a particular reporting period.

Further discussion and analysis of the results for 2010 compared to 2009 are presented by segment.

U.S. Operations

U.S. operations consist of two major sub-segments: Traditional and Non-Traditional. The Traditional sub-segment primarily specializes in individual mortality-risk reinsurance and to a lesser extent, group, health and long-term care reinsurance. The Non-Traditional sub-segment consists of Asset-Intensive and Financial Reinsurance.

For the three months ended September 30, 2010 (dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	 Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$ 930,070	$ 2,724	$ —	$ 932,794
Investment income, net of related expenses	124,596	67,347	154	192,097
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	—	(2,623)	—	(2,623)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	—	849	—	849
Other investment related gains (losses), net	13,009	(36,017)	(44)	(23,052)
Total investment related gains (losses), net	13,009	(37,791)	(44)	(24,826)
Other revenues	428	19,605	5,608	25,641
Total revenues	1,068,103	51,885	5,718	1,125,706
Benefits and expenses:				
Claims and other policy benefits	793,270	(318)	—	792,952
Interest credited	16,698	78,078	—	94,776
Policy acquisition costs and other insurance expenses (income)	125,526	(21,682)	461	104,305
Other operating expenses	18,534	2,413	940	21,887
Total benefits and expenses	954,028	58,491	1,401	1,013,920
Income (loss) before income taxes	$ 114,075	$ (6,606)	$4,317	$ 111,786

For the three months ended September 30, 2009 (dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	Non-Traditional Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$801,406	$ 1,744	$ —	$ 803,150
Investment income (loss), net of related expenses	107,088	115,777	(56)	222,809
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(13,246)	(745)	(37)	(14,028)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	(3,484)	(183)	(9)	(3,676)
Other investment related gains (losses), net	(4,150)	54,776	48	50,674
Total investment related gains (losses), net	(20,880)	53,848	2	32,970
Other revenues	586	19,452	3,871	23,909
Total revenues	888,200	190,821	3,817	1,082,838
Benefits and expenses:				
Claims and other policy benefits	686,057	872	—	686,929
Interest credited	15,983	69,170	—	85,153
Policy acquisition costs and other insurance expenses	108,685	80,368	289	189,342
Other operating expenses	13,692	2,537	779	17,008
Total benefits and expenses	824,417	152,947	1,068	978,432
Income before income taxes	$ 63,783	$ 37,874	$2,749	$ 104,406

For the nine months ended September 30, 2010 (dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	Non-Traditional Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$2,766,193	$ 17,729	$ —	$2,783,922
Investment income, net of related expenses	358,839	246,675	210	605,724
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(930)	(2,668)	—	(3,598)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	620	284	—	904
Other investment related gains (losses), net	18,888	113,495	(63)	132,320
Total investment related gains (losses), net	18,578	111,111	(63)	129,626
Other revenues	1,216	62,442	16,478	80,136
Total revenues	3,144,826	437,957	16,625	3,599,408
Benefits and expenses:				
Claims and other policy benefits	2,372,001	12,142	—	2,384,143
Interest credited	49,646	181,220	—	230,866
Policy acquisition costs and other insurance expenses	388,769	161,062	1,567	551,398
Other operating expenses	57,696	8,016	3,156	68,868
Total benefits and expenses	2,868,112	362,440	4,723	3,235,275
Income before income taxes	$ 276,714	$ 75,517	$11,902	$ 364,133

For the nine months ended September 30, 2009 (dollars in thousands)	Traditional	Non-Traditional Asset-Intensive	Non-Traditional Financial Reinsurance	Total U.S.
Revenues:				
Net premiums	$2,395,335	$ 5,092	$ —	$2,400,427
Investment income (loss), net of related expenses	314,265	276,771	(220)	590,816
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(65,195)	(6,532)	(166)	(71,893)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	9,860	861	22	10,743
Other investment related gains (losses), net	(20,707)	116,721	216	96,230
Total investment related gains (losses), net	(76,042)	111,050	72	35,080
Other revenues	2,076	51,537	14,560	68,173
Total revenues	2,635,634	444,450	14,412	3,094,496
Benefits and expenses:				
Claims and other policy benefits	2,050,859	1,805	—	2,052,664
Interest credited	46,917	147,967	—	194,884
Policy acquisition costs and other insurance expenses	315,543	256,181	889	572,613
Other operating expenses	40,895	7,700	2,259	50,854
Total benefits and expenses	2,454,214	413,653	3,148	2,871,015
Income before income taxes	$ 181,420	$ 30,797	$11,264	$ 223,481

Income before income taxes for the U.S. operations segment increased by $7.4 million, or 7.1%, and $140.7 million, or 62.9%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Contributing to the increase in income in both periods was the acquisition of the Reliastar Life Insurance Company's group life and health reinsurance business, effective January 1, 2010. In addition to the acquisition, the increase in income before income taxes for the third quarter reflects a decrease in investment impairments compared to the same period in 2009, offset by decreases in investment income and other investment related gains. The increase in income in the first nine months of 2010 was primarily due to increased investment income and other investment related gains combined with lower investment impairments compared to the same period in 2009. Included in other investment related gains (losses) is the effect that changes in credit spreads have on the fair value of embedded derivatives associated with treaties written on a modified coinsurance or funds withheld basis, which unfavorably affected the third quarter and favorably affected the first nine months of income as compared to the same periods in 2009. Decreases or increases in credit spreads result in an increase or decrease in value of the embedded derivatives, and therefore, an increase or decrease in investment related gains or losses, respectively. For additional information on impairment losses, see the discussion of "Investments" in the "Liquidity and Capital Resources" section of Management's Discussion and Analysis.

Traditional Reinsurance

The U.S. Traditional sub-segment provides individual life reinsurance, and to a lesser extent, group, health and long-term care reinsurance, to domestic clients for a variety of life products through yearly renewable term, coinsurance and modified coinsurance agreements. These reinsurance arrangements may involve either facultative or automatic agreements. This sub-segment added new business production, measured by face amount of insurance in force, of $30.3 billion and $31.2 billion during the third quarters, and $114.9 billion and $92.5 billion during the first nine months of 2010 and 2009, respectively. Management believes industry consolidation and the established practice of reinsuring mortality risks should continue to provide opportunities for growth, albeit at rates less than historically experienced.

Income before income taxes for the U.S. Traditional sub-segment increased by $50.3 million and $95.3 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in the third quarter and first nine months was primarily due to increases in net investment related gains of $33.9 million and $94.6 million, respectively, and income generated from the newly acquired group life and health business as compared to the same periods in 2009.

Net premiums for the U.S. Traditional sub-segment increased $128.7 million, or 16.1%, and $370.9 million, or 15.5% for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases in net premiums were driven primarily by the growth of total U.S. Traditional business in force. Most notably was the acquisition of ReliaStar Life Insurance Company's group life and health reinsurance business, which contributed $77.1 million and $216.2 million of premium, in the third quarter and first nine months of 2010, respectively. At September 30, 2010, total face amount of life insurance for the U.S. Traditional sub-segment was $1,333.8 million compared to $1,276.6 million at September 30, 2009.

Net investment income increased $17.5 million, or 16.3%, and $44.6 million, or 14.2%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009, primarily due to growth in the invested asset base. Investment related gains increased $33.9 million and $94.6 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in investment related gains year over year was largely due to a higher level of investment impairments recognized in 2009, combined with higher investment related gains.

Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support segment operations. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Claims and other policy benefits as a percentage of net premiums ("loss ratios") were 85.3% and 85.6% for the third quarter of 2010 and 2009, respectively, and 85.7% and 85.6% for the nine months ended September 30, 2010 and 2009, respectively. Although reasonably predictable over a period of years, death claims can be volatile over short-term periods.

Interest credited expense increased $0.7 million, or 4.5%, and $2.7 million, or 5.8%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases were driven by a treaty with a minor increase in asset base and a constant credited loan rate of 5.6%. Also contributing to the increases was the addition of a new treaty in 2010. Interest credited in this sub-segment relates to amounts credited on cash value products which also have a significant mortality component.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 13.5% and 13.6% for the third quarter of 2010 and 2009, respectively, and 14.1% and 13.2% for the nine months ended September 30, 2010 and 2009, respectively. Overall, while these ratios are expected to remain in a predictable range, they may fluctuate from period to period due to varying allowance levels within coinsurance-type arrangements. In addition, the amortization pattern of previously capitalized amounts, which are subject to the form of the reinsurance agreement and the underlying insurance policies, may vary. Also, the mix of first year coinsurance business versus yearly renewable term business can cause the percentage to fluctuate from period to period.

Other operating expenses increased $4.8 million, or 35.4%, and $16.8 million, or 41.1%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in expenses is primarily due to the acquisition of ReliaStar Life Insurance Company's group life and health reinsurance business. Other operating expenses as a percentage of net premiums were 2.0% and 1.7% for the third quarter of 2010 and 2009, respectively, and 2.1% and 1.7% for the nine months ended September 30, 2010 and 2009, respectively.

Asset-Intensive Reinsurance

The U.S. Asset-Intensive sub-segment assumes primarily investment risk within underlying annuities and corporate-owned life insurance policies. Most of these agreements are coinsurance, coinsurance with funds withheld or modified coinsurance whereby the Company recognizes profits or losses primarily from the spread between the investment income earned and the interest credited on the underlying deposit liabilities.

Impact of certain derivatives:

Income for the asset-intensive business tends to be volatile due to changes in the fair value of certain derivatives, including embedded derivatives associated with reinsurance treaties structured on a modified coinsurance ("Modco") basis or funds withheld basis, as well as embedded derivatives associated with the Company's reinsurance of equity-indexed annuities and variable annuities with guaranteed minimum benefit riders. The following table summarizes the asset-intensive results and quantifies the impact of these embedded derivatives for the periods presented.

(dollars in thousands)	For the three months ended September 30, 2010	2009	For the nine months ended September 30, 2010	2009
Revenues:				
Total revenues	$ 51,885	$ 190,821	$ 437,957	$ 444,450
Less:				
Embedded derivatives — Modco/Funds withheld treaties	(38,652)	51,454	116,494	75,366
Guaranteed minimum benefit riders and related free standing derivatives	(167)	1,676	(7,619)	46,845
Revenues before certain derivatives	90,704	137,691	329,082	322,239
Benefits and expenses:				
Total benefits and expenses	58,491	152,947	362,440	413,653
Less:				
Embedded derivatives — Modco/Funds withheld treaties	(25,388)	32,090	84,668	39,209
Guaranteed minimum benefit riders and related free standing derivatives	2,761	5,113	(3,390)	81,444
Equity-indexed annuities	13,449	(1,579)	12,517	(6,800)
Benefits and expenses before certain derivatives	67,669	117,323	268,645	299,800
Income (loss) before income taxes:				
Income (loss) before income taxes	(6,606)	37,874	75,517	30,797
Less:				
Embedded derivatives — Modco/Funds withheld treaties	(13,264)	19,364	31,826	36,157
Guaranteed minimum benefit riders and related free standing derivatives	(2,928)	(3,437)	(4,229)	(34,599)
Equity-indexed annuities	(13,449)	1,579	(12,517)	6,800
Income before income taxes and certain derivatives	23,035	20,368	60,437	22,439

Modco/Funds Withheld Treaties— Represents the change in the fair value of embedded derivatives on funds withheld at interest associated with treaties written on a modified coinsurance or funds withheld basis, allowing for deferred acquisition expenses. Changes in the fair value of the embedded derivative are driven by changes in investment credit spreads, including the Company’s own credit spread. Generally, an increase in investment credit spreads, ignoring changes in the Company’s own credit spread, will have a negative impact on the fair value of the embedded derivative (decrease in income).

In the third quarter of 2010, the change in fair value of the embedded derivative decreased revenues by $38.7 million and related deferred acquisition expenses decreased benefits and expenses by $25.4 million, for a net negative pre-tax income impact of $13.3 million, primarily due to an increase in investment credit spreads. During the third quarter of 2009, the change in fair value of the embedded derivative increased revenues by $51.5 million and related deferred acquisition expenses increased benefits and expenses by $32.1 million, for a net positive pre-tax income impact of $19.4 million, primarily due to a decrease in investment credit spreads. In the first nine months of 2010, the change in fair value of the embedded derivative increased revenues by $116.5 million and related deferred acquisition expenses decreased benefits and expenses by $84.7 million, for a positive pre-tax income impact of $31.8 million, primarily due to a decrease in investment credit spreads. During the first nine months of 2009, the change in fair value of the embedded derivative increased revenues by $75.4 million and related deferred acquisition expenses increased benefits and expenses by $39.2 million, for a positive pre-tax income impact of $36.2 million, primarily due to a decrease in investment credit spreads.

Guaranteed Minimum Benefit Riders— Represents the impact related to guaranteed minimum benefits associated with variable annuities. The fair value changes of the guaranteed minimum benefits along with the changes in fair value of the free standing derivatives designed to hedge the liability are reflected in revenues, while the related impact on deferred acquisition expenses is reflected in benefits and expenses. In the third quarter of 2010, the change in the fair value of the guaranteed minimum benefits, after allowing for changes in the associated free standing derivatives, decreased revenues by $0.2 million and related deferred acquisition expenses increased benefits and expenses by $2.8 million for a negative pre-tax income impact of $2.9 million. In the third quarter of 2009, the change in the fair value of the guaranteed minimum benefits after allowing for changes in the associated hedge instruments increased revenues by $1.7 million and related deferred acquisition expenses increased benefits and expenses by $5.1 million for a negative pre-tax income impact of $3.4 million. In the first nine months of 2010, the change in the fair value of the guaranteed minimum benefits, after allowing for changes in the associated free standing derivatives, reduced revenues by $7.6 million and related deferred acquisition expenses reduced benefits and expenses by $3.4 million for a negative pre-tax income impact of $4.2 million. In the first nine months of 2009, the change in the fair value of the guaranteed minimum benefits after allowing for changes in the associated hedge instruments increased revenues by $46.8 million and related deferred acquisition expenses increased benefits and expenses by $81.4 million for a negative pre-tax income impact of $34.6 million.

Equity-Indexed Annuities— Represents the impact of changes in the risk-free rate on the calculation of the fair value of embedded derivative liabilities associated with EIAs, after adjustments for related deferred acquisition expenses and retrocession. In the third quarter of 2010 and 2009, benefits and expenses increased $13.4 million and decreased $1.6 million, respectively. In the first nine months of 2010 and 2009, benefits and expenses increased $12.5 million and decreased $6.8 million, respectively.

The changes in derivatives discussed above do not affect current cash flows, crediting rates or spread performance on the underlying treaties. Fluctuations occur period to period primarily due to changing investment conditions including, but not limited to, interest rate movements (including risk-free rates and credit spreads), implied volatility and equity market performance, all of which are factors in the calculations of fair value. Therefore, management believes it is helpful to distinguish between the effects of changes in these derivatives, net of related hedging activity, and the primary factors that drive profitability of the underlying treaties, namely investment income, fee income, and interest credited.

Discussion and analysis before certain derivatives:

Income before income taxes and certain derivatives increased by $2.7 million and $38.0 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009, primarily due to improvement in the broader U.S. financial markets and related favorable impacts on the underlying annuity account values. Also contributing to the positive variance was an increase in capital gains in both the funds withheld and coinsurance portfolios. These investment gains increased approximately $4.7 million and $20.6 million, before deferred acquisition costs, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Higher fee income earned on the variable annuity transactions also contributed to the increased income in 2010.

Revenue before certain derivatives decreased by $47.0 million and increased by $6.8 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These variances were driven by changes in investment income related to equity options held in a funds withheld portfolio associated with equity-indexed annuity treaties. Increases and decreases in investment income related to equity options were mostly offset by corresponding increases and decreases in interest credited expense. Also affecting revenue were capital gains in both the funds withheld and coinsurance portfolios which increased approximately $4.7 million and $20.6 million, before deferred acquisition costs, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009.

The average invested asset base supporting this sub-segment increased to $5.6 billion in the third quarter of 2010 from $5.1 billion in the third quarter of 2009. The growth in the asset base was driven primarily by new business written on existing equity-indexed treaties. As of September 30, 2010, $3.9 billion of the invested assets were funds withheld at interest, of which 92.8% is associated with one client.

Benefits and expenses before certain derivatives decreased by $49.7 million and decreased by $31.2 million for the three and nine months ended September 30, 2010, as compared to the same periods in 2009, primarily due to a change in the interest credited expense related to equity option income on funds withheld equity-indexed annuity treaties. These changes were mostly offset by corresponding changes in investment income.

Financial Reinsurance

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

Income before income taxes increased $1.6 million, or 57.0%, and decreased $0.6 million, or 5.7% for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in the three months ended September 30, 2010 was attributed to new treaties effective at the end of 2009. The decrease in the first nine months of 2010 was primarily related to the absence of a one-time fee received at inception of a new treaty signed in 2009. At September 30, 2010 and 2009, the amount of reinsurance provided, as measured by pre-tax statutory surplus, was $1.1 billion and $0.9 billion, respectively. These pre-tax statutory surplus amounts include all business assumed or brokered by the Company in the U.S. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and, therefore, can fluctuate from period to period.

Canada Operations

The Company conducts reinsurance business in Canada through RGA Life Reinsurance Company of Canada (“RGA Canada”), a wholly-owned subsidiary. RGA Canada assists clients with capital management activity and mortality and morbidity risk management, and is primarily engaged in traditional individual life reinsurance, as well as creditor, group life

and health, critical illness, and longevity reinsurance. Creditor insurance covers the outstanding balance on personal, mortgage or commercial loans in the event of death, disability or critical illness and is generally shorter in duration than traditional life insurance**.** During the quarter, the Company completed its first longevity reinsurance transaction, a new line of business for the Canada Operations.

(dollars in thousands)	For the three months ended September 30, 2010	2009	For the nine months ended September 30, 2010	2009
Revenues:				
Net premiums	$ 205,552	$ 153,430	$ 591,281	$ 446,348
Investment income, net of related expenses	41,170	34,412	123,604	96,887
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	—	(31)	—	(107)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	—	(8)	—	12
Other investment related gains (losses), net	6,369	(1,488)	11,949	7,643
Total investment related gains (losses), net	6,369	(1,527)	11,949	7,548
Other revenues	803	(69)	1,087	1,010
Total revenues	253,894	186,246	727,921	551,793
Benefits and expenses:				
Claims and other policy benefits	186,554	123,357	504,320	367,304
Interest credited	—	—	—	75
Policy acquisition costs and other insurance expenses	26,901	38,244	116,606	107,678
Other operating expenses	6,971	5,798	20,806	16,189
Total benefits and expenses	220,426	167,399	641,732	491,246
Income before income taxes	$ 33,468	$ 18,847	$ 86,189	$ 60,547

Income before income taxes increased $14.6 million, or 77.6%, and $25.6 million, or 42.4%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in income in the third quarter and first nine months of 2010 is primarily due to increases in investment income and net investment related gains compared to the same periods in 2009. A stronger Canadian dollar resulted in an increase in income before income taxes of approximately $0.3 million and $6.7 million in the third quarter and first nine months of 2010, respectively.

Net premiums increased $52.1 million, or 34.0%, and $144.9 million, or 32.5%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. During the quarter, the Company completed its first longevity reinsurance transaction and reported related premiums of $55.2 million, of which $43.3 represents a one-time advance premium for which the Company established a deferred profit liability. In addition, a stronger Canadian dollar contributed to an increase in net premiums of approximately $10.2 million and $64.5 million in the third quarter and first nine months of 2010 compared to 2009. Premium levels can be significantly influenced by currency fluctuations, large transactions, mix of business and reporting practices of ceding companies and therefore may fluctuate from period to period.

Net investment income increased $6.8 million, or 19.6%, and $26.7 million, or 27.6%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. A stronger Canadian dollar resulted in an increase in net investment income of approximately $1.0 million and $10.6 million in the third quarter and first nine months of 2010 compared to 2009. Investment income and investment related gains and losses are allocated to the segments based upon average assets and related capital levels deemed appropriate to support segment operations. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments. The increase in investment income, excluding the impact of foreign exchange, was primarily the result of an increase in the allocated asset base due to growth in the underlying business volume.

Loss ratios for this segment were 90.8% and 80.4% for the third quarter of 2010 and 2009, respectively, and 85.3% and 82.3% for the nine months ended September 30, 2010 and 2009, respectively. The higher loss ratios in 2010 are primarily the result of adverse mortality experience compared to prior-year periods and the longevity reinsurance transaction completed in the third quarter of 2010. Claims and other policy benefits, as a percentage of net premiums and investment income were 75.6% and 65.7% in the third quarter of 2010 and 2009, respectively, and 70.5% and 67.6% for the nine months ended September 30, 2010 and 2009, respectively.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 13.1% and 24.9% for the third quarter of 2010 and 2009, respectively, and 19.7% and 24.1% for the nine months ended September 30, 2010 and 2009, respectively. The decreases were largely due to the effect of increased net premiums related to the longevity reinsurance transaction completed in the third quarter of 2010.

Policy acquisition costs and other insurance expenses as a percentage of net premiums for traditional individual life business were 12.5% and 14.6% for the third quarter of 2010 and 2009, respectively, and 11.9% and 13.2% for the nine months ended September 30, 2010 and 2009, respectively. Overall, while these ratios are expected to remain in a predictable range, they may fluctuate from period to period due to varying allowance levels and product mix. In addition, the amortization pattern of previously capitalized amounts, which are subject to the form of the reinsurance agreement and the underlying insurance policies, may vary.

Other operating expenses increased by $1.2 million, or 20.2%, and $4.6 million, or 28.5%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. A stronger Canadian dollar contributed approximately $0.3 million and $1.9 million to the increase in operating expenses in the third quarter and first nine months of 2010, respectively. Other operating expenses as a percentage of net premiums were 3.4% and 3.8% for the third quarter of 2010 and 2009, respectively, and 3.5% and 3.6% for the nine months ended September 30, 2010 and 2009, respectively.

Europe & South Africa Operations

The Europe & South Africa segment has operations in France, Germany, India, Italy, Mexico, the Netherlands, Poland, Spain, South Africa and the United Kingdom ("UK"). The segment provides life reinsurance for a variety of products through yearly renewable term and coinsurance agreements, and reinsurance of critical illness coverage and to a lesser extent, the reinsurance of longevity risk on payout annuities. Reinsurance agreements may be either facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

(dollars in thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2010	2009	2010	2009
Revenues:				
Net premiums	$232,962	$204,169	$660,533	$557,442
Investment income, net of related expenses	8,579	8,502	24,780	23,371
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	—	(676)	—	(2,533)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	—	(135)	—	361
Other investment related gains (losses), net	1,808	1,079	3,614	2,848
Total investment related gains (losses), net	1,808	268	3,614	676
Other revenues	857	102	1,803	900
Total revenues	244,206	213,041	690,730	582,389
Benefits and expenses:				
Claims and other policy benefits	193,377	164,118	539,220	455,354
Policy acquisition costs and other insurance expenses	12,137	21,277	35,808	42,463
Other operating expenses	21,198	20,665	65,225	56,693
Total benefits and expenses	226,712	206,060	640,253	554,510
Income before income taxes	$ 17,494	$ 6,981	$ 50,477	$ 27,879

Income before income taxes increased $10.5 million, or 150.6% and $22.6 million, or 81.1%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in income before income taxes for the third quarter and first nine months was primarily due to decreases in policy acquisition costs and other insurance expenses and investment impairments. Unfavorable foreign currency exchange fluctuations contributed to a decrease to income before income taxes totaling approximately $1.3 million and $2.1 million for the third quarter and first nine months of 2010, respectively.

Net premiums increased $28.8 million, or 14.1%, and $103.1 million, or 18.5%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Unfavorable foreign currency exchange fluctuations, particularly related to the British pound and the euro, decreased net premiums by approximately $12.5 million in the third quarter of 2010 compared to 2009. For the nine months ended September 30, 2010 as compared to the same period in 2009, favorable foreign currency exchange fluctuations, particularly with the South African rand, increased net premiums by approximately $1.5 million. In addition, net premiums increased as a result of new business from both new and existing treaties including an increase for the third quarter and first nine months of 2010 of $17.2 million and $45.6 million, respectively, associated with reinsurance of longevity risk in the UK.

A significant portion of the net premiums relates to critical illness coverage, primarily in the UK. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Net premiums earned from this coverage totaled $57.3 million and $54.2 million in the third quarter of 2010 and 2009, respectively, and $166.0 million and $153.2 million for the

nine months ended September 30, 2010 and 2009, respectively. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Net investment income increased $0.1 million, or 0.9%, and $1.4 million, or 6.0%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases can be primarily attributed to growth in the invested asset base. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support segment operations.

Loss ratios were 83.0% and 80.4% for the third quarter of 2010 and 2009, respectively, and 81.6% and 81.7% for the nine months ended September 30, 2010 and 2009, respectively. The increase for the third quarter was due primarily to adverse claims experience in South Africa. The decrease for the first nine months of 2010 was due to favorable claims experience, primarily in the UK in 2010, and unfavorable claims experience in 2009. Although reasonably predictable over a period of years, death claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 5.2% and 10.4% for the third quarter of 2010 and 2009, respectively, and 5.4% and 7.6% for the nine months ended September 30, 2010 and 2009, respectively. The decrease in 2010 policy acquisition costs and other insurance expenses is related to a decrease in the amortization of deferred acquisition costs affected by the mix of business, primarily in the UK. These percentages fluctuate due to timing of client company reporting, variations in the mixture of business being reinsured and the relative maturity of the business. In addition, as the segment grows, renewal premiums, which have lower allowances than first-year premiums, represent a greater percentage of the total net premiums.

Other operating expenses increased $0.5 million, or 2.6%, and $8.5 million, or 15.0%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases were due to higher costs associated with maintaining and supporting the segment's increase in business over the past several years and the Company's recent expansion into central Europe. Other operating expenses as a percentage of net premiums totaled 9.1% and 10.1% for the third quarter of 2010 and 2009, respectively, and 9.9% and 10.2% for the nine months ended September 30, 2010 and 2009, respectively. The Company believes that sustained growth in net premiums should lessen the burden of start-up expenses and expansion costs over time.

Asia Pacific Operations

The Asia Pacific segment has operations in Australia, Hong Kong, Japan, Malaysia, Singapore, New Zealand, South Korea, Taiwan and mainland China. The principal types of reinsurance for this segment are life, critical illness, disability income, superannuation, and financial reinsurance. Superannuation is the Australian government mandated compulsory retirement savings program. Superannuation funds accumulate retirement funds for employees, and in addition, offer life and disability insurance coverage. Reinsurance agreements may be facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

(dollars in thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2010	2009	2010	2009
Revenues:				
Net premiums	$273,825	$242,350	$816,521	$715,508
Investment income, net of related expenses	17,042	15,654	51,555	43,228
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	—	(691)	—	(4,642)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	—	(370)	—	462
Other investment related gains (losses), net	1,326	4,015	3,839	4,422
Total investment related gains (losses), net	1,326	2,954	3,839	242
Other revenues	7,462	4,942	19,777	19,142
Total revenues	299,655	265,900	891,692	778,120
Benefits and expenses:				
Claims and other policy benefits	220,867	182,070	648,457	574,040
Policy acquisition costs and other insurance expenses	27,373	31,833	96,964	88,788
Other operating expenses	22,932	21,072	67,582	55,274
Total benefits and expenses	271,172	234,975	813,003	718,102
Income before income taxes	$ 28,483	$ 30,925	$ 78,689	$ 60,018

Income before income taxes decreased $2.4 million, or 7.9%, and increased $18.7 million, or 31.1%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The decrease in income before income taxes for the third quarter is primarily due to more favorable segment-wide mortality experience in the prior year. The increase in the first nine months of 2010 is primarily due to an increase in premiums in all markets within the segment except Korea, compared to the same period in 2009. Foreign currency exchange fluctuations resulted in increases to income before income taxes totaling approximately $1.1 million and $7.2 million for the third quarter and first nine months of 2010, respectively.

Net premiums increased $31.5 million, or 13.0%, and $101.0 million, or 14.1%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Premiums in the third quarter of 2010 increased by $33.3 million, collectively, in Australia, Southeast Asia, Japan and Taiwan and were partially offset by decreased premiums of $3.2 million in Korea and Hong Kong, as compared to the same period in 2009. Premiums in the first nine months of 2010 increased by $107.0 million, collectively, in Australia, New Zealand, Southeast Asia, Japan and Taiwan and were partially offset by decreased premiums of $6.7 million in Korea, as compared to the same period in 2009.

Foreign currencies in certain significant markets, particularly the Australian dollar, New Zealand dollar, Korean won and Japanese yen, have strengthened against the U.S. dollar during 2010 compared to 2009. The overall effect of changes in Asia Pacific segment currencies was an increase in net premiums of approximately $17.7 million and $94.0 million for the third quarter and first nine months of 2010, respectively.

A portion of the net premiums relates to reinsurance of critical illness coverage. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Reinsurance of critical illness in the Asia Pacific operations is offered primarily in South Korea, Australia and Hong Kong. Net premiums earned from this coverage totaled $46.0 million and $45.5 million in the third quarter of 2010 and 2009, respectively and $133.9 million and $128.8 million for the first nine months of 2010 and 2009, respectively. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and can fluctuate from period to period.

Net investment income increased $1.4 million, or 8.9%, and $8.3 million, or 19.3%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases were primarily related to growth in the invested asset base. Also contributing to the increases were favorable changes in foreign currency exchange fluctuations of $0.4 million and $3.3 million in the third quarter and first nine months of 2010, respectively. Investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support segment operations. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenues increased $2.5 million, or 51.0%, and increased $0.6 million, or 3.3%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The primary source of other revenues is fees from financial reinsurance treaties in Japan. At September 30, 2010 and 2009, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, was $380.8 million and $505.5 million, respectively. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and, therefore, can fluctuate from period to period.

Loss ratios for this segment were 80.7% and 75.1% for the third quarter of 2010 and 2009, respectively, and 79.4% and 80.2% for the nine months ended September 30, 2010 and 2009, respectively. The increase in the loss ratio for the third quarter of 2010 was primarily attributable to an increase in claims and other policy benefits in Australia, Japan and Taiwan when compared to the more favorable results for the same period in 2009. Offsetting the increase in the third quarter of 2010 loss ratio were lower claims and other policy benefits in New Zealand and Hong Kong compared to the same period in 2009. The decrease in the loss ratio for the first nine months of 2010 is primarily attributable to lower claims and other policy benefits in New Zealand and Hong Kong compared to the same period in 2009. Although reasonably predictable over a period of years, death claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business. Loss ratios will fluctuate due to timing of client company reporting, variations in the mixture of business and the relative maturity of the business.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 10.0% and 13.1% for the third quarter of 2010 and 2009, respectively, and 11.9% and 12.4% for the nine months ended September 30, 2010 and 2009, respectively. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums should generally decline as the business matures; however, the percentage does fluctuate periodically due to timing of client company reporting and variations in the mixture of business.

Other operating expenses increased $1.9 million, or 8.8%, and $12.3 million, or 22.3%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. Foreign currency exchange fluctuations contributed approximately $0.8 million and $3.4 million to the increase in operating expenses in the third quarter and first nine months of 2010, respectively. Other operating expenses as a percentage of net premiums totaled 8.4% and 8.7% for the third quarter of

2010 and 2009, respectively and 8.3% and 7.7% for the nine months ended September 30, 2010 and 2009, respectively. The timing of premium flows and the level of costs associated with the entrance into and development of new markets in the growing Asia Pacific segment may cause other operating expenses as a percentage of net premiums to fluctuate over time.

Corporate and Other

Corporate and Other revenues include investment income from invested assets not allocated to support segment operations and undeployed proceeds from the Company's capital raising efforts, in addition to unallocated investment related gains and losses. Corporate expenses consist of the offset to capital charges allocated to the operating segments within the policy acquisition costs and other insurance expenses line item, unallocated overhead and executive costs, and interest expense related to debt and trust preferred securities. Additionally, Corporate and Other includes results from, among others, RGA Technology Partners, Inc., a wholly-owned subsidiary that develops and markets technology solutions for the insurance industry and the investment income and expense associated with the Company's collateral finance facility.

	For the three months ended September 30,		For the nine months ended September 30,	
(dollars in thousands)	2010	2009	2010	2009
Revenues:				
Net premiums	$ 2,167	$ 2,080	$ 5,524	$ 6,682
Investment income, net of related expenses	28,616	18,094	77,770	53,001
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(2,281)	(1,519)	(12,225)	(9,107)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	(823)	189	1,327	557
Other investment related gains (losses), net	1,647	9,024	(733)	13,289
Total investment related gains (losses), net	(1,457)	7,694	(11,631)	4,739
Other revenues	2,752	3,088	6,187	51,767
Total revenues	32,078	30,956	77,850	116,189
Benefits and expenses:				
Claims and other policy benefits	141	(663)	170	(111)
Interest credited	—	—	13	—
Policy acquisition costs and other insurance expenses (income)	(13,658)	(8,907)	(40,267)	(32,549)
Other operating expenses	12,421	11,860	37,274	35,237
Interest expenses	25,191	5,243	65,781	46,955
Collateral finance facility expense	2,041	2,031	5,807	6,402
Total benefits and expenses	26,136	9,564	68,778	55,934
Income before income taxes	$ 5,942	$ 21,392	$ 9,072	$ 60,255

Income before income taxes decreased $15.5 million, or 72.2%, and $51.2 million, or 84.9%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The decrease for the third quarter was primarily due to increased interest expense related to higher interest provisions for income taxes related to uncertain tax positions. The decrease for the first nine months is primarily due to the absence of the recognition of a gain on the repurchase of long-term debt of $38.9 million and a $4.8 million foreign exchange gain on the repayment of debt, recorded in other revenues in 2009 and increased interest expense related to higher interest provisions for income taxes related to uncertain tax positions partially offset by a $24.8 million increase in investment income.

Total revenues increased $1.1 million, or 3.6%, and decreased $38.3 million, or 33.0%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. The increase for the third quarter was due to increased investment income somewhat offset by a reduction in investment related gains. The decrease for the first nine months was largely due to a decrease in other revenues associated with the absence in 2010 of gains from the debt repurchase and repayment, as described above. The decrease for the first nine months was partially offset by an increase in investment income largely due to an increase in invested assets, related to the issuance of $400.0 million of senior notes in the fourth quarter of 2009.

Total benefits and expenses increased $16.6 million, or 173.3%, and $12.8 million, or 23.0%, for the three and nine months ended September 30, 2010, as compared to the same periods in 2009. These increases were primarily due to increased interest expense related to higher interest provisions for income taxes related to uncertain tax positions and interest expense on the aforementioned senior notes issued in 2009. These increases were partially offset by lower policy acquisition costs and other insurance expenses in 2010, primarily due to increased charges to the operating segments for the use of capital.

Liquidity and Capital Resources

Current Market Environment

The U.S. and global financial markets have improved since the third quarter of 2009. Throughout the first half of 2009, the capital and credit markets experienced volatility and disruption. This environment was driven by, among other things, heightened concerns over conditions in the U.S. housing and mortgage markets, the availability and cost of credit, the health of U.S. and global financial institutions, a decline in business and consumer confidence and increased unemployment. Turmoil in the U.S. and global financial markets resulted in bankruptcies, credit defaults, consolidations and government interventions.

Results of operations in the first nine months of 2010 reflect a favorable change in the value of embedded derivatives as credit spreads have tightened during the year. Gross unrealized losses in the Company's fixed maturity and equity securities available-for-sale have improved from $687.2 million at September 30, 2009 to $298.3 million at September 30, 2010. Likewise, gross unrealized gains have also improved.

The Company continues to be in a position to hold its investment securities until recovery, provided it remains comfortable with the credit of the issuer. The Company does not rely on short-term funding or commercial paper, and therefore, to date, it has experienced no liquidity pressure, nor does it anticipate such pressure in the foreseeable future. The Company has selectively reduced its exposure to distressed security issuers through security sales. Although management believes the Company's current capital base is adequate to support its business at current operating levels, it continues to monitor new business opportunities and any associated new capital needs that could arise from the changing financial landscape.

The Holding Company

RGA is a holding company whose primary uses of liquidity include, but are not limited to, the immediate capital needs of its operating companies, dividends paid to shareholders and interest payments on indebtedness. The primary sources of RGA's liquidity include proceeds from capital raising efforts, interest income on undeployed corporate investments, interest income received on surplus notes with two operating subsidiaries, and dividends from operating subsidiaries. As the Company continues its expansion efforts, RGA will continue to be dependent on these sources of liquidity.

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

Cash Flows

The Company's net cash flows provided by operating activities for the nine months ended September 30, 2010 and 2009 were $1,330.3 million and $902.9 million, respectively. Cash flows from operating activities are affected by the timing of premiums received, claims paid, and working capital changes. The $427.4 million net increase in operating cash flows during the nine months of 2010 compared to the same period in 2009 was primarily a result of cash inflows related to premiums and investment income increasing more than cash outflows related to claims, acquisition costs, income taxes and other operating expenses. Cash from premiums and investment income increased $703.3 million and $68.5 million, respectively, and was offset by higher cash outlays of $344.4 million for the current nine month period. The Company believes the short-term cash requirements of its business operations will be sufficiently met by the positive cash flows generated. Additionally, the Company believes it maintains a high quality fixed maturity portfolio that can be sold, if necessary, to meet the Company's short- and long-term obligations.

Net cash used in investing activities for the nine months ended September 30, 2010 and 2009 was $1,209.4 million and $924.9 million, respectively. The sales and purchases of fixed maturity securities are related to the management of the Company's investment portfolios and the investment of excess cash generated by operating and financing activities.

Net cash used in financing activities for the nine months ended September 30, 2010 and 2009 was $13.2 million and $323.4 million, respectively. The decrease in cash used in financing activities was primarily due to a $258.5 million increase in the cash collateral received under derivative contracts due to a change in the value of the underlying derivatives and a $62.5 million decrease related to the repurchase and repayment of long-term debt reflected in 2009.

Debt and Preferred Securities

As of September 30, 2010 and December 31, 2009, the Company had $1,216.3 million and $1,216.1 million, respectively, in outstanding borrowings under its debt agreements and was in compliance with all covenants under those agreements.

The Company maintains three revolving credit facilities, including a syndicated credit facility with an overall capacity of

$750.0 million that expires in September 2012. The Company may borrow cash and may obtain letters of credit in multiple currencies under this facility. As of September 30, 2010, the Company had no cash borrowings outstanding and $278.6 million in issued, but undrawn, letters of credit under this facility. The Company's other credit facilities consist of a £15.0 million credit facility that expires in May 2012, and an A$50.0 million Australian credit facility that expires in March 2011, with no outstanding balances as of September 30, 2010.

As of September 30, 2010, the average interest rate on all long-term and short-term debt outstanding, excluding the Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the Company ("Trust Preferred Securities"), was 6.38%. Interest is expensed on the face amount, or $225 million, of the Trust Preferred Securities at a rate of 5.75%.

Based on the historic cash flows and the current financial results of the Company, management believes RGA's cash flows will be sufficient to enable RGA to meet its obligations for at least the next 12 months.

Collateral Finance Facility

In June 2006, RGA's subsidiary, Timberlake Financial, L.L.C. ("Timberlake Financial"), issued $850.0 million of Series A Floating Rate Insured Notes due June 2036 in a private placement. The notes were issued to fund the collateral requirements for statutory reserves required by the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation XXX) on specified term life insurance policies reinsured by RGA Reinsurance Company ("RGA Reinsurance"). Proceeds from the notes, along with a $112.8 million direct investment by the Company, were deposited into a series of trust accounts that collateralize the notes and are not available to satisfy the general obligations of the Company. Interest on the notes will accrue at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly. The payment of interest and principal on the notes is insured by a monoline insurance company through a financial guaranty insurance policy. The notes represent senior, secured indebtedness of Timberlake Financial without legal recourse to RGA or its other subsidiaries. Timberlake Financial will rely primarily upon the receipt of interest and principal payments on a surplus note and dividend payments from its wholly-owned subsidiary, Timberlake Reinsurance Company II ("Timberlake Re"), a South Carolina captive insurance company, to make payments of interest and principal on the notes. The ability of Timberlake Re to make interest and principal payments on the surplus note and dividend payments to Timberlake Financial is contingent upon South Carolina regulatory approval, the return on Timberlake Re's investment assets and the performance of specified term life insurance policies with guaranteed level premiums retroceded by RGA's subsidiary, RGA Reinsurance, to Timberlake Re.

Asset / Liability Management

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

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

The Company's liquidity position (cash and cash equivalents and short-term investments) was $718.2 million and $633.1 million at September 30, 2010 and December 31, 2009, respectively. The increase in the Company's liquidity position from December 31, 2009 is primarily due to the timing of investment activity. Liquidity needs are determined from valuation analyses conducted by operational units and are driven by product portfolios. Periodic evaluations of demand liabilities and short-term liquid assets are designed to adjust specific portfolios, as well as their durations and maturities, in response to anticipated liquidity needs.

The Company periodically sells investment securities under agreements to repurchase the same securities. These arrangements are used for purposes of short-term financing. There were no securities subject to these agreements outstanding at September 30, 2010 or December 31, 2009. The Company also occasionally enters into arrangements to purchase securities under agreements to resell the same securities. Amounts outstanding, if any, are reported in cash and cash equivalents. These agreements are primarily used as yield enhancement alternatives to other cash equivalent investments. There were no amounts outstanding at September 30, 2010 or December 31, 2009.

RGA Reinsurance is a member of the Federal Home Loan Bank of Des Moines ("FHLB") and holds $18.9 million in common stock of the FHLB, which is included in other invested assets on the Company's condensed consolidated balance sheets. RGA Reinsurance occasionally enters into traditional funding agreements with the FHLB, but had no outstanding traditional funding agreements with the FHLB at September 30, 2010 and December 31, 2009.

In addition, RGA Reinsurance has also entered into funding agreements with the FHLB under guaranteed investment contracts whereby RGA Reinsurance has issued the funding agreements in exchange for cash and for which the FHLB has been granted a blanket lien on RGA Reinsurance's commercial and residential mortgage-backed securities and commercial mortgage loans used to collateralize RGA Reinsurance's obligations under the funding agreements. RGA Reinsurance

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 agreements and the related security agreements represented by this blanket lien provide that upon any event of default by RGA Reinsurance, the FHLB's recovery is limited to the amount of RGA Reinsurance's liability under the outstanding funding agreements. 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 September 30, 2010 and December 31, 2009, respectively, which is included in interest sensitive contract liabilities. The advances on these agreements are collateralized primarily by commercial and residential mortgage-backed securities and commercial mortgage loans.

Investments

The Company had total cash and invested assets of $22.9 billion and $19.7 billion at September 30, 2010 and December 31, 2009, respectively, as illustrated below (dollars in thousands):

	September 30, 2010	December 31, 2009
Fixed maturity securities, available-for-sale	$ 14,169,930	$ 11,763,358
Mortgage loans on real estate	863,873	791,668
Policy loans	1,173,148	1,136,564
Funds withheld at interest	5,276,511	4,895,356
Short-term investments	84,091	121,060
Other invested assets	738,830	516,086
Cash and cash equivalents	634,075	512,027
Total cash and invested assets	$ 22,940,458	$ 19,736,119

The following table presents consolidated average invested assets at amortized cost, net investment income and investment yield, excluding funds withheld. Funds withheld assets are primarily associated with the reinsurance of annuity contracts on which the Company earns a spread. Fluctuations in the yield on funds withheld assets are generally offset by a corresponding adjustment to the interest credited on the liabilities (dollars in thousands).

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Increase/ (Decrease)	2010	2009	Increase/ (Decrease)
Average invested assets at amortized cost	$15,763,396	$13,340,365	18.2%	$15,205,358	$12,816,614	18.6%
Net investment income	218,546	186,457	17.2%	642,144	544,580	17.9%
Investment yield (ratio of net investment income to average invested assets)	5.66%	5.71%	(5) bps	5.67%	5.71%	(4) bps

Investment yield decreased for the three months ended September 30, 2010 due primarily to slightly lower yields on several asset classes including fixed maturity securities, mortgage loans and policy loans. The lower yields are due primarily to a lower interest rate environment which decreases the yield on new investment purchases. All investments held by RGA and its subsidiaries are monitored for conformance to the qualitative and quantitative limits prescribed by the applicable jurisdiction's insurance laws and regulations. In addition, the operating companies' boards of directors periodically review their respective investment portfolios. The Company's investment strategy is to maintain a predominantly investment-grade, fixed maturity portfolio, to provide adequate liquidity for expected reinsurance obligations, and to maximize total return through prudent asset management. The Company's asset/liability duration matching differs between operating segments. The average duration for all the Company's portfolios, when consolidated, ranges between eight and ten years. However, based on Canadian reserve requirements, the Canadian liabilities are matched with long-duration Canadian assets, and therefore, the duration of the Canadian portfolio exceeds twenty years. See Note 4 — "Investments" in the Notes to Consolidated Financial Statements of the 2009 Annual Report for additional information regarding the Company's investments.

Fixed Maturity and Equity Securities Available-for-Sale

The following tables provide information relating to investments in fixed maturity securities and equity securities by sector as of September 30, 2010 and December 31, 2009 (dollars in thousands):

September 30, 2010:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
U.S. corporate securities	$ 4,499,821	$ 433,193	$ 81,964	$ 4,851,050	34.3%	$ —
Canadian and Canadian provincial governments	2,206,641	727,257	260	2,933,638	20.7	—
Residential mortgage-backed securities	1,520,269	63,274	22,255	1,561,288	11.0	(1,902)
Foreign corporate securities	2,158,647	170,202	12,797	2,316,052	16.3	—
Asset-backed securities	457,047	13,697	56,229	414,515	2.9	(5,203)
Commercial mortgage-backed securities	1,257,835	87,145	109,131	1,235,849	8.7	(9,493)
U.S. government and agencies	233,512	21,787	10	255,289	1.8	—
State and political subdivisions	133,955	1,211	7,718	127,448	0.9	—
Other foreign government securities	465,389	12,309	2,897	474,801	3.4	—
Total fixed maturity securities	$ 12,933,116	$ 1,530,075	$ 293,261	$ 14,169,930	100.0%	$ (16,598)
Non-redeemable preferred stock	$ 109,416	$ 5,394	$ 4,507	$ 110,303	73.3%	
Other equity securities	34,397	6,217	536	40,078	26.7	
Total equity securities	$ 143,813	$ 11,611	$ 5,043	$ 150,381	100.0%	

December 31, 2009:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
U.S. corporate securities	$ 3,689,797	$ 180,635	$ 147,384	$ 3,723,048	31.7%	$ —
Canadian and Canadian provincial governments	1,984,475	394,498	25,746	2,353,227	20.0	—
Residential mortgage-backed securities	1,494,021	32,538	70,015	1,456,544	12.4	(7,018)
Foreign corporate securities	1,627,806	77,340	33,398	1,671,748	14.2	—
Asset-backed securities	522,760	9,307	80,131	451,936	3.8	(2,194)
Commercial mortgage-backed securities	1,177,621	20,670	169,427	1,028,864	8.7	(13,690)
U.S. government and agencies	540,001	1,085	15,027	526,059	4.5	—
State and political subdivisions	107,233	273	17,744	89,762	0.8	—
Other foreign government securities	473,243	2,198	13,271	462,170	3.9	—
Total fixed maturity securities	$ 11,616,957	$ 718,544	$ 572,143	$ 11,763,358	100.0%	$ (22,902)
Non-redeemable preferred stock	$ 123,648	$ 1,878	$ 12,328	$ 113,198	66.0%	
Other equity securities	58,008	760	409	58,359	34.0	
Total equity securities	$ 181,656	$ 2,638	$ 12,737	$ 171,557	100.0%	

The Company’s fixed maturity securities are invested primarily in U.S. and foreign corporate bonds, mortgage- and asset-backed securities, and U.S. and Canadian government securities. As of September 30, 2010 and December 31, 2009, approximately 95.1% and 94.8%, respectively, of the Company’s consolidated investment portfolio of fixed maturity securities was investment grade.

Important factors in the selection of investments include diversification, quality, yield, total rate of return potential and call protection. The relative importance of these factors is determined by market conditions and the underlying product or portfolio characteristics. Cash equivalents are invested in high-grade money market instruments. The largest asset class in which fixed maturity securities were invested was in corporate securities, which represented approximately 50.6% of fixed maturity securities as of September 30, 2010, compared to 45.9% at December 31, 2009. The table below shows the major industry types and weighted average credit ratings, which comprise the U.S. and foreign corporate fixed maturity holdings at (dollars in thousands):

September 30, 2010:	Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$ 1,554,491	$ 1,613,466	22.5%	A-
Industrial	2,253,731	2,475,680	34.5	BBB+
Foreign (1)	2,158,647	2,316,052	32.3	A+
Utility	688,293	758,115	10.6	BBB+
Other	3,306	3,789	0.1	AA-
Total	$ 6,658,468	$ 7,167,102	100.0%	A-

December 31, 2009:	Amortized Cost	Estimated Fair Value	% of Total	Average Credit Ratings
Finance	$ 1,411,464	$ 1,358,925	25.2%	A-
Industrial	1,670,610	1,735,522	32.2	BBB+
Foreign (1)	1,627,352	1,671,090	30.9	A
Utility	603,958	624,710	11.6	BBB+
Other	4,219	4,549	0.1	A
Total	$ 5,317,603	$ 5,394,796	100.0%	A-

(1) Includes U.S. dollar-denominated debt obligations of foreign obligors and other foreign investments.

The National Association of Insurance Commissioners ("NAIC") assigns securities quality ratings and uniform valuations called "NAIC Designations" which are used by insurers when preparing their annual statements. The NAIC assigns designations to publicly traded as well as privately placed securities. The designations assigned by the NAIC range from class 1 to class 6, with designations in classes 1 and 2 generally considered investment grade (BBB or higher rating agency designation). NAIC designations in classes 3 through 6 are generally considered below investment grade (BB or lower rating agency designation).

The quality of the Company's available-for-sale fixed maturity securities portfolio, as measured at fair value and by the percentage of fixed maturity securities invested in various ratings categories, relative to the entire available-for-sale fixed maturity security portfolio, at September 30, 2010 and December 31, 2009 was as follows (dollars in thousands):

		September 30, 2010			December 31, 2009		
NAIC Designation	Rating Agency Designation	Amortized Cost	Estimated Fair Value	% of Total	Amortized Cost	Estimated Fair Value	% of Total
1	AAA/AA/A	$ 9,362,432	$ 10,447,663	73.7%	$ 8,457,812	$ 8,716,920	74.1%
2	BBB	2,778,394	3,030,667	21.4	2,401,885	2,433,144	20.7
3	BB	471,013	440,012	3.1	455,539	381,242	3.3
4	B	237,136	185,668	1.3	210,252	145,206	1.2
5	CCC and lower	63,033	44,683	0.3	75,486	70,165	0.6
6	In or near default	21,108	21,237	0.2	15,983	16,681	0.1
	Total	$ 12,933,116	$ 14,169,930	100.0%	$ 11,616,957	$ 11,763,358	100.0%

The Company's fixed maturity portfolio includes structured securities. The following table shows the types of structured securities the Company held at September 30, 2010 and December 31, 2009 (dollars in thousands):

	September 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Residential mortgage-backed securities:				
Agency	$ 682,621	$ 728,354	$ 771,787	$ 797,354
Non-agency	837,648	832,934	722,234	659,190
Total residential mortgage-backed securities	1,520,269	1,561,288	1,494,021	1,456,544
Commercial mortgage-backed securities	1,257,835	1,235,849	1,177,621	1,028,864
Asset-backed securities	457,047	414,515	522,760	451,936
Total	$ 3,235,151	$ 3,211,652	$ 3,194,402	$ 2,937,344

The residential mortgage-backed securities include agency-issued pass-through securities and collateralized mortgage obligations. A majority of the agency-issued pass-through securities are guaranteed or otherwise supported by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, or the Government National Mortgage Association. As of September 30, 2010 and December 31, 2009, the weighted average credit rating was "AA+". The principal risks inherent in holding mortgage-backed securities are prepayment and extension risks, which will affect the timing of when cash will be received and are dependent on the level of mortgage interest rates. Prepayment risk is the unexpected increase in principal payments, primarily as a result of owner refinancing. Extension risk relates to the unexpected slowdown in principal payments. In addition, mortgage-backed securities face default risk should the borrower be unable to pay the contractual interest or principal on their obligation. The Company monitors its mortgage-backed securities to mitigate exposure to the cash flow uncertainties associated with these risks.

As of September 30, 2010 and December 31, 2009, the Company had exposure to commercial mortgage-backed securities with amortized costs totaling $1,782.6 million and $1,655.0 million, and estimated fair values of $1,758.4 million and $1,439.1 million, respectively. Those amounts include exposure to commercial mortgage-backed securities held directly in the Company's investment portfolios within fixed maturity securities, as well as securities held by ceding companies that support the Company's funds withheld at interest investment. The securities are highly rated with weighted average S&P credit ratings of approximately "AA-" at September 30, 2010 and "AA" at December 31, 2009. Approximately 54.6% and 65.1%, based on estimated fair value, were classified in the "AAA" category at September 30, 2010 and December 31, 2009, respectively. The Company recorded $2.6 million and $6.6 million in other-than-temporary impairments in its direct investments in commercial mortgage-backed securities during the third quarter and first nine months of 2010. The Company recorded $2.6 million and $2.9 million in other-than-temporary impairments in its direct investments in commercial mortgage-backed securities during the third quarter and first nine months ended September 30, 2009. The following tables summarize the securities by rating and underwriting year at September 30, 2010 and December 31, 2009 (dollars in thousands):

September 30, 2010:	AAA		AA		A	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2005 & Prior	$ 289,974	$ 317,843	$ 93,501	$ 94,950	$ 76,955	$ 70,908
2006	306,784	325,261	54,545	59,045	47,969	48,061
2007	243,695	260,372	29,494	23,721	88,789	93,735
2008	29,089	35,673	45,420	49,867	—	—
2009	2,773	3,027	3,089	3,672	6,757	9,111
2010	17,744	18,527	—	—	5,970	6,499
Total	$ 890,059	$ 960,703	$ 226,049	$ 231,255	$ 226,440	$ 228,314

	BBB		Below Investment Grade		Total	
Underwriting Year	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
2005 & Prior	$ 70,791	$ 65,442	$ 36,149	$ 28,955	$ 567,370	$ 578,098
2006	34,892	31,465	53,922	33,533	498,112	497,365
2007	86,680	87,545	133,742	76,628	582,400	542,001
2008	—	—	23,850	14,593	98,359	100,133
2009	—	—	—	—	12,619	15,810
2010	—	—	—	—	23,714	25,026
Total	$ 192,363	$ 184,452	$ 247,663	$ 153,709	$ 1,782,574	$ 1,758,433

December 31, 2009: Underwriting Year	AAA Amortized Cost	AAA Estimated Fair Value	AA Amortized Cost	AA Estimated Fair Value	A Amortized Cost	A Estimated Fair Value
2005 & Prior	$ 398,619	$ 403,551	$ 57,602	$ 51,754	$ 75,449	$ 55,124
2006	292,369	280,475	41,649	34,854	41,128	34,859
2007	223,827	216,853	6,922	2,267	64,860	56,996
2008	19,050	19,790	29,211	26,617	—	—
2009	16,638	16,422	1,485	1,532	—	—
Total	$ 950,503	$ 937,091	$ 136,869	$ 117,024	$ 181,437	$ 146,979

Underwriting Year	BBB Amortized Cost	BBB Estimated Fair Value	Below Investment Grade Amortized Cost	Below Investment Grade Estimated Fair Value	Total Amortized Cost	Total Estimated Fair Value
2005 & Prior	$ 47,616	$ 33,986	$ 28,298	$ 19,457	$ 607,584	$ 563,872
2006	26,257	19,091	47,951	22,392	449,354	391,671
2007	82,460	68,428	128,193	62,440	506,262	406,984
2008	—	—	25,384	12,204	73,645	58,611
2009	—	—	—	—	18,123	17,954
Total	$ 156,333	$ 121,505	$ 229,826	$ 116,493	$ 1,654,968	$ 1,439,092

Asset-backed securities include credit card and automobile receivables, subprime securities, home equity loans, manufactured housing bonds and collateralized debt obligations. The Company's asset-backed securities are diversified by issuer and contain both floating and fixed rate securities and had a weighted average credit rating of "AA-" at September 30, 2010 and "AA" at December 31, 2009. The Company owns floating rate securities that represent approximately 16.5% and 19.0% of the total fixed maturity securities at September 30, 2010 and December 31, 2009, respectively. These investments have a higher degree of income variability than the other fixed income holdings in the portfolio due to the floating rate nature of the interest payments. The Company holds these investments to match specific floating rate liabilities primarily reflected in the condensed consolidated balance sheets as collateral finance facility. In addition to the risks associated with floating rate securities, principal risks in holding asset-backed securities are structural, credit and capital market risks. Structural risks include the securities' priority in the issuer's capital structure, the adequacy of and ability to realize proceeds from collateral, and the potential for prepayments. Credit risks include consumer or corporate credits such as credit card holders, equipment lessees, and corporate obligors. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

As of September 30, 2010 and December 31, 2009, the Company held investments in securities with subprime mortgage exposure with amortized costs totaling $150.0 million and $164.6 million, and estimated fair values of $114.7 million and $104.3 million, respectively. Those amounts include exposure to subprime mortgages through securities held directly in the Company's investment portfolios within asset-backed securities, as well as securities backing the Company's funds withheld at interest investment. The weighted average S&P credit ratings on these securities was approximately "BBB-" at September 30, 2010 and "BBB+" at December 31, 2009. Historically, these securities have been highly rated, however, in recent years have been downgraded by rating agencies, although the weighted average rating remains investment-grade. Additionally, the Company has largely avoided directly investing in securities originated since the second half of 2005, which management believes was a period of lessened underwriting quality. While ratings and vintage year are important factors to consider, the tranche seniority and evaluation of forecasted future losses within a tranche is critical to the valuation of these types of securities. The Company recorded $2.3 million and $2.7 million in other-than-temporary impairments in its subprime portfolio during the third quarter and first nine months of 2010, respectively. The Company recorded $4.5 million and $25.3 million, respectively, of other-than-temporary impairments in its subprime portfolio, during the third quarter and first nine months of 2009. The following tables summarize the securities by rating and underwriting year at September 30, 2010 and December 31, 2009 (dollars in thousands):

September 30, 2010: Underwriting Year	AAA Amortized Cost	AAA Estimated Fair Value	AA Amortized Cost	AA Estimated Fair Value	A Amortized Cost	A Estimated Fair Value
2005 & Prior	$ 18,905	$ 17,654	$ 21,115	$ 23,647	$ 9,855	$ 9,085
2006	—	—	—	—	—	—
2007	—	—	—	—	—	—
2008 - 2010	—	—	—	—	—	—
Total	$ 18,905	$ 17,654	$ 21,115	$ 23,647	$ 9,855	$ 9,085

Underwriting Year	BBB Amortized Cost	BBB Estimated Fair Value	Below Investment Grade Amortized Cost	Below Investment Grade Estimated Fair Value	Total Amortized Cost	Total Estimated Fair Value
2005 & Prior	$ 22,322	$ 18,621	$ 69,082	$ 39,752	$ 141,279	$ 108,759
2006	—	—	3,300	2,410	3,300	2,410
2007	—	—	5,399	3,561	5,399	3,561
2008 - 2010	—	—	—	—	—	—
Total	$ 22,322	$ 18,621	$ 77,781	$ 45,723	$ 149,978	$ 114,730

December 31, 2009: Underwriting Year	AAA Amortized Cost	AAA Estimated Fair Value	AA Amortized Cost	AA Estimated Fair Value	A Amortized Cost	A Estimated Fair Value
2005 & Prior	$ 22,816	$ 18,780	$ 39,873	$ 33,014	$ 17,017	$ 9,779
2006	—	—	—	—	—	—
2007	—	—	—	—	—	—
2008 - 2009	—	—	—	—	—	—
Total	$ 22,816	$ 18,780	$ 39,873	$ 33,014	$ 17,017	$ 9,779

Underwriting Year	BBB Amortized Cost	BBB Estimated Fair Value	Below Investment Grade Amortized Cost	Below Investment Grade Estimated Fair Value	Total Amortized Cost	Total Estimated Fair Value
2005 & Prior	$ 24,394	$ 12,593	$ 39,203	$ 18,686	$ 143,303	$ 92,852
2006	4,985	1,507	4,566	2,563	9,551	4,070
2007	—	—	11,709	7,372	11,709	7,372
2008 - 2009	—	—	—	—	—	—
Total	$ 29,379	$ 14,100	$ 55,478	$ 28,621	$ 164,563	$ 104,294

Alternative residential mortgage loans (“Alt-A”) are a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. At September 30, 2010 and December 31, 2009, the Company’s Alt-A mortgage-backed securities had an amortized cost of $145.4 million and $176.6 million, respectively, with an unrealized loss of $0.6 million and $21.9 million, respectively. As of September 30, 2010 and December 31, 2009, 53.8% and 56.4%, respectively, of the Alt-A securities were rated “AA-” or better. This amount includes securities directly held by the Company and securities backing the Company’s funds withheld at interest investment. The Company recorded $1.7 million in other-than-temporary impairments in the first nine months of 2010 in its Alt-A portfolio due primarily to the increased likelihood that some or all of the remaining scheduled principal and interest payments on select securities would not be received. The Company recorded $2.8 million, and $13.0 million in other-than-temporary impairments in the third quarter and first nine months of 2009, respectively, in its Alt-A portfolio due primarily to the increased likelihood that some or all of the remaining scheduled principal and interest payments on select securities would not be received.

At September 30, 2010 and December 31, 2009, the Company’s fixed maturity and funds withheld portfolios included approximately $653.8 million and $601.8 million, respectively, in estimated fair value, of securities that are insured by various financial guarantors, or less than five percent of consolidated investments. The securities are diversified between

municipal bonds and asset-backed securities with well diversified collateral pools. The Company held investment-grade securities issued by financial guarantors totaling $8.3 million in amortized cost at September 30, 2010 and December 31, 2009.

The Company does not invest in the common equity securities of Fannie Mae and Freddie Mac, both government sponsored entities; however, as of September 30, 2010 and December 31, 2009, the Company held in its general portfolio $60.1 million, amortized cost in direct exposure in the form of senior unsecured agency and preferred securities. Additionally, as of September 30, 2010 and December 31, 2009, the portfolios held by the Company's ceding companies that support its funds withheld asset contain approximately $523.3 million and $543.6 million, respectively, in amortized cost of unsecured agency bond holdings and no equity exposure. As of September 30, 2010 and December 31, 2009, indirect exposure in the form of secured, structured mortgaged securities issued by Fannie Mae and Freddie Mac totaled approximately $0.9 billion, in amortized cost across the Company's general and funds withheld portfolios. Including the funds withheld portfolios, the Company's direct holdings in the form of preferred securities had a total book value of $0.7 million at September 30, 2010 and December 31, 2009, respectively.

The Company monitors its fixed maturity and equity securities to determine impairments in value and evaluates factors such as financial condition of the issuer, payment performance, the length of time and the extent to which the market value has been below amortized cost, compliance with covenants, general market conditions and industry sector, current intent and ability to hold securities and various other subjective factors. Based on management's judgment, securities determined to have an other-than-temporary impairment in value are written down to fair value. The Company recorded $4.9 million and $13.6 million in other-than-temporary impairments in its fixed maturity and equity securities, including $4.9 million and $13.0 million of other-than-temporary impairment losses on Subprime / Alt-A / Other structured securities, in the third quarter and first nine months of 2010, respectively, primarily due to a decline in value of structured securities with exposure to commercial mortgages. The Company recorded $20.9 million and $81.6 million in other-than-temporary impairments in its fixed maturity and equity securities in the third quarter and first nine months of 2009, respectively. The impairments in 2009 were due primarily to the turmoil in the U.S. and global financial markets which has resulted in bankruptcies, credit defaults, consolidations and government interventions. The table below summarizes other-than-temporary impairments for the third quarter and first nine months of 2010 and 2009 (dollars in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
Asset Class	2010	2009	2010	2009
Subprime / Alt-A / Other structured securities	$ 4,867	$ 15,902	$ 12,999	$ 49,945
Corporate / Other fixed maturity securities	11	5,043	593	26,202
Equity securities	—	—	32	5,430
Other	5,087	4,790	7,482	7,755
Total	$ 9,965	$ 25,735	$ 21,106	$ 89,332

During the three months ended September 30, 2010 and 2009, the Company sold fixed maturity securities and equity securities with fair values of $97.6 million and $191.7 million at gross losses of $7.8 million and $23.8 million, respectively, or at 92.6% and 89.0% of amortized cost, respectively. During the nine months ended September 30, 2010 and 2009, the Company sold fixed maturity securities and equity securities with fair values of $497.0 million and $514.3 million at gross losses of $22.0 million and $62.3 million, respectively, or at 95.8% and 89.2% of amortized cost, respectively. The Company generally does not engage in short-term buying and selling of securities.

At September 30, 2010 and December 31, 2009, the Company had $298.3 million and $584.9 million, respectively, of gross unrealized losses related to its fixed maturity and equity securities. The distribution of the gross unrealized losses related to these securities is shown below.

	September 30, 2010	December 31, 2009
Sector:		
U.S. corporate securities	29%	26%
Canadian and Canada provincial governments	—	4
Residential mortgage-backed securities	7	12
Foreign corporate securities	4	7
Asset-backed securities	19	14
Commercial mortgage-backed securities	37	29
State and political subdivisions	3	3
U.S. government and agencies	—	3
Other foreign government securities	1	2
Total	100%	100%
Industry:		
Finance	24%	25%
Asset-backed	19	13
Industrial	8	7
Mortgage-backed	44	41
Government	4	12
Utility	1	2
Total	100%	100%

The following table presents total gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for 601 and 1,316 fixed maturity securities and equity securities as of September 30, 2010 and December 31, 2009, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (dollars in thousands):

	September 30, 2010			December 31, 2009		
	Number of Securities	Gross Unrealized Losses	% of Total	Number of Securities	Gross Unrealized Losses	% of Total
Less than 20%	482	$ 89,690	30.1%	1,112	$ 254,075	43.4%
20% or more for less than six months	101	166,714	55.9	38	69,322	11.9
20% or more for six months or greater	18	41,900	14.0	166	261,483	44.7
Total	601	$ 298,304	100.0%	1,316	$ 584,880	100.0%

As of September 30, 2010 and December 31, 2009, respectively, 55.8% and 71.4% of these gross unrealized losses were associated with securities that were investment grade. The Company has experienced a significant recovery of market value since December 31, 2009. The amount of the unrealized loss on these securities was primarily attributable to a widening of credit default spreads since the time securities were purchased.

While all of these securities are monitored for potential impairment, the Company believes due to fluctuating market conditions and liquidity concerns, and the relatively recent high levels of price volatility, the extent and duration of a decline in value have become less indicative of when there has been credit deterioration with respect to an issuer. The Company’s determination of whether a decline in value is other-than-temporary includes analysis of the underlying credit and the extent and duration of a decline in value. The Company’s credit analysis of an investment includes determining whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment. The Company continues to consider valuation declines as a potential indicator of credit deterioration.

The following tables present the estimated fair values and gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for the 601 and 1,316 fixed maturity securities and equity securities that have estimated fair values below amortized cost as of September 30, 2010 and December 31, 2009, respectively (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related market value has remained below amortized cost.

Table of Contents

September 30, 2010:	Less than 12 months Estimated Fair Value	Less than 12 months Gross Unrealized Losses	12 months or greater Estimated Fair Value	12 months or greater Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$ 78,777	$ 19,484	$ 276,688	$ 45,918	$ 355,465	$ 65,402
Canadian and Canadian provincial governments	61,724	243	4,526	17	66,250	260
Residential mortgage-backed securities	193,986	6,315	120,680	6,346	314,666	12,661
Foreign corporate securities	165,983	170	147,561	9,219	313,544	9,389
Asset-backed securities	18,695	1,408	147,091	29,488	165,786	30,896
Commercial mortgage-backed securities	78,393	9,221	113,820	27,037	192,213	36,258
U.S. government and agencies	1,817	10	—	—	1,817	10
State and political subdivisions	13,319	635	30,221	4,873	43,540	5,508
Other foreign government securities	69,996	183	43,042	2,714	113,038	2,897
Total investment grade securities	682,690	37,669	883,629	125,612	1,566,319	163,281
Non-investment grade securities:						
U.S. corporate securities	29,322	6,987	107,501	9,575	136,823	16,562
Asset-backed securities	2,388	6,192	26,243	19,141	28,631	25,333
Foreign corporate securities	1,762	3,408	—	—	1,762	3,408
Residential mortgage-backed securities	51	11	51,812	9,583	51,863	9,594
Commercial mortgage-backed securities	—	—	70,162	72,873	70,162	72,873
State and political subdivisions	—	—	5,914	2,210	5,914	2,210
Total non-investment grade securities	33,523	16,598	261,632	113,382	295,155	129,980
Total fixed maturity securities	$ 716,213	$ 54,267	$ 1,145,261	$ 238,994	$ 1,861,474	$ 293,261
Non-redeemable preferred stock	$ 11,396	$ 513	$ 29,019	$ 3,994	$ 40,415	$ 4,507
Other equity securities	6,606	271	1,044	265	7,650	536
Total equity securities	$ 18,002	$ 784	$ 30,063	$ 4,259	$ 48,065	$ 5,043
Total number of securities in an unrealized loss position	203		398		601	

December 31, 2009:	Less than 12 months Estimated Fair Value	Less than 12 months Gross Unrealized Losses	12 months or greater Estimated Fair Value	12 months or greater Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Investment grade securities:						
U.S. corporate securities	$ 373,049	$ 27,625	$ 679,908	$ 89,711	$ 1,052,957	$ 117,336
Canadian and Canadian provincial governments	494,718	15,374	135,315	10,372	630,033	25,746
Residential mortgage-backed securities	402,642	23,671	197,320	20,185	599,962	43,856
Foreign corporate securities	362,406	5,262	182,300	24,693	544,706	29,955
Asset-backed securities	48,651	1,927	166,603	57,262	215,254	59,189
Commercial mortgage-backed securities	177,360	10,312	425,793	79,297	603,153	89,609
U.S. government and agencies	496,514	15,027	—	—	496,514	15,027
State and political subdivisions	34,612	3,397	40,945	11,437	75,557	14,834
Other foreign government securities	240,216	8,370	30,321	4,901	270,537	13,271
Total investment grade securities	2,630,168	110,965	1,858,505	297,858	4,488,673	408,823
Non-investment grade securities:						
U.S. corporate securities	35,477	11,293	168,375	18,755	203,852	30,048
Asset-backed securities	6,738	3,256	24,408	17,686	31,146	20,942
Foreign corporate securities	1,755	17	3,771	3,426	5,526	3,443
Residential mortgage-backed securities	10,657	1,909	66,756	24,250	77,413	26,159
Commercial mortgage-backed securities	—	—	57,179	79,818	57,179	79,818
State and political subdivisions	—	—	5,170	2,910	5,170	2,910
Total non-investment grade securities	54,627	16,475	325,659	146,845	380,286	163,320
Total fixed maturity securities	$ 2,684,795	$ 127,440	$ 2,184,164	$ 444,703	$ 4,868,959	$ 572,143
Non-redeemable preferred stock	$ 8,320	$ 1,263	$ 68,037	$ 11,065	$ 76,357	$ 12,328
Other equity securities	5	15	7,950	394	7,955	409

Total equity securities	$ 8,325	$ 1,278	$ 75,987	$ 11,459	$ 84,312	$ 12,737
Total number of securities in an unrealized loss position	582		734		1,316	

As of September 30, 2010, the Company does not intend to sell these fixed maturity securities and does not believe it is more likely than not that it will be required to sell these fixed maturity securities before the recovery of the fair value up to the current amortized cost of the investment, which may be maturity. However, as facts and circumstances change, the Company may sell fixed maturity securities in the ordinary course of managing its portfolio to meet diversification, credit quality, asset-liability management and liquidity guidelines.

As of September 30, 2010, the Company has the ability and intent to hold the equity securities until the recovery of the fair value up to the current cost of the investment. However, from time to time if facts and circumstances change, the Company may sell equity securities in the ordinary course of managing its portfolio to meet diversification, credit quality and liquidity guidelines.

As of September 30, 2010 and December 31, 2009, respectively, the Company classified approximately 10.7% and 15.3% of its fixed maturity securities in the Level 3 category (refer to Note 6 — "Fair Value of Financial Instruments" in the Notes to Condensed Consolidated Financial Statements for additional information). These securities primarily consist of private placement corporate securities with an inactive trading market and asset-backed securities with subprime exposure in the Level 3 category due to the current market uncertainty associated with these securities and the Company's utilization of information from third parties.

Mortgage Loans on Real Estate

Mortgage loans represented approximately 3.8% and 4.0% of the Company's cash and invested assets as of September 30, 2010 and December 31, 2009, respectively. The Company's mortgage loan portfolio consists principally of investments in U.S.-based commercial offices, light industrial properties and retail locations. The mortgage loan portfolio is diversified by geographic region and property type.

Valuation allowances on mortgage loans are established based upon losses expected by management to be realized in connection with future dispositions or settlement of mortgage loans, including foreclosures. The valuation allowances are established after management considers, among other things, the value of underlying collateral and payment capabilities of debtors. Any subsequent adjustments to the valuation allowances will be treated as investment gains or losses. Information regarding the Company's loan valuation allowances for mortgage loans as of September 30, 2010 and 2009 are as follows (dollars in thousands):

	Nine Months Ended September 30,	
	2010	2009
Balance, beginning of period	$ 5,784	$ 526
Additions	7,484	6,836
Deductions	—	(2,294)
Balance, end of period	$ 13,268	$ 5,068

Information regarding the portion of the Company's mortgage loans that were impaired as of September 30, 2010 and December 31, 2009 is as follows (dollars in thousands):

	September 30, 2010	December 31, 2009
Impaired loans with valuation allowances	$ 33,827	$ 14,967
Impaired loans without valuation allowances	16,901	14,317
Subtotal	50,728	29,284
Less: Valuation allowances on impaired loans	13,268	5,784
Impaired loans	$ 37,460	$ 23,500

The Company's average investment per impaired loan was $4.2 million and $3.2 million as of September 30, 2010 and December 31, 2009, respectively. Interest income on impaired loans was $0.5 million and $0.7 million for the three and nine months ended September 30, 2010 and $0.5 million and $0.6 million for the three and nine months ended 2009, respectively.

Policy Loans

Policy loans comprised approximately 5.1% and 5.8% of the Company's cash and invested assets as of September 30, 2010 and December 31, 2009, respectively, substantially all of which are associated with one client. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds Withheld at Interest

Funds withheld at interest comprised approximately 23.0% and 24.8% of the Company's cash and invested assets as of September 30, 2010 and December 31, 2009, respectively. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company, and are reflected as funds withheld at interest on the Company's condensed consolidated balance sheet. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. Interest accrues to these assets at rates defined by the treaty terms. Additionally, under certain treaties the Company is subject to the investment performance on the withheld assets, although it does not directly control them. These assets are primarily fixed maturity investment securities and pose risks similar to the fixed maturity securities the Company owns. The underlying portfolios also include options related to equity-indexed annuity products. The market value changes associated with these investments have caused some volatility in reported investment income. This is largely offset by a corresponding change in interest credited, with minimal impact on income before taxes. To mitigate risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance. Ceding companies with funds withheld at interest had an average rating of "A" at September 30, 2010 and December 31, 2009. Certain ceding companies maintain segregated portfolios for the benefit of the Company.

Other Invested Assets

Other invested assets represented approximately 3.2% and 2.6% of the Company's cash and invested assets as of September 30, 2010 and December 31, 2009, respectively. Other invested assets include equity securities, non-redeemable preferred stocks, limited partnership interests, structured loans and derivative contracts. Carrying values of these assets as of September 30, 2010 and December 31, 2009 are as follows (dollars in thousands):

	September 30, 2010	December 31, 2009
Equity securities	$ 28,473	$ 58,359
Non-redeemable preferred stock	110,303	113,198
Limited partnerships	201,838	156,573
Structured loans	210,414	150,677
Derivatives	142,564	24,156
Other	45,238	13,123
Total other invested assets	$ 738,830	$ 516,086

The Company recorded no other-than-temporary impairments on other invested assets for the third quarter and first nine months ended September 30, 2010, respectively. The Company recorded $0.5 million and $5.9 million in other-than-temporary impairments on other invested assets in the third quarter and first nine months of 2009, respectively. The Company may be exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the net positive fair value at the reporting date less collateral held by the Company. The Company held derivative assets related to its derivative contracts with counterparties of $142.6 million and $24.2 million at September 30, 2010 and December 31, 2009, respectively. However, due to counterparty netting arrangements, and collateral held, the Company's credit exposure was $8.7 million at September 30, 2010. The Company had no credit exposure at December 31, 2009.

Contractual Obligations

From December 31, 2009 to September 30, 2010, the Company's obligation related to other policy claims and benefits increased by $360.9 million primarily due to an increase in incurred claims not reported. In addition, the value of the Company's obligation for payables for collateral received under derivative contracts increased by $105.0 million due to a change in the value of the underlying derivatives and the Company's obligation for commitments to fund limited partnerships increased by $66.5 million. There were no other material changes in the Company's contractual obligations from those reported in the 2009 Annual Report.

Enterprise Risk Management

RGA maintains an Enterprise Risk Management framework which provides a process for assessing, measuring and monitoring risks facing the enterprise. This includes development and implementation of mitigation strategies to maintain exposures within approved risk limits. Risk management is an integral part of the Company's culture and every day activities. It includes guidelines and controls in areas such as mortality, morbidity, longevity, pricing, underwriting,

currency, administration, investments, asset-liability management, counterparty exposure, financing, regulatory change, business continuity planning, human resources, liquidity, sovereign risks and technology development.

The Enterprise Risk Management framework is directed by the Chief Risk Officer. The Chief Risk Officer leads and is supported by the Risk Management Steering Committee which oversees all risk taking of the organization. Risk management officers from all areas of the Company support the Chief Risk Officer and the Risk Management Steering Committee in this effort. The Chief Risk Officer provides quarterly risk management updates to the Finance, Investment and Risk Management Committee of the Board of Directors, executive management and the internal risk management officers.

Specific risk assessments and descriptions can be found below and in Item 1A — “Risk Factors” the 2009 Annual Report.

Mortality Risk Management

In the event that mortality or morbidity experience develops in excess of expectations, some reinsurance treaties allow for increases to future premium rates. Other treaties include experience refund provisions, which may also help reduce RGA’s mortality risk. In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of claims paid by ceding reinsurance to other insurance enterprises or retrocessionaires under excess coverage and coinsurance contracts. In the individual life markets, the Company retains a maximum of $8 million of coverage per individual life. In certain limited situations, due to the acquisition of in force blocks of business, the Company has retained more than $8 million per individual life. In total, the Company has identified 17 such cases of over-retained lives, for a total amount of $38.5 million over the Company’s normal retention limit. These amounts include seven cases with $19.9 million of exposure related to second to die policies with coverages split between multiple insureds. The largest amount over-retained on any one life is $11.1 million. The Company enters into agreements with other reinsurers to help mitigate the residual risk related to the over-retained policies. Additionally, due to some lower face amount reinsurance coverages provided by the Company in addition to individual life, such as group life, disability and health, under certain circumstances, the Company could potentially incur claims totaling more than $8 million per individual life.

The Company maintains a catastrophe insurance program (“Program”) that renews on September 7th of each year. The current Program began September 7, 2010, and covers events involving 10 or more insured deaths from a single occurrence. The Company retains the first $25 million in claims, the Program covers the next $75 million in claims, and the Company retains all claims in excess of $100 million. The Program covers reinsurance programs worldwide and includes losses due to acts of terrorism, including terrorism losses due to nuclear, chemical and/or biological events. The Program also includes losses from earthquakes occurring in California, but excludes, among other things, losses from pandemics. The Program is insured by 16 insurance companies and Lloyd’s Syndicates, with only one single entity providing more than $10 million of coverage.

Insurance Counterparty Risk

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

Generally, RGA’s insurance subsidiaries retrocede amounts in excess of their retention to RGA Reinsurance, Parkway Reinsurance Company, RGA Reinsurance Company (Barbados) Ltd., RGA Americas Reinsurance Company, Ltd., RGA Worldwide Reinsurance Company, Ltd. or RGA Atlantic Reinsurance Company, Ltd. External retrocessions are arranged through the Company’s retrocession pools for amounts in excess of its retention. As of September 30, 2010, all retrocession pool members in this excess retention pool reviewed by the A.M. Best Company were rated “A-”, the fourth highest rating out of fifteen possible ratings, or better. For a majority of the retrocessionaires that are not rated, letters of credit or trust assets have been given as additional security in favor of RGA Reinsurance. In addition, the Company performs annual financial and in force reviews of its retrocessionaires to evaluate financial stability and performance.

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

The Company relies upon its clients to provide timely, accurate information. The Company may experience volatility in its earnings as a result of erroneous or untimely reporting from its clients. The Company works closely with its clients and monitors this risk in an effort to minimize its exposure.

Market Risk

Market risk is the risk of loss that may occur when fluctuations in interest and currency exchange rates and equity and commodity prices change the value of a financial instrument. Since both derivative and nonderivative financial instruments

have market risk, the Company's risk management extends beyond derivatives to encompass all financial instruments held. The Company is primarily exposed to interest rate risk, including credit spreads, and foreign currency risk.

Interest Rate Risk:

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

Foreign Currency Risk:

The Company is subject to foreign currency translation, transaction, and net income exposure. The Company manages its exposure to currency principally by matching invested assets with the underlying reinsurance liabilities to the extent possible. As of September 30, 2010, the Company had in place net investment hedges for a portion of its investments in its Canada and Australia operations. Translation differences resulting from translating foreign subsidiary balances to U.S. dollars are reflected in stockholders' equity on the condensed consolidated balance sheets. The Company generally does not hedge the foreign currency exposure of its subsidiaries transacting business in currencies other than their functional currency (transaction exposure). The majority of the Company's foreign currency transactions are denominated in Canadian dollars, British pounds, Australian dollars, Japanese yen, Korean won, euros and the South African rand.

Market Risk Associated with Annuities and Guaranteed Minimum Benefits:

The Company reinsures variable annuities including those with guaranteed minimum benefits and guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB"), guaranteed minimum accumulation benefits ("GMAB") and guaranteed minimum withdrawal benefits ("GMWB"). Strong equity markets, increases in interest rates and decreases in volatility will generally decrease the fair value of the liabilities underlying the benefits. Conversely, a decrease in the equity markets along with a decrease in interest rates and an increase in volatility will generally result in an increase in the fair value of the liabilities underlying the benefits, which has the effect of increasing reserves and lowering earnings. The Company maintains a customized dynamic hedging program that is designed to mitigate the risks associated with income volatility around the change in reserves on guaranteed benefits. However, the hedge positions may not fully offset the changes in the carrying value of the guarantees due to, among other things, time lags, high levels of volatility in the equity and derivative markets, extreme swings in interest rates, unexpected contract holder behavior, and divergence between the performance of the underlying funds and hedging indices. These factors, individually or collectively, may have a material adverse effect on the Company's net income, financial condition or liquidity. The table below provides a summary of variable annuity account values and the fair value of the guaranteed benefits as of September 30, 2010 and December 31, 2009.

(dollars in millions)	September 30, 2010	December 31, 2009
No guarantee minimum benefits	$ 1,242.6	$ 1,231.2
GMDB only	86.7	78.7
GMIB only	6.0	5.7
GMAB only	62.2	62.1
GMWB only	1,652.6	1,563.0
GMDB / WB	472.2	437.4
Other	34.4	34.3
Total variable annuity account values	$ 3,556.7	$ 3,412.4
Fair value of liabilities associated with living benefit riders	$ 174.0	$ 23.7

There has been no significant change in the Company's quantitative or qualitative aspects of market risk during the quarter ended September 30, 2010 from that disclosed in the 2009 Annual Report.

New Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles". Effective July 1, 2009, FASB Accounting Standards Codification™ ("Codification") has become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission for public companies.

This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted Codification on September 30, 2009 and has updated all disclosures to reference Codification herein.

Changes to the general accounting principles are established by the FASB in the form of accounting standards updates to the FASB's Codification. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial statements.

Consolidation and Business Combinations

In February 2010, the FASB amended the general accounting principles for *Consolidation* as it relates to the assessment of a variable interest entity for potential consolidation. The amendment defers the effective date of the *Consolidation* amendment made in June 2009 for certain variable interest entities. This update also clarifies how a related party's interest should be considered when evaluating variable interests. The amendment is effective for fiscal years and interim periods beginning after January 31, 2010. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

In January 2010, the FASB amended the general accounting principles for *Consolidation* as it relates to decreases in ownership of a subsidiary. This amendment clarifies the scope of the decrease in ownership provisions. This amendment also requires additional disclosures about the deconsolidation of a subsidiary or derecognition of a group of assets. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

In June 2009, the FASB amended the general accounting principles for *Consolidation* as it relates to the assessment of a variable interest entity for potential consolidation. This amendment also requires additional disclosures to provide transparent information regarding the involvement in a variable interest entity. The amendment is effective for fiscal years and interim periods beginning after November 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In December 2007, the FASB amended the general accounting principles for *Business Combinations*. This amendment establishes principles and requirements for how an acquirer recognizes and measures certain items in a business combination, as well as disclosures about the nature and financial effects of a business combination. The FASB also amended the general accounting principles for *Consolidation* as it relates to noncontrolling interests in consolidated financial statements. This amendment establishes accounting and reporting standards surrounding noncontrolling interest, or minority interests, which are the portions of equity in a subsidiary not attributable, directly or indirectly, to a parent. The amendments are effective for fiscal years beginning on or after December 15, 2008 and apply prospectively to business combinations. Presentation and disclosure requirements related to noncontrolling interests must be retrospectively applied. The adoption of these amendments did not have a material impact on the Company's condensed consolidated financial statements.

Investments

In July 2010, the FASB amended the general accounting principles for *Receivables* as it relates to the disclosures about the credit quality of financing receivables and the allowance for credit losses. This amendment requires additional disclosures that provide a greater level of disaggregated information about the credit quality of financing receivables and the allowance for credit losses. It also requires the disclosure of credit quality indicators, past due information, and modifications of financing receivables. The amendment is effective for interim and annual reporting periods ending on or after December 15, 2010, except for disclosures about activity that occurs during the reporting period. Those disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of this amendment on its condensed consolidated financial statements.

In April 2009, the FASB amended the general accounting principles for *Investments* as it relates to the recognition and presentation of other-than-temporary impairments. This amendment updates the other-than-temporary impairment guidance for fixed maturity securities to make it more operational and to improve the presentation and disclosure of other-than-temporary impairments ("OTTI") on fixed maturity and equity securities in the financial statements. The recognition provisions apply only to fixed maturity securities classified as available-for-sale and held-to-maturity, while the presentation and disclosure requirements apply to both fixed maturity and equity securities. An impaired fixed maturity security will be considered other-than-temporarily impaired if the Company has the intent to sell or it more likely than not will be required to sell prior to recovery of the amortized cost. If the holder of a fixed maturity security does not expect recovery of the entire cost basis, even if there is no intention to sell the security, an OTTI has occurred. This amendment also changes how an entity recognizes an OTTI for a fixed maturity security by separating the loss between the amount representing the credit loss

and the amount relating to other factors, if the Company does not have the intent to sell or it more likely than not will not be required to sell prior to recovery of the amortized cost less any current period credit loss. Credit losses will be recognized in net income and losses relating to other factors will be recognized in accumulated other comprehensive income ("AOCI"). If the Company has the intent to sell or it more likely than not will be required to sell before its recovery of amortized cost less any current period credit loss, the entire OTTI will be recognized in net income. This amendment is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this amendment resulted in a net after-tax increase to retained earnings and a decrease to accumulated other comprehensive income of $4.4 million, as of April 1, 2009. The required disclosures are provided in Note 4 — "Investments" in the Notes to Condensed Consolidated Financial Statements.

Transfers and Servicing

In June 2009, the FASB amended the general accounting principles for *Transfers and Servicing* as it relates to the transfers of financial assets. This amendment also requires additional disclosures to address concerns regarding the transparency of transfers of financial assets. The amendment is effective for fiscal years and interim periods beginning after November 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In February 2008, the FASB amended the general accounting principles for *Transfers and Servicing* as it relates to the accounting for transfers of financial assets and repurchase financing transactions. This amendment provides guidance for evaluating whether to account for a transfer of a financial asset and repurchase financing as a single transaction or as two separate transactions. The amendment is effective prospectively for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Derivatives and Hedging

In March 2010, the FASB amended the general accounting principles for *Derivatives and Hedging* as it relates to embedded derivatives. This amendment clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of a financial instrument to another. The amendment is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2010. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In March 2008, the FASB amended the general accounting principles for *Derivatives and Hedging* as it relates to the disclosures about derivative instruments and hedging activities. This amendment requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The amendment is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this amendment in the first quarter of 2009. The required disclosures are provided in Note 5 — "Derivative Instruments" in the Notes to Condensed Consolidated Financial Statements.

Fair Value Measurements and Disclosures

In January 2010, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to the disclosures about fair value measurements. This amendment requires new disclosures about the transfers in and out of Level 1 and 2 measurements and also enhances disclosures about the activity within the Level 3 measurements. It also clarifies the required level of disaggregation and the disclosures regarding valuation techniques and inputs to fair value measurements. The amendment is effective for interim and annual reporting periods beginning after December 15, 2009, except for the enhanced Level 3 disclosures. Those disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. The Company adopted the effective portions of this amendment in the first quarter of 2010 and is evaluating the impact of the enhanced Level 3 disclosures. The required disclosures are provided in Note 6 — "Fair Value of Financial Instruments" in the Notes to Condensed Consolidated Financial Statements.

In September 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to the fair value measurement of investments in certain entities that calculate net asset value per share. This amendment allows the fair value of certain investments to be measured on the basis of the net asset value. It also requires disclosure, by major category type, of the attributes of those investments, such as the nature of any restrictions on redemption, any unfunded commitments, and the investment strategies of the investees. The amendment is effective for interim and annual reporting periods ending after December 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In August 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to measuring liabilities at fair value. This amendment provides guidance for measuring liabilities at fair value when a quoted price in an active market for the identical liability is not available. It also clarifies that the inclusion of a separate input, used in the fair value measurement, relating to the existence of a restriction that prevents the transfer of a liability is not necessary. The amendment is effective for interim and annual reporting beginning after issuance. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

In April 2009, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to determining fair value when the volume and level of activity for asset or liability have significantly decreased and identifying transactions that are not orderly. This amendment provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased in relation to normal market activity for the asset or liability and clarifies that the use of multiple valuation techniques may be appropriate. It also provides additional guidance on circumstances that may indicate a transaction is not orderly. Further, it requires additional disclosures about fair value measurements in annual and interim reporting periods. This amendment is effective prospectively for interim and annual reporting periods ending after June 15, 2009. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements. The required disclosures are provided in Note 6 — "Fair Value of Financial Instruments" in the Notes to Condensed Consolidated Financial Statements.

In October 2008, the FASB amended the general accounting principles for *Fair Value Measurements and Disclosures* as it relates to determining the fair value of a financial asset when the market for that asset is not active. This amendment clarifies the application of fair value in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The amendment was effective upon issuance on October 10, 2008, including prior periods for which financial statements had not been issued. The Company did not consider it necessary to change any valuation techniques as a result of the amendment. The Company also adopted an amendment that delayed the effective date of fair value measurement for certain nonfinancial assets and liabilities that are recorded at fair value on a nonrecurring basis. The effective date was delayed until January 1, 2009 and impacts balance sheet items including nonfinancial assets and liabilities in a business combination and the impairment testing of goodwill and long-lived assets. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Deferred Policy Acquisition Costs

In October 2010, the FASB amended the general accounting principles for *Financial Services — Insurance* as it relates to accounting for costs associated with acquiring or renewing insurance contracts. This amendment clarifies that only those costs that result directly from and are essential to the contract transaction and that would not have been incurred had the contract transaction not occurred can be capitalized. It also defines acquisitions costs as costs that are related directly to the successful acquisitions of new or renewal insurance contracts. The amendment is effective for fiscal years and interim periods beginning after December 15, 2011. The Company is currently evaluating the impact of this amendment on its condensed consolidated financial statements.

Compensation

In April 2010, the FASB amended the general accounting principles for *Compensation* as it relates to stock compensation. This amendment clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, such an award should not be classified as a liability if it otherwise qualifies as equity. The amendment is effective for fiscal years and interim periods beginning after December 15, 2010. The adoption of this amendment is not expected to have an impact on the Company's condensed consolidated financial statements.

In December 2008, the FASB amended the general accounting principles for *Compensation* as it relates to employers disclosures about postretirement benefit plan assets. This amendment provides guidance for disclosure of the types of assets and associated risks in retirement plans. The new disclosures are designed to provide additional insight into the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period, significant concentrations of risk within plan assets and how investment decisions are made, including factors necessary to understanding investment policies and strategies. The disclosures about plan assets required by this amendment is effective for financial statements with fiscal years ending after December 15, 2009. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Debt

In October 2009, the FASB amended the general accounting principles for *Debt* as it relates to the accounting for own-share lending arrangements entered into in contemplation of a convertible debt issuance or other financing. This amendment provides accounting and disclosure guidance for own-share lending arrangements issued in contemplation of convertible debt issuance. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

Equity

In January 2010, the FASB amended the general accounting principles for *Equity* as it relates to distributions to shareholders with components of stock and cash. This amendment clarifies that the stock portion of a distribution to shareholders, which allows them to elect to receive cash or stock with a limitation on the total amount of cash that shareholders can receive, is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. The amendment is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption of this amendment did not have an impact on the Company's condensed consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4. Controls and Procedures

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

There was no change in the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended September 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is subject to litigation in the normal course of its business. The Company currently has no material litigation. A legal reserve is established when the Company is notified of an arbitration demand or litigation or is notified that an arbitration demand or litigation is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated. However, if such material litigation did arise, it is possible that an adverse outcome on any particular arbitration or litigation situation could have a material adverse effect on the Company's consolidated financial position and/or net income in a particular reporting period.

ITEM 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's 2009 Annual Report.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Under a board of directors approved plan, the Company may purchase at its discretion up to $50 million of its common stock on the open market. The Company has approximately $43.4 million remaining under the approved program with no shares purchased since 2002. The Company generally uses treasury shares to support the future exercise of options granted under its stock option plans.

ITEM 6. Exhibits

See index to exhibits.

Table of Contents

SIGNATURES

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

	Reinsurance Group of America, Incorporated
November 3, 2010	By: /s/ A. Greig Woodring A. Greig Woodring President & Chief Executive Officer (Principal Executive Officer)
November 3, 2010	By: /s/ Jack B. Lay Jack B. Lay Senior Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation, incorporated by reference to Exhibit 3.1 of Current Report on Form 8-K filed November 25, 2008.
3.2	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 of Current Report on Form 8-K filed November 25, 2008.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CEO CERTIFICATION

I, A. Greig Woodring, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reinsurance Group of America, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2010

/s/ A. Greig Woodring
A. Greig Woodring
President & Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION

I, Jack B. Lay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reinsurance Group of America, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2010

/s/ Jack B. Lay
Jack B. Lay
Senior Executive Vice President & Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Reinsurance Group of America, Incorporated and subsidiaries, (the "Company"), for the quarterly period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), A. Greig Woodring, Chief Executive Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2010

/s/ A. Greig Woodring

A. Greig Woodring
President & Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Reinsurance Group of America, Incorporated and subsidiaries, (the “Company”), for the quarterly period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jack B. Lay, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2010

/s/ Jack B. Lay

Jack B. Lay
Chief Financial Officer & Senior Executive Vice President