High Court of Justice

RGA Reinsurance UK Limited and RGA International Reinsurance Company Limited

Supplementary Report of the Independent Expert under Section 109 of the Financial Services and Markets Act 2000

KPMG LLP

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This report contains 12 pages

Contents

1 Purpose and scope

This report is a supplementary report to my original report dated 19 August 2011 and should be read in conjunction with my original report.

This report has been prepared subject to the same restrictions as set out in sections 1 and 2 of my original report.

The terminology and abbreviations used in this report are the same as in my original report.

The purpose of this report is to update the financial information contained in my original report, and to consider whether this updated financial information has any impact on the conclusions reached in my original report. This report also provides the confirmations envisaged in section 7.1 of my original report.

The updated financial information referred to above have been produced by the following process:

- RGA UK and RGA IRE have provided me with relevant financial information as at the relevant dates.
- I have assembled this information into the same tabular format used in my original report.
- RGA UK and RGA IRE have confirmed that the updated tables accurately utilise the information provided, and I have discussed the updated information with the Actuarial Function Holder of RGA UK and with the Corporate Actuary and the Signing Actuary of RGA IRE.

As noted in section 6.2 of my original report, the security of policyholders' benefits is a key consideration. As there is no with-profits business in either company, it is only necessary for me to be satisfied that RGA IRE remains adequately capitalised following the transfer, and the updated financial information addresses this aspect.

2 Updated statements of assets and liabilities

2.1 Introduction

The sections below set out updates to the tables contained in sections 5.2.1 and 5.2.2 of my original report. These new tables are as at 30 June 2011 for RGA UK and RGA IRE respectively. For ease of reference and comparison, I have also included below the tables from my original report.

For both companies, a full actuarial valuation with external audit/review is prepared only once per year as at 31 December. The balance sheet positions as at 30 June 2011 shown below have been based on management information maintained by the companies. Some aspects of the balance sheets have been based on approximate updates to the previous year end position, and the results have not been published or audited. However, this is normal insurance industry practice for half year updates, and I am satisfied that the updated information is suitable for current purposes.

Section 5.4 of my original report discussed the Pillar 2 position of RGA UK as at 31 December 2010. The position as discussed in that section remains the latest position available.

Section 5.5 of my original report discussed Solvency II and contained QIS5 information as at 31 December 2009. This information has been updated to 31 December 2010 in section 2.4 below.

2.2 RGA UK

The following table is reproduced from section 5.2.1 of my original report and shows the 31 December 2010 Pillar 1 position of RGA UK:

	Amounts in £000s		Pre Scheme
	Assets		
(1)	Long-term insurance business fund		60,040
(2)	Shareholders' fund		23,745
(3)	**Total long-term admissible assets**	= (1) + (2)	**83,785**
	Liabilities		
(4)	Mathematical reserves (gross)		91,939
(5)	Outwards reassurance		12,859
(6)	Intra-group reassurance		47,402
(7)	**Mathematical reserves (net)**	= (4) - (5) - (6)	**31,678**
(8)	Other long-term insurance business liabilities		4,745
(9)	Other shareholders' liabilities		774
(10)	**Total net liabilities**	= (7) + (8) + (9)	**37,197**
(11)	**Capital resources available**		**46,588**
(12)	Long-term insurance capital requirement ("LTICR")		3,338
(13)	Resilience capital requirement ("RCR")		1,123
(14)	**Total capital resources requirement ("CRR")**	= (12) + (13)	**4,461**
(15)	**Excess of Capital Resources to cover CRR**	= (11) - 14)	**42,127**
(16)	Capital resources available as a % of CRR	= (11) / (14)	1044%

The table below shows the updated Pillar 1 position of RGA UK as at 30 June 2011:

	Amounts in £000s		Pre Scheme
	Assets		
(1)	Long-term insurance business fund		69,790
(2)	Shareholders' fund		24,362
(3)	**Total long-term admissible assets**	= (1) + (2)	**94,152**
	Liabilities		
(4)	Mathematical reserves (gross)		100,676
(5)	Outwards reassurance		14,018
(6)	Intra-group reassurance		51,613
(7)	**Mathematical reserves (net)**	= (4) - (5) - (6)	**35,045**
(8)	Other long-term insurance business liabilities		12,093
(9)	Other shareholders' liabilities		800
(10)	**Total net liabilities**	= (7) + (8) + (9)	**47,938**
(11)	**Capital resources available**		**46,214**
(12)	Long-term insurance capital requirement ("LTICR")		3,450
(13)	Resilience capital requirement ("RCR")		1,160
(14)	**Total capital resources requirement ("CRR")**	= (12) + (13)	**4,610**
(15)	**Excess of Capital Resources to cover CRR**	= (11) - 14)	**41,604**
(16)	Capital resources available as a % of CRR	= (11) / (14)	1002%

The updated information shows that the assets and liabilities have both increased, and that the excess assets above capital requirements (ie row 15) have remained broadly the same. As a percentage of capital requirements, capital resources available have reduced very marginally. RGA UK continues to be very well capitalised as at 30 June 2011.

2.3 RGA IRE

The following table is reproduced from section 5.2.2 of my original report and shows the effect on RGA IRE's Pillar 1 solvency position, assuming that the Scheme was implemented on 31 December 2010:

	Amounts in £000s *		Pre Scheme	Effect of Scheme	Post Scheme
	Assets **				
(1)	Long-term insurance business fund		103,313	60,040	163,353
(2)	Shareholders' fund		64,838	23,745	88,583
(3)	**Total long-term admissible assets**	= (1) + (2)	**168,151**	**83,785**	**251,936**
	Liabilities				
(4)	Mathematical reserves (gross)		192,360	91,939	284,299
(5)	Outwards reinsurance – external ***		0	12,859	12,859
(6)	Outwards reinsurance – intra-group		157,401	47,402	204,803
(7)	RCR		0	1,123	1,123
(8)	**Mathematical reserves (net)**	= (4) - (5) - (6) + (7)	**34,959**	**32,801**	**67,760**
(9)	Other liabilities		68,354	4,745	73,099
(10)	Shareholders' liabilities		-	774	774
(11)	**Total net liabilities**	= (8) + (9) + (10)	**103,313**	**38,320**	**141,633**
(12)	**Capital resources available**	= (3) - (11)	**64,838**	**45,465**	**110,303**
(13)	Other items reducing the capital resources available due to inadmissibility under the solvency assessment		5,401	0	5,401
(14)	**Capital resources available after other items reducing the capital available**	= (12) - (13)	**59,437**	**45,465**	**104,902**
(15)	Required solvency – Life ****		13,723	3,338	17,061
(16)	Required solvency – Non-life *****		1,495	0	1,495
(17)	**Total capital resources requirement ("CRR")**	= (15) + (16)	**15,218**	**3,338**	**18,556**
(18)	**Excess of Capital Resources to cover CRR**	= (14) – (17)	**44,219**	**42,127**	**86,346**
(19)	Capital resources available as a % of CRR	= (14) / (17)	391%		565%
(20)	Ratio of admissible assets to net liabilities	= (3) / (11)	163%		178%

Notes: ** The figures disclosed in the CBI Returns are denominated in Euro. For comparison purposes we converted the figures from Euro to GBP, using an exchange rate of €1 = £0.85588.*

*** For RGA IRE the split of the assets between long-term insurance business fund and shareholders' fund is notionally based on the total net liabilities and capital resources available respectively.*

**** The amount of outwards reinsurance to non-RGA group companies is de-minimis for RGA IRE, and it has thus been included in the table above with the intra-group outwards reinsurance.*

***** The introduction of the EU Directive on reinsurance in 2005 resulted in the amendment of the basis for determining the Pillar 1 capital requirements for pure life reinsurance companies (such as RGA UK and RGA IRE) to be based on the approach adopted for non-life business.*

****** Non life business in RGA IRE as detailed in Section 3.2.2 of my original report consists of long-term care, health, disability and personal accidents insurance only.*

The table below shows the updated effect on RGA IRE's Pillar 1 solvency position, assuming that the Scheme was implemented on 30 June 2011:

	Amounts in £000s *		Pre Scheme	Effect of Scheme	Post Scheme
	Assets **				
(1)	Long-term insurance business fund		124,665	69,790	194,455
(2)	Shareholders' fund		73,139	24,362	97,501
(3)	**Total long-term admissible assets**	**= (1) + (2)**	**197,804**	**94,152**	**291,956**
	Liabilities				
(4)	Mathematical reserves (gross)		246,816	100,676	347,492
(5)	Outwards reinsurance – external ***		0	14,018	14,018
(6)	Outwards reinsurance – intra-group		200,035	51,613	251,648
(7)	RCR		0	1,160	1,160
(8)	**Mathematical reserves (net)**	**= (4) - (5) - (6) + (7)**	**46,781**	**36,205**	**82,986**
(9)	Other liabilities		77,885	12,093	89,978
(10)	Shareholders' liabilities		0	800	800
(11)	**Total net liabilities**	**= (8) + (9) + (10)**	**124,665**	**49,098**	**173,764**
(12)	**Capital resources available**	**= (3) - (11)**	**73,138**	**45,054**	**118,192**
(13)	Other items reducing the capital resources available due to inadmissibility under the solvency assessment		13,129	0	13,129
(14)	**Capital resources available after other items reducing the capital available**	**= (12) - (13)**	**60,009**	**45,054**	**105,063**
(15)	Required solvency – Life ****		17,095	3,450	20,545
(16)	Required solvency – Non-life *****		1,748	0	1,748
(17)	**Total capital resources requirement ("CRR")**	**= (15) + (16)**	**18,843**	**3,450**	**22,293**
(18)	**Excess of Capital Resources to cover CRR**	**= (14) – (17)**	**41,166**	**41,604**	**82,770**
(19)	Capital resources available as a % of CRR	= (14) / (17)	318%		471%
(20)	Ratio of admissible assets to net liabilities	= (3) / (11)	159%		168%

Notes: * *The 30 June 2011 management information is based in USD. For comparison purposes we converted the figures from USD to GBP, using an exchange rate of $1 = £0.691898.*

** *For RGA IRE the split of the assets between long-term insurance business fund and shareholders' fund is notionally based on the total net liabilities and capital resources available respectively.*

*** *The amount of outwards reinsurance to non-RGA group companies is de-minimis for RGA IRE, and it has thus been included in the table above with the intra-group outwards reinsurance.*

**** *The introduction of the EU Directive on reinsurance in 2005 resulted in the amendment of the basis for determining the Pillar 1 capital requirements for pure life reinsurance companies (such as RGA UK and RGA IRE) to be based on the approach adopted for non-life business.*

***** *Non life business in RGA IRE as detailed in Section 3.2.2 of my original report consists of long-term care, health, disability and personal accidents insurance only.*

The updated information shows that:

- For RGA IRE pre-scheme, the assets and liabilities have both increased since 31 December 2010. There has been a small reduction in the excess assets above capital requirements shown in row 18. The ratios shown in rows 19 and 20 have also reduced marginally, but the company remains well capitalised pre-scheme. The reduction in excess assets can be attributed to an increase in the inadmissible assets deducted in row 13. Such inadmissible assets are primarily cedant premium debtors due to RGA IRE which are older than 90 days and are thus inadmissible assets under the CBI regulations. RGA IRE expects this increase in inadmissible assets to be temporary and is actively managing these debtors in order to reduce them. The delays arise from the practical settlement processes involved as opposed to any genuine risk of non-payment.
- Post scheme, the position as at 30 June 2011 is similar to that at 31 December 2010. The post scheme ratios in rows 19 and 20 are marginally lower, but the scheme still gives rise to an improvement, and RGA IRE remains well capitalised post scheme.

2.4 Consideration of Solvency II

The following table is reproduced from my original report and is based on the 31 December 2009 information:

Amounts in £000s	Pre Scheme	Pre Scheme	Post Scheme	
	RGA IRE only	**RGA UK only**	**RGA IRE + RGA UK**	**Consolidated**
Available capital	84,382	86,042	170,424	171,898
Capital requirement	32,634	33,255	65,889	59,537
Excess capital	**51,748**	**52,787**	**104,535**	**112,361**
Available capital as a % of capital requirement	259%	259%	259%	289%

Source: RGA IRE and RGA UK, QIS5 results as at 31 December 2009

The table below is based on the updated information as at 31 December 2010:

Amounts in £000s	Pre Scheme	Pre Scheme	Post Scheme	
	RGA IRE only	**RGA UK only**	**RGA IRE + RGA UK**	**Consolidated**
Available capital	113,615	111,081	224,696	227,985
Capital requirement	59,177	36,473	95,650	85,702
Excess capital	**54,438**	**74,608**	**129,046**	**142,283**
Available capital as a % of capital requirement	192%	305%	235%	266%

Source: RGA IRE and RGA UK, QIS5 results as at 31 December 2010.

Note: The 31 December 2010 RGA IRE figures have been converted from Euro to Sterling using RGA IRE's exchange rate of 1Euro = £0.86075.

The updated analysis shows that both RGA UK and RGA IRE continue to cover their Solvency II capital requirements comfortably pre-scheme. Further, RGA IRE continues to be able to cover its Solvency II capital requirements comfortably post scheme.

The updated table shows that the Solvency II coverage ratios for RGA IRE and RGA UK have changed as compared with the 31 December 2009 position. In the case of RGA IRE, this is significantly due to more longevity type business being written over 2010. Such business has a comparatively high capital requirement. In the case of RGA UK, the change is significantly due to updated experience assumptions in the light of RGA UK's latest experience investigations. The change from end 2009 to end 2010 in the combined capital coverage position is less marked than for the two companies individually as the individual company changes act in opposite directions. The consolidation benefit shown in the right hand column is broadly unchanged, ie an increase in the coverage ratio of some 30 percentage points on consolidation as a result of capital synergies and additional diversification benefits arising.

Section 5.5 of my original report discussed the uncertainty of various aspects of Solvency II. At the date of signing this supplementary report, the position in relation to this uncertainty remains unchanged. Although it is planned that the Solvency II Directive will come into force on 1 January 2013, the current consensus view is that it is most likely that companies will not be required to comply with its provisions until 1 January 2014.

2.5 Effect of recent market movements and Eurozone developments

Since 30 June 2011, equity markets have been subject to considerable movements and volatility. However, neither RGA UK nor RGA IRE has any material exposure to equity markets.

Also since 30 June 2011, long term interest rates have generally fallen, and there has been a general widening of the spreads between the yields on government backed fixed interest securities and those on corporate bond fixed interest securities. This means that the market values of fixed interest securities generally has risen, but that the market values of corporate bond fixed interest securities have fallen relative to government backed fixed interest securities. I have discussed these factors with the actuaries of RGA UK and RGA IRE, and considered how they impact on RGA UK and RGA IRE.

For RGA UK, most of the assets are invested in UK government securities, the value of which has risen due to the falls in long term interest rates. Based on sensitivity information available to it, RGA UK has established that the increase in asset values more than covers the increase in liabilities as a result of lower interest rates.

For RGA IRE, most of the assets are invested in high quality government and corporate bonds. Much of the liabilities are of short duration and hence are less sensitive to changes in interest rate assumptions. Shareholder assets have risen in value due to the falls in interest rates, and RGA IRE expects that this beneficial movement outweighs all other market movements.

I am thus satisfied that the updated information provided above is sufficiently up to date of the purposes of the consideration of the proposed transfer, and that market movements since 30 June 2011 have not had any material adverse effect on the position of RGA UK, RGA IRE, or the consolidated post transfer position.

Section 7.8 of my original report discussed the issue of Eurozone uncertainty, and the fact that RGA IRE currently maintains, and will continue post transfer to maintain, matching assets by currency in each branch location. Within the Eurozone, this matching extends to holding government or high quality corporate stocks issued in the same EU country. I can therefore reconfirm my conclusion that the risk of the RGA UK policyholders suffering detriment as a result of any breakup of the Eurozone, or through the default by any government, is remote.

3 Credit risk arrangements

3.1 Deed polls

In section 7.1 of my original report, I explained that RGA, Inc and RGA Global Re would each be executing deed polls such that the guarantee letters issued by them will, post transfer, operate in relation to the performance of RGA IRE under the relevant treaties, as opposed to RGA UK.

These deed polls were signed and executed on 19 August 2011, and were the subject of the letter I received from Hogan Lovells (and which is appended to my original report).

3.2 Letters of credit and assets in trust

Section 7.1 of my original report also referred to third party letters of credit and assets in trust arrangements which exist to provide protection to RGA UK in relation to outwards retrocessions. RGA UK has determined that there are four such arrangements, each with RGA Americas Reinsurance Company Ltd., a group company.

Since the date of my original report, RGA UK has progressed the legal arrangements to transfer these protections to RGA IRE. The table below sets out each of the protections and the arrangements which have been put in place: I am thus satisfied that these protections will continue to apply post transfer.

Description of protection	**Summary of arrangements made for transfer**	**Date arrangements finalised**
(1) Letter of credit issued by Bank of America for £2m - reference 6008 SB505041/02.	Bank of America has issued an Amendment changing the beneficiary to RGA IRE with effect from the proposed effective date of the transfer.	21 September 2011
(2) Letter of credit issued by Bank of America for £10m - reference 6008 SB505424/05.	Bank of America has issued an Amendment changing the beneficiary to RGA IRE with effect from the proposed effective date of the transfer.	21 September 2011
(3) Letter of credit issued by Standard Chartered for £1m - reference 779-01-0009465-I.	The letter of credit referred to in (2) above has been increased by £1m (to £11m) so that this letter of credit will not be required post-transfer.	29 September 2011
(4) Trust Agreement between RGA Atlantic Reinsurance Company Ltd., RGA UK and Bank of New York Mellon.	The relevant RGA parties and Bank of New York Mellon have signed an Assignment and Novation Agreement (and an Amended and Restated Trust Agreement) changing the beneficiary of the trust to RGA IRE. RGA UK is authorised to bring these agreements into effect following the final court hearing.	29 September 2011

Source: RGA UK and Hogan Lovells

4 Conclusions

Based on the information set out above in this supplementary report, I can confirm that:

- Having considered the updated financial information, the conclusions which I reached in my original report remain unchanged.
- The arrangements for the transfer of all the credit risk protections, both for individual RGA UK cedants and the relevant RGA retrocessions, have been put into place.

John A. Jenkins

John A Jenkins

Fellow of the Institute and Faculty of Actuaries

Partner, KPMG LLP

11 October 2011