High Court of Justice

RGA Reinsurance UK Limited
and
RGA International Reinsurance Company Limited

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

KPMG LLP

19 August 2011

This report contains 46 pages including appendices.

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1 Introduction

1.1 Background

RGA Reinsurance UK Limited ("RGA UK") is a UK reinsurance company and subsidiary of RGA Holdings Limited ("RGA Holdings"), this being the highest level holding company in the UK. RGA International Reinsurance Company Limited ("RGA IRE") is an Irish reinsurance company which also has branch offices in the UK and several other EU countries. Both RGA UK and RGA IRE are open to new business. All of the business in RGA UK and RGA IRE comprises pure long term reinsurance business, and there is no direct insurance business written in either company. The ultimate owner of RGA UK, RGA Holdings and RGA IRE is Reinsurance Group of America, Incorporated ("RGA, Inc"), a global reinsurance group incorporated in the USA. The companies intend to transfer all of RGA UK's business (the "Transferred Business") to the UK branch of RGA IRE ("RGA IRE(UK)") by way of an insurance business transfer scheme ("the Scheme") under Part VII of the Financial Services and Markets Act 2000 ("FSMA 2000"). Subsequent to the transfer, all new UK business will be written in RGA IRE(UK).

Under Section 109 of FSMA 2000, a scheme report must accompany an application made to the High Court of Justice (the "Court") in London for an order sanctioning a scheme to transfer insurance business from one company to another. The scheme report must be provided by an independent expert ("the Independent Expert") and it must be made in a form approved by the Financial Services Authority ("FSA"). The FSA has issued guidance on the form of the scheme report, as set out in sections 18.2.31 to 18.2.41 of the Supervision Manual ("SUP").

1.2 The Independent Expert

I have been jointly appointed by RGA UK and RGA IRE as the Independent Expert in connection with the Scheme. I have also been approved by the FSA to carry out this work. Costs incurred in connection with the preparation of this report will be borne by RGA UK.

I am a Fellow of the Institute and Faculty of Actuaries, having qualified as an actuary in 1988. I am currently a Partner in KPMG LLP. I hold a Life Actuary Certificate (including with-profits) issued by the UK actuarial profession. I have previously performed the role of Independent Expert in relation to Section 109 of FSMA 2000. I am a Fellow of the Society of Actuaries in Ireland (this being the Irish equivalent to the UK Institute and Faculty of Actuaries), and I have previous experience of providing professional actuarial services to life insurance companies based in Ireland. I also have experience of working with life reinsurance companies.

As both companies are pure reinsurance companies, it is not possible for any individual to hold policies directly with them. I have not had any previous professional involvement with either RGA UK or RGA IRE. KPMG, both in the UK and in the US, has previously carried out work for companies within the RGA group, and it is possible that further work

will be carried out during the period in which the proposed transfer is being worked upon and put before the Court. I have had and will have no involvement in any such other work, none of which is specifically connected with the proposed transfer.

1.3 Cross border aspects

The proposed transfer is from a UK company to an Irish company. In these circumstances, it is the UK FSA and the UK High Court which have jurisdiction over the transfer process. The relevant insurance regulator in Ireland is the Central Bank of Ireland ("CBI"), which will continue to be the regulator of RGA IRE following the transfer.

1.4 Restrictions

This report is in a form approved by the FSA and has been prepared for the Court under Section 109 of FSMA 2000 solely in connection with and for the purposes of informing the Court of my findings in respect of the work that I have performed at the request of RGA UK and RGA IRE regarding the Scheme. A copy of this report may be made available by RGA UK or RGA IRE to the FSA, the CBI and to any person who requests a copy of it. Paragraph 2.1 of this report sets out the basis on which this report has been prepared and confirms my overriding duty to the Court.

This report is designed to meet my obligations as independent expert under Section 109 of FSMA 2000, the requirements of Chapter SUP 18.2 of the Handbook issued by the FSA, and the agreed requirements and particular features of RGA UK's and RGA IRE's respective circumstances determined by their needs at the time. I recognise that the Court will use this report in connection with the Court's discharge of its statutory functions concerning the Scheme.

Reliance may be placed on this report by the FSA (in connection with the discharge of its regulatory objectives), the CBI, the policyholders of RGA UK and RGA IRE, and any other affected persons. This report should not be regarded as suitable to be used or relied on by any party wishing to acquire any right to bring action against KPMG LLP in connection with any such use or reliance other than RGA UK, RGA IRE, the FSA (in connection with the discharge of its regulatory objectives), the CBI, the policyholders of RGA UK or RGA IRE, or any other affected persons for any purpose or in any context. Any party other than RGA UK, RGA IRE, the FSA (in connection with the discharge of its regulatory objectives), the CBI, the policyholders of RGA UK or RGA IRE, or any other affected persons who obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP and I will accept no responsibility or liability in respect of this report to any other party.

1.5 Summary report

I have produced an appropriate summary of this report for inclusion in the documentation to be distributed or otherwise made available to policyholders, as envisaged in SUP 18.2.48G.

2 Scope of the report and method of preparation

2.1 Scope

This report has been prepared in accordance with:

- SUP 18.2.31 to 18.2.41 forming part of the Handbook issued by the FSA;
- Part 35 of the Civil Procedure Rules 1998, to the extent relevant.

As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I understand my duty to the Court, I have complied with that duty and I will continue to comply with that duty.

In particular, I owe an overriding duty to the Court to assist the Court and to give the Court independent expert evidence on the proposed transfer.

This report is prepared primarily to assess the likely impact that the Scheme will have on the transferring policyholders of RGA UK and the existing policyholders of RGA IRE if it proceeds. It is limited in its scope to the assessment of this Scheme alone and not to any other possible scheme. It is intended that this report be submitted, in full, as evidence to the Court when it considers whether or not to sanction the Scheme. It is not part of my scope to consider the position of new policies written into RGA IRE following the transfer, even if such new policies would have been written into RGA UK absent the transfer.

The term “Effective Date”, as used in this report, refers to the date as at which, if the Scheme proceeds, the Transferred Business of RGA UK will be transferred to RGA IRE. It is expected that the Effective Date will be 1 January 2012.

It is not part of my scope to consider the effect of the Scheme on the Companies Act (or the Irish equivalent) accounts of RGA UK or RGA IRE. My consideration of the financial effect of the Scheme has been based on the method of reporting required for the regulatory returns to the FSA (“the FSA returns”) and the CBI (“CBI returns”). I have also considered the position under the Individual Capital Assessment (“ICA”) calculations that all UK long-term insurance companies need to carry out and make available to the FSA on a private basis, and I have considered the fact that there is no equivalent to this ICA in Ireland. I have further considered, at a high level, the likely effect of the new European Union Solvency II regime which is currently due to replace the existing UK and Irish solvency regime with effect from 1 January 2013. I am satisfied that consideration of the FSA returns, the CBI returns, and the ICA calculations, together with a high level consideration of Solvency II, is appropriate for the purposes of this report. Further comments on the implementation timescale for Solvency II are given in section 5.5 below.

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I

confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer

Although the scope of my role as Independent Expert covers wider aspects than the actuarial aspects of the proposed transfer, the actuarial aspects do form a major part of my scope. In preparing this report I have therefore had in mind the requirements of Technical Actuarial Standards R: Reports ("TAS R"), issued by the Board for Actuarial Standards. This report complies in my opinion with the relevant requirements of TAS R. In terms of TAS R definitions, this report constitutes an aggregate report, which is one which the user (i.e. primarily the Court but also the policyholders) can use in order to make a decision.

A further technical actuarial standard comes into force on 1 October 2011. This is known as Transformation TAS, and covers the subject area of Transformations, including transfers of insurance business between companies. In my opinion, this report complies with the relevant requirements of Transformation TAS.

2.2 Method of preparation

In preparing this report I have done my best to be accurate and complete. I have considered all matters that I regard as relevant to the opinions I have expressed, and I have considered all matters that I believe may be relevant to the policyholders of RGA UK and RGA IRE in their consideration of the Scheme. All the matters on which I have expressed an opinion lie within my field of experience. I have received confirmation from the Actuarial Function Holder ("AFH") of RGA UK and the Signing Actuary of RGA IRE that there is nothing in this report which is contrary to their understanding. I have also received confirmation from senior executives of RGA UK and RGA IRE that the information contained in this report which relates to RGA UK and RGA IRE and to how the transfer will be affected in practice is factually correct.

The Actuarial Function Holder of RGA UK has produced a report on the proposed transfer for the RGA UK Board of Directors and I have reviewed this report.

In the course of carrying out my work and preparing this report I have considered various documents provided to me by RGA UK, RGA IRE and Hogan Lovells (who are the legal advisers to RGA UK and RGA IRE). A summary list of the main documents I have considered is set out in Appendix 1.

All of the data and information which I have requested has been provided to me by RGA UK, RGA IRE and their advisers as appropriate. I have relied upon the accuracy and completeness of this data and information, which has been provided to me both in written and oral form by RGA UK, RGA IRE and their advisers. I have however raised questions on the data and information provided, and I have entered where necessary into dialogue with RGA UK and RGA IRE in order to follow up queries and to ensure that I fully understand this data and information. I believe that it is reasonable for me to rely on this information because it has been provided by senior and professionally responsible executives of RGA UK and RGA IRE (most of whom are also FSA or CBI approved persons), or by responsible senior professionals from their advisers. RGA UK and RGA IRE also have a duty under the terms of my engagement letter to provide me with

complete and accurate information and to make clear to me any caveats which apply to the data and information. In addition, and as part of my review and challenge process, I have wherever possible reviewed the information provided for reasonableness and consistency with industry best practice. Where critical information has been initially provided orally, I have requested and obtained written confirmation.

As referred to in various parts of this report, I have had a number of discussions with the AFH of RGA UK and the Signing Actuary of RGA IRE. During these discussions, I have where necessary challenged the relevant responses, and I have gone into further detail where necessary, particularly where responses were not in accordance with my initial expectations or where responses indicated that the position in question was complex. However, it is not part of my role as Independent Expert to override or second guess the actuarial advice provided to RGA UK or RGA IRE by the respective AFH or Signing Actuary.

I have discussed the proposed transfer with the appropriate individuals within the FSA and the FSA has approved the form of this report.

2.3 Key areas of consideration

As the Independent Expert, the key areas in my opinion that I need to consider are:

- policyholder benefits, and the reinsurance premiums charged for those benefits;
- security of policyholder benefits;
- wider Treating Customers Fairly ("TCF") issues,

for the two groups of policyholders that are potentially affected by the Scheme, namely:

- the transferring policyholders of RGA UK – ie the companies ("cedants") ceding business to RGA UK;
- the existing policyholders of RGA IRE – ie the companies ("cedants") ceding business to RGA IRE.

An important consideration for me as Independent Expert is whether different sub-groups of policyholders are potentially affected differently by the Scheme. As referred to in sections 3.1.2 and 3.2.2 below, I have considered this aspect and concluded that the two groups of policyholders referred to above are the appropriate groups for me to consider. In other words, the position of the policyholders in each of the two groups referred to above is sufficiently similar for no further sub-division to be necessary.

Before consideration of these areas specifically, the following sections provide background to RGA UK and RGA IRE, an overview of the Scheme and the pro-forma position of both companies before and after the Scheme is implemented assuming that Court sanction is granted.

2.4 Reinsurance terminology

As the proposed transfer involves pure reinsurance companies, it will I believe be helpful to the Court to explain some of the reinsurance terminology which is used.

Direct writing insurance companies reinsure with specialist reinsurance companies (such as RGA UK and RGA IRE) in order to reduce and manage their risks. Most commonly, the form of legal agreement between the direct writing insurance company and the reinsurer is a reinsurance treaty covering certain classes of business, and policies written by the direct writer are reinsured under the treaty – sometimes always, and sometimes if they meet certain criteria (eg if the sum assured exceeds a certain level). Sometimes the reinsurance will only cover a proportion of the benefits.

Treaties may be open to new policies being reinsured under them, or they may be closed to such new policies.

As noted in section 2.3 above, direct writing companies are often referred to as cedants.

Reinsurance companies themselves also take out further reinsurance, and this is known as retrocession. Retrocession often takes place to other reinsurance subsidiaries within the same reinsurance group, but can also be to companies outside the group.

Both RGA UK and RGA IRE retrocede part of their risks to other RGA reinsurance subsidiaries which lie outside of the UK and Ireland. In addition, both RGA UK and RGA IRE are the recipients of inwards retrocessions from RGA reinsurance subsidiaries which lie outside of the UK and Ireland.

I confirm that in considering the policyholders of RGA UK and RGA IRE, I have had regard both to reinsurance inwards from direct writing companies, and to retrocession inwards from other RGA reinsurance subsidiaries.

A further relevant reinsurance term is co-reinsurance. This is where a direct writing insurance company enters simultaneously into two (or more) similar reinsurance treaties with two (or more) different reinsurance entities. In this case the direct writer has two (or more) separate contracts of reinsurance. RGA UK has written business on a co-reinsurance basis, where the other co-reinsurer is an RGA reinsurance subsidiary outside of the UK or Ireland. For such cases, the non-RGA UK part of the co-reinsurance arrangement is not subject to the proposed transfer, and will remain in place unaffected.

Another relevant term is facultative reinsurance. This is where particular risks are reinsured based on specifically agreed reinsurance terms for that risk, as opposed to be reinsured automatically under a treaty.

Reinsurance can be arranged on a quota share basis, where the reinsurer is on risk for a certain percentage of all claims, and receives that same percentage of the premiums. Reinsurance can also be arranged on an excess of loss basis, where the benefits above a certain level only are reinsured in return for an agreed reinsurance premium.

Reinsurance can be written on an annual premium basis, where premiums are level, notwithstanding that the risk increases as the life assured gets older. Premiums in the early years are more than sufficient to cover the risk in the early years, and the surplus is drawn upon in the latter years. Alternatively, reinsurance can be written on a risk premium basis, where the premium increases each year as the risk increases.

In addition to traditional reinsurance business, a reinsurance company can also write customised non-traditional reinsurance ("Financial Reinsurance") to meet the specific needs of its clients. Under such financial reinsurance, the reinsurer provides temporary loan finance to the cedant as part of the reinsurance package.

3 Background to RGA UK and RGA IRE

3.1 RGA Reinsurance UK Limited

3.1.1 Background

RGA UK is authorised in the UK by the FSA to write reinsurance business in the UK, Ireland, the Isle of Man and the Channel Islands. RGA UK offers traditional mortality, critical illness, income protection, annuity in payment and group life reinsurance.

The immediate parent of RGA UK is RGA Holdings which in turn is a wholly owned subsidiary of RGA.

3.1.2 Nature of business

RGA UK is a pure reinsurer. The clients of RGA UK are life insurance companies operating in the UK and Ireland and there is in fact no business from the Isle of Man or the Channel Islands. The business written includes co-reinsurance basis (see below), and covers risks on both a quota share and an excess of loss basis. The business of RGA UK consists of reinsurance treaties for:

- Long-term protection business providing individual life, critical illness and income protection cover. The company writes both guaranteed and reviewable premium rate business. Under the former, the reinsurance premium rates are fixed. Under the latter, the company is able to increase or decrease the amount of the reinsurance premium rates depending on the experience under the treaty in question. The majority of the long-term protection business is written on guaranteed premium rates, ie where the reinsurer has no right to increase the premium rates. There is also a small volume of business with renewable options , ie where the premium rates are only guaranteed for a limited period of time and the cedants have the option to renew the reinsurance at the end of the premium guarantee period and the rates then prevailing.
- Group life protection business providing life cover to a definable group of lives. These are written as short term polices on a renewable premium basis with non-guaranteed future terms. The premium rates are subject to review at the end of an initial period.
- Underwritten annuity business providing annuity payments to impaired lives (ie lives with medical impairments and hence shorter life expectancy than healthy lives) sold on an individual basis, where RGA UK takes on the longevity risk. Longevity risk is the risk of increasing life expectancy trends of policyholders which could eventually lead to higher than expected annuity payments.

RGA UK has also written a small amount of business on a facultative basis. There was no financial reinsurance in-force as at 31 December 2010.

The above summary of RGA UK's business indicates that RGA UK underwrites a range of different types of reinsurance business. However, I do not believe that the nature of

any of the business written is sufficiently different for the relevant policyholders to be regarded as a distinct sub-group for the purposes of my analysis of the proposed transfer.

3.1.3 Business structure

Under RGA UK's business model, new business is usually written on a co-reinsurance basis. For protection business reinsurance treaties written before 1 July 2010, 10% of the business was written into RGA UK and 90% was written on a co-reinsurance basis into an overseas RGA subsidiary. From 1 July 2010 however, all new protection business reinsurance treaties were written into RGA IRE(UK), ie the UK branch of the Irish company as opposed to the UK company. RGA UK continues to receive new business for all pre 1 July 2010 treaties which are still open to new business.

For most of its treaties, RGA UK retrocedes 50% of its protection business, subject to a maximum own retention of GBP 100,000, to an overseas RGA subsidiary.

For impaired annuity business, two reinsurance treaties have been written into RGA UK. In each case this was on a co-reinsurance basis with an overseas RGA subsidiary. RGA UK's share of the co-reinsurance arrangement varies by treaties but is commonly 10% of the underlying risk.

The diagram below shows the structure of RGA UK's reinsurance business and the relevant intra-group retrocessions. Retrocession takes place both to RGA subsidiaries outside of the UK and Ireland, and to other reinsurance groups.

Legend

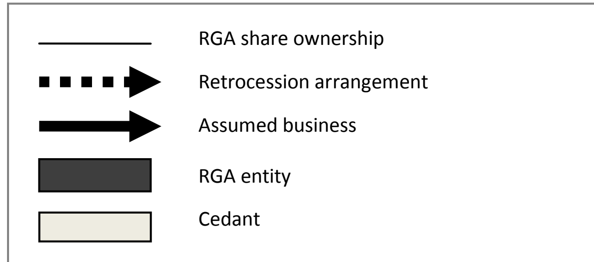
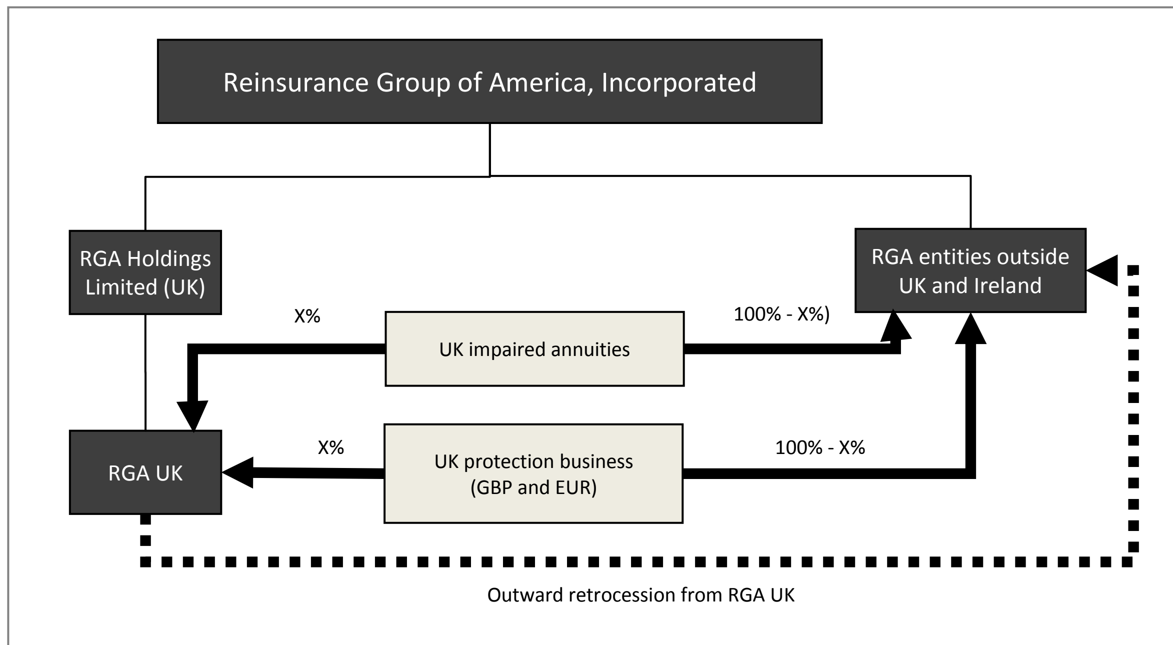


Diagram 3.1.3. Irish and UK treaties written before 1 July 2010, and two UK impaired annuity treaties



Notes: *The value of X in the co-reinsurance arrangements varies by treaty but is commonly 10%.*

Although not shown on the diagram above, some of the outwards retrocession from RGA UK is to non-RGA reinsurance companies.

3.1.4 Business profile

RGA UK currently has in force 59 reinsurance treaties for protection business and two reinsurance treaties for impaired annuity business. Of these, 49 treaties are currently open to new business.

In terms of the relative significance of the main types of business written in RGA UK, individual life protection business providing life and critical illness cover represents over 99% of total liabilities. The rest of the business relates to group life business and impaired annuity business.

The table below summarises RGA UK's business as at the date of its most recent regulatory returns to the FSA. The premiums information contained within the table shows the premiums receivable in 2010.

RGA UK premiums and liabilities as at 31 December 2010

Amounts in £000s	**Total premiums**	**Total liabilities**
Gross		
Life:		
Term assurance	17,997	55,395
Critical illness	21,717	32,684
Income protection	60	343
Group life	77	77
Other liabilities	-	2,918
Pension:		
Annuity non-profit (impaired annuities)	6,617	522
Total gross premiums / long-term liabilities	**46,468**	**91,939**
Retrocession (external)		
Life:		
Term assurance	(1,977)	(10,633)
Critical illness	(1,054)	(2,226)
Total Retrocession premiums / liabilities (external)	**(3,031)**	**(12,859)**
Retrocession (intra-group)		
Life:		
Term assurance	(10,427)	(30,469)
Critical illness	(9,872)	(16,723)
Income protection	(30)	(172)
Group life	(38)	(38)
Total retrocession premiums / liabilities (intra-group)	**(20,367)**	**(47,402)**
Total retrocession premiums / liabilities	**(23,398)**	**(60,261)**
Total net premiums / long-term liabilities	**23,070**	**31,678**
Other insurance and non insurance liabilities	**-**	4,745
Total premiums / long-term net liabilities	**23,070**	**36,423**
Shareholders' total liabilities	**-**	**774**
Total net liabilities	**-**	**37,197**

Note: It can be seen from the above table that the 2010 premiums for the impaired annuity business are large in relation to the liabilities shown. This is because the treaties in question are swap-type treaties, where RGA UK receives a fixed stream of ongoing premiums and pays out a variable stream of annuity claims. As these two streams are of similar orders of magnitude at the outset of such a treaty, the liability is low.

3.1.5 Assets

RGA UK aims to match its liabilities by duration and currency and invests in fixed interest stocks and bank deposits. As at 31 December 2010 all the fixed interest stocks were backed by governments, supra-sovereign issuers or issuers with a minimum credit rating of BBB. The company has no exposure to equities, property or derivatives.

3.2 RGA International Reinsurance Company Limited

3.2.1 Background

RGA IRE is incorporated in Ireland and is regulated by the CBI. It is a wholly owned subsidiary of RGA, Inc and was formed in June 2003 as a life reinsurance company to support RGA's clients located in Continental Europe, India and Singapore. The company has branch offices in the UK, France, Germany, Poland, Italy, Netherlands and Spain. It is also an authorised reinsurer in Singapore.

3.2.2 Nature of business

The principal activity of RGA IRE is the transaction of traditional life, critical illness, disability and annuity reinsurance business. The company also writes reinsurance business providing temporary loan finance to the cedant as part of the reinsurance package. The business written includes co-reinsurance basis and covers risks on both a quota share and an excess of loss basis. The company writes reinsurance treaties covering individual and group risks (the latter being where a group of lives are covered, such as employees of a particular employer). The business of RGA IRE consists of reinsurance treaties for:

Life reinsurance business

- Yearly renewable term and non-guaranteed longer term business providing cover for death, critical illness, health & accident and total permanent disability. The premium rates of these non-guaranteed treaties can be re-priced on a year-to-year basis. This business is mainly from insurance companies in France, Spain and Italy, with lesser portions coming from Hong Kong, Singapore, United Arab Emirates and other European countries.
- Guaranteed premium rate yearly renewable term business from insurance companies in the UK, Ireland and India. Under the terms of these guaranteed treaties, the premium rates applicable to a new policy are guaranteed to remain unchanged throughout the term of that policy and cannot be re-priced. Reinsurance premium rates under these treaties can be re-priced only for future new business.
- Single premium term assurance business relating to decreasing term assurance contracts sold by insurance companies in Italy and India. Under a decreasing term assurance contract, the sum assured reduces over time and often in line with the outstanding loan or mortgage amount against which the policy is design to protect.
- Underwritten individual annuity business written by UK insurance companies providing annuity payments to impaired lives.

- Annuity business on standard (ie non-impaired) lives written by UK insurance companies on a bulk or group basis. These are commonly staff pension schemes of corporate organisations. These are actually annuity "swap" treaties, where the cedant reinsures the longevity risk of its bulk annuity business through a cashflow swap arrangement. Under such arrangement, the cedant makes payments to the reinsurer based on predetermined assumptions set out in the treaty and receives payments from the reinsurer based on the actual mortality experience of its bulk annuity business in return. In this way it is the reinsurer who actually bears the longevity risk.

Non-life reinsurance business

- Non-guaranteed, yearly renewable business covering health, disability and personal accident risks. This business is mainly from insurance companies in France, with lesser portions coming from India, East Asia and other European countries.
- Long term care business (which is designed to provide care benefits in old age) written by insurance companies in France.

The in-force business of RGA IRE includes a number of cedants who became clients of RGA IRE following its takeover of a block of business from XL Re on 1 January 2009. This business is long term care business (ie to provide nursing benefits in old age) written in France which now resides in the French branch of RGA IRE. My understanding is that this XL Re business was acquired by RGA IRE as a result of a novation in RGA IRE's favour, as opposed to an insurance business transfer. As such, there are no additional considerations in relation to this business as far as the current proposed transfer is concerned.

It should be noted that the non-life reinsurance business referred to above is health, disability and long term care type business. It is thus closer in nature to life business than to non-life reinsurance business covering motor, marine and aviation etc.

RGA IRE has also written a small amount of business on a facultative basis.

The above summary of RGA IRE's business indicates that RGA IRE underwrites a range of different types of reinsurance business. However, I do not believe that the nature of any of the business written is sufficiently different for the relevant policyholders to be regarded as a distinct sub-group for the purposes of my analysis of the proposed transfer. For the avoidance of doubt, this conclusion encompasses the inclusion of the non-life reinsurance business with the single RGA IRE group since, as noted above, the actual non-life business in question is closer in nature to life business than to motor, marine and aviation etc.

3.2.3 Business structure

RGA IRE writes the business described in section 3.2.2 above. In addition, since 1 July 2010, all new reinsurance treaties for UK protection business are written into RGA IRE(UK), ie the UK branch of the Irish company. All business written in RGA IRE from other European insurance companies is written into the relevant European branches of RGA IRE.

RGA IRE(UK) currently retrocedes a significant proportion of its protection business to overseas RGA subsidiaries. RGA IRE(UK) has also accepted inwards retrocession business from other overseas RGA subsidiaries, part of which is further retroceded to an overseas RGA subsidiary.

For UK bulk annuity swaps, the reinsurance arrangement is on a co-reinsurance basis. The co-reinsurance proportion written into RGA IRE(UK) varies by treaty but is commonly 5% of the underlying risk. RGA IRE(UK) also retrocedes a significant proportion of its risk to an overseas RGA subsidiary.

Two new impaired annuity reinsurance treaties have been written in the UK branch of RGA Ireland in 2011.

The diagram below shows the structure of RGA IRE's reinsurance business and the relevant intra-group retrocessions in both directions. Retrocession takes place both to RGA subsidiaries outside of the UK and Ireland, and to other reinsurance groups. Such complex arrangements are not unusual in the reinsurance market where international groups are concerned. The diagram below shows sufficient detail in order for the salient features of RGA IRE's business structure to be understood. It should be noted that there is no retrocession, in either direction, between RGA UK and RGA IRE.

Legend

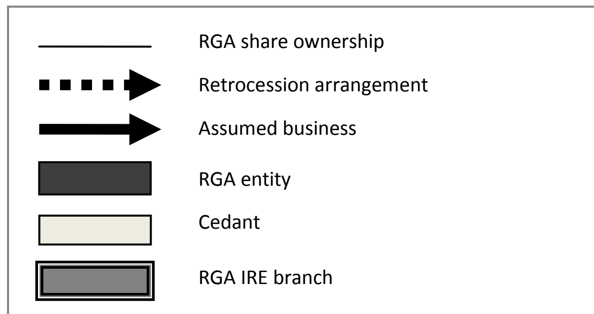
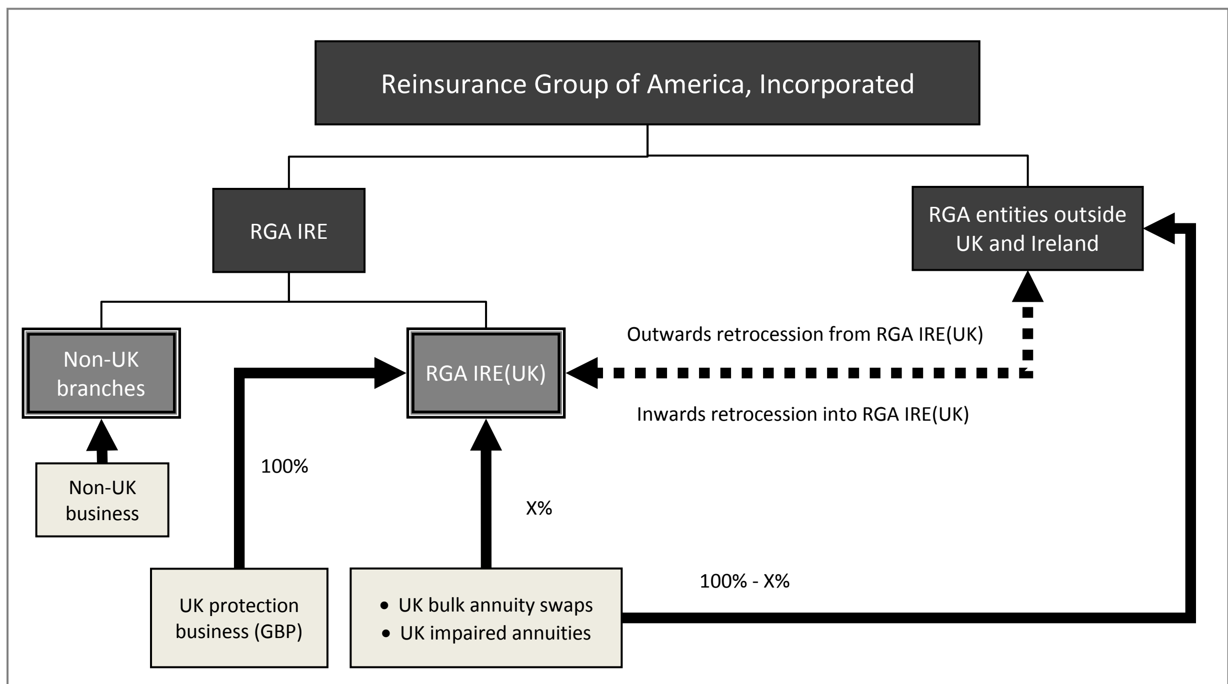


Diagram 3.2.3. Structure of RGA IRE(UK) business



Notes: The value of X in the co-reinsurance arrangements varies by treaty but is commonly 5%.

Although not shown on the diagram above, some of the outwards retrocession from RGA IRE is to non-RGA reinsurance companies.

3.2.4 Business profile

RGA IRE currently has over 210 reinsurance treaties for life protection business, over 50 for non-life business and 3 for long term care business. Since the end of 2010 RGA IRE has also written some impaired annuity business.

In terms of the relative significance of the main types of business written in RGA IRE measured by total liabilities, approximately 48% are guaranteed premium treaties, 41% are non-guaranteed premium treaties, and the remaining 11% in single premium treaties, bulk annuity swap treaties and impaired annuity treaties. For the non-life business written into RGA IRE, around 62% of the total liabilities are long term care treaties and the remaining 38% are miscellaneous healthcare treaties.

The table below summarises RGA IRE's business as at the date of its most recent regulatory reports to the Central Bank. This table shows premiums receivable in 2010 and liabilities as at 31 December 2010.

RGA IRE premiums and liabilities as at 31 December 2010

Amounts in £000s *	**Total premiums**	**Total liabilities**
Gross		
Life:		
Guaranteed premium treaties	42,979	64,766
Single premium treaties	9,939	19,324
Longevity treaties	1,317	15,448
Non-guaranteed premium treaties	63,771	69,166
Total Life gross premiums / liabilities	**118,006**	**168,704**
Non-life**:		
Long term care treaties	2,088	14,152
Other treaties (health and disability)	13,171	8,761
Total non life gross premiums / liabilities	**15,259**	**22,913**
Other reserves (miscellaneous pending claim payment provisions)		742
Total gross premiums / technical liabilities	**133,265**	**192,359**
Retrocessions:		
Life:	(90,405)	(139,162)
Non life:	(11,882)	(18,239)
Total retrocessions:	**(102,287)**	**(157,401)**
Total net premiums / long-term liabilities	**30,978**	**34,958**
Other liabilities (amount payable to retrocessionaires and other creditors)		**68,354**
Total net liabilities		**103,312**

Notes:

** The figures disclosed in the RGA IRE valuation report at 31 December 2010 are denominated in USD. For comparison purposes we converted the figures from USD to GBP, using an exchange rate of £1 = $1.5612.*

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

For life reinsurance companies in Ireland, it is allowable to set up a deferred acquisition cost asset within the regulatory balance sheet. This is, in effect, a negative liability, as shown in the table above.

The vast majority of RGA IRE's retrocessions are intra-group, and there is only a small amount of liabilities retroceded external to the RGA group.

The intra-group retrocession is to other RGA reinsurance subsidiaries, but it should be noted that there is no retrocession to RGA UK.

3.2.5 Assets

RGA IRE aims to match its liabilities by duration and currency and invests in corporate bonds with a minimum credit rating of BB and cash only. The company has no exposure to equity, property or derivatives.

3.3 Rationale for the Scheme

Although not a direct consideration for me as Independent Expert, it is nevertheless relevant for me to be aware of the rationale for the Scheme.

As explained previously, most of RGA UK's reinsurance business has (prior to 1 July 2010) been written on a co-reinsurance basis with an overseas RGA subsidiary. Since 1 July 2010, all new reinsurance treaties for protection business have been written into RGA IRE(UK). Although RGA UK continues to receive new business (on the co-reinsurance basis) for all existing treaties still open to new business, RGA UK's business is expected to decline over the long term, and the fixed overhead costs of maintaining a separate entity with a declining block of business are likely to become onerous.

Further, the introduction of Solvency II will bring fundamental changes to the capital requirements, corporate governance and risk management of all insurance and reinsurance companies operating in the EU. Each entity within a group is required to be able to demonstrate a sophisticated risk management framework that is fully integrated into the entity's operations. This means that the more entities within a group the higher the expected costs of compliance. A high level assessment carried out by the management of RGA also indicates that a greater level of capital efficiency can be achieved by operating through one single legal entity within the EU. The main reason for this is that maintaining separate entities within different EU states will not enable the group to benefit from the diversifications of risks across territories. In addition, the group will not be able so easily to use any excess capital arising in one entity to support any deficiencies arising in another entity. Other groups have come to similar conclusions.

Given that RGA IRE and RGA UK are both wholly owned subsidiaries of RGA, Inc, RGA, Inc has deemed that it is not necessary for RGA IRE to make any commercial payment to RGA UK in respect of the additional future profits which are expected to arise within RGA UK as a result of the transfer.

Overall, I can confirm that I am aware of and understand the business rationale for the proposed transfer.

4 The Scheme in practice

4.1 Overview of the Scheme

The Scheme itself is a straightforward one, and provides for the entire assets and liabilities of RGA UK to be transferred to RGA IRE(UK).

As is common practice, the Scheme provides for certain policies which cannot be transferred immediately to be 100% reinsured to RGA IRE(UK) pending subsequent transfer (when the relevant approval is received). These are known as Excluded Policies, and there is an Excluded Policies Reinsurance Agreement. In practice, however, management of RGA UK do not expect there to be any Excluded Policies.

Although the wording of the Scheme is straightforward, and refers the transfer of the policies in question using normal direct insurance terminology, I have received confirmation that the wording of the treaty will, from a legal perspective, ensure that each of the following aspects of RGA UK's business will be transferred to RGA IRE:

- the inwards reinsurance treaties which RGA UK has in force with its clients;
- the outwards retrocessions between RGA UK and other RGA subsidiaries;
- the outwards retrocessions between RGA UK and non-RGA organisations.

As noted in sections 2.3, 3.1.2, and 3.2.2 above, the two groups of policyholders that I need to consider in my analysis of the affects of the Scheme are:

- the transferring policyholders of RGA UK;
- the existing policyholders of RGA IRE.

As noted above, all the business is being transferred and it is not expected that there will be any Excluded Policies.

4.2 Diagrammatic effect of the Scheme

The following diagrams illustrate the effect of the Scheme on the business and organisation structure in RGA.

4.2.1 Before the transfer

Legend

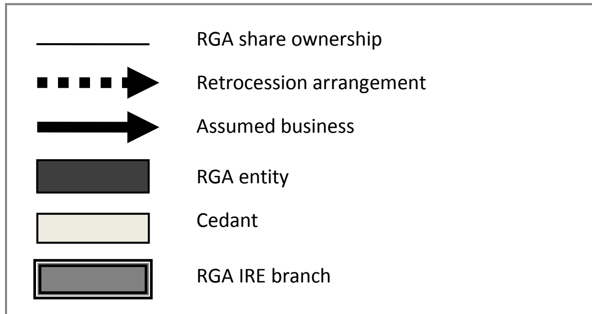
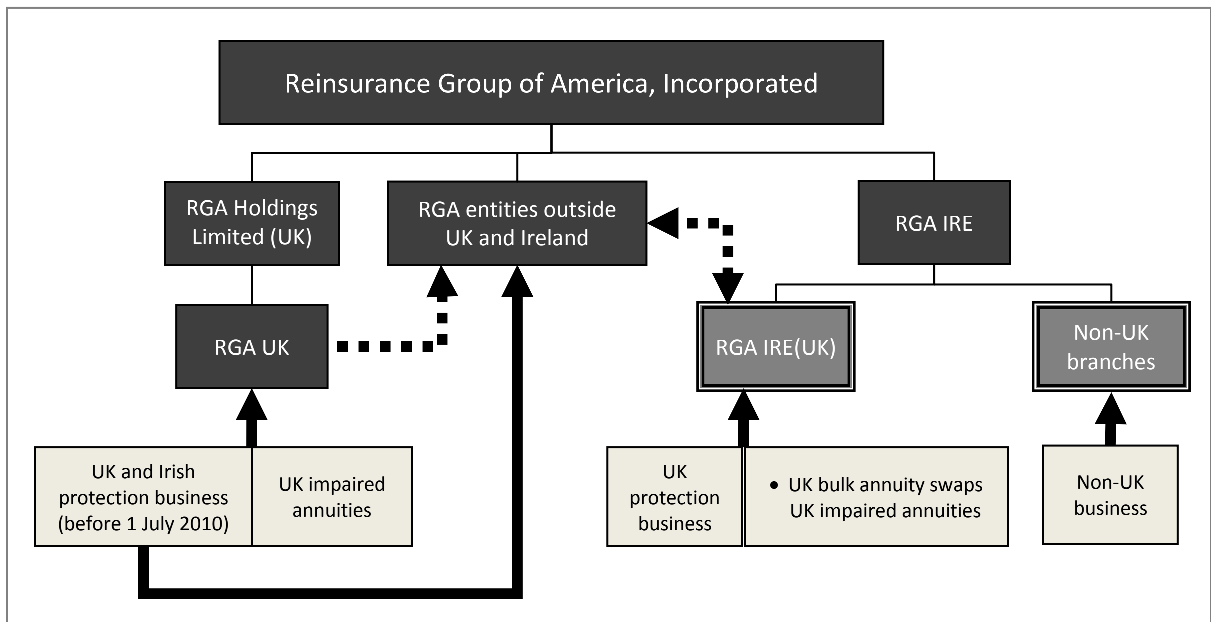


Diagram 4.2.1. Before the transfer



4.2.2 After the transfer

Legend

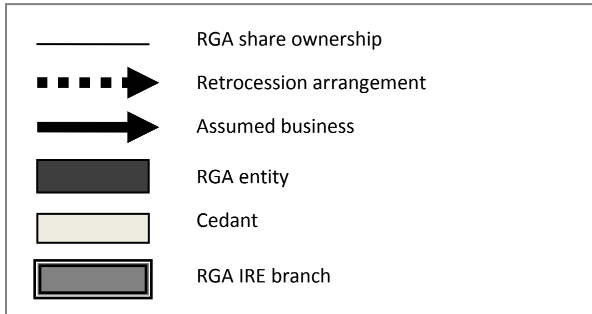
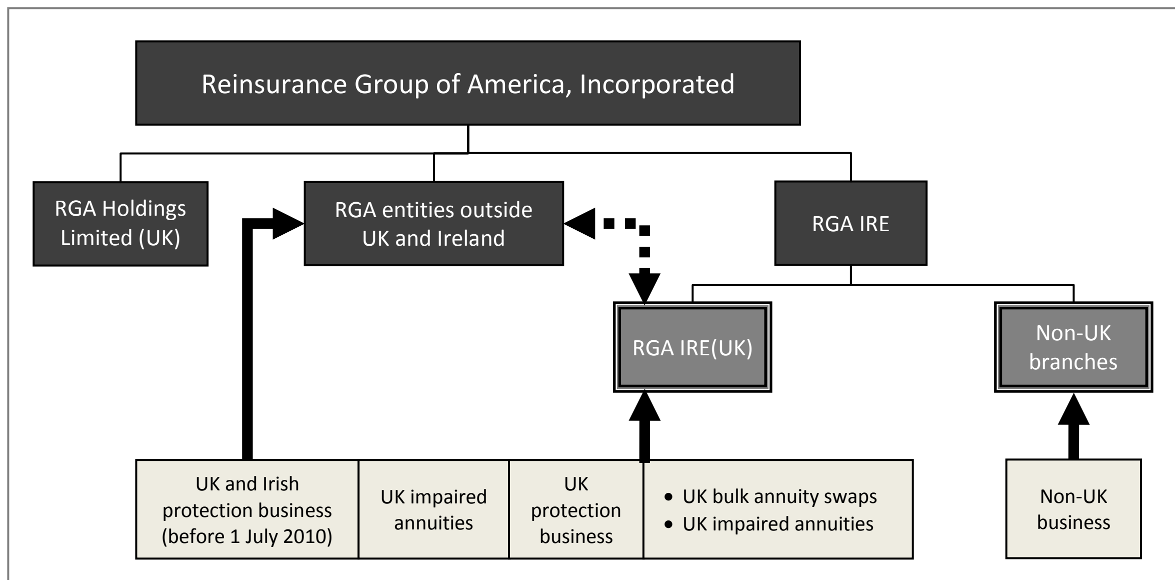


Diagram 4.2.2. After the transfer



The diagram above shows that the business of RGA UK moves into and sits alongside the existing business of RGA IRE. All of the retrocessions also move across with the business and remain in place after the transfer. The business of RGA IRE, including its inwards and outwards retrocessions remains unchanged.

5 Financial position before and after implementation of the Scheme

5.1 Background

The FSA introduced a risk-based capital framework through the Integrated Prudential Sourcebook which came into effect on 31 December 2004. Under the regulatory regime, UK companies are required to assess their solvency under two methods called Pillar 1 and Pillar 2.

Under Pillar 1, companies calculate their assets at broadly market value and their liabilities are calculated with margins for prudence. Companies are also required to hold capital in excess of their liabilities. The minimum amount of this excess capital is the Capital Resources Requirement ("CRR") and its calculation is defined in the Prudential Sourcebook for Insurers. The results of the Pillar 1 calculation are publicly disclosed in a document known as the FSA Returns.

Pillar 2 is intended to provide a more realistic and complete view of the risks to which the company is exposed and to provide a framework within which the company can be managed. Under Pillar 2, companies are required to self assess their own capital requirements according to certain rules and guidance and the amount of capital so calculated is the Individual Capital Assessment ("ICA"). The ICA is submitted privately to the FSA who, after reviewing the information, may issue Individual Capital Guidance ("ICG"), requiring a greater amount of capital to be held. The ICG is also not publicly disclosed.

Since 2004, there have been a number of modifications to rules for Pillar 1. In 2006, the FSA introduced amendments which enabled life companies (including reinsurers) to include allowance for future policy lapses into the reserving calculations, and to allow a negative reserve arising on one policy to be offset against a positive reserve on another policy (as opposed to the former being replaced by zero). Both of these changes acted to remove what was generally regarded as an excessive level of prudence inherent in the previous approach.

Further, in 2005, and arising from an EU Directive on reinsurance, the basis for determining the Pillar 1 capital requirements for pure life reinsurance companies (such as RGA UK) was amended to be based on the approach adopted for non-life business. This lead to a reduction in capital requirements, as it was recognised that the previous approach (which has been retained for direct writing companies) was unnecessarily onerous for pure life reinsurance companies. This Directive applies across the EU.

Under the Irish regulatory regime, companies are only required to assess their solvency under a method similar to the UK Pillar 1 framework. There is no equivalent requirement for companies operating in Ireland to assess their solvency under a method similar to the ICA. Under the CBI requirements, companies value their assets at market value and their liabilities are calculated with margins for prudence. Similar to the FSA requirements,

companies are also required to hold capital in excess of their liabilities. The minimum amount of this excess capital is the Required Solvency Margin ("RSM") and, following the EU reinsurance directive referred to above, this requirement is the same as in the UK. The results of the calculations are publicly disclosed in a document known as the Central Bank Returns, which are similar to the FSA Returns.

For pure reinsurance companies in Ireland, the CBI has modified the requirements for the determination of liabilities as compared with the requirements which apply to direct writing companies. The effect of these modifications is to apply, for pure life reinsurance companies in Ireland, substantially the same modifications as the 2006 changes referred to above as introduced by the FSA (ie relating to the treatment of policy lapses and negative reserves). Some presentational differences exist. One of these is that the requirement to consider changes in asset values and interest rates is part of capital requirements in the UK, but is considered as part of liabilities in Ireland. Another is that in Ireland, a deferred acquisition costs asset is allowed, but the existence of this has to be taken into account when determining the liabilities.

The requirements for valuing assets are also very similar as between the UK and Ireland. Assets are valued at market values, with admissibility restrictions applying to individual stocks (other than government backed).

In summary, for pure life reinsurance companies, the requirements and the methods in practice adopted for the publicly disclosed values of assets, liabilities and capital requirements are substantially the same as between the UK and Ireland. There is no equivalent to the UK Pillar 2 ICA regime currently in Ireland, and I consider this further in section 5.4 below.

A key consideration in any proposed transfer of business is the effect on the solvency and financial strength of the companies involved, and this aspect is considered below under the publicly disclosed Pillar 1 approach. In section 5.2 below, the term Pillar 1 is for convenience also used in respect of RGA IRE, even though this terminology is not formally part of the Irish regulatory regime.

5.2 The Pillar 1 solvency position

5.2.1 RGA UK

The following table shows the pre-scheme position of RGA UK on a Pillar 1 (regulatory solvency) basis as at 31 December 2010.

	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%

After the transfer, and assuming as expected that there are no Excluded Policies, all the entries in the above table will become zero as the entirety of the assets and liabilities are being transferred to RGA IRE.

The above table shows that RGA UK is very well capitalised on a Pillar 1 basis. The above table also highlights the existence of substantial outwards reinsurance (ie retrocession), largely to other RGA group subsidiaries.

5.2.2 RGA IRE

The following table shows the financial impact of the Scheme on RGA IRE's Pillar 1 solvency position, assuming 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 consists of long-term care, health, disability and personal accidents insurance only.*

The changes shown in the table above are detailed below. The numbering corresponds to the lines in the above table.

(1)/(2) The admissible assets will increase by the value of assets transferred from RGA UK.

(3) Total long-term admissible assets will change as a result of changes in (1) and (2).

(4) The gross mathematical reserves will increase in respect of the business transferred in from RGA UK.

(5)/(6) The amount of outwards reinsurance will increase corresponding to the business transferred in from RGA UK.

(7) It should be noted that RCR is a capital requirement in the UK. In Ireland this is included in the balance sheet as a liability.

(8) The net mathematical reserves will change as a result of changes to (4), (5) and (6) and (7)

(9) Other liabilities are increased by the amount of liabilities transferred in from RGA UK.

(10) Shareholders' liabilities are increased by the amount of liabilities transferred in from RGA UK.

(15) The required solvency margin for life business has increased as a result of the business transferred in from RGA UK. There may be some benefits in due course on carrying out a single calculation (as opposed to adding the two separate calculations) but these have been ignored.

(16) The required solvency for the non life business will not change as there is no such business being transferred in from RGA UK.

It should be noted that there are possibly some minor second order effects which have not been allowed for in the above table. Having discussed with the Signing Actuary of RGA IRE, re-alignment of margins of prudence is expected to be made on the transferred impaired annuity longevity assumptions to be consistent with the margins currently used by RGA IRE. However, these are not expected to have a material impact.

As the table above shows, RGA IRE has on its books a relatively small amount of non-life business. Although technically non-life business, this business comprises health, disability, personal accident, and long term care, which is more akin to life business than to motor, marine and aviation types of non-life business. I have however discussed this aspect with a senior KPMG colleague who is expert in the field of non-life insurance, and who is also familiar with the role of Independent Expert. It is known that the formula for the determination of the required solvency margin (ie row 16 in the table above), when applied to non-life business, tends to understate the level of the risk involved, as compared relatively with that for the life business. However, it is clear that RGA IRE would still comfortably meet the solvency requirements even if this non-life solvency margin requirement was higher. For example, if the non-life solvency margin requirement was doubled, the capital resources coverage ratio would still be 356% as opposed to 391% pre-transfer, and 523% as opposed to 565% post transfer. Having consulted with a non-life expert in this area, I am thus satisfied that the presence of non-life business within RGA IRE does not present an issue for the transferring RGA UK policyholders.

The above table shows that RGA IRE is well capitalised on a Pillar 1 basis before the transfer. The transfer improves the position further, due to the level of excess assets coming in from RGA UK.

5.3 Valuation assumptions

I have reviewed and discussed with the Actuarial Function Holder of RGA UK and the Signing Actuary of RGA IRE the current and intended future valuation bases, and how these bases may be affected by the Scheme. The bases currently used are in line with normal actuarial practice for life reinsurance companies in the UK and Ireland, and it is not intended that any material changes to valuation bases will be made following the transfer. Hence the position derived above by adding the two sets of liabilities together accurately reflects the post transfer position. As noted above, there could be some second order affects arising in due course, but these are not expected to be material and, as also noted above, RGA IRE is well capitalised on a Pillar 1 basis post transfer.

5.4 RGA UK Pillar 2 capital position

I have reviewed the estimated ICA position for RGA UK at the end of 2010. As noted in section 2.1 above, the Pillar 2 information is not in the public domain, and in the particular circumstances of this case (as explained below) it is not necessary for me to include any detailed numerical Pillar 2 results in this report. However, in summary, the excess of capital resources over capital requirements on the Pillar 2 basis is marginally greater than the Pillar 1 equivalent of £42m as referred to in section 5.2.1 above. The ratio of capital resources to capital requirements on the Pillar 2 basis falls within the range 150%-200%, and in my experience this is common range for this ratio to lie within.

Under Pillar 1, prudent actuarial methods and assumptions are used to determine the liabilities. Under Pillar 2, realistic methods and assumptions are used. This results in the available capital being much higher under Pillar 2 than Pillar 1. However, at the same time a full assessment of the risks is carried out, and this leads to a much higher capital requirement. The net result in this case, as noted above, is that the excess of available

capital over required capital is similar as between Pillar 1 and Pillar 2, with the latter being marginally greater.

I have discussed with the AFH of RGA UK the likely progression of RGA UK's Pillar 1 and Pillar 2 positions. The AFH of RGA UK has carried out projections of the relative positions over the next 2-3 years and I have reviewed and discussed these projections with the AFH. Absent the proposed transfer, the AFH of RGA UK expects that the Pillar 1 basis would continue to be the more onerous basis over the next few years. For the avoidance of doubt I note that it is possible that this situation could continue for a longer period of time, but any projected comparison between the two bases over a longer period necessarily becomes more subjective.

Although there is no Pillar 2 regime in Ireland, I am satisfied that in the circumstances of this case, this will not in practice be detrimental to the interests of the RGA UK policyholders or the RGA IRE policyholders post transfer. This is because the excess capital of RGA UK is similar under Pillar 2 to that under Pillar 1, with the Pillar 1 basis (which is the basis which applies in Ireland) being more onerous, and expected to remain more onerous for the next few years (by which time the new Solvency II regime will be in force – see section 5.5 below).

5.5 Consideration of Solvency II

As noted in section 2.1 above, a new risk based solvency regime known as Solvency II is expected to be introduced within the EU from 1 January 2013. However, at the time of finalising this report, there is a possibility that the implementation date may be delayed to 1 January 2014.

As part of the development of Solvency II, a series of Quantitative Impact Studies ("QISs") were promulgated by the EU in order to provide a means of assessing the position of companies under the latest draft rules. The most recent (and expected to be final) QIS was QIS5 which was carried out as at 31 December 2009. I have reviewed the Solvency II positions for RGA UK and RGA IRE and the effect of the Scheme based on the QIS5 results as at 31 December 2009. The table below summarises the position:

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 above shows that both RGA UK and RGA IRE both cover their Solvency II capital requirements comfortably pre-transfer. The fact that the cover ratios for RGA IRE and RGA UK are identical at 259% is a coincidence, and it is not expected that this will necessarily be the case going forwards. However, the similarity of the results arising (when combined with the similarity of the risks undertaken as described in sections 3.1.2 and 3.2.2 above, and the risk based nature of the QIS5 specifications) does indicate that both companies have similar risk profiles and characteristics. Hence in joining the two companies together into a single company, neither the RGA IRE nor the RGA UK policyholders are being exposed, in terms of their security, to a fundamentally different position.

The third column of figures in the above table is simply the addition of RGA IRE and RGA UK. The forth column of figures shows that there is actually an improvement in the excess capital and cover ratio when the calculations are performed on the combined business in an integrated way. This is because, under the Solvency II approach, additional synergies and diversification of risks are captured. This is part of the rationale for the transfer, as noted in section 3.3 above.

Solvency II itself allows companies to adopt either a "Standard Formula" approach, or an "Internal Model" approach. The Standard Formula approach essentially involves evaluating an extensive series of defined stress tests. The Internal Model approach involves developing from scratch an appropriate methodology and set of assumptions for determining capital requirements for the company in question. Although both small and large companies can adopt the Internal Model approach should they so wish, in practice it is mainly the largest and/or most complex companies which intend to adopt the Internal Model approach. It is relevant to note that the term "Standard Formula" is itself potentially misleading, as it does involve the consideration and evaluation of a comprehensive range of financial and non-financial stress tests which have been subject to detailed and extensive consultation as part of the Solvency II introduction process. The Standard Formula approach has also been designed taking into account that it will be used by reinsurance companies as well as direct writing companies.

The QIS5 results set out above are on the Standard Formula basis.

Absent the transfer, both RGA UK and RGA IRE intend to adopt the Standard Formula approach, and this approach will also be adopted by RGA IRE assuming that the transfer proceeds. I have discussed with RGA UK and RGA IRE (including the RGA UK AFH and the relevant RGA IRE Corporate Actuary) the rationale for adopting the Standard Formula approach, and the applicability and suitability of the Standard Formula itself for RGA UK and RGA IRE. I have discussed the challenges and areas of uncertainty which the companies have faced in applying the Standard Formula approach. I have reviewed and discussed the internal QIS5 reports which have been produced for both RGA UK and RGA IRE. I am satisfied that the QIS5 results referred to above have been properly produced with due attention to detail, and I can confirm that the choice of the Standard Formula approach is consistent with what I would have expected for reinsurance companies of the size and complexity of RGA UK and RGA IRE. I can also confirm that I concur with RGA UK and RGA IRE in their assessment that the Standard Formula is materially appropriate for the business and risks of RGA UK and RGA IRE.

I note that many aspects of the new Solvency II regime have yet to be finalised, and the finalisation of such aspects could have a material effect on the results shown above. I note that there is currently some uncertainty in relation to the exact commencement date of Solvency II, and that there may be certain transitional arrangements which apply before Solvency II is fully in force. However, these uncertainties exist whether or not the transfer proceeds and they affect both RGA UK and RGA IRE. Given the nature of Solvency II and the progress made to date, it is in my view unlikely that any finalisation from this point forwards would be such that a financial disadvantage would arise from carrying out the transfer. I further note that there is currently no suggestion that the implementation of Solvency II will be delayed beyond the period of time referred to in section 5.4 above during which RGA UK's Pillar 1 basis is more onerous than its Pillar 2 basis.

Notwithstanding the limitations and uncertainties in relation to Solvency II referred to above, I am satisfied that the QIS5 analyses carried out by RGA UK and RGA IRE (and reviewed by me) are the best possible current assessments of the likely affects of the new Solvency II regime, and that these analyses show that the Solvency II requirements will be comfortably met following the transfer.

Both RGA UK and RGA IRE have confirmed to me that they have no objection to their QIS5 information being included within this report.

My supplementary report will contain an updated Solvency II QIS5 analysis as at 31 December 2010.

5.6 New business

RGA IRE will be open to new business after the Scheme is implemented and the capital requirements going forward will be to a large extent dependent on the volume of new business written. This is the same for all insurance and reinsurance companies.

5.7 Summary

Based on the analysis set out above, I can conclude that there are no material issues arising from the proposed transfer in relation to financial strength and the security of benefits. RGA UK policyholders will experience a fall in their Pillar 1 coverage ratio, but the level of coverage within RGA IRE is still perfectly satisfactory. The lack of a Pillar 2 regime in Ireland leads to no detriment in practice for the RGA UK policyholders given the actual Pillar 2 position and given the forthcoming introduction of Solvency II. Finally, based on the latest available estimated Solvency II results, the Solvency II requirements are comfortably met with both RGA UK and RGA IRE showing remarkably similar positions.

6 Effect on policyholders

6.1 Introduction

Having set out in the previous sections of this report the relevant financial effects of the Scheme, this section considers the effect on policyholders from both these viewpoints and more widely. My considerations set out below indicate whether the matters in question apply to either or both of the two groups of policyholders involved, as referred to in section 2.3 above.

6.2 Security of policyholders' benefits

A relevant consideration is the security of all policyholders' benefits in RGA IRE after the implementation of the Scheme, as compared with the positions before the transfer. Given that there are no with-profits or discretionary benefits being provided in either company, it is necessary only for me to be satisfied that RGA IRE remains adequately capitalised following the transfer. This consideration is relevant to both the transferring RGA UK policyholders and the existing RGA IRE policyholders.

The analyses presented in section 5 above, and summarised in section 5.7 above, demonstrate that RGA IRE will remain adequately capitalised following the transfer. The nature of some the business written, such as annuity business and long term care can be relatively capital intensive, and future capital requirements will depend to a large extent on future volumes of new business, with any additional capital required normally being supplied from within the group.

The nature of the risks underwritten in RGA UK and RGA IRE are similar, with RGA IRE having a more diverse source of business across Europe and writing some risks (such as long term care and financial reinsurance) which RGA UK does not write. However, the volumes of these additional types of business within RGA IRE are not sufficiently high to present any material new risks to the RGA UK policyholders.

6.3 Treating customers fairly

Treating customers fairly ("TCF") is an important part of the current UK regulatory regime. The concept relates to how UK financial services companies deal with their customers across a wide range of areas and the following paragraphs deal with the areas which in my opinion need to be specifically addressed in relation to this transfer of business.

Under the Irish regulatory regime, the equivalent concept is known as Policyholders Reasonable Expectations ("PRE"), which was the term used in the UK prior to the adoption of TCF. Essentially the two concepts are very similar, although TCF is more codified in the regulatory rules in the UK as compared with Ireland. The focus of the regulators in relation to TCF/PRE is more towards direct writing insurers as opposed to reinsurers, but the concepts still apply nevertheless.

Several aspects of TCF have already been covered in preceding sections, but for the avoidance of doubt, these are included below. Each is relevant to the transferring policyholders of RGA UK.

6.3.1 Reinsurance treaty terms and conditions

There will be no change to any treaty terms and conditions of the transferred business.

6.3.2 Service standards

I have discussed the issue of service standards with the management of RGA UK and RGA IRE, who have stated that the range of services and level of service currently offered to RGA UK's policyholders will remain unchanged after the transfer. In practice, the UK policyholders will still be serviced by UK RGA staff operating out of RGA's London offices, using the same systems and processes. I am therefore satisfied that RGA UK's policyholders will not experience any change to their service standards as a result of the transfer.

6.3.3 Reinsurance premium review

Although under some treaties the reinsurance premium rates payable by the cedant are guaranteed not to increase once a policy is placed under the treaty, for other treaties the premium rates are reviewable. This allows RGA UK to alter the premium rates if the claims experience (or in some cases other aspects as well) under the treaty is different from that which was originally expected. The absence of any guarantee allows RGA UK to offer keener initial rates, as it will be able to increase rates if experience deteriorates, either in the market generally or on the specific treaty in question.

The treaty typically sets out an initial guaranteed period for the premium rates and the dates on which future premium reviews will be carried. Before a review is due, RGA UK will contact the client to inform them that the review will take place. This will be followed by the actual review process where RGA UK will carry out an analysis of the experience in comparison with the assumptions used in the original pricing basis. A decision will be made and approved by Management based on the results of this analysis. Any change to premium rates will then be proposed to the client and a negotiation process will take place. The cedant has the option to accept or decline the proposal. In the extreme case that RGA UK and the cedant cannot reach an agreement, the treaty will be recaptured (ie discontinued) by the cedant and cease to be in force. In practice, an agreement is normally reached following the negotiations.

Based on my discussions with RGA UK and RGA IRE management, the same approach and processes for premium rate reviews will be used going forwards following transfer. In particular, and consistent with section 6.3.2 above, the premium rate reviews will be continue to be carried out by UK RGA staff in London.

6.3.4 Profit sharing treaties

As a variation on the guaranteed/non-guaranteed premium rates issue described above, some reinsurance treaties are subject to profit sharing clauses. Under such treaties, part of any underwriting profit made by the reinsurer under the treaty may be refunded back to the cedant. The mechanism for determining the profit and relevant part to be refunded is

normally set out in some detail within the treaty. RGA UK currently does not have any profit sharing treaties in its in-force business and hence profit sharing mechanism is not an issue under the transfer.

6.4 Investment management

I have confirmed with the management of RGA UK that the investment management of the assets in RGA UK's investment portfolio will not be affected by the transfer. Following the transfer, the assets will be part of RGA IRE(UK), but will still be denominated in Sterling and managed in the same way by the same investment managers. This consideration is relevant both to the transferring policyholders of RGA UK and to the existing policyholders of RGA IRE as it affects the ongoing asset and liability matching by currency in RGA IRE post transfer.

6.5 Expense levels

Although it is to be expected that there will be some immediate ongoing expense savings as a result of having one reinsurance company as opposed to two, it is difficult to predict exactly what the savings will initially be. Longer term, the savings are expected to be significant given that RGA UK is not writing any new treaties, and will thus in due course suffer from diseconomies of scale. I am content that the ongoing expense levels are unlikely to be adversely affected as a result of the transfer, and I believe that this is a sufficient conclusion for current purposes. This consideration is relevant both to the transferring policyholders of RGA UK and the existing policyholders of RGA IRE as it affects the ongoing solvency and expense efficiency of RGA IRE post transfer.

6.6 Retrocession parties

As indicated in section 4.1 above, the Scheme will also transfer, to RGA IRE, the outwards retrocession arrangements which RGA UK has in force. This applies both to the arrangements with other RGA subsidiaries and to the arrangements with non-RGA organisations. In addition, there are also outwards retrocession arrangements from RGA IRE, again both to other RGA subsidiaries and to non-RGA organisations. For RGA IRE the amount of outwards retrocession to non-RGA organisations is not material.

None of the terms of the outward retrocession arrangements is being changed by the transfer. Following the transfer, the liability of the outwards retrocession providers to RGA UK will instead be to RGA IRE, but the amounts of the liabilities and the circumstances under which the liabilities are payable will not change.

I can thus conclude that there will be no adverse effect on the position of any of the outwards retrocession providers involved, with this conclusion applying both to the other RGA subsidiaries and the non-RGA organisations. This consideration is relevant both to the transferring policyholders of RGA UK and the existing policyholders of RGA IRE as it affects the ongoing risk management and solvency position of RGA IRE post transfer.

7 Other risk considerations

7.1 Credit risk

As the analyses in section 5 above have shown, both RGA UK and RGA IRE have material deductions from their gross liabilities in respect of outwards retrocessions, both intra-group and (in the case of RGA UK) external to the group. This gives rise to credit risk in the event that the other party defaults on its obligations.

I understand that third party letters of credit or assets held in trust arrangements are used by RGA UK as the mechanisms to mitigate this risk, and I note that this is a common practice. These arrangements will be transferred (by legal means separate to the Scheme itself) and will thus continue to apply.

The current mechanism in place to mitigate the credit risk in respect of the outwards retrocession arrangements between RGA IRE and other RGA entities takes the form of a parental guarantee letter. This will remain unchanged following the transfer.

Some of RGA UK's cedants have requested and been provided with parental guarantee letters from RGA. These have been issued either by RGA, Inc, or by RGA Global Re (which is an RGA reinsurance subsidiary based in Bermuda). The purpose of such letters is to confirm that RGA, Inc or RGA Global Re will meet the relevant liabilities should RGA UK default.

I have reviewed samples of the parental guarantee letters issued by RGA, Inc and RGA Global Re, and I have requested and reviewed the list of cedants and treaties which are subject to such letters.

I have been informed that RGA, Inc and RGA Global Re will each execute a deed poll which will declare that, as from the Effective Date, the parental guarantee letters will instead operate in relation to the performance of RGA IRE under the relevant treaties, as opposed to RGA UK. Thus no cedant of RGA UK will suffer any loss of protection as a result of the transfer. I have requested and received an opinion letter from RGA UK's and RGA IRE's legal advisers, Hogan Lovells, which confirms their opinion that this deed poll arrangement will be legally effective in transferring the parental guarantee letters such that they relate to the performance of RGA IRE as opposed to RGA UK. A copy of this letter is included in Appendix 2 to this report.

For completeness, I note that the regulatory rules in the UK require a company reinsuring outwards more than 20% of its risks (as measured by premiums) to any one reinsurer (or to a group of related reinsurers) to provide evidence to the FSA of how the corresponding credit risk is being managed. No such specific requirement exists in Ireland. However, the protection arrangements referred to above (and being transferred across to RGA IRE) are commonly used by companies to address this requirement.

It is further relevant to note that reinsurance is a highly international business, and it is common for major global reinsurance groups such as RGA to retrocede liabilities around

the group. This acts to spread and diversify risk. It is relevant to note that the policyholders of RGA UK and RGA IRE are, in the main knowledgeable direct writing insurance companies who are likely to aware that reinsurance groups such as RGA retrocede liabilities internationally.

It is expected that the legal arrangements to implement the effective transfer of the protection arrangements referred to above will be in place by the time of my supplementary report, and I will confirm whether this has in fact taken place within my supplementary report.

7.2 Operational risk

When a transfer of long term business takes place, there is scope for operational risks to occur and for example administrative errors to arise. The scope for such errors is greatest when the operation of complex processes or IT systems is moved from one group of people to another. An example would be unit pricing process for unit-linked business. For reinsurance business, a key concern of cedants would be to ensure that the premiums and claims accounting under each treaty continues to be carried out accurately by the reinsurer.

In the case of this transfer, the processes and IT systems under which the RGA UK treaty premium and claims accounting will be carried out will remain in RGA's London offices and will continue to be operated by the same people.

It is further the case that the operation of reinsurance treaties does not (unlike for example unit pricing) take place in real time, and the correction or errors is normally straightforward.

I can therefore conclude that I see no material change in the ongoing position as regards operational risk, and that the potential for operational risk to occur at the point of transfer and cause a material problem for cedants is limited.

7.3 Legal risk

In considering the issue of legal risks, I have relied on the fact that RGA UK and RGA IRE have followed the advice of their legal advisers and Counsel in finalising the legal agreements in relation to this transfer, both in the UK and in Ireland.

I understand RGA UK's inwards reinsurance treaties and outwards retrocessions are all governed by English law and that this will continue to be the case after the transfer to RGA IRE(UK).

Thus in my opinion, all reasonable steps have been taken to reduce the legal risks arising from the Scheme to a minimum.

7.4 Regulatory risk

The main regulatory risk relates to the uncertainty in relation to the finalisation of Solvency II, as noted in section 5.5 above. However, under the Solvency II regime, the

same risk based assessment approach will be used across the EU and thus the finalisation of the initial regime and any ongoing changes will have the same effect whether the transfer proceeds or whether RGA UK and RGA IRE remain separate.

There is the risk that the implementation of Solvency II is delayed, and that during the delay period the UK and Irish regimes for regulating reinsurance companies diverges. However, it must be acknowledged that there is scope for different regulatory approaches to apply, and that the CBI is an experienced regulator of reinsurance companies. See also section 7.6 below.

In the event of a regulatory risk materialising, often the outcome is that more shareholder capital would be required in the companies. Clearly, this may not always be the case, but in most cases regulatory standards and changes to them have a direct impact on the capital required. As is the case with most large insurance and reinsurance groups, the main source of additional capital is from within the group. Although there can be no guarantee of future capital being made available, the desire to avoid reputational risks arising does provide a strong incentive for groups to provide the additional capital to their operating subsidiaries where necessary. Thus, in most circumstances, regulatory risk is normally more of a concern for shareholders, as opposed to being a direct risk for policyholders. Further, as RGA UK and RGA IRE are similar companies in their nature, any change is likely to affect both companies similarly and, since both companies are part of the same group, the availability of additional shareholder capital will be similar before and after the transfer.

7.5 Tax risk

My understanding is that the relevant tax clearances have been or are expected to be obtained and in particular, that no stamp duty will crystallise from the transfer of assets from RGA UK to RGA IRE. Although corporate tax rates are currently lower in Ireland than in the UK, my understanding is that the profits of RGA IRE(UK) (ie the UK branch) will be taxed under the UK tax regime.

7.6 Change of regulator

Following the transfer, the Transferred Business would no longer be regulated by the FSA and would be regulated by the CBI.

As noted above, the current Pillar 1 regimes are similar as between the UK and Ireland. There is however a difference in how actuarial advice is formally used between the UK and Ireland as far as reinsurance companies are concerned. In the UK, RGA UK is required to appoint an Actuarial Function Holder to advise the Board of Directors on the determination of the Pillar 1 liabilities in line with the relevant requirements, with the Board being responsible for the final decisions. In Ireland, RGA IRE is required to appoint a Signing Actuary, who certifies to the CBI that the Pillar 1 liabilities have been determined in accordance with the relevant requirements. Although there are clearly differences between the two approaches from a governance perspective, each regime requires an individual actuary to take responsibility for advising in relation to the determination of the liabilities in accordance with the relevant requirements. I note

further that it is currently unclear as to what (if any) formal role actuaries will have under the Solvency II requirements.

The position under Pillar 2 and Solvency II has been covered in preceding sections of this report.

Overall, I can see no reason why the security of policyholder benefits will be adversely affected as a result of being regulated by the CBI as opposed to the FSA.

7.7 CJEU ruling on gender discrimination

The Court of Justice of the EU ("CJEU") has recently ruled that gender discrimination in the pricing of insurance will not be allowed from 21 December 2012. Although the details of how this new ruling will be implemented are not yet known, it is generally accepted within the life insurance industry that the ruling is not retrospective , and is only applicable to direct writing insurance companies and not to contracts between such companies and their reinsurers. It remains to be seen whether, from 2013, direct writing insurance companies seek to arrange new reinsurances on gender specific or gender neutral premium rates. The position here could vary between direct insurers and between the markets in each of the EU countries in which RGA IRE operates. Further, the approach to the detailed implementation of the ruling into local legislation could vary by EU country.

There is clearly some uncertainty in relation to this issue, but my conclusion is that this level of uncertainty exists both before and after the proposed transfer, and that carrying out the proposed transfer will not result in the position being materially different for any of the policyholders concerned.

7.8 Eurozone uncertainty

Ireland is a member of the Eurozone, and it is common knowledge that the Irish government has been provided with financial assistance from other European states. Irish banks have been particularly adversely affected by the credit crisis events of the last few years. I have thus considered whether there is any material disadvantage arising as a result of this to the policyholders of RGA UK who will be transferred into RGA IRE.

I note that whilst Irish banks have been particularly adversely affected by the credit crisis, the insurance market in Ireland has been far less affected. Insurance regulation in Ireland is regarded as being highly effective, and the CBI has significant experience of regulating pure reinsurance companies.

A branch structure will be operated, and the policyholders of RGA UK will be transferred into RGA IRE(UK), ie the UK branch. As noted previously in this report, new reinsurance treaties written with UK cedants since July 2010 have already been written into RGA IRE(UK). The assets of the enlarged UK branch will continue to be invested in Sterling denominated assets, with a significant amount invested (some 70%) in UK government securities. A similar approach is followed for the other branches of RGA IRE, ie euro denominated liabilities in a particular branch are substantially matched wherever possible by government or high quality corporate stocks in the same EU

country. In this way, the potential consequences of any breakup of the eurozone or the default by any government are limited.

Having considered this issue, my view is that 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.

8 Conclusions

My conclusions in relation to the effect of the Scheme are as follows:

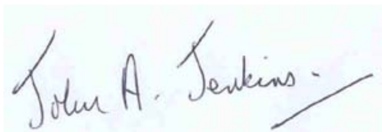
1 There will be no material adverse effect on the security of benefits for any of the policyholders involved, namely the transferring policyholders of RGA UK and the existing RGA IRE policyholders.

2 There will be no adverse effect on the benefit expectations of any of the policyholders involved, with this conclusion encompassing the following aspects:

   - there will be no change in any treaty terms and conditions;
   - the RGA IRE premium rate review processes applicable to the transferring policyholders with reviewable premium rates will be the same as those adopted by RGA UK, and I see no reason why any policyholders will be asked to pay greater premiums after the transfer as compared with before.

I have reviewed the FSA's first report to the Court in respect of the transfer and I confirm that this raises no issues for me as Independent Expert. In the event that the FSA's final report to the Court contains any new considerations which are relevant to my role as Independent Expert, then I will consider these in a supplementary report to the Court.

The main Pillar 1 financial information contained within this report is as at 31 December 2010. Prior to the final Court hearing, I will provide the Court with a supplementary report containing updated financial information as at 30 June 2011, together with an updated Solvency II QIS5 analysis as at 31 December 2010, and I will confirm whether this updated information has any effect on the conclusions I have reached above. My supplementary report will also confirm (if such be the case) that the legal arrangements referred to in section 7.1 above have been put in place.



John A Jenkins

Fellow of the Institute and Faculty of Actuaries

Partner, KPMG LLP

19 August 2011

Appendix 1: Main documents reviewed by the Independent Expert

RGA UK

- Annual FSA returns for the years ended 31 December 2009 and 2010
- Annual Report and Accounts for the year ending 31 December 2010
- Articles of Association
- ICA information as at 31 December 2009 and 31 December 2010
- QIS5 analysis and results
- Sample reinsurance treaties, including with reviewable premium rates

RGA Ireland

- Annual CBI returns for the years ended 31 December 2009 and 2010
- Annual Report and Accounts for the year ending 31 December 2010
- Articles of Association
- QIS5 analysis and results
- Sample reinsurance treaties, including with reviewable premium rates

Other documents

- Draft Scheme and Excluded Policies Reinsurance Agreement.
- Solvency II QIS5 analyses for RGA UK, RGA IRE, separately and combined
- Samples of the Parental Guarantee letters.
- List of cedants and treaties which are subject to Parental Guarantee letters.

Appendix 2: Copy of letter received from Hogan Lovells

See following pages.

Hogan Lovells

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19 August 2011

Mr John Jenkins
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Our ref C1JLS/TJG/2471669.1
Matter ref V0830/00071

Dear Sir

DEED POLLS ALTERING OBLIGATIONS UNDER LETTERS OF GUARANTEE

1. We are acting as English legal advisers to RGA Reinsurance UK Limited ("**RGA Re UK**") in connection with the proposed transfer under Part VII of the Financial Services and Markets Act 2000 of the entire business of RGA Re UK to RGA International Reinsurance Company Limited (the "**Part VII Transfer**"); the deed poll entered into by Reinsurance Group of America, Incorporated ("**RGA Inc**") on 19 August 2011 (the "**RGA Inc Deed Poll**"); and the deed poll entered into by RGA Global Reinsurance Company, Ltd. on 19 August 2011 (the "**RGA Global Deed Poll**") (the two Deed Polls being referred to collectively in this opinion as the "**Deed Polls**"). Expressions defined in the Deed Polls and not re-defined below shall bear meanings in this opinion which encompass the meanings ascribed to them by both deed polls, unless the context otherwise requires.

DOCUMENTS EXAMINED

2. For the purposes of giving this opinion, we have examined a copy of the RGA Inc Deed Poll and the RGA Global Deed Poll. We have also examined the governing law clauses contained within copies of the Letters of Guarantee. We have not examined any other documents or records nor made any enquiries or searches.

SCOPE OF OPINION

3. This opinion is given only with respect to English law in force at the date of this letter. No opinion is expressed or implied as to the laws of any other territory, or as to matters of fact.

OPINION

4. Based on the foregoing and the assumptions in Appendix 2 to this opinion (which we have taken no steps to verify), and subject to the qualifications and observations set out below

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and to any matters not disclosed to us, our opinion as regards the enforceability and effect of the Deed Polls is set out in Appendix 1 to this opinion.

QUALIFICATIONS

5. This opinion is subject to the qualifications stated below:

5.1 The expression "enforceable" means that the obligations of RGA Inc and RGA Global created by the provisions of the Deed Polls are of a type which English Courts enforce. It does not mean that they will be enforced in all circumstances in accordance with their terms. In particular, but without limitation:

(a) Our opinion as regards the binding effect and validity of certain provisions of the Deed Polls and their enforceability against RGA Inc and RGA Global is subject to the limitations resulting from all insolvency and other laws of general application affecting creditors' rights.

(b) Process will be treated by the English Court as validly served on a foreign corporation or person, inter alia, where (i) that foreign corporation or person has expressly submitted to the jurisdiction of the English Court; (ii) the process contains claims only in respect of the Deed Polls; and (iii) the process is duly served (A) on an agent of that corporation or person within England and Wales or (B) at an address within England and Wales which in each case has been appointed for the acceptance of service of process in English legal proceedings in relation to the Deed Polls.

(c) The power of an English Court to grant equitable remedies is discretionary and we express no opinion whether they would be available. Specific performance is not usually ordered and an injunction not usually granted where damages would be an adequate remedy.

(d) Where any obligation is to be performed in a jurisdiction outside England and Wales or by a person subject to the laws of that other jurisdiction, the obligation may not be enforceable under English law to the extent that its performance would be illegal or contrary to public policy under the laws of that other jurisdiction.

(e) Where a person is vested with a discretion, or may determine any matter in his opinion, English law may require that the discretion be exercised reasonably and in a manner which does not frustrate the reasonable expectations of the parties. In addition, a provision that any certificate or determination will be conclusive will not be effective if it is fraudulent or made on an unreasonable basis.

(f) Enforcement of the rights of the parties under the Deed Polls may become time-barred under the Limitation Act 1980 or may be or become subject to defences of set-off or counterclaim, depending on the relevant facts.

(g) A term of a written agreement may be varied by oral agreement of the parties, notwithstanding that such written agreement requires variations to be made only in writing.

5.2 An English Court is able, where the amount claimed is denominated in a currency other than sterling, to give judgment in that other currency, as a matter of current procedural practice. However, the judgment debtor may settle the judgment debt in sterling, applying the rate of exchange current at the time of payment. Further, if RGA Inc or RGA Global enters into insolvent liquidation or an administration which includes a distribution to creditors under English law, any foreign currency claim against that company would be converted into sterling at the date on which liquidation or administration commenced or is deemed to have commenced.

5.3 Although the choice of English law to govern the Deed Polls may be recognised and upheld by an English Court, that choice may be overridden by mandatory rules of (i) the forum in which a dispute is adjudicated or (ii) the place of performance of contractual obligations. The application of English law may also be refused to the extent that it is manifestly incompatible with the public policy of the forum and is subject in certain circumstances to provisions of other relevant local law or law of the European Union which cannot be derogated from by agreement.

5.4 Except in those cases where jurisdiction is determined in accordance with the provisions of the Brussels I Regulation (EC 44/2001), an English Court will normally stay an action where it is shown that it can, without injustice to the parties, be tried in a more convenient forum. An English Court may also, at its discretion, order a claimant in an action, if he is not ordinarily resident in the United Kingdom, to provide security for costs.

5.5 An agreement conferring exclusive jurisdiction on the courts of an EU Member State may be frustrated, at least temporarily, by proceedings commenced in the courts of another EU or EFTA Member State (excluding Liechtenstein). Until such proceedings are concluded with a refusal to accept jurisdiction, any proceedings commenced in the courts of the agreed jurisdiction will be stayed.

5.6 Insofar as a choice of English law applies to non-contractual obligations, it must be freely negotiated by parties pursuing a commercial activity and will not prejudice the rights of third parties.

OBSERVATIONS

6. We also make the following observations:

   (a) We express no opinion as to the correctness of any warranty or representation given by the signatories to the Deed Polls (expressly or impliedly).

   (b) We express no opinion on the enforceability or effect of the Letters of Guarantee.

   (c) Save for the examination of the documents referred to in paragraph 2, we have not conducted any due diligence of any nature with regard to RGA Inc or RGA Global nor have we considered the particular circumstances of any such party or of any assignee, transferee or successor of that party or the effect of such particular circumstances on the Deed Polls.

   (d) We have acted as RGA Re UK's counsel on this matter and as such, save as may be constituted by this opinion we have not advised Mr Jenkins or KMPG LLP nor do we owe Mr Jenkins or KMPG LLP any duty of care.

BENEFIT OF OPINION

7. This opinion and all non-contractual obligations arising out of or in connection with this opinion shall be governed by and construed in accordance with English Law.

8. This opinion is addressed to Mr John Jenkins who, in his capacity as a partner of KMPG LLP, is acting as the Independent Expert in connection with the Part VII Transfer, and is given for his sole benefit as Independent Expert. This opinion is not addressed to KPMG LLP. Mr Jenkins may rely on this opinion on terms that (i) no solicitor-client relationship exists between our firm and Mr Jenkins in connection with the Part VII Transfer and the matters contemplated in the Deed Polls or by virtue of this opinion and (ii) it is for Mr Jenkins to form his own view or take his own advice whether this letter is appropriate or sufficient for his purposes. No person (other than the addressee) into whose possession a copy of this opinion comes may rely on this opinion, without our express written consent.

9. Save as provided below, this opinion may not be disclosed or quoted to any person other than the addressee without our prior written consent in each case. Subject to paragraph 8 we consent to a copy of this opinion being included in or annexed to Mr John Jenkins' report to the Court in his capacity as Independent Expert in connection with the Part VII Transfer, on a non-reliance basis.

10. This opinion is provided on the basis that to the extent permitted by law, our liability (including any liability of our members, employees or consultants including anyone we call a partner) in respect of this opinion, whether in contract or tort (including negligence) or on any other basis, is limited to £3 million.

Yours faithfully

Hogan Lovells International LLP

HOGAN LOVELLS INTERNATIONAL LLP

APPENDIX 1

Will the Deed Polls operate to preserve the effect of the Letters of Guarantee post-transfer in relation to the Guaranteed Contracts?

Yes. The Deed Polls are executed by RGA Inc and RGA Global in favour of the Beneficiaries (who are the policyholders of RGA Re UK whose contracts are to be transferred to RGAI by the Part VII). A deed executed by one party alone can be enforced by a third party in whose favour it is executed.

Clause 1 of the RGA Inc Deed Poll provides that, with effect from the Effective Date, RGA Inc undertakes to perform its obligations under the Letters of Guarantee as if RGAI was named in the Letters of Guarantee instead of RGA Re UK as reinsurer in respect of each Guaranteed Contract which is transferred to RGAI under the Scheme. This undertaking is enforceable under English law.

Clause 1 of the RGA Global Deed Poll provides that, with effect from the Effective Date, RGA Global undertakes to perform its obligations under the Letters of Guarantee as if RGAI was named in the Letters of Guarantee instead of RGA Re UK as reinsurer in respect of each Guaranteed Contract which is transferred to RGAI under the Scheme. This undertaking is enforceable under English law.

Therefore the effect of the Letters of Guarantee will remain the same post-transfer as pre-transfer.

APPENDIX 2

In this opinion, we have assumed that:

(a) All documents provided to us as originals are authentic and complete and all signatures and seals are genuine. All documents provided to us as copies (including those transmitted to us electronically or obtained from a website) conform to the original documents to which they relate.

(b) Each party to the Deed Polls has full corporate capacity, power, authority and legal right to enter into and perform its obligations under the Deed Polls. The Deed Polls have each been duly authorised, executed and delivered by each party in each case under all applicable laws and each is in full force and effect.

(c) Each party is acting as principal and entered into the Deed Polls in good faith for the purpose of its business and there are reasonable grounds for believing that entry into the Deed Polls will benefit each party.

(d) Each party was able to pay its debts as they fell due (within the meaning of section 123 of the Insolvency Act 1986) at the time of entering into the Deed Polls and will not become unable to pay its debts as a consequence of doing so.

(e) No steps have been taken to place any party to the Deed Polls into any insolvency procedure and no injunction has been granted against any party.

(f) The Deed Polls have not been terminated or varied and no obligation under either has been waived.

(g) The documents listed in paragraph 2 contain all relevant information which is material for the purposes of our opinion and there is no other arrangement (oral or written) between the parties or any other matter, event or information which affects the conclusions stated in this opinion.

(h) The binding effect of the Deed Polls on each party is not affected by fraud, deceit, duress, undue influence, mistake or the doctrine of estoppel and it has not been entered into by any party in connection with money laundering or any other unlawful activity.

(i) All formalities and requirements of the laws of any relevant state (other than England and Wales), and of any regulatory authority therein, applicable to the execution, performance, delivery and enforceability of the Deed Polls, have been or will be duly complied with.

(j) The choice of English law to govern the Deed Polls will be recognised and upheld by the law of each other jurisdiction applicable to the parties.

(k) No law (other than English law) affects any of the conclusions stated in this opinion.