



## Reinsurance Group of America, Incorporated – Q3 2018

### Financial Results and Business Highlights

On October 25, 2018, Reinsurance Group of America, Incorporated (NYSE: RGA) reported financial results for the third quarter of 2018. “This was a very strong quarter for us, with this quarter’s performance offsetting some softness in the first two quarters of the year,” said Anna Manning, President and Chief Executive Officer, RGA. “I want to reiterate a few key points that this quarter’s results reinforce. First, our global operating platform, which is diversified by both geography and product, continues to serve us well. Second, the nature of our business is such that we expect short-term volatility by segment, but we expect this volatility to even out over longer periods of time. Finally, we continue to use a balanced approach to effectively manage our capital over time, and this quarter’s deployment and share repurchases demonstrate our discipline toward this end.

“Highlights for the quarter include a strong result for our U.S. Individual Mortality business due to very favorable mortality experience, and strong performances from EMEA and Asia. Strength in these areas more than offset the unfavorable experience in the U.S. Group business and in Australia.

“We deployed \$190 million of our excess capital into in-force and other transactions, and we repurchased \$109 million of shares, bringing year to date deployment and repurchases to \$280 million and \$259 million, respectively. We ended the quarter with an excess capital position of approximately \$1.1 billion, down from the previous quarter.”

The board of directors declared a regular dividend of \$0.60, payable November 27 to shareholders of record as of November 6.

#### **Q3 2018 Financial Results\***

- Net income for the quarter totaled \$301.2 million, or \$4.68 per diluted share, versus \$227.6 million, or \$3.47 per diluted share, in the prior-year quarter.
- Adjusted operating income\*\* totaled \$259.4 million, or \$4.03 per diluted share, compared with \$226.0 million, or \$3.44 per diluted share, the year before.
- Consolidated net premiums totaled \$2.6 billion, up 3 percent from last year’s third quarter of \$2.5 billion, with adverse net foreign currency effects of \$33.4 million.
- Book value per share was \$136.29, including accumulated other comprehensive income (AOCI), and \$123.37 excluding AOCI.\*\*

\* All figures in U.S. dollars.

\*\* See “Use of Non-GAAP Financial Measures” at end of this document.

### Q3 2018 News and Highlights

- On August 2, RGAX announced the acquisition of SALT Associates, a disability and life insurance consulting firm providing specialized claims management solutions. Based in Maine, SALT operates as part of RGAX's LOGiQ<sup>3</sup> group of insurance services companies and increases RGA's ability to serve clients across the insurance value chain.
- On September 12, RGA celebrated 10 years as an independent company. On that date in 2008, MetLife's public offering of RGA stock was completed — marking the first time in RGA's history that it was fully independent of any majority parent.
- On September 12, RGA was named to the *Forbes* 2018 Best Regarded Companies list, ranking #149 of 250 global companies listed. The list is compiled through a survey of 15,000 people from 60 countries evaluating areas such as trustworthiness, social conduct, performance of the company's product or service, and the company as an employer.
- RGA was later named to *Forbes* magazine's 2018 World's Best Employers list, ranking #97 of 500 companies listed. Organizations are selected for the list based on internal perception gathered from recommendations from their own employees and public perception from other industry professionals.
- On September 24, CEO Anna Manning was named to *Fortune* magazine's "50 Most Powerful Women" list for the second consecutive year, moving up from #44 to #36. The list is compiled by *Fortune* editors who consider four criteria: the size and importance of the woman's business in the global economy, the health and direction of the business, the arc of her career, and social and cultural influence.
- On September 27, RGAX partner Cardiogram announced the launch of accidental death insurance coverage for wearable technology users via the Cardiogram app. The coverage, offered in partnership with Amica Life, is the first market introduction from Greenhouse Life Insurance Company, RGAX's life and disability insurer custom-designed to partner with insurers and entrepreneurs to accelerate innovation in the life insurance industry.
- On September 27, RGA was named "Life Reinsurer of the Year" at the 2018 *Reactions* North America Awards. Langhorne Re, a global reinsurer targeting large in-force life and annuity blocks which was launched in January 2018 by RGA and RenaissanceRe Holdings Ltd., was named "Launch of the Year." The awards honor the achievements of companies and individuals who help to raise standards across the insurance industry.



Financial strength ratings for RGA's principal operating subsidiaries remained unchanged, and are shown in the following chart:

	RGA Reinsurance Company	RGA Americas Reinsurance Company, Ltd.	RGA Life Reinsurance Company of Canada	RGA International Reinsurance Company dac	RGA Global Reinsurance Company, Ltd.	RGA Reinsurance Company of Australia Limited	RGA Atlantic Reinsurance Company Ltd.
S&P Global Ratings	AA-	AA-	AA-	AA-	AA-	AA-	(not rated)
A.M. Best Company	A+	A+	A+	(not rated)	(not rated)	(not rated)	A+
Moody's Investors Service	A1	(not rated)	(not rated)	(not rated)	(not rated)	(not rated)	(not rated)

For more complete information and the full text of RGA's announcement of third quarter financial results, please refer to RGA's Investor Relations site at [www.rgare.com](http://www.rgare.com).

### **About RGA**

Reinsurance Group of America, Incorporated (RGA), a Fortune 500 company, is among the leading global providers of life reinsurance and financial solutions, with approximately \$3.3 trillion of life reinsurance in force and assets of \$63.0 billion as of September 30, 2018. Founded in 1973, RGA today is recognized for its deep technical expertise in risk and capital management, innovative solutions, and commitment to serving its clients. With headquarters in St. Louis, Missouri, and operations around the world, RGA delivers expert solutions in individual life reinsurance, individual living benefits reinsurance, group reinsurance, health reinsurance, facultative underwriting, product development, and financial solutions. To learn more about RGA and its businesses, visit the company's website at [www.rgare.com](http://www.rgare.com).

**\*\* Use of Non-GAAP Financial Measures:** RGA uses a non-GAAP financial measure called adjusted operating income as a basis for analyzing financial results. This measure also serves as a basis for establishing target levels and awards under RGA's management incentive programs. Management believes that adjusted operating income, on a pre-tax and after-tax basis, better measures the ongoing profitability and underlying trends of the company's continuing operations, primarily because that measure excludes the effect of net investment related gains and losses, as well as changes in the fair value of certain embedded derivatives and related deferred acquisition costs. These items can be volatile, primarily due to the credit market and interest rate environment and are not necessarily indicative of the performance of the company's underlying businesses. Additionally, adjusted operating income excludes any net gain or loss from discontinued operations and the cumulative effect of any accounting changes, which management believes are not indicative of the company's ongoing operations. The definition of adjusted operating income can vary by company and is not considered a substitute for GAAP net income.

Book value per share excluding the impact of AOCI is a non-GAAP financial measure that management believes is important in evaluating the balance sheet in order to ignore the effects of unrealized amounts primarily associated with mark-to-market adjustments on investments and foreign currency translation.

Adjusted operating income per diluted share is a non-GAAP financial measure calculated as adjusted operating income divided by weighted average diluted shares outstanding. Similar to adjusted operating income, management believes this non-GAAP financial measure better reflects the ongoing profitability and underlying trends of the Company's continuing operations. It also serves as a basis for establishing target levels and awards under RGA's management incentive programs.

Reconciliations from GAAP net income, book value per share, and net income per diluted share are provided in the accompanying tables. Additional financial information can be found in the Quarterly Financial Supplement on RGA's Investor Relations website at [www.rgare.com](http://www.rgare.com) in the "Earnings" section.



REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES  
 Reconciliation of Consolidated Net Income to Adjusted Operating Income  
 (Dollars in thousands, except per share data)

(Unaudited)	Three Months Ended September 30,			
	2018		2017	
		Diluted Earnings Per Share		Diluted Earnings Per Share
Net income	\$ 301,199	\$ 4.68	\$ 227,591	\$ 3.47
Reconciliation to adjusted operating income:				
Capital (gains) losses, derivatives and other, included in investment related gains/losses, net	41,548	0.65	(2,254)	(0.05)
Capital (gains) losses on funds withheld, included in investment income, net of related expenses	485	0.01	(4,838)	(0.07)
Embedded derivatives:				
Included in investment related gains/losses, net	(23,741)	(0.37)	(10,946)	(0.17)
Included in interest credited	(1,266)	(0.02)	(888)	(0.01)
DAC offset, net	(86)	-	17,450	0.27
Investment (income) loss on unit-linked variable annuities	(1,898)	(0.03)	(1,609)	(0.02)
Interest credited on unit-linked variable annuities	1,898	0.03	1,609	0.02
Non-investment derivatives	(437)	(0.01)	(67)	-
Effects of the Tax Cut and Jobs Act of 2017	(58,285)	(0.91)	-	-
Adjusted operating income	\$ 259,417	\$ 4.03	\$ 226,048	\$ 3.44

Reconciliation of Book Value Per Share to Book Value Per Share  
 Excluding Accumulated Other Comprehensive Income ("AOCI")

	At September 30,	
	2018	2017
Book value per share outstanding	\$ 136.29	\$125.79
Less effect of AOCI:		
Accumulated currency translation adjustments	(1.90)	(1.62)
Unrealized appreciation of securities	15.61	27.51
Pension and postretirement benefits	(0.79)	(0.64)
Book value per share outstanding, before impact of AOCI	\$ 123.37	\$ 100.54