Sarepta Therapeutics, Inc.
Form 8-K
June 06, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 6, 2018

Sarepta Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-14895	93-0797222
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

215 First Street
Suite 415
Cambridge, MA 02142

(Address of principal executive offices, including zip code)

(617) 274-4000

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The following is a brief description of each matter voted upon at the Sarepta Therapeutics, Inc. (the “Company”) Annual Meeting held on June 6, 2018 (the “Annual Meeting”) and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes, as to each such matter. As of the record date for the Annual Meeting, April 11, 2018, there were 65,513,228 shares of common stock issued and outstanding. There were 59,749,560 shares of common stock present and entitled to vote at the Annual Meeting in person or by proxy, which represented 91.20% of the voting power of the shares of common stock entitled to vote at the Annual Meeting, and which constituted a quorum for the transaction of business.

The proposals voted upon and voting results for these proposals at the Annual Meeting were as follows:

Proposal 1: Election of Group I Directors

Name of Nominee	For	Against	Abstain	Broker Non-Votes
Michael W. Bonney	44,728,667	288,562	429,847	14,302,484
Douglas S. Ingram	44,961,204	138,758	347,114	14,302,484
Hans Wigzell, M.D., Ph.D.	42,578,248	2,515,125	353,703	14,302,484

Pursuant to the foregoing votes, the Director nominees listed above were elected to serve as a Group I Directors on the Company’s Board of Directors to hold office until the Company’s 2020 annual meeting of stockholders, or until his successor is earlier elected. There were no additional director nominations brought before the meeting.

Proposal 2: Advisory Vote on 2017 Named Executive Officer Compensation

For	Against	Abstain	Broker Non-Votes
26,229,276	19,102,581	115,219	14,302,484

Pursuant to the foregoing votes, the 2017 executive compensation was approved on an advisory basis.

Proposal 3: Approval of the Company’s 2018 Equity Incentive Plan

For	Against	Abstain	Broker Non-Votes
27,047,007	18,308,539	91,530	14,302,484

Pursuant to the foregoing votes, the Company’s 2018 Equity Incentive Plan was approved.

Proposal 4: Ratification of KPMG as the Company’s Independent Registered Public Accounting Firm

For	Against	Abstain

58,991,883	699,532	58,145

Pursuant to the foregoing votes, the selection of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2018 was ratified and approved.

SIGNATURES

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

Sarepta Therapeutics, Inc.

By: /s/ Douglas S. Ingram
Douglas S. Ingram
President and Chief Executive Officer

Date: June 6, 2018

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Income before income taxes

55,750

81,797

97,890

152,412

Less:

Embedded derivatives – modco/funds withheld treaties

(9,384
)

28,568

(10,893

)

57,837

Guaranteed minimum benefit riders and related free standing derivatives

7,279

4,686

3,862

4,284

Equity-indexed annuities

4,305

(3,631
)

(1,296
)

(1,501
)
Income before income taxes and certain derivatives

$
53,550

$
52,174

$
106,217

$
91,792

Embedded Derivatives - Modco/Funds Withheld Treaties - Represents the change in the fair value of embedded derivatives on funds withheld at interest associated with treaties written on a modco or funds withheld basis. The fair value changes of embedded derivatives on funds withheld at interest associated with treaties written on a modco or funds withheld basis are reflected in revenues, while the related impact on deferred acquisition expenses is reflected in

benefits and expenses. Changes in the fair value of the embedded derivative are driven by changes in investment credit spreads, including the CVA. Generally, an increase in investment credit spreads, ignoring changes in the Company's own credit risk, will have a negative impact on the fair value of the embedded derivative (decrease in income). Changes in fair values of these embedded derivatives are net of an increase (decrease) in revenues of $0.2 million and $(0.5) million for the second quarter and $0.2 million and $(1.3) million for the six months ended June 30, 2015 and 2014, respectively, associated with a CVA. A 10% increase in the CVA would have increased revenues for the six months ended June 30, 2015 by approximately $0.1 million. Conversely, a 10% decrease in the CVA would have decreased revenues for the six months ended June 30, 2015 by approximately $0.1 million.

The change in fair value of the embedded derivatives - modco/funds withheld treaties decreased income before income taxes by $9.4 million and $10.9 million for the three and six months ended June 30, 2015, compared with an increase of $28.6 million and $57.8 million for the three and six months ended June 30, 2014. The decrease in income for the three and six months ended June 30, 2015 was primarily due to increasing risk-free rates and widening credit spreads. The increase in income for the three and six months ended June 30, 2014 was primarily due to declining risk-free rates and tightening credit spreads.

Guaranteed Minimum Benefit Riders - Represents the impact related to guaranteed minimum benefits associated with the Company's reinsurance of variable annuities. The fair value changes of the guaranteed minimum benefits along with the changes in fair value of the free standing derivatives (interest rate swaps, financial futures and equity options), purchased by the Company to substantially hedge the liability are reflected in revenues, while the related impact on deferred acquisition expenses is reflected in benefits and expenses. Changes in fair values of these embedded derivatives are net of an increase (decrease) in revenues of $(1.3) million and $0.1 million for the second quarter and $(0.8) million and $0.5 million for the six months ended June 30, 2015 and 2014, associated with a CVA. A 10% increase in the CVA would have increased revenues for the six months ended June 30, 2015 by approximately $0.5 million. Conversely, a 10% decrease in the CVA would have decreased revenues for the six months ended June 30, 2015 by approximately $0.5 million.

The change in fair value of the guaranteed minimum benefits, after allowing for changes in the associated free standing derivatives, increased income before income taxes by $7.3 million and $3.9 million for the three and six months ended June 30, 2015, compared with an increase of $4.7 million and $4.3 million for the three and six months ended June 30, 2014. The increase in income for the three and six months ended June, 2015 was primarily the result of the decrease in fair value of the guaranteed minimum benefits from the interaction between rising equity markets and a decrease in equity market implied volatility during the periods. The

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increase in income for the three and six months ended June 30, 2014 was primarily due to a decrease in equity market implied volatility.

Equity-Indexed Annuities - Represents changes in the liability for equity-indexed annuities in excess of changes in account value, after adjustments for related deferred acquisition expenses. The change in fair value of embedded derivative liabilities associated with equity-indexed annuities increased income before income taxes by $4.3 million and decreased income before income taxes by $1.3 million for the three and six months ended June 30, 2015, compared with a decrease of $3.6 million and $1.5 million for the three and six months ended June 30, 2014. The increase in income for the three months ended June 30, 2015 was primarily due to declining equity markets and the decrease in income for the six months ended June 30, 2015 was primarily due to rising equity markets which was partially offset by increasing interest rates. The decreases in income for the three and six months ended June 30, 2014 was primarily due to rising equity markets and declining interest rates.

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

Discussion and analysis before certain derivatives:

Income before income taxes and certain derivatives increased by $1.4 million and $14.4 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in income in the second quarter was primarily due to the acquisition of Aurora offset by the net impact of investment related gains (losses), net and the corresponding deferred acquisition costs associated with funds withheld and coinsurance portfolios. Funds withheld capital gains and losses are reported through investment income while coinsurance activity is reflected in investment related gains (losses), net. The increase in income in the first six months was primarily due to the acquisition of Aurora.

Revenue before certain derivatives increased by $4.8 million and decreased by $3.8 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in the second quarter was primarily due to investment income associated with the acquisition of Aurora which was partially offset by lower option gains associated with the reinsurance of certain EIAs. The decrease in the first six months was primarily due to lower option gains associated with the reinsurance of certain EIAs and lower investment yields as a result of declining interest rates which was partially offset by the investment income associated with the acquisition of Aurora in the second quarter. The effect on investment income related to equity options is substantially offset by a corresponding change in interest credited.

Benefits and expenses before certain derivatives increased by $3.4 million and decreased $18.3 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in the second quarter was primarily due to benefits associated with the acquisition of Aurora which was partially offset by lower interest credited associated with the reinsurance of EIAs and fixed annuities. The decrease in the first six months was primarily due to lower interest credited associated with the reinsurance of EIAs and fixed annuities which was partially offset by benefits associated with the acquisition of Aurora. The effect on interest credited related to equity options is substantially offset by a corresponding change in investment income.

The invested asset base supporting this segment increased to $14.1 billion as of June 30, 2015 from $11.0 billion as of June 30, 2014. The increase in the asset base was due primarily to the acquisition of Aurora in the second quarter of 2015. As of June 30, 2015, $4.2 billion of the invested assets were funds withheld at interest, of which greater than 90% is associated with one client.

Non-Traditional - Financial Reinsurance

Financial Reinsurance within the U.S. and Latin America Non-Traditional segment income before income taxes consists primarily of net fees earned on financial reinsurance transactions. Additionally, a portion of the business is brokered business in which the Company does not participate in the assumption of risk. The fees earned from financial

reinsurance contracts and brokered business are reflected in other revenues, and the fees paid to retrocessionaires are reflected in policy acquisition costs and other insurance expenses.

Income before income taxes increased $1.0 million, or 7.1%, and $0.8 million, or 3.1%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increases in 2015 were primarily due to a number of new transactions, as well as organic growth on existing transactions offsetting the termination of certain agreements.

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At June 30, 2015 and 2014, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, risk based capital and other financial structures was $6.4 billion and $5.6 billion, respectively. The increase was primarily due to a number of new transactions, as well as organic growth on existing transactions. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and therefore can fluctuate from period to period.

Canada Operations

The Company conducts reinsurance business in Canada primarily through RGA Canada, a wholly-owned subsidiary. RGA Canada assists clients with capital management activity and mortality and morbidity risk management, and is primarily engaged in Traditional reinsurance, which consists mainly of traditional individual life reinsurance, as well as creditor, group life and health and critical illness reinsurance. Creditor insurance covers the outstanding balance on personal, mortgage or commercial loans in the event of death, disability or critical illness and is generally shorter in duration than traditional individual life insurance. RGA Canada is also engaged in Non-Traditional reinsurance which consists of longevity and financial reinsurance.

(dollars in thousands)	Three months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total Canada	Traditional	Non-Traditional	Total Canada
Net premiums	$224,960	$ 9,725	$234,685	$248,031	$ 5,546	$253,577
Investment income, net of related expenses	45,751	328	46,079	49,425	655	50,080
Investment related gains (losses), net	(167)	—	(167)	4,165	28	4,193
Other revenues	(454)	1,405	951	(220)	1,483	1,263
Total revenues	270,090	11,458	281,548	301,401	7,712	309,113
Benefits and expenses:						
Claims and other policy benefits	185,742	7,904	193,646	199,084	4,209	203,293
Interest credited	5	—	5	9	—	9
Policy acquisition costs and other insurance expenses	53,371	148	53,519	60,687	150	60,837
Other operating expenses	8,236	312	8,548	9,612	342	9,954
Total benefits and expenses	247,354	8,364	255,718	269,392	4,701	274,093
Income before income taxes	$22,736	$ 3,094	$25,830	$32,009	$ 3,011	$35,020

(dollars in thousands)	Six months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total Canada	Traditional	Non-Traditional	Total Canada
Net premiums	$437,510	$ 19,692	$457,202	$473,335	$ 11,086	$484,421
Investment income, net of related expenses	95,191	878	96,069	96,304	1,379	97,683
Investment related gains (losses), net	1,291	—	1,291	2,465	69	2,534
Other revenues	1,102	2,762	3,864	741	1,483	2,224
Total revenues	535,094	23,332	558,426	572,845	14,017	586,862
Benefits and expenses:						
Claims and other policy benefits	369,276	15,203	384,479	388,655	9,394	398,049
Interest credited	9	—	9	9	—	9
Policy acquisition costs and other insurance expenses	102,922	255	103,177	113,640	301	113,941
Other operating expenses	17,424	649	18,073	19,099	680	19,779

Total benefits and expenses	489,631	16,107	505,738	521,403	10,375	531,778
Income before income taxes	$45,463	$ 7,225	$52,688	$51,442	$ 3,642	$55,084

Income before income taxes decreased by $9.2 million, or 26.2%, and $2.4 million, or 4.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in income in the second quarter of 2015 is primarily due to lower net investment related gains and a weaker Canadian dollar. The decrease in income in the first six months of 2015 was primarily due to a weaker Canadian dollar offset by income from new non-traditional transactions completed in the first quarter of 2015. A weaker Canadian dollar resulted in a decrease in income before income taxes of $3.3 million and $6.4 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.

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Traditional Reinsurance

Income before income taxes for the Canada Traditional segment decreased by $9.3 million, or 29.0%, and $6.0 million, or 11.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in income in the second quarter of 2015 is primarily due to lower net investment related gains. Additionally, a weaker Canadian dollar resulted in a decrease in income before income taxes of $2.9 million and $5.8 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.

Net premiums decreased $23.1 million, or 9.3%, and $35.8 million, or 7.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Foreign currency exchange fluctuation in the Canadian dollar resulted in a decrease in net premiums of approximately $28.9 million and $55.0 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Largely offsetting this decrease were premiums from both new and existing treaties. Premium levels can be significantly influenced by currency fluctuations, large transactions, mix of business and reporting practices of ceding companies and therefore may fluctuate from period to period.

Net investment income decreased $3.7 million, or 7.4%, and $1.1 million, or 1.2%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Foreign currency exchange fluctuation in the Canadian dollar resulted in a decrease in net investment income of approximately $5.8 million and $12.5 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. This decrease was offset somewhat by growth in the invested asset base. A portion of investment income and investment related gains and losses are allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Loss ratios for this segment were 82.6% and 80.3% for the three months ended June 30, 2015 and 2014, and 84.4% and 82.1% for the six months ended June 30, 2015 and 2014, respectively. Loss ratios for the traditional individual life mortality business were 96.2% and 97.5% for the second quarter and 99.2% and 98.6% for the first six months ended June 30, 2015 and 2014, respectively. Excluding creditor business, claims as a percentage of net premiums for this segment were 73.4% and 75.9% for the second quarter and 78.8% and 76.7% for the six months ended June 30, 2015 and 2014, respectively. Historically, the loss ratio increased primarily as the result of several large permanent level premium in force blocks assumed in 1997 and 1998. These blocks are mature blocks of long-term permanent level premium business in which mortality as a percentage of net premiums is expected to be higher than historical ratios. The nature of permanent level premium policies requires the Company to set up actuarial liabilities and invest the amounts received in excess of early-year claims costs to fund claims in later years when premiums, by design, continue to be level as compared to expected increasing mortality or claim costs. Excluding creditor business, claims and other policy benefits, as a percentage of net premiums and investment income were 76.3% and 76.9% for the second quarter and 77.2% and 77.8% for the six months ended June 30, 2015 and 2014, respectively.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 23.7% and 24.5% for the second quarter and 23.5% and 24.0% for the six months ended June 30, 2015 and 2014, respectively. Overall, while these ratios are expected to remain in a predictable range, they may fluctuate from period to period due to varying allowance levels and product mix. In addition, the amortization patterns of previously capitalized amounts, which are subject to the form of the reinsurance agreement and the underlying insurance policies, may vary.

Other operating expenses decreased by $1.4 million, or 14.3%, and $1.7 million, or 8.8%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Foreign currency exchange fluctuation in the Canadian dollar resulted in a decrease in operating expenses of approximately $1.1 million and $2.2 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Other operating expenses as a percentage of net premiums were 3.7% and 3.9% for the second quarter and 4.0% for both six months ended June 30, 2015 and 2014, respectively.

Non-Traditional Reinsurance

Income before income taxes increased by $0.1 million, or 2.8%, and $3.6 million, or 98.4%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in income in the first six months

was primarily due to fees associated with financial reinsurance and income from new non-traditional reinsurance transactions completed during the first quarter of 2015, partially offset by the effect of currency fluctuations. A weaker Canadian dollar resulted in a decrease in income before income taxes of $0.4 million and $0.6 million for the three and six months ended June 30, 2015, as compared to the same period in 2014.

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Net premiums increased $4.2 million, or 75.4%, and $8.6 million, or 77.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increases were a result of new non-traditional reinsurance transactions completed during the first quarter of 2015. A weaker Canadian dollar resulted in a decrease in net premiums of approximately $1.2 million and $2.5 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Premium levels can be significantly influenced by currency fluctuations, large transactions, mix of business and reporting practices of ceding companies and therefore may fluctuate from period to period.

Net investment income decreased $0.3 million, or 49.9%, and $0.5 million, or 36.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. A portion of investment income and investment related gains and losses are allocated to the segments based upon average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenues decreased $0.1 million and increased $1.3 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in other revenues for the first six months is primarily due to fees associated with financial reinsurance.

Claims and other policy benefits increased $3.7 million, or 87.8%, and $5.8 million, or 61.8%, for the three and six months ended June 30, 2015 as compared to the same periods in 2014. The increases were a result of new non-traditional reinsurance transactions completed during the first quarter of 2015. Although reasonably predictable over a period of years, claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business.

Europe, Middle East and Africa Operations

The Europe, Middle East and Africa ("EMEA") segment includes business generated by its offices principally in the United Kingdom ("UK"), South Africa, France, Germany, Ireland, Italy, the Netherlands, Poland, Spain, Turkey and the United Arab Emirates. EMEA consists of two major segments: Traditional and Non-Traditional. The Traditional segment primarily provides reinsurance through yearly renewable term and coinsurance agreements on a variety of life, health and critical illness products. Reinsurance agreements may be facultative or automatic agreements covering primarily individual risks and, in some markets, group risks. The Non-Traditional segment consists of reinsurance and other transactions associated with longevity and interest rate risk related to payout annuities, capital management solutions and financial reinsurance.

(dollars in thousands)	Three months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total EMEA	Traditional	Non-Traditional	Total EMEA
Net premiums	$275,745	$ 50,234	$325,979	$286,403	$ 54,481	$340,884
Investment income, net of related expenses	13,092	15,782	28,874	12,113	8,558	20,671
Investment related gains (losses), net	(4,509)	50	(4,459)	8,920	12,904	21,824
Other revenues	(136)	9,242	9,106	(336)	8,275	7,939
Total revenues	284,192	75,308	359,500	307,100	84,218	391,318
Benefits and expenses:						
Claims and other policy benefits	240,942	39,849	280,791	236,540	46,006	282,546
Interest credited	(4,048)	—	(4,048)	5,750	—	5,750
Policy acquisition costs and other insurance expenses	14,183	266	14,449	11,994	(502)	11,492
Other operating expenses	23,956	3,761	27,717	26,029	4,179	30,208
Total benefits and expenses	275,033	43,876	318,909	280,313	49,683	329,996
Income before income taxes	$9,159	$ 31,432	$40,591	$26,787	$ 34,535	$61,322

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(dollars in thousands)	Six months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total EMEA	Traditional	Non-Traditional	Total EMEA
Net premiums	$545,491	$ 80,094	$625,585	$578,201	$ 103,426	$681,627
Investment income, net of related expenses	25,181	32,659	57,840	23,937	10,103	34,040
Investment related gains (losses), net	7,748	901	8,649	12,644	13,002	25,646
Other revenues	1,004	17,030	18,034	68	15,794	15,862
Total revenues	579,424	130,684	710,108	614,850	142,325	757,175
Benefits and expenses:						
Claims and other policy benefits	476,249	71,930	548,179	505,791	84,096	589,887
Interest credited	8,301	—	8,301	8,536	—	8,536
Policy acquisition costs and other insurance expenses	26,191	(264)	25,927	25,729	(972)	24,757
Other operating expenses	49,042	7,952	56,994	48,999	8,469	57,468
Total benefits and expenses	559,783	79,618	639,401	589,055	91,593	680,648
Income before income taxes	$19,641	$ 51,066	$70,707	$25,795	$ 50,732	$76,527

Income before income taxes decreased by $20.7 million, or 33.8%, and $5.8 million, or 7.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decreases in income before income taxes were primarily due to variability in traditional claims experience and a decrease in investment related gains. Additionally, foreign currency exchange fluctuations resulted in a decrease in income before income taxes totaling $4.9 million and $8.7 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.

Traditional Reinsurance

Income before income taxes decreased by $17.6 million and $6.2 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decreases in income before income taxes were primarily due to variability in claims experience as the second quarter of 2014 reflects favorable claims experience which has normalized in 2015. Foreign currency exchange fluctuations resulted in a decrease in income before income taxes totaling $0.8 million and $2.1 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.

Net premiums decreased $10.7 million, or 3.7%, and $32.7 million, or 5.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Unfavorable foreign currency exchange fluctuations, particularly with the British pound and the Euro weakening against the U.S. dollar, decreased net premiums by approximately $35.4 million and $64.9 million for the three and six months of 2015, as compared to the same periods in 2014. Largely offsetting this decrease were premiums from new business and growth in existing business.

A portion of the net premiums for the segment, in each period presented, relates to reinsurance of critical illness coverage, primarily in the UK. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Net premiums earned from this coverage totaled $58.3 million and $66.3 million for the second quarter and $116.5 million and $131.9 million for the first six months of 2015 and 2014, respectively. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.

Net investment income increased $1.0 million, or 8.1%, and $1.2 million, or 5.2%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. This increase was primarily due to an increase in the invested asset base and a slight increase in investment yield. Foreign currency exchange fluctuation resulted in a decrease in net investment income of approximately $1.7 million and $3.2 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The unfavorable change in investment related gains (losses), net in the second quarter and first six months of 2015 is primarily due to a reduction in the income related to contractholders of unit-linked products. The effect on investment income and investment related gains (losses), net related to unit-linked

products is substantially offset by a corresponding change in interest credited. A portion of investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Loss ratios for this segment were 87.4% and 82.6% for the second quarter and 87.3% and 87.5%, for the first six months ended June 30, 2015 and 2014, respectively. The increase in the loss ratio for the second quarter of 2015 reflects favorable individual life claims experience in the same period in 2014, primarily in the UK market. Although reasonably predictable over a period of years, claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business.

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Interest credited expense decreased by $9.8 million and $0.2 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Interest credited in this segment relates to amounts credited to the contractholders of unit-linked products. The effect on interest credited related to unit-linked products is substantially offset by a corresponding change in investment income and investment related gains (losses), net.
Policy acquisition costs and other insurance expenses as a percentage of net premiums were 5.1% and 4.2% for the second quarter and 4.8% and 4.4% for the six months ended June 30, 2015 and 2014, respectively. These percentages fluctuate due to timing of client company reporting, variations in the mixture of business and the relative maturity of the business. In addition, as the segment grows, renewal premiums, which have lower allowances than first-year premiums, represent a greater percentage of the total net premiums.
Other operating expenses decreased $2.1 million, or 8.0%, for the three months ended June 30, 2015, as compared to the same period in 2014. Other operating expenses were virtually unchanged for the six months ended June 30, 2015, as compared to the same period in 2014. Foreign currency exchange fluctuation resulted in a decrease in operating expenses of approximately $4.2 million and $7.7 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Other operating expenses as a percentage of net premiums totaled 8.7% and 9.1% for the second quarter and 9.0% and 8.5% for the six months ended June 30, 2015 and 2014, respectively. Partially offsetting the decrease from currency exchange fluctuation were acquisition related consulting costs and inflation.
Non-Traditional Reinsurance
Income before income taxes decreased by $3.1 million, or 9.0%, and increased $0.3 million, or 0.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in income before income taxes for the second quarter was due primarily to foreign exchange rate fluctuations and a decrease in investment related gains. The increase in income before income taxes for the first six months was primarily due to an increase in investment income related to payout annuity reinsurance (longevity) transactions executed after the first quarter of 2014. Unfavorable foreign currency exchange fluctuations resulted in a decrease in income before income taxes totaling $4.1 million and $6.6 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.
Net premiums decreased $4.2 million, or 7.8%, and $23.3 million, or 22.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Net premiums decreased due to a new retrocession contract, executed for risk management purposes, which cedes longevity risk to third parties. This reduction was partially offset by increased premiums associated with a payout annuity reinsurance (longevity) transaction executed in the second quarter of 2015. Unfavorable foreign currency exchange fluctuations decreased net premiums by approximately $4.8 million and $7.1 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and therefore can fluctuate from period to period.
Net investment income increased $7.2 million, or 84.4%, and $22.6 million, or 223.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. This increase was primarily due to an increase in the invested asset base related to payout annuity reinsurance (longevity) transactions executed after the first quarter of 2014. Investment related gains decreased $12.9 million and $12.1 million in the second quarter and first six months of 2015, respectively, largely due to gains recognized in 2014 from asset repositioning related to a payout annuity reinsurance transaction executed in the second quarter of 2014. A portion of investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.
Other revenues increased by $1.0 million, or 11.7%, and $1.2 million, or 7.8%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in other revenues relates to an increase in non-reinsurance fee income from longevity derivatives. At June 30, 2015 and 2014, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, risk based capital and other financial reinsurance structures was $0.8 billion and $0.9 billion, respectively. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and, therefore, can fluctuate

from period to period.

Claims and other policy benefits decreased $6.2 million, or 13.4%, and $12.2 million, or 14.5%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. Claims and other policy benefits decreased due to the new retrocession contract which cedes a portion of longevity risk to third parties. This reduction was partially offset by increased benefits associated with payout annuity reinsurance (longevity) transactions executed after the first quarter of 2014. Although reasonably predictable over a period of years, claims can vary over shorter periods and will vary with large transactions. Management views recent experience as normal.

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Other operating expenses decreased $0.4 million, or 10.0%, and $0.5 million, or 6.1%, for the three and six months ended June 30, 2015, as compared to the same period in 2014. Foreign currency exchange fluctuation resulted in a decrease in operating expenses of approximately $0.6 million and $1.1 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014.

Asia Pacific Operations

The Asia Pacific operations include business generated by its offices principally in Australia, Hong Kong, India, Japan, Malaysia, Singapore, New Zealand, South Korea, Taiwan and mainland China. The principal types of reinsurance include life, critical illness, disability, superannuation, which are operated under the Traditional segment. Superannuation is the Australian government mandated compulsory retirement savings program. Superannuation funds accumulate retirement funds for employees, and, in addition, typically offer life and disability insurance coverage. The Non-Traditional segment includes financial reinsurance, asset-intensive and certain disability and life blocks sourced by the Global Financial Solutions unit. Reinsurance agreements may be facultative or automatic agreements covering primarily individual risks and in some markets, group risks.

(dollars in thousands)	Three months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total Asia Pacific	Traditional	Non-Traditional	Total Asia Pacific
Net premiums	$390,456	$ 898	$391,354	$390,494	$ 3,193	$393,687
Investment income, net of related expenses	20,043	3,888	23,931	21,502	4,823	26,325
Investment related gains (losses), net	—	(1,549)	(1,549)	1,949	4,336	6,285
Other revenues	815	3,839	4,654	51,593	5,281	56,874
Total revenues	411,314	7,076	418,390	465,538	17,633	483,171
Benefits and expenses:						
Claims and other policy benefits	325,667	4,706	330,373	299,747	6,573	306,320
Interest credited	—	169	169	—	234	234
Policy acquisition costs and other insurance expenses	49,335	419	49,754	107,293	616	107,909
Other operating expenses	31,997	3,187	35,184	30,285	3,495	33,780
Total benefits and expenses	406,999	8,481	415,480	437,325	10,918	448,243
Income (loss) before income taxes	$4,315	$ (1,405)	$2,910	$28,213	$ 6,715	$34,928

(dollars in thousands)	Six months ended June 30,					
	2015			2014		
Revenues:	Traditional	Non-Traditional	Total Asia Pacific	Traditional	Non-Traditional	Total Asia Pacific
Net premiums	$762,601	$ 11,180	$773,781	$756,593	$ 18,844	$775,437
Investment income, net of related expenses	40,647	7,537	48,184	41,805	9,162	50,967
Investment related gains (losses), net	—	(1,027)	(1,027)	2,070	6,729	8,799
Other revenues	1,941	8,956	10,897	51,959	11,038	62,997
Total revenues	805,189	26,646	831,835	852,427	45,773	898,200
Benefits and expenses:						
Claims and other policy benefits	590,976	10,441	601,417	586,423	23,493	609,916
Interest credited	—	353	353	—	480	480
Policy acquisition costs and other insurance expenses	96,247	965	97,212	160,872	1,326	162,198
Other operating expenses	61,003	6,147	67,150	58,052	6,315	64,367

Total benefits and expenses	748,226	17,906	766,132	805,347	31,614	836,961
Income (loss) before income taxes	$56,963	$ 8,740	$65,703	$47,080	$ 14,159	$61,239

Income before income taxes decreased by $32.0 million, or 91.7%, and increased $4.5 million, or 7.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in the second quarter is primarily driven by a recapture fee associated with a large treaty in Australia along with fees associated with the reinstatement and conversion of an existing treaty in Japan recognized in the second quarter of 2014. Additionally, poor claims experience in Australia during the second quarter contributed to the quarter over quarter decline. The increase in income before income taxes for the first six months is primarily attributable to favorable results across the segment. Foreign currency exchange fluctuations resulted in an increase (decrease) to income before income taxes totaling approximately $1.3 million and $(3.9) million for the three and six months of 2015, as compared to the same periods in 2014.

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Traditional Reinsurance

Income before income taxes decreased by $23.9 million, or 84.7%, and increased by $9.9 million, or 21.0%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in the second quarter is primarily driven by a recapture fee associated with a large treaty in Australia along with fees associated with the reinstatement and conversion of an existing treaty in Japan recognized in the second quarter of 2014. Additionally, poor claims experience in Australia during the second quarter contributed to the quarter over quarter decline. The increase in income before income taxes for the first six months is primarily attributable to favorable results across the segment. Foreign currency exchange fluctuations resulted in an increase (decrease) to income before income taxes totaling approximately $1.5 million and $(3.2) million for the three and six months of 2015, as compared to the same periods in 2014.

Net premiums were relatively unchanged for the three months and increased $6.0 million, or 0.8%, for the six months ended June 30, 2015, as compared to the same periods in 2014. The increase for the six month period was driven by both new and existing business written throughout the segment. Foreign currency exchange fluctuations resulted in a decrease in net premiums of approximately $50.8 million and $86.0 million for the three and six months of 2015, as compared to the same periods in 2014.

A portion of the net premiums for the segment, in each period presented, relates to reinsurance of critical illness coverage. This coverage provides a benefit in the event of the diagnosis of a pre-defined critical illness. Reinsurance of critical illness in the segment is offered primarily in South Korea, Australia and Hong Kong. Net premiums earned from this coverage totaled $75.1 million and $71.9 million for the second quarter and $145.0 million and $132.3 million for the first six months ended June 30, 2015 and 2014, respectively. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and can fluctuate from period to period.

Net investment income decreased $1.5 million, or 6.8%, and $1.2 million, or 2.8%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decreases were primarily due to a decline in investment yield and an unfavorable change in foreign currency exchange fluctuations of $2.9 million and $5.3 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014. A portion of investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenues decreased by $50.8 million, or 98.4%, and $50.0 million, or 96.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in other revenues is primarily due to a recapture fee associated with a large treaty in Australia and fees associated with the reinstatement and conversion of an existing treaty in Japan recognized in the second quarter of 2014.

Loss ratios for this segment were 83.4% and 76.8% for the second quarter and 77.5% for both six months ended June 30, 2015 and 2014, respectively. The increase in the loss ratio for the second quarter of 2015, compared to the same period in 2014, was primarily due to unfavorable claims experience in Australia. Although reasonably predictable over a period of years, claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business.

Policy acquisition costs and other insurance expenses as a percentage of net premiums were 12.6% and 27.5% for the second quarter and 12.6% and 21.3% for the six months ended June 30, 2015 and 2014, respectively. The decrease in the ratios in 2015 was primarily attributable to the recognition of the DAC relating to the aforementioned individual lump sum treaty recapture in Australia in the second quarter of 2014. The ratio of policy acquisition costs and other insurance expenses as a percentage of net premiums should generally decline as the business matures; however, the percentage does fluctuate periodically due to timing of client company reporting and variations in the mixture of business.

Other operating expenses increased $1.7 million, or 5.7%, and $3.0 million, or 5.1%, for the three and six months ended June 30, 2015, as compared to the same period in 2014. Other operating expenses as a percentage of net premiums totaled 8.2% and 7.8% for the second quarter and 8.0% and 7.7% for the six months ended June 30, 2015 and 2014, respectively. The timing of premium flows and the level of costs associated with the entrance into and

development of new markets within the segment may cause other operating expenses as a percentage of net premiums to fluctuate over periods of time.
Non-Traditional Reinsurance
Income before income taxes decreased by $8.1 million, or 120.9%, and $5.4 million, or 38.3%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in income before income taxes is primarily attributable to policy lapses associated with a treaty in Japan, as well as a loss on the fair value of derivatives. Foreign currency exchange fluctuations resulted in a decrease to income before income taxes totaling approximately $0.2 million and $0.7 million for the three and six months of 2015, as compared to the same periods in 2014.

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Net premiums decreased $2.3 million, or 71.9%, and $7.7 million, or 40.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease was primarily due to policy lapses associated with a treaty in Japan. Foreign currency exchange fluctuations resulted in a decrease in net premiums of approximately $0.2 million and $1.8 million for the three and six months of 2015, as compared to the same periods in 2014. Premium levels can be significantly influenced by currency fluctuations, large transactions and reporting practices of ceding companies and can fluctuate from period to period.

Net investment income decreased $0.9 million, or 19.4%, and $1.6 million, or 17.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease was primarily due to a decrease in the invested asset base. Foreign currency exchange fluctuation resulted in a decrease in net investment income of approximately $0.7 million and $1.3 million for the three and six months of 2015, as compared to the same periods in 2014. A portion of investment income and investment related gains and losses are allocated to the various operating segments based on average assets and related capital levels deemed appropriate to support the segment business volumes. Investment performance varies with the composition of investments and the relative allocation of capital to the operating segments.

Other revenues decreased by $1.4 million, or 27.3%, and $2.1 million, or 18.9%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in other revenues for the three and six months ended June 30, 2015 was primarily due to the recapture of certain non-traditional treaties in the current quarter. At both June 30, 2015 and 2014, the amount of reinsurance assumed from client companies, as measured by pre-tax statutory surplus, risk based capital and other financial reinsurance structures was $1.1 billion. Fees earned from this business can vary significantly depending on the size of the transactions and the timing of their completion and, therefore, can fluctuate from period to period.

Claims and other policy benefits decreased by $1.9 million, or 28.4%, and $13.1 million, or 55.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. This decrease is attributable to favorable experience on the disability and life business in the segment. Although reasonably predictable over a period of years, claims can be volatile over shorter periods. Management views recent experience as normal short-term volatility that is inherent in the business.

Other operating expenses decreased $0.3 million, or 8.8%, and $0.2 million, or 2.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014, respectively. The timing of premium flows and the level of costs associated with the entrance into and development of new markets within the segment may cause other operating expenses as a percentage of net premiums to fluctuate over periods of time.

Corporate and Other

Corporate and Other revenues include investment income and investment related gains and losses from unallocated invested assets. Corporate and Other expenses consist of the offset to capital charges allocated to the operating segments within the policy acquisition costs and other insurance income line item, unallocated overhead and executive costs, interest expense related to debt, and the investment income and expense associated with the Company’s collateral finance and securitization transactions. Additionally, Corporate and Other includes results from, among others, RTP, a wholly-owned subsidiary that develops and markets technology solutions for the insurance industry.

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues:				
Net premiums	$153	$206	$320	$421
Investment income, net of related expenses	31,707	25,882	63,402	51,618
Investment related gains (losses), net	1,712	(5,875)	(121)	(5,168)
Other revenues	3,307	2,730	4,997	7,297
Total revenues	36,879	22,943	68,598	54,168
Benefits and expenses:				
Claims and other policy benefits	—	(17)	53	—
Interest credited	203	198	415	404
Policy acquisition costs and other insurance income	(21,843)	(17,319)	(42,431)	(38,986)

Other operating expenses	26,137	22,476	44,471	33,728
Interest expense	35,851	35,211	71,478	70,295
Collateral finance and securitization expense	5,258	2,591	11,329	5,160
Total benefits and expenses	45,606	43,140	85,315	70,601
Loss before income taxes	$(8,727)	$(20,197)	$(16,717)	$(16,433)

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Loss before income taxes decreased by $11.5 million, or 56.8%, and increased by $0.3 million, or 1.7%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The decrease in loss before income taxes in the second quarter is primarily due to an increase of $13.9 million in total revenues, partially offset by an increase of $2.5 million in total benefits and expenses. The increase in loss before income taxes in the first six months is primarily due to an increase of $14.7 million in total benefits and expenses, partially offset by an increase of $14.4 million in total revenues.

Total revenues increased by $13.9 million, or 60.7%, and $14.4 million, or 26.6%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase for the second quarter is due to an increase of $7.6 million in investment related gains (losses), net and an increase of $5.8 million in investment income, net of related expenses due to higher investment yields and higher allocated invested assets. The increase for the first six months is primarily due to an increase of $11.8 million in investment income, net of related expenses due to higher investment yields and higher allocated invested assets. Also, the increase is due to an increase in investment related gains (losses), net of $5.0 million.

Total benefits and expenses increased by $2.5 million, or 5.7%, and $14.7 million, or 20.8%, for the three and six months ended June 30, 2015, as compared to the same periods in 2014. The increase in the second quarter is primarily due to a $3.7 million increase in other operating expenses mainly due to a decrease in the amount of executive costs allocated to the geographic segments. The increase in the first six months is primarily due to an increase of $10.7 million in other operating expenses mainly due to a decrease in the amount of executive costs allocated to the geographic segments and a $6.2 million increase in collateral finance facility expenses due to the issuance of $300.0 million of securitization notes in the fourth quarter of 2014, offset by a decrease of $3.4 million in policy acquisition costs and other insurance income related to the offset to capital charges allocated to the operating segments.

Liquidity and Capital Resources

Current Market Environment

The current interest rate environment in select markets, primarily the U.S. and Canada continues to negatively affect the Company's earnings. The Company's average investment yield, excluding spread related business, continues to be below 5.00%, with only slight movement since 2012. The average investment yield, excluding spread business, increased 7 basis points for the six months ended June 30, 2015 as compared to the same period in 2014. In addition, the Company’s insurance liabilities, in particular its annuity products, are sensitive to changing market factors. Rising interest rates during the second quarter of 2015 have decreased gross unrealized gains on fixed maturity and equity securities available-for-sale from $2,971.6 million at March 31, 2015 to $2,150.8 million at June 30, 2015. Similarly, the higher interest rates have increased gross unrealized losses from $99.5 million at March 31, 2015 to $393.8 million June 30, 2015.

The Company continues to be in a position to hold any investment security showing an unrealized loss until recovery, provided it remains comfortable with the credit of the issuer. As indicated above, gross unrealized gains on investment securities of $2,150.8 million remain well in excess of gross unrealized losses of $393.8 million as of June 30, 2015. Historically low interest rates continued to put pressure on the Company’s investment yield. The Company does not rely on short-term funding or commercial paper and to date it has experienced no liquidity pressure, nor does it anticipate such pressure in the foreseeable future.

The Company projects its reserves to be sufficient, and it would not expect to write down deferred acquisition costs or be required to take any actions to augment capital, even if interest rates remain at current levels for the next five years, assuming all other factors remain constant. While the Company has felt the pressures of sustained low interest rates and volatile equity markets and may continue to do so, its business operations are not overly sensitive to these risks. Although management believes the Company’s current capital base is adequate to support its business at current operating levels, it continues to monitor new business opportunities and any associated new capital needs that could arise from the changing financial landscape.

The Holding Company

RGA is an insurance holding company whose primary uses of liquidity include, but are not limited to, the immediate capital needs of its operating companies, dividends paid to its shareholders, repurchase of common stock and interest payments on its indebtedness. RGA recognized interest expense of $88.3 million and $89.2 million for the six months

ended June 30, 2015 and 2014, respectively. RGA made capital contributions to subsidiaries of $2.5 million and $115.0 million for the six months ended June 30, 2015 and 2014, respectively. Dividends to shareholders were $44.5 million and $42.0 million for the six months ended June 30, 2015 and 2014, respectively. The primary sources of RGA's liquidity include proceeds from its capital raising efforts, interest income on undeployed corporate investments, interest income received on surplus notes issued by its subsidiaries and dividends from subsidiaries. RGA recognized interest and dividend income of $61.7 million and $49.1 million for the six months ended June 30, 2015 and 2014, respectively. As the Company continues its expansion efforts, RGA will continue to be dependent upon these sources of liquidity. As of June 30, 2015 and December 31, 2014, RGA held $586.5 million and $623.4 million, respectively, of cash and cash equivalents, short-term and other investments and fixed maturity investments.

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RGA, through wholly-owned subsidiaries, has committed to provide statutory reserve support to third-parties, in exchange for a fee, by funding loans if certain defined events occur. Such statutory reserves are required under the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation XXX for term life insurance policies and Regulation A-XXX for universal life secondary guarantees). The third-parties have recourse to RGA should the subsidiary fail to provide the required funding, however, as of June 30, 2015, the Company does not believe that it will be required to provide any funding under these commitments as the occurrence of the defined events is considered remote. See Note 8 - "Commitments, Contingencies and Guarantees" in the Notes to Condensed Consolidated Financial Statements for a table that presents these commitments by period and maximum obligation.

RGA has established an intercompany revolving credit facility where certain subsidiaries can lend to or borrow from each other and from RGA in order to manage capital and liquidity more efficiently. The intercompany revolving credit facility, which is a series of demand loans among RGA and its affiliates, comports with applicable insurance laws. This facility reduces overall borrowing costs by allowing RGA and its operating companies to access internal cash resources instead of incurring third-party transaction costs. The statutory borrowing and lending limit for RGA's Missouri-domiciled insurance subsidiaries is currently 3% of the insurance company's admitted assets as of its most recent year-end. There was $45.0 million and $35.0 million outstanding under the intercompany revolving credit facility as of June 30, 2015 and December 31, 2014, respectively. In addition to loans associated with the intercompany revolving credit facility, RGA and its subsidiary, RGA Capital LLC, provided loans to RGA Australian Holdings Pty Limited, another RGA subsidiary, with a total outstanding balance of $46.2 million and $49.1 million as of June 30, 2015 and December 31, 2014, respectively.

The Company believes that it has sufficient liquidity for the next 12 months to fund its cash needs under various scenarios that include the potential risk of early recapture of reinsurance treaties and higher than expected death claims. Historically, the Company has generated positive net cash flows from operations. However, in the event of significant unanticipated cash requirements beyond normal liquidity, the Company has multiple liquidity alternatives available based on market conditions and the amount and timing of the liquidity need. These options include borrowings under committed credit facilities, secured borrowings, the ability to issue long-term debt, preferred securities or common equity and, if necessary, the sale of invested assets subject to market conditions.

The undistributed earnings of substantially all of the Company's foreign subsidiaries have been reinvested indefinitely in such non-U.S. operations, as described in Note 9 - "Income Tax" of the Notes to Consolidated Financial Statements in the 2014 Annual Report. Under current tax laws, should the Company repatriate such earnings, it may be subject to additional U.S. income taxes and foreign withholding taxes.

The Company endeavors to maintain a capital structure that provides financial and operational flexibility to its subsidiaries, credit ratings that support its competitive position in the financial services marketplace, and shareholder returns. As part of the Company's capital deployment strategy, is has in recent years repurchased shares of the Company's common stock and paid dividends to its shareholders, as authorized by the board of directors. The Company's current share repurchase program, which was approved by the board of directors in January 2015 and amended in July 2015, authorizes the repurchase of up to $450.0 million of common stock. The pace of repurchase activity depends on various factors such as the level of available cash, an evaluation of the costs and benefits associated with alternative uses of excess capital, such as acquisitions and in force reinsurance transactions, and RGA's stock price.

Details underlying dividend and stock repurchase activity were as follows (in thousands, except share data):

	Six months ended June30,			
	2015	2014	Change	
Dividends to shareholders	$44,519	$41,955	6.1	%
Repurchases of treasury stock	253,604	176,747	43.5	
Total amount paid to shareholders	$298,123	$218,702	36.3	
Number of shares repurchased	2,791,360	2,267,808		
Average price per share	$90.85	$77.94		

In July 2015, the Company’s quarterly dividend was increased to $0.37 per share from $0.33 per share. All future payments of dividends are at the discretion of RGA’s board of directors and will depend on the Company’s earnings, capital requirements, insurance regulatory conditions, operating conditions, and other such factors as the board of directors may deem relevant. The amount of dividends that RGA can pay will depend in part on the operations of its reinsurance subsidiaries. See Note 13 - "Stock Transactions" in the Notes to Condensed Consolidated Financial Statements for information on the Company's share repurchase program.

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Debt

Certain of the Company’s debt agreements contain financial covenant restrictions related to, among others, liens, the issuance and disposition of stock of restricted subsidiaries, minimum requirements of consolidated net worth, maximum ratios of debt to capitalization and change of control provisions. The Company is required to maintain a minimum consolidated net worth, as defined in the debt agreements, of $2.8 billion, calculated as of the last day of each fiscal quarter. Also, consolidated indebtedness, calculated as of the last day of each fiscal quarter, cannot exceed 35% of the sum of the Company’s consolidated indebtedness plus adjusted consolidated stockholders' equity. A material ongoing covenant default could require immediate payment of the amount due, including principal, under the various agreements. Additionally, the Company’s debt agreements contain cross-default covenants, which would make outstanding borrowings immediately payable in the event of a material uncured covenant default under any of the agreements, including, but not limited to, non-payment of indebtedness when due for an amount in excess of $100.0 million, bankruptcy proceedings, or any other event which results in the acceleration of the maturity of indebtedness.

As of June 30, 2015 and December 31, 2014, the Company had $2,313.5 million and $2,314.3 million, respectively, in outstanding borrowings under its debt agreements and was in compliance with all covenants under those agreements. The ability of the Company to make debt principal and interest payments depends on the earnings and surplus of subsidiaries, investment earnings on undeployed capital proceeds, available liquidity at the holding company, and the Company’s ability to raise additional funds. Scheduled repayments of debt over the next five years total $2.5 million in 2016, $302.6 million in 2017, $2.7 million in 2018, $402.8 million in 2019, $2.9 million in 2020 and $1,603.4 million thereafter.

The Company enters into derivative agreements with counterparties that reference either the Company’s debt rating or its financial strength rating. If either rating is downgraded in the future, it could trigger certain terms in the Company’s derivative agreements, which could negatively affect overall liquidity. For the majority of the Company’s derivative agreements, there is a termination event should the long-term senior debt ratings drop below either BBB+ (S&P) or Baa1 (Moody’s) or the financial strength ratings drop below either A- (S&P) or A3 (Moody’s).

The Company may borrow up to $850.0 million in cash and obtain letters of credit in multiple currencies on its revolving credit facility that expires in September 2019. As of June 30, 2015, the Company had no cash borrowings outstanding and $401.9 million in issued, but undrawn, letters of credit under this facility. As of both June 30, 2015 and December 31, 2014, the average interest rate on short-term and long-term debt outstanding was 5.69%.

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

Collateral Finance and Securitization and Statutory Reserve Funding

The Company uses various internal and third-party reinsurance arrangements and funding sources to manage statutory reserve strain, including reserves associated with Regulation XXX, and collateral requirements. Assets in trust and letters of credit are often used as collateral in these arrangements.

Regulation XXX, implemented in the U.S. for various types of life insurance business beginning January 1, 2000, significantly increased the level of reserves that U.S. life insurance and life reinsurance companies must hold on their statutory financial statements for various types of life insurance business, primarily certain level premium term life products. The reserve levels required under Regulation XXX increase over time and are normally in excess of reserves required under GAAP. In situations where primary insurers have reinsured business to reinsurers that are unlicensed and unaccredited in the U.S., the reinsurer must provide collateral equal to its reinsurance reserves in order for the ceding company to receive statutory financial statement credit. In order to manage the effect of Regulation XXX on its statutory financial statements, RGA Reinsurance has retroceded a majority of Regulation XXX reserves to unaffiliated and affiliated unlicensed reinsurers.

RGA Reinsurance’s statutory capital may be significantly reduced if the unaffiliated or affiliated reinsurer is unable to provide the required collateral to support RGA Reinsurance’s statutory reserve credits and RGA Reinsurance cannot find an alternative source for collateral.

In May 2015, RGA’s subsidiary, RGA Barbados obtained CAD$200.0 million of collateral financing from a third party through 2020, enabling RGA Barbados to support collateral requirements for Canadian reinsurance transactions. The obligation is reflected on the condensed consolidated balance sheets in collateral finance and securitization notes.

Interest on the collateral financing is payable quarterly and accrues at 3-month Canadian Dealer Offered Rate plus a margin and is reflected on the condensed consolidated statements of income in collateral finance and securitization expense.

In 2014, RGA's subsidiary, Chesterfield Financial, issued $300.0 million of asset-backed notes due December 2034 in a private placement. The notes were issued as part of an embedded value securitization transaction covering a closed block of policies assumed by RGA Reinsurance and retroceded to Chesterfield Re. Proceeds from the notes, along with a $79.0 million direct investment by the Company, were applied by Chesterfield Financial to (i) pay certain transaction-related expenses, (ii) establish a $27.0 million Reserve Account owned by Chesterfield Financial and pledged to the indenture trustee for the benefit of the holders of the notes (primarily to cover interest payments on the notes), and (iii) to fund an initial stock purchase from and capital

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contribution to Chesterfield Re of $346.5 million to capitalize Chesterfield Re and to finance the payment of a $256.5 million ceding commission by Chesterfield Re to RGA Reinsurance under the retrocession agreement. Interest on the notes accrues at an annual rate of 4.50%, payable quarterly and is reflected on the condensed consolidated statements of income in collateral finance and securitization expense. The notes represent senior, secured indebtedness of Chesterfield Financial and are reflected on the condensed consolidated balance sheets in collateral finance and securitization notes. Limited support is provided by RGA for temporary potential liquidity events at Chesterfield Financial and for temporary potential statutory capital and surplus events at Chesterfield Re. Otherwise, there is no legal recourse to RGA or its other subsidiaries. The notes are not insured or guaranteed by any other person or entity. Chesterfield Financial relies primarily upon dividend payments from its wholly-owned subsidiary, Chesterfield Re, a Missouri domiciled life insurance company, to make payments of interest and principal on the notes. The ability of Chesterfield Re to make dividend payments to Chesterfield Financial is contingent upon regulatory approval by the Missouri Department of Insurance, Financial Institution and Professional Registration.

In 2006, RGA's subsidiary, Timberlake Financial, issued $850.0 million of Series A Floating Rate Insured Notes due June 2036 in a private placement. The notes were issued to fund the collateral requirements for statutory reserves required by the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation XXX) on specified term life insurance policies reinsured by RGA Reinsurance and retroceded to Timberlake Reinsurance Company II ("Timberlake Re"). Proceeds from the notes, along with a $112.8 million direct investment by the Company, were deposited into a series of accounts that collateralize the notes and are not available to satisfy the general obligations of the Company. Interest on the notes accrues at an annual rate of 1-month LIBOR plus a base rate margin, payable monthly. The payment of interest and principal on the notes is insured through a financial guaranty insurance policy by a monoline insurance company whose parent company emerged from Chapter 11 bankruptcy in 2013. The notes represent senior, secured indebtedness of Timberlake Financial without legal recourse to RGA or its other subsidiaries.

Timberlake Financial relies primarily upon the receipt of interest and principal payments on a surplus note and dividend payments from its wholly-owned subsidiary, Timberlake Re, a South Carolina captive insurance company, to make payments of interest and principal on the notes. The ability of Timberlake Re to make interest and principal payments on the surplus note and dividend payments to Timberlake Financial is contingent upon the South Carolina Department of Insurance's regulatory approval. Approval to pay interest on the surplus note was granted through March 28, 2016.

The Company's condensed consolidated balance sheets include the assets of Timberlake Financial, a wholly-owned subsidiary, recorded as fixed maturity investments and other invested assets, which consists of restricted cash and cash equivalents, with the liability for the notes recorded as collateral finance and securitization notes. The Company's consolidated statements of income include the investment return of Timberlake Financial as investment income and the cost of the facility is reflected in collateral finance and securitization expense.

In order to enhance liquidity and capital efficiency within the group, various operating subsidiaries have purchased $500.0 million of RGA subordinated debt. Similarly, RGA also purchased $475.0 million of surplus notes issued by its subsidiary Rockwood Re. These intercompany debt securities are eliminated for consolidated financial reporting.

Based on the growth of the Company's business and the pattern of reserve levels under Regulation XXX associated with term life business and other statutory reserve requirements, the amount of ceded reserve credits is expected to grow. This growth will require the Company to obtain additional letters of credit, put additional assets in trust, or utilize other funding mechanisms to support reserve credits. If the Company is unable to support the reserve credits, the regulatory capital levels of several of its subsidiaries may be significantly reduced, while the regulatory capital requirements for these subsidiaries would not change. The reduction in regulatory capital would not directly affect the Company's consolidated shareholders' equity under GAAP; however, it could affect the Company's ability to write new business and retain existing business.

Affiliated captives are commonly used in the insurance industry to help manage statutory reserve and collateral requirements and are often domiciled in the same state as the insurance company that sponsors the captive. The NAIC has analyzed the insurance industry's use of affiliated captive reinsurers to satisfy certain reserve requirements and has adopted measures to promote uniformity in both the approval and supervision of such reinsurers. While additional

work will be done by the NAIC to implement all of the changes, new standards have been introduced to address the extent that captives can be used to finance reserve growth related to new life insurance business subject to Regulation XXX. There is a commitment to allowing current captives to continue in accordance with their currently approved plans. State insurance regulators that regulate the Company’s domestic insurance companies have placed new restrictions on the use of newly established captive reinsurers and it is anticipated that such additional restrictions may make them less effective as a means of helping to finance reserve growth related to business issued in the future. This could adversely affect the Company’s ability to reinsure certain products, maintain risk based capital ratios and deploy excess capital. As a result, the Company may need to alter the type and volume of business it reinsures, increase prices on those products, raise additional capital to support higher regulatory reserves or implement higher cost strategies, all of which could adversely affect the Company’s competitive position and its results of operations.

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There may be more changes in the use and regulation of captives, but we cannot predict the extent of any changes that may be made. Accordingly, the Company has reevaluated and adjusted its strategy of using captives to enhance its capital efficiency and competitive position while it continued to monitor the regulations related to captives and any proposed changes in such regulations. The Company cannot estimate the impact of discontinuing or altering its captive strategy in response to potential regulatory changes due to many unknown variables such as the cost and availability of alternative capital, potential changes in regulatory reserving requirements under a principle-based reserving approach which would likely reduce required collateral, changes in acceptable collateral for statutory reserves, the introduction of the "certified reinsurer" laws and regulations in certain United States jurisdictions where the Company operates, the potential for increased pricing of products offered by the Company and the potential change in mix of products sold and/or offered by the Company and/or its clients.

In the United States, the introduction of the certified reinsurer has provided an alternative way to manage collateral requirements. In 2014, RGA Americas was designated as a certified reinsurer by the Missouri Department of Insurance, Financial Institutions and Professional Registration. This designation allows the Company to retrocede business to RGA Americas in lieu of using captives for collateral requirements.

Cash Flows

The Company's principal cash inflows from its reinsurance operations include premiums and deposit funds received from ceding companies. The primary liquidity concerns with respect to these cash flows are early recapture of the reinsurance contract by the ceding company and lapses of annuity products reinsured by the Company. The Company's principal cash inflows from its invested assets result from investment income and the maturity and sales of invested assets. The primary liquidity concern with respect to these cash inflows relates to the risk of default by debtors and interest rate volatility. The Company manages these risks very closely. See "Investments" and "Interest Rate Risk" below. Additional sources of liquidity to meet unexpected cash outflows in excess of operating cash inflows and current cash and equivalents on hand include selling short-term investments or fixed maturity securities and drawing funds under a revolving credit facility, under which the Company had availability of $448.1 million as of June 30, 2015. The Company also has $751.4 million of funds available through collateralized borrowings from the FHLB.

The Company's principal cash outflows relate to the payment of claims liabilities, interest credited, operating expenses, income taxes, and principal and interest under debt and other financing obligations. The Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts (See Note 2, "Summary of Significant Accounting Policies" of the Company's 2014 Annual Report). The Company performs annual financial reviews of its retrocessionaires to evaluate financial stability and performance. The Company has never experienced a material default in connection with retrocession arrangements, nor has it experienced any difficulty in collecting claims recoverable from retrocessionaires; however, no assurance can be given as to the future performance of such retrocessionaires nor to the recoverability of future claims. The Company's management believes its current sources of liquidity are adequate to meet its cash requirements for the next 12 months.

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Summary of Primary Sources and Uses of Liquidity and Capital

The Company's primary sources and uses of liquidity and capital are summarized as follows:

	For the six months ended June 30,	
	2015	2014
	(Dollars in thousands)	
Sources:		
Net cash provided by operating activities	$605,692	$907,810
Proceeds from collateral finance transactions	160,060	—
Net cash provided by short-term debt issuances	—	110,000
Excess tax benefits from share-based payment arrangement	—	1,268
Exercise of stock options, net	12,641	9,578
Change in cash collateral for derivative positions and other arrangements	—	47,561
Effect of exchange rate changes on cash	—	18,483
Total sources	778,393	1,094,700
Uses:		
Net cash used in investing activities	473,037	95,373
Dividends to stockholders	44,519	41,955
Repayment of collateral finance and securitization notes	17,632	—
Debt issuance costs	1,170	—
Principal payments of long-term debt	1,178	—
Purchases of treasury stock	262,515	179,592
Change in cash collateral for derivatives and other arrangements	31,244	—
Cash used for changes in universal life and other investment type policies and contracts	230,921	323,310
Effect of exchange rate changes on cash	26,185	—
Total uses	1,088,401	640,230
Net increase (decrease) in cash and cash equivalents	$(310,008)	$454,470

Cash Flows from Operations - The principal cash inflows from the Company's reinsurance activities come from premiums, investment and fee income, annuity considerations, deposit funds and income tax refunds. The principal cash outflows relate to the liabilities associated with various life and health insurance, annuity and disability products, operating expenses, income tax payments and interest on outstanding debt obligations. The primary liquidity concern with respect to these cash flows is the risk of shortfalls in premiums and investment income.

Cash Flows from Investments - The principal cash inflows from the Company's investment activities come from repayments of principal on invested assets, proceeds from maturities of invested assets, sales of invested assets and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. The Company typically has a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with its asset/liability management discipline to fund insurance liabilities. The Company closely monitors and manages these risks through its credit risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Financing Cash Flows - The principal cash inflows from the Company's financing activities come from issuances of RGA debt and equity securities, and deposit funds associated with universal life and other investment type policies and contracts. The principal cash outflows come from repayments of debt, payments of dividends to stockholders, purchases of treasury stock, and withdrawals associated with universal life and other investment type policies and contracts. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Contractual Obligations

From December 31, 2014 to June 30, 2015, the Company’s obligation related to future policy benefits increased by $2,003.2 million due to the purchase of Aurora in the second quarter of 2015, as discussed in Note 14 - “Acquisition” in the Notes to Condensed Consolidated Financial Statements. The Company’s obligation related to its collateral finance facility, including interest, was reduced by $147.4 million since December 31, 2014. This amount represents the net of a reduction of $301.1 million related to the Company’s decision to terminate a collateral financing arrangement between its subsidiary, Manor Reinsurance Ltd., and an international bank largely offset by CAD$200 million of collateral financing obtained from a third party by the Company’s subsidiary, RGA Barbados. In addition, since December 31, 2014, the Company’s obligation for other investment related commitments decreased by $104.2 million due to the termination of the Company's securities repurchase program in 2015. There were no other material changes in the Company’s contractual obligations from those reported in the 2014 Annual Report.

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Asset / Liability Management

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

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

The Company's asset-intensive products are primarily supported by investments in fixed maturity securities reflected on the Company's balance sheet and under funds withheld arrangements with the ceding company. Investment guidelines are established to structure the investment portfolio based upon the type, duration and behavior of products in the liability portfolio so as to achieve targeted levels of profitability. The Company manages the asset-intensive business to provide a targeted spread between the interest rate earned on investments and the interest rate credited to the underlying interest-sensitive contract liabilities. The Company periodically reviews models projecting different interest rate scenarios and their effect on profitability. Certain of these asset-intensive agreements, primarily in the U.S. and Latin America Non-Traditional operating segment, are generally funded by fixed maturity securities that are withheld by the ceding company.

The Company's liquidity position (cash and cash equivalents and short-term investments) was $1,411.8 million and $1,743.4 million at June 30, 2015 and December 31, 2014, respectively. Cash and cash equivalents includes cash collateral received from derivative counterparties of $160.8 million and $178.1 million as of June 30, 2015 and December 31, 2014, respectively. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in other liabilities in the Company's condensed consolidated balance sheets. Liquidity needs are determined from valuation analyses conducted by operational units and are driven by product portfolios. Periodic evaluations of demand liabilities and short-term liquid assets are designed to adjust specific portfolios, as well as their durations and maturities, in response to anticipated liquidity needs.

See "Securities Borrowing and Other" in Note 4 - "Investments" in the Notes to Condensed Consolidated Financial Statements for information related to the Company's securities borrowing and repurchase/reverse repurchase programs. In addition to its security agreements with third parties, certain RGA's subsidiaries have entered into intercompany securities lending agreements to more efficiently source securities for lending to third parties and to provide for more efficient regulatory capital management.

RGA Reinsurance is a member of the FHLB and holds $35.0 million of FHLB common stock, which is included in other invested assets on the Company's condensed consolidated balance sheets. Membership provides RGA Reinsurance access to borrowing arrangements ("advances") and funding agreements, discussed below, with the FHLB. RGA Reinsurance did not have any advances from the FHLB at June 30, 2015 and December 31, 2014. RGA Reinsurance's average outstanding balance of advances was $24.8 million and $12.5 million during the second quarter and first six months of 2015, respectively, and was $106.4 million and $59.3 million during the second quarter and first six months of 2014, respectively. Interest on advances is reflected in interest expense on the Company's condensed consolidated statements of income.

In addition, RGA Reinsurance has also entered into funding agreements with the FHLB under guaranteed investment contracts whereby RGA Reinsurance has issued the funding agreements in exchange for cash and for which the FHLB has been granted a blanket lien on RGA Reinsurance's commercial and residential mortgage-backed securities and commercial mortgage loans used to collateralize RGA Reinsurance's obligations under the funding agreements. RGA Reinsurance maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The funding agreements and the related security agreements represented by this blanket lien provide that upon any event of default by RGA Reinsurance, the FHLB's recovery is limited to the amount of RGA Reinsurance's liability under the outstanding funding agreements. The amount of the RGA Reinsurance's liability for the funding agreements with the FHLB under guaranteed investment contracts was $625.1

million and $636.1 million at June 30, 2015 and December 31, 2014, respectively, which is included in interest sensitive contract liabilities on the Company's condensed consolidated balance sheets. The advances on these agreements are collateralized primarily by commercial and residential mortgage-backed securities and commercial mortgage loans. The amount of collateral exceeds the liability and is dependent on the type of assets collateralizing the guaranteed investment contracts.

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Investments

Management of Investments

The Company's investment and derivative strategies involve matching the characteristics of its reinsurance products and other obligations and to seek to closely approximate the interest rate sensitivity of the assets with estimated interest rate sensitivity of the reinsurance liabilities. The Company achieves its income objectives through strategic and tactical asset allocations, security and derivative strategies within an asset/liability management and disciplined risk management framework. Derivative strategies are employed within the Company's risk management framework to help manage duration, currency, and other risks in assets and/or liabilities and to replicate the credit characteristics of certain assets. For a discussion of the Company's risk management process see "Market Risk" in the "Enterprise Risk Management" section below.

The Company's portfolio management groups work with the Enterprise Risk Management function to develop the investment policies for the assets of the Company's domestic and international investment portfolios. All investments held by the Company, directly or in a funds withheld at interest reinsurance arrangement, are monitored for conformance with the Company's stated investment policy limits as well as any limits prescribed by the applicable jurisdiction's insurance laws and regulations. See Note 4 – "Investments" in the Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's investments.

Portfolio Composition

The Company had total cash and invested assets of $40.9 billion and $38.3 billion at June 30, 2015 and December 31, 2014, respectively, as illustrated below (dollars in thousands):

	June 30, 2015	% of Total		December 31, 2014	% of Total	
Fixed maturity securities, available-for-sale	$28,063,975	68.5	%	$25,480,972	66.5	%
Mortgage loans on real estate	3,073,313	7.5		2,712,238	7.1	
Policy loans	1,438,156	3.5		1,284,284	3.3	
Funds withheld at interest	5,840,076	14.3		5,922,561	15.4	
Short-term investments	76,118	0.2		97,694	0.3	
Other invested assets	1,110,107	2.7		1,198,319	3.1	
Cash and cash equivalents	1,335,661	3.3		1,645,669	4.3	
Total cash and invested assets	$40,937,406	100.0	%	$38,341,737	100.0	%

Investment Yield

The following table presents consolidated average invested assets at amortized cost, net investment income and investment yield, excluding spread related business. Spread related business is primarily associated with contracts on which the Company earns an interest rate spread between assets and liabilities. To varying degrees, fluctuations in the yield on other spread related business is generally subject to corresponding adjustments to the interest credited on the liabilities (dollars in thousands).

	Three months ended June 30,						Six months ended June 30,					
	2015		2014		Increase/ (Decrease)		2015		2014		Increase/ (Decrease)	
Average invested assets at amortized cost	$21,029,197		$20,121,261		4.5	%	$20,926,385		$19,807,087		5.7	%
Net investment income	252,131		236,604		6.6		499,369		466,248		7.1	
Investment yield (ratio of net investment income to average invested assets)	4.88	%	4.79	%	9 bps		4.83	%	4.76	%	7 bps	

Investment yield increased for the three and six months ended June 30, 2015 in comparison to the same periods in the prior year due to increased income from limited partnership investments and prepayment fees on a structured note payoff, both of which are included in other invested assets.

Fixed Maturity and Equity Securities Available-for-Sale

See “Fixed Maturity and Equity Securities Available-for-Sale” in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements for tables that provide the amortized cost, unrealized gains and losses, estimated fair value of fixed maturity and equity securities, and the other-than-temporary impairments in AOCI by sector as of June 30, 2015 and December 31, 2014.

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The Company’s fixed maturity securities are invested primarily in corporate bonds, mortgage- and asset-backed securities, and U.S. and Canadian government securities. As of June 30, 2015 and December 31, 2014, approximately 93.8% and 94.6%, respectively, of the Company’s consolidated investment portfolio of fixed maturity securities were investment grade.

Important factors in the selection of investments include diversification, quality, yield, call protection and total rate of return potential. The relative importance of these factors is determined by market conditions and the underlying reinsurance liability and existing portfolio characteristics. The largest asset class in which fixed maturity securities were invested was corporate securities, which represented approximately 58.8% and 58.4% of total fixed maturity securities as of June 30, 2015 and December 31, 2014, respectively. See “Corporate Fixed Maturity Securities” in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements for tables showing the major industry types, which comprise the corporate fixed maturity holdings at June 30, 2015 and December 31, 2014.

As of June 30, 2015, the Company’s investments in Canadian and Canadian provincial government securities represented 13.5% of the fair value of total fixed maturity securities compared to 15.2% of the fair value of total fixed maturity securities at December 31, 2014. These assets are primarily high quality, long duration provincial strips, the valuation of which is closely linked to the interest rate curve. These assets are longer in duration and held primarily for asset/liability management to meet Canadian regulatory requirements. See “Fixed Maturity and Equity Securities Available-for-Sale” in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements for tables showing the various sectors as of June 30, 2015 and December 31, 2014.

The Company references rating agency designations in some of its investments disclosures. These designations are based on the ratings from nationally recognized statistical rating organizations, primarily those assigned by S&P. In instances where a S&P rating is not available the Company references the rating provided by Moody’s and in the absence of both the Company will assign equivalent ratings based on information from the NAIC. The NAIC assigns securities quality ratings and uniform valuations called “NAIC Designations” which are used by insurers when preparing their U.S. statutory filings. Structured securities (mortgage-backed and asset-backed securities) held by the Company's insurance subsidiaries that maintain the NAIC statutory basis of accounting utilize the NAIC rating methodology. The NAIC assigns designations to publicly traded as well as privately placed securities. The designations assigned by the NAIC range from class 1 to class 6, with designations in classes 1 and 2 generally considered investment grade (BBB or higher rating agency designation). NAIC designations in classes 3 through 6 are generally considered below investment grade (BB or lower rating agency designation).

The quality of the Company’s available-for-sale fixed maturity securities portfolio, as measured at fair value and by the percentage of fixed maturity securities invested in various ratings categories, relative to the entire available-for-sale fixed maturity security portfolio, at June 30, 2015 and December 31, 2014 was as follows (dollars in thousands):

		June 30, 2015				December 31, 2014			
NAIC Designation	Rating Agency Designation	Amortized Cost	Estimated Fair Value	% of Total		Amortized Cost	Estimated Fair Value	% of Total	
1	AAA/AA/A	$16,880,974	$18,443,284	65.7	%	$14,855,946	$16,866,777	66.1	%
2	BBB	7,686,514	7,881,514	28.1		6,880,383	7,258,299	28.5	
3	BB	932,629	950,069	3.4		750,152	760,531	3.0	
4	B	510,894	504,272	1.8		387,456	372,375	1.5	
5	CCC and lower	246,203	242,930	0.9		212,905	208,346	0.8	
6	In or near default	48,118	41,906	0.1		18,755	14,644	0.1	
	Total	$26,305,332	$28,063,975	100.0	%	$23,105,597	$25,480,972	100.0	%

The Company’s fixed maturity portfolio includes structured securities. The following table shows the types of structured securities the Company held at June 30, 2015 and December 31, 2014 (dollars in thousands):

	June 30, 2015		December 31, 2014	
	Amortized Cost	Estimated	Amortized Cost	Estimated

		Fair Value		Fair Value
Residential mortgage-backed securities:				
Agency	$626,139	$656,940	$639,936	$677,352
Non-agency	528,593	533,939	351,931	360,544
Total residential mortgage-backed securities	1,154,732	1,190,879	991,867	1,037,896
Commercial mortgage-backed securities	1,471,419	1,525,469	1,453,657	1,532,591
Asset-backed securities	1,051,093	1,062,624	1,059,660	1,069,586
Total	$3,677,244	$3,778,972	$3,505,184	$3,640,073

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

As of June 30, 2015, approximately 99.1% of the commercial mortgage-backed securities were considered investment-grade utilizing the rating methodology described above. The Company had no other-than-temporary impairments in its direct investments in commercial mortgage-backed securities for the three and six months ended June 30, 2015 or 2014.

Asset-backed securities include credit card and automobile receivables, student loans, home equity loans and collateralized debt obligations (primarily collateralized loan obligations). The Company owns floating rate securities that represent approximately 12.5% and 13.5% of the total fixed maturity securities at June 30, 2015 and December 31, 2014, respectively. These investments have a higher degree of income variability than the other fixed income holdings in the portfolio due to the floating rate nature of the interest payments. The Company holds these investments to match specific floating rate liabilities primarily reflected in the condensed consolidated balance sheets as collateral finance notes, as well as to enhance asset management strategies. In addition to the risks associated with floating rate securities, principal risks in holding asset-backed securities are structural, credit and capital market risks. Structural risks include the securities' cash flow priority in the capital structure and the inherent prepayment sensitivity of the underlying collateral. Credit risks include the adequacy and ability to realize proceeds from the collateral. Credit risks are mitigated by credit enhancements which include excess spread, over-collateralization and subordination. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

The Company monitors its fixed maturity and equity securities to determine impairments in value and evaluates factors such as financial condition of the issuer, payment performance, the length of time and the extent to which the market value has been below amortized cost, compliance with covenants, general market and industry sector conditions, current intent and ability to hold securities, and various other subjective factors. Based on management's judgment, securities determined to have an other-than-temporary impairment in value are written down to fair value. See "Investments – Other-than-Temporary Impairment" in Note 2 – "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the 2014 Annual Report for additional information. The table below summarizes other-than-temporary impairments and changes in the mortgage loan provision for the three and six months ended June 30, 2015 and 2014 (dollars in thousands).

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Corporate / Other fixed maturity securities	$4,137	$870	$6,664	$1,173
Other impairment losses and change in mortgage loan provision	(143)	5,309	4,025	3,645
Total	$3,994	$6,179	$10,689	$4,818

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At June 30, 2015 and December 31, 2014, the Company had $393.8 million and $134.9 million, respectively, of gross unrealized losses related to its fixed maturity and equity securities. The distribution of the gross unrealized losses related to these securities is shown below.

	June 30, 2015		December 31, 2014	
Sector:				
Corporate securities	62.6	%	68.3	%
Canadian and Canada provincial governments	0.7		—	
Residential mortgage-backed securities	2.8		4.9	
Asset-backed securities	2.1		7.7	
Commercial mortgage-backed securities	2.4		6.4	
State and political subdivisions	2.8		2.6	
U.S. government and agencies	22.1		0.4	
Other foreign government, supranational and foreign government-sponsored enterprises	4.5		9.7	
Total	100.0	%	100.0	%
Industry:				
Finance	13.9	%	17.4	%
Asset-backed	2.1		7.7	
Industrial	43.5		49.3	
Mortgage-backed	5.2		11.3	
Government	30.1		12.7	
Utility	5.2		1.6	
Total	100.0	%	100.0	%

See “Unrealized Losses for Fixed Maturity and Equity Securities Available-for-Sale” in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements for a table that presents the total gross unrealized losses for fixed maturity and equity securities at June 30, 2015 and December 31, 2014, respectively, where the estimated fair value had declined and remained below amortized cost by less than 20% or more than 20%.

The Company’s determination of whether a decline in value is other-than-temporary includes analysis of the underlying credit and the extent and duration of a decline in value. The Company’s credit analysis of an investment includes determining whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment. In the Company’s impairment review process, the duration and severity of an unrealized loss position for equity securities are given greater weight and consideration given the lack of contractual cash flows and the deferability features of these securities.

See “Unrealized Losses for Fixed Maturity and Equity Securities Available-for-Sale” in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements for tables that present the estimated fair values and gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for fixed maturity and equity securities that have estimated fair values below amortized cost, by class and grade security, as well as the length of time the related market value has remained below amortized cost as of June 30, 2015 and December 31, 2014.

As of June 30, 2015 and December 31, 2014, the Company classified approximately 8.1% and 8.8%, respectively, of its fixed maturity securities in the Level 3 category (refer to Note 6 – “Fair Value of Assets and Liabilities” in the Notes to Condensed Consolidated Financial Statements for additional information). These securities primarily consist of private placement corporate securities, bank loans, below investment grade commercial and residential mortgage-backed securities, collateralized loan obligations and subprime asset-backed securities with inactive trading markets.

See “Securities Borrowing and Other” in Note 4 - “Investments” in the Notes to Condensed Consolidated Financial Statements for information related to the Company’s securities borrowing, repurchase and repurchase/reverse repurchase programs.

Mortgage Loans on Real Estate

Mortgage loans represented approximately 7.5% and 7.1% of the Company’s cash and invested assets as of June 30, 2015 and December 31, 2014, respectively. The Company’s mortgage loan portfolio consists of U.S. based investments primarily in commercial offices, light industrial properties and retail locations. The mortgage loan portfolio is diversified by geographic region and property type. Additional information on geographic concentration and property type can be found under "Mortgage Loans on Real Estate" in Note 4 – “Investments” in the Notes to Condensed Consolidated Financial Statements.

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As of June 30, 2015 and December 31, 2014, the Company's mortgage loans, gross of valuation allowances, were distributed throughout the United States as follows (dollars in thousands):

	June 30, 2015			December 31, 2014		
	Recorded Investment	% of Total		Recorded Investment	% of Total	
Pacific	$817,037	26.6	%	$678,114	24.9	%
South Atlantic	669,971	21.8		622,859	22.9	
Mountain	536,571	17.4		480,075	17.7	
Middle Atlantic	173,735	5.6		166,247	6.1	
West North Central	271,100	8.8		185,061	6.8	
East North Central	301,909	9.8		284,300	10.5	
West South Central	210,408	6.8		178,478	6.6	
East South Central	47,413	1.5		62,794	2.3	
New England	51,111	1.7		60,781	2.2	
Total	$3,079,255	100.0	%	$2,718,709	100.0	%

Valuation allowances on mortgage loans are established based upon inherent losses expected by management to be realized in connection with future dispositions or settlement of mortgage loans, including foreclosures. The valuation allowances are established after management considers, among other things, the value of underlying collateral and payment capabilities of debtors. Any subsequent adjustments to the valuation allowances will be treated as investment gains or losses. See "Mortgage Loans on Real Estate" in Note 4 – "Investments" in the Notes to Condensed Consolidated Financial Statements for information regarding valuation allowances and impairments.

Policy Loans

Policy loans comprised approximately 3.5% and 3.3% of the Company's cash and invested assets as of June 30, 2015 and December 31, 2014, respectively, the majority of which are associated with one client. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds Withheld at Interest

Funds withheld at interest comprised approximately 14.3% and 15.4% of the Company's cash and invested assets as of June 30, 2015 and December 31, 2014, respectively. For reinsurance agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company, and are reflected as funds withheld at interest on the Company's consolidated balance sheets. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed by the ceding company. Interest accrues to these assets at rates defined by the treaty terms. Additionally, under certain treaties the Company is subject to the investment performance on the withheld assets, although it does not directly control them. These assets are primarily fixed maturity investment securities and pose risks similar to the fixed maturity securities the Company owns. To mitigate this risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance. Ceding companies with funds withheld at interest had an average rating of "A" at June 30, 2015 and December 31, 2014. Certain ceding companies maintain segregated portfolios for the benefit of the Company.

Other Invested Assets

Other invested assets include equity securities, limited partnership interests, joint ventures (other than operating joint ventures), structured loans, derivative contracts, FVO contractholder-directed unit-linked investments, FHLB common stock, real estate held-for-investment and equity release mortgages. Other invested assets represented approximately 2.7% and 3.1% of the Company's cash and invested assets as of June 30, 2015 and December 31, 2014, respectively. See "Other Invested Assets" in Note 4 – "Investments" in the Notes to Condensed Consolidated Financial Statements for a

table that presents the carrying value of the Company’s other invested assets by type as of June 30, 2015 and December 31, 2014.

The Company did not record any other-than-temporary impairments on equity securities in the first six months of 2015 or 2014. The Company recorded no other-than-temporary impairments in the second quarter of 2015 and $4.5 million of other-than-

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temporary impairments on limited partnership interests in the first six months of 2015. The Company recorded $4.2 million of other-than-temporary impairments on limited partnership interests in the second quarter and first six months of 2014.

The Company has utilized derivative financial instruments to protect the Company against possible changes in the fair value of its investment portfolio as a result of interest rate changes, to hedge against risk of changes in the purchase price of securities, to hedge liabilities associated with the reinsurance of variable annuities with guaranteed living benefits and to manage the portfolio's effective yield, maturity and duration. In addition, the Company has used derivative financial instruments to reduce the risk associated with fluctuations in foreign currency exchange rates. The Company uses both exchange-traded, centrally cleared, and customized over-the-counter derivative financial instruments.

See Note 5 - "Derivative Instruments" in the Notes to Condensed Consolidated Financial Statements for a table that presents the notional amounts and fair value of investment related derivative instruments held at June 30, 2015 and December 31, 2014.

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. Generally, the credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date plus or minus any collateral posted or held by the Company. The Company had credit exposure related to its derivative contracts, excluding futures, longevity, and mortality swaps, of $21.2 million and $7.7 million at June 30, 2015 and December 31, 2014, respectively.

The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Certain of the Company's OTC derivatives are cleared derivatives, which are bilateral transactions between the Company and a counterparty where the transactions are cleared through a clearinghouse, such that each derivative counterparty is only exposed to the default of the clearinghouse. As exchange-traded futures are affected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties. See Note 5 - "Derivative Instruments" in the Notes to Condensed Consolidated Financial Statements for more information regarding the Company's derivative instruments.

Enterprise Risk Management

RGA maintains a dedicated Enterprise Risk Management ("ERM") function that is responsible for analyzing and reporting the Company's risks on an aggregated basis; facilitating monitoring to ensure the Company's risks remain within its appetites and tolerances; and ensuring, on an ongoing basis, that RGA's ERM objectives are met. This includes ensuring proper risk controls are in place; risks are effectively identified, assessed, and managed; and key risks to which the Company is exposed are disclosed to appropriate stakeholders. The ERM function plays an important role in fostering the Company's risk management culture and practices.

Enterprise Risk Management Structure and Governance

The Board of Directors ("the Board") oversees enterprise risk through its standing committees. The Finance, Investments, and Risk Management (FIRM) Committee of the Board oversees the management of the Company's ERM program and policies. The FIRM receives regular reports and assessments which describe the Company's key risk exposures and include quantitative and qualitative assessments and information about breaches, exceptions, and waivers.

The Company's Global Chief Risk Officer ("CRO") leads the dedicated ERM function. The CRO reports to the Chief Operating Officer ("COO") and has direct access to the Board through the FIRM Committee with formal reporting occurring quarterly. The CRO is supported by a network of Business Unit Chief Risk Officers and Risk Management Officers throughout the business who are responsible for the analysis and management of risks within their scope. A Lead Risk Management Officer is assigned to each risk to take overall responsibility to monitor and assess the risk consistently across all markets.

In addition to leading the ERM function, the CRO also chairs the Company's Risk Management Steering Committee ("RMSC"), which is made up of senior management executives, including the Chief Executive Officer, the Chief

Financial Officer ("CFO"), and the COO, among others. The RMSC has oversight over all risk matters within RGA and, among other responsibilities, approves targets and limits for each material risk at the consolidated level and reviews these limits at least annually. Exposure to these risks is calculated and presented to the RMSC at least quarterly. Any waiver or exception to established risk limits needs to be approved by the RMSC. The RMSC may delegate some of its responsibilities to other committees focusing on more specific risks. Such committees may report directly or indirectly to the RMSC. In addition to the risk committees at a consolidated level, some of RGA's operating entities have risk management committees that oversee relevant risks relative to segment-level risk targets and limits.

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Enterprise Risk Management Framework

RGA's ERM framework provides a platform to assess the risk / return profiles of risks throughout the organization to enable enhanced decision making by business leaders. The ERM framework also guides the development and implementation of mitigation strategies to reduce exposures to these risks to acceptable levels.

RGA's ERM framework includes the following elements:

1. Risk Culture: Risk management is an integral part of the Company's culture and is embedded in RGA's business processes in accordance with RGA's risk philosophy. As the cornerstone of the ERM framework, a culture of prudent risk management reinforced by senior management plays a preeminent role in the effective management of risks assumed by RGA.
2. Risk Tolerance Statements: Describes the amount of risk the Company is willing to accept, which take into account the interactions and aggregation of risks across multiple risk areas. These statements provide a framework for managing the Company from an overall risk point of view.
3. Risk Targets and Limits: Risk Targets are established and managed in conjunction with strategic planning and set the desired range of risk that the Company seeks to assume. Risk Limits establish the maximum amount of each risk that the Company is willing to assume to remain within the Company's risk tolerance.
4. Risk Assessment Process: RGA uses qualitative and quantitative methods to assess key risks through a portfolio approach, which analyzes established and emerging risks in conjunction with other risks.
5. Structural Controls: Structural controls provide additional safeguards against undesired risk exposures and are embedded in business processes. Examples of structural controls include maximum retention limits, pricing and underwriting reviews, per issuer limits, concentration limits, and standard treaty language.

Proactive risk monitoring and reporting enable early detection and mitigation of emerging risks. The RMSC monitors adherence to risk targets and limits through the ERM function, which reports regularly to the RMSC and FIRM Committee. The frequency of monitoring is tailored to the volatility of each risk. Risk escalation channels coupled with open communication lines enhance the mitigants explained above. The Company has devoted significant resources to developing its ERM program and expects to continue to do so in the future. Nonetheless, the Company's policies and procedures to identify, manage, and monitor risks may not be fully effective. Many of the Company's methods for managing risk are based on historical information, which may not be a good predictor of future risk exposures, such as the risk of a pandemic causing a large number of deaths. Management of operational, legal, and regulatory risk relies on policies and procedures which may not be fully effective under all scenarios.

Risk Categories

The Company categorizes its main risks as insurance risk, market risk, credit risk and operational risk. Specific risk assessments and descriptions can be found below and in Item 1A – "Risk Factors" of the 2014 Annual Report.

Insurance Risk

Insurance risk is the risk of loss due to experience deviating adversely from expectations for mortality, morbidity, longevity and policyholder behavior or lost future profits due to treaty recapture by clients. The Company uses multiple approaches to managing insurance risk: active insurance risk assessment and pricing appropriately for the risks assumed, transferring undesired risks, and managing the retained exposure prudently. These strategies are explained below.

Insurance Risk Assessment and Pricing

The Company has developed extensive expertise in assessing insurance risks which ultimately forms an integral part of ensuring that it is compensated commensurately for the risks it assumes and that it does not overpay for the risks it transfers to third parties. This expertise includes a vast array of market and product knowledge supported by a large information database of historical experience which is closely monitored. Analysis and experience studies derived from this database help form the basis for the Company's pricing assumptions which are used in developing rates for new risks. If actual mortality or morbidity experience is materially adverse, some reinsurance treaties allow for increases to future premium rates.

Misestimation of any key risk can threaten the long term viability of the enterprise. Further, the pricing process is a key operational risk and significant effort is applied to ensuring the appropriateness of pricing assumptions. Some of the safeguards the Company uses to ensure proper pricing are: experience studies, strict underwriting, sensitivity and

scenario testing, pricing guidelines and controls, authority limits and internal and external pricing reviews. In addition, the ERM function provides pricing oversight which includes periodic pricing audits.

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Risk Transfer

To minimize volatility in financial results and reduce the impact of large losses, the Company transfers some of its insurance risk to third parties using vehicles such as retrocession and catastrophe coverage.

Individual Exposure Retrocession

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of claims paid by ceding reinsurance to other insurance enterprises (or retrocessionaires) under excess coverage and coinsurance contracts. In individual life markets, the Company retains a maximum of $8.0 million of coverage per individual life. In certain limited situations the Company has retained more than $8.0 million per individual life. The Company enters into agreements with other reinsurers to mitigate the residual risk related to the over-retained policies. Additionally, due to some lower face amount reinsurance coverages provided by the Company in addition to individual life, such as group life, disability and health, under certain circumstances, the Company could potentially incur claims totaling more than $8.0 million per individual life.

Catastrophic Excess Loss Retrocession

The Company seeks to limit its exposure to loss on its assumed catastrophic excess of loss reinsurance agreements by ceding a portion of its exposure to multiple retrocessionaires through retrocession line slips or directly to retrocession markets. The Company retains a maximum of $20.0 million of catastrophic loss exposure per agreement and retrocedes up to $50.0 million additional loss exposures to the retrocession markets. The Company limits its exposure on a country-by-country basis by managing its total exposure to all catastrophic excess of loss agreements bound within a given country to established maximum aggregate exposures. The maximum exposures are established and managed both on gross amounts issued prior to including retrocession and for amounts net of exposures retroceded.

Catastrophe Coverage

The Company accesses the markets each year for annual catastrophic coverages and reviews current coverage and pricing of current and alternate designs. Purchases vary from year to year based on the Company’s perceived value of such coverages. The current policy covers events involving 10 or more insured deaths from a single occurrence and covers $100.0 million of claims in excess of the Company’s $25.0 million deductible.

Managing Retained Exposure

The Company retains most of the inbound insurance risk. The Company manages the retained exposure proactively using various mitigating factors such as diversification and limits. Diversification is the primary mitigating factor of short term volatility risk, but it also mitigates adverse impacts of changes in long term trends and catastrophic events. The Company’s insured populations are dispersed globally, diversifying the insurance exposure because factors that cause actual experience to deviate materially from expectations do not affect all areas uniformly and synchronously or in close sequence. A variety of limits mitigate retained insurance risk. Examples of these limits include geographic exposure limits, which set the maximum amount of business that can be written in a given locale, and jumbo limits, which prevent excessive coverage on a given individual.

In the event that mortality or morbidity experience develops in excess of expectations, some reinsurance treaties allow for increases to future premium rates. Other treaties include experience refund provisions, which may also help reduce RGA’s mortality risk.

RGA has various methods to manage its insurance risks, including access to the capital and reinsurance markets.

Market Risk

Market risk is the risk that net asset and liability values or revenue will be affected adversely by changes in market conditions such as market prices, exchange rates, and nominal interest rates. The Company is primarily exposed to interest rate, foreign currency, inflation, real estate and equity risks.

Interest Rate Risk

Interest rate risk is the potential for loss, on a net asset and liability basis, due to changes in interest rates, including both normal rate changes and credit spread changes. This risk arises from many of the Company’s primary activities, as the Company invests substantial funds in interest-sensitive assets, primarily fixed maturity securities, and also has certain interest-sensitive contract liabilities. A prolonged period where market yields are significantly below the book yields of the Company's asset portfolio puts downward pressure on portfolio book yields. The Company has been proactive in its investment strategies, reinsurance structures and overall asset-liability practices to reduce the risk of

unfavorable consequences in this type of environment.
The Company manages interest rate risk to optimize the return on the Company's capital and to preserve the value created by its business operations within certain constraints. As such, certain management monitoring processes are designed to minimize the

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effect of sudden and/or sustained changes in interest rates on fair value, cash flows, and net interest income. The Company manages its exposure to interest rates principally by managing the relative matching of the cash flows of its liabilities and assets.

The Company's exposure to interest rate price risk and interest rate cash flow risk is reviewed on a quarterly basis. Interest rate price risk exposure is measured using interest rate sensitivity analysis to determine the change in fair value of the Company's financial instruments in the event of a hypothetical change in interest rates. Interest rate cash flow risk exposure is measured using interest rate sensitivity analysis to determine the Company's variability in cash flows in the event of a hypothetical change in interest rates.

In order to reduce the exposure to changes in fair values from interest rate fluctuations, the Company has developed strategies to manage the interest rate sensitivity of its assets and liabilities. In addition, from time to time, the Company has utilized the swap market to manage the sensitivity of fair values to interest rate fluctuations.

Foreign Currency Risk

The Company is subject to foreign currency translation, transaction, and net income exposure. The Company manages its exposure to currency principally by matching invested assets with the underlying liabilities to the extent possible. The Company has in place net investment hedges for a portion of its investments in its Canadian operations to reduce excess exposure to these currencies. Translation differences resulting from translating foreign subsidiary balances to U.S. dollars are reflected in stockholders' equity on the condensed consolidated balance sheets.

The Company generally does not hedge the foreign currency exposure of its subsidiaries transacting business in currencies other than their functional currency (transaction exposure). However, the Company has entered into cross currency swaps to manage its net exposure to foreign currencies. The majority of the Company's foreign currency transactions are denominated in Australian dollars, British pounds, Canadian dollars, Euros, Japanese yen, Korean won, and the South African rand. The maximum amount of assets held in a specific currency (with the exception of the U.S. dollar) is measured relative to risk targets and is monitored regularly.

Inflation Risk

The primary direct effect on the Company of inflation is the increase in operating expenses. A large portion of the Company's operating expenses consists of salaries, which are subject to wage increases at least partly affected by the rate of inflation. The rate of inflation also has an indirect effect on the Company. To the extent that a government's policies to control the level of inflation result in changes in interest rates, the Company's investment income is affected.

The Company reinsures annuities with benefits indexed to the cost of living. Some of these benefits are hedged with a combination of CPI swaps and indexed bonds when material.

Long Term Care products have an inflation component linked to the future cost of such services. If health care costs increase at a much larger rate than what is prevalent in the nominal interest rates available in the markets, the company may not earn enough yield to pay future claims on such products.

Real Estate Risk

The Company has investments in direct real estate equity and debt instruments collateralized by real estate ("real estate loans"). Real estate equity risks include significant reduction in valuations, which could be caused by downturns in the broad economy or in specific geographic regions or sectors. In addition, real estate loan risks include defaults, natural disasters, borrower or tenant bankruptcy and reduced liquidity. Real estate loan risks are partially mitigated by the excess of the value of the property over the loan principle, which provides a buffer should the value of the real estate decrease. The Company manages its real estate loan risk by diversifying by property type and geography and through exposure limits.

Equity Risk

Equity risk is the risk that net asset and liability (e.g. variable annuities or other equity linked exposures) values or revenues will be affected adversely by changes in equity markets. The Company assumes equity risk from alternative investments, fixed indexed annuities and variable annuities. The Company uses derivatives to hedge its exposure to movements in equity markets that have a direct correlation with certain of its reinsurance products.

Alternative Investments

Alternative Investments are investments in non-traditional asset classes that are most commonly backing capital and surplus and not liabilities. The Company generally restricts the alternative investments portfolio to non-liability supporting assets: that is, free surplus. For (re)insurance companies, alternative investments generally encompass: hedge funds, owned commercial real estate, emerging markets debt, distressed debt, commodities, infrastructure, tax credits, and equities, both public and private. The Company mitigates its exposure to alternative investments by limiting the size of the alternative investments holding.

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Fixed Indexed Annuities

The Company reinsures fixed indexed annuities ("FIAs"). Credits for FIAs are affected by changes in equity markets. Thus the fair value of the benefit is a function of primarily index returns and volatility. The Company hedges most of the underlying FIA equity exposure.

Variable Annuities

The Company reinsures variable annuities including those with guaranteed minimum death benefits (“GMDB”), guaranteed minimum income benefits (“GMIB”), guaranteed minimum accumulation benefits (“GMAB”) and guaranteed minimum withdrawal benefits (“GMWB”). Strong equity markets, increases in interest rates and decreases in equity market volatility will generally decrease the fair value of the liabilities underlying the benefits. Conversely, a decrease in the equity markets along with a decrease in interest rates and an increase in equity market volatility will generally result in an increase in the fair value of the liabilities underlying the benefits, which has the effect of increasing reserves and lowering earnings. The Company maintains a customized dynamic hedging program that is designed to substantially mitigate the risks associated with income volatility around the change in reserves on guaranteed benefits, ignoring the Company’s own credit risk assessment. However, the hedge positions may not fully offset the changes in the carrying value of the guarantees due to, among other things, time lags, high levels of volatility in the equity and derivative markets, extreme swings in interest rates, unexpected contract holder behavior, and divergence between the performance of the underlying funds and hedging indices. These factors, individually or collectively, may have a material adverse effect on the Company’s net income, financial condition or liquidity. The table below provides a summary of variable annuity account values and the fair value of the guaranteed benefits as of June 30, 2015 and December 31, 2014.

(dollars in millions)	June 30, 2015	December 31, 2014
No guarantee minimum benefits	$843	$881
GMDB only	69	75
GMIB only	5	5
GMAB only	38	44
GMWB only	1,540	1,636
GMDB / WB	391	427
Other	24	27
Total variable annuity account values	$2,910	$3,095
Fair value of liabilities associated with living benefit riders	$134	$159

Credit Risk

Credit risk is the risk of loss due to counterparty (obligor, client, retrocessionaire, or partner) credit deterioration or unwillingness to meet its obligations. Credit risk has two forms: investment credit risk (asset default and credit migration) and insurance counterparty risk.

Investment Credit Risk

Investment credit risk, which includes default risk, is risk of loss due to credit quality deterioration of an individual financial investment, derivative or non-derivative contract or instrument. Credit quality deterioration may or may not be accompanied by a ratings downgrade. Generally, the investment credit exposure for fixed maturity securities is limited to the fair value, net of any collateral received, at the reporting date.

The Company manages investment credit risk using per-issuer investments limits. In addition to per-issuer limits, the Company also limits the total amounts of investments per rating category. An automated compliance system checks for compliance for all investment positions and sends warning messages when there is a breach. The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because futures are affected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal

exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments.

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The Company enters into various collateral arrangements, which require both the posting and accepting of collateral in connection with its derivative instruments. Collateral agreements contain attachment thresholds that vary depending on the posting party's financial strength ratings. Additionally, a decrease in the Company's financial strength rating to a specified level results in potential settlement of the derivative positions under the Company's agreements with its counterparties. A committee is responsible for setting rules and approving and overseeing all transactions requiring collateral. See "Credit Risk" in Note 5 – "Derivative Instruments" in the Notes to Condensed Consolidated Financial Statements for additional information on credit risk related to derivatives.

Insurance Counterparty Risk

Insurance counterparty risk is the potential for the Company to incur losses due to a client, retrocessionaire, or partner becoming distressed or insolvent. This includes run-on-the-bank risk and collection risk.

Run-on-the-Bank

The risk that a client's in force block incurs substantial surrenders and/or lapses due to credit impairment, reputation damage or other market changes affecting the counterparty. Severely higher than expected surrenders and/or lapses could result in inadequate in force business to recover cash paid out for acquisition costs.

Collection Risk

For clients and retrocessionaires, this includes their inability to satisfy a reinsurance agreement because the right of offset is disallowed by the receivership court; the reinsurance contract is rejected by the receiver, resulting in a premature termination of the contract; and/or the security supporting the transaction becomes unavailable to RGA.

The Company manages insurance counterparty risk by limiting the total exposure to a single counterparty and by only initiating contracts with creditworthy counterparties. In addition, some of the counterparties have set up trusts and letters of credit, reducing the Company's exposure to these counterparties.

Generally, RGA's insurance subsidiaries retrocede amounts in excess of their retention to RGA Reinsurance, Parkway Re, RGA Barbados, RGA Americas, Rockwood Re, Manor Re, RGA Worldwide or RGA Atlantic. External retrocessions are arranged through the Company's retrocession pools for amounts in excess of its retention. As of June 30, 2015, all retrocession pool members in this excess retention pool rated by the A.M. Best Company were rated "A-" or better. A rating of "A-" is the fourth highest rating out of fifteen possible ratings. For a majority of the retrocessionaires that were not rated, letters of credit or trust assets have been given as additional security. In addition, the Company performs annual financial and in force reviews of its retrocessionaires to evaluate financial stability and performance.

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

Aggregate Counterparty Limits

In addition to investment credit limits and insurance counterparty limits, there are aggregate counterparty risk limits which include counterparty exposures from reinsurance, financing and investment activities at an aggregated level to control total exposure to a single counterparty. Counterparty risk aggregation is important because it enables the Company to capture risk exposures at a comprehensive level and under more extreme circumstances compared to analyzing the components individually.

All counterparty exposures are calculated on a quarterly basis, reviewed by management and monitored by the ERM function.

Operational Risks

Operational risks represent the risk of loss, or lost business opportunities, due to inadequate or failed internal processes, people, or systems or due to external events. These risks are sometimes residual risks after insurance, market, and credit risks have been identified. Identified operational risks are divided into four areas and are evaluated through a quarterly qualitative assessment involving Risk Management Officers across RGA's business units. The four areas include the following:

Process Risks

Process risks include known factors within the Company's key operational processes (such as administration, claims, underwriting, investment operations, retrocession, pricing process, disruption of operations, information security, and

financial reporting) that could have potential effects on the Company's ability to meet business objectives.

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Legal/Regulatory Risks

Legal and regulatory risks include the various legal, compliance, sovereign, and regulatory obligations and concerns faced by the Company. This risk area often intersects with the Company's core operational process risk areas. Given the scope of the Company’s business and the number of countries in which it operates, this set of risks has the potential to affect the business locally, regionally, or globally.

Financial Risks

Financial risks take into account known factors related to fraud, collateral, expenses, financing, liquidity, tax, and valuation. There are many aspects to this set of risks that are important to the operations of the Company and its ability to meet obligations with its clients, shareholders, and regulators.

Intangibles Risks

Intangibles risks include human capital, ratings, reputation, and strategy. These risks are core to managing the Company’s brand and market confidence as well as maintaining its ability to acquire and retain the appropriate expertise to execute and operate the business.

New Accounting Standards

See Note 16 — “New Accounting Standards” in the Notes to Condensed Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the Company’s quantitative or qualitative aspects of market risk during the quarter ended June 30, 2015 from that disclosed in the 2014 Annual Report. See “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Market Risk”, which is included herein, for additional information.

ITEM 4. Controls and Procedures

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

There was no change in the Company’s internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is subject to litigation in the normal course of its business. A legal reserve is established when the Company is notified of an arbitration demand or litigation or is notified that an arbitration demand or litigation is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated.

ITEM 1A. Risk Factors

There were no material changes from the risk factors disclosed in the 2014 Annual Report.

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

Issuer Purchases of Equity Securities

The following table summarizes RGA's repurchase activity of its common stock during the quarter ended June 30, 2015:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Program
April 1, 2015 - April 30, 2015	253,324	$92.93	252,642	$ 46,395,712
May 1, 2015 - May 31, 2015	6,018	$93.11	—	$ 46,395,712
June 1, 2015 - June 30, 2015	341	$94.04	—	$ 46,395,712

(1) RGA repurchased 252,642 shares of common stock under its share repurchase program for $23.5 million during April 2015. The Company net settled - issuing 1,597, 13,286 and 453 shares from treasury and repurchasing from recipients 682, 6,018 and 341 shares in April, May and June, respectively, in settlement of income tax withholding requirements incurred by the recipients of an equity incentive award.

On January 22, 2015, RGA's board of directors authorized a share repurchase program, with no expiration date, for up to $300.0 million of the RGA's outstanding common stock. In connection with this authorization, the board of directors terminated the stock repurchase authority granted in 2014. In July 2015, RGA's board of directors authorized an additional increase of $150.0 million to the share repurchase program previously authorized in January 2015. With these authorizations, the total amount of the Company's outstanding common stock authorized for repurchase is $450.0 million.

ITEM 5. Other Information

Effective January 1, 2015, the Company further refined its reporting of the Canada; Europe, Middle East and Africa; and Asia Pacific segments into traditional and non-traditional businesses to reflect the expanded product offerings within its geographic-based segments. The Company's traditional and non-traditional segments are now managed separately and have discrete financial information available that is reviewed regularly by the Company's chief operating decision maker. Refer to Exhibit 99.1 of this report for comparable figures by quarter for 2014 and 2013.

ITEM 6. Exhibits

See index to exhibits.

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SIGNATURES

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

Reinsurance Group of America, Incorporated

Date: August 5, 2015	By: /s/ A. Greig Woodring A. Greig Woodring President & Chief Executive Officer (Principal Executive Officer)
Date: August 5, 2015	By: /s/ Jack B. Lay Jack B. Lay Senior Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation, incorporated by reference to Exhibit 3.1 of Current Report on Form 8-K filed November 25, 2008.
3.2	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 of Current Report on Form 8-K filed July 18, 2014.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Supplemental information containing the Company's traditional and non-traditional segment results for Canada, EMEA and Asia Pacific operations for 2014 and 2013.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document