

the Company's ratings and the general availability of these instruments in the marketplace.

Investments

The Company had total cash and invested assets of \$9.0 billion and \$6.7 billion at December 31, 2003 and 2002, respectively. All investments made by RGA and its subsidiaries conform to the qualitative and quantitative limits prescribed by the applicable jurisdiction's insurance laws and regulations. In addition, the operating companies' Boards of Directors periodically review their respective investment portfolios. The Company's investment strategy is to maintain a predominantly investment-grade, fixed maturity portfolio, to provide adequate liquidity for expected reinsurance obligations, and to maximize total return through prudent asset management. The Company's asset/liability duration matching differs between the U.S. and Canada operating segments. The target duration for U.S. portfolios, which are segmented along product lines, range between four and seven years. Based on Canadian reserve requirements, a portion of the Canadian liabilities is strictly matched with long-duration Canadian assets, with the remaining assets invested to maximize the total rate of return, given the characteristics of the corresponding liabilities and Company liquidity needs. The Company's earned yield on invested assets was 6.39% in 2003, compared with 6.51% in 2002, and 6.79% in 2001. See Note 5—"Investments" in the Notes to Consolidated Financial Statements for additional information regarding the Company's investments.

Fixed maturity securities available for sale

The Company's fixed maturity securities are invested primarily in commercial and industrial bonds, public utilities, Canadian government securities, and mortgage and asset-backed securities. As of December 31, 2003, approximately 98% of the Company's consolidated investment portfolio of fixed maturity securities was investment-grade. Important factors in the selection of investments include diversification, quality, yield, total rate of return potential, and call protection. The relative importance of these factors is determined by market conditions and the underlying product or portfolio characteristics. Cash equivalents are invested in high-grade money market instruments. The largest asset class in which fixed maturities were invested was in commercial and industrial bonds, which represented approximately 26.4% of fixed maturity securities as of December 31, 2003, a decrease from 32.3% as of December 31, 2002. A majority of these securities were classified as corporate securities, with an average Standard and Poor's ("S&P") rating of A- at December 31, 2003. The Company owns floating rate securities

that represent approximately 1.6% of fixed maturity securities at December 31, 2003, compared to 2.8% at December 31, 2002. These investments may 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.

Within the fixed maturity security portfolio, the Company holds approximately \$77.9 million in asset-backed securities at December 31, 2003, which include credit card and automobile receivables, home equity loans and collateralized bond obligations. The Company's asset-backed securities are diversified by issuer and contain both floating and fixed rate securities. Less than 1.0%, or \$0.1 million are collateralized bond obligations. In addition to the risks associated with floating rate securities, principal risks in holding asset-backed securities are structural, credit and capital market risks. Structural risks include the securities priority in the issuer's capital structure, the adequacy of and ability to realize proceeds from collateral, and the potential for prepayments. Credit risks include consumer or corporate credits such as credit card holders, equipment lessees, and corporate obligors. Capital market risks include general level of interest rates and the liquidity for these securities in the marketplace.

The Company monitors its fixed maturity securities to determine impairments in value. In conjunction with its external investment managers, the Company evaluates factors such as financial condition of the issuer, payment performance, the length of time and the extent to which the market value has been below amortized cost, compliance with covenants, general market conditions and industry sector, intent and ability to hold securities, and various other subjective factors. As of December 31, 2003, the Company held fixed maturities with a cost basis of \$0.1 million and a market value of \$0.1 million, or less than 0.1% of fixed maturities, that were non-income producing. Based on management's judgment, securities with an other than temporary impairment in value are written down to management's estimate of fair value. The Company recorded other than temporary write-downs of fixed maturities totaling \$20.1 million, \$33.9 million, and \$43.4 million in 2003, 2002, and 2001, respectively. The circumstances that gave rise to these impairments were bankruptcy proceedings and deterioration in collateral value supporting certain asset-backed securities. During 2003 and 2002, the Company sold fixed maturity securities with fair values of \$460.3 million and \$466.1 million at losses of \$25.2 million and \$44.4 million, respectively.