

RGA Reinsurance UK Limited

Directors' report and financial statements

31 December 2000

Registered number 3552908

REGISTERED UNDER THE INSURANCE
ACT 1982

AC1801



Directors' report and consolidated financial statements

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Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2000.

Principal activities and business review

On 11 April 2000 the company was licensed by Her Majesty's Treasury. The principal activity of this company is to transact primarily long term reinsurance business. On the same day, 14,000,000 ordinary shares of £1 each were issued at £1 each for cash to finance the company's activities.

As of 1 September 2000, all people and non-policy related assets were transferred from RGA Reinsurance UK Limited to RGA UK Services Limited. This change was completed to enable a common pool of resources to provide management services to all RGA companies without potential breach of insurance company regulation.

Results for the year

The results for the year are set out on page 4. The result is a loss on ordinary activities after taxation for the year of £1.5 million (1999: loss of £1.2 million).

Directors and directors' interests

The directors who held office during the year were as follows:

The Earl Cathcart
R Corley
P Nitsou
J Philp
The Lord Poole
R Sepel
P Thomas
G Watson
A G Woodring

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Dividends

The directors recommend that no dividend be paid in respect of the year to 31 December 2000 (1999: £ nil).

Year 2000

There were no significant factors, which affected the activities of the business relating to the year 2000 issue.

Auditors

Pursuant to a shareholders' resolution, the company has appointed Deloitte & Touche as its auditors.

By order of the board

On behalf of SISEC Limited

Secretary

21 Holborn Viaduct
London
EC1A 2DY

2001

Statement of directors' responsibilities

United Kingdom Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

21 Holborn Viaduct
London
EC1A 2DY

2001

Auditors' report to the members of RGA Reinsurance UK Limited

We have audited the financial statements on pages 4 to 14, which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

7 August 2001

Profit and loss account

for the year ended 31 December 2000

	Note	2000		1999	
		£	£	£	£
Profit and loss account:					
technical account – long term business					
Premiums net of reinsurance					
Gross premiums written	2	537,471	-	-	-
Outward reinsurance premiums		(478,740)	-	-	-
		<u>58,731</u>	-	-	-
Investment income	3	598,867	-	-	-
Net unrealised gains on investments		<u>120,822</u>	-	-	-
		778,420	-	-	-
Claims incurred net of reinsurance		-	-	-	-
Changes in other technical provisions, net of reinsurance, not shown under other headings					
Long term business provision net of reinsurance					
Gross amount		(3,122,518)	-	-	-
Reinsurers' share		<u>2,780,043</u>	-	-	-
		(342,475)	-	-	-
Net operating expenses	4	(1,458,700)	-	-	-
Investment expenses and charges	5	<u>(18,287)</u>	-	-	-
Balance on technical account – long term business		<u>(1,041,042)</u>	-	-	-
Profit and loss account:					
non-technical account					
Balance on the long term business technical account		(1,041,042)	-	-	-
Investment income	3	25,425	-	-	-
Other charges including value adjustments		<u>(438,802)</u>	-	(1,221,690)	-
Operating loss on ordinary activities before tax	6	(1,454,419)	-	(1,221,690)	-
Tax on profit/(loss) on ordinary activities	9	-	-	-	-
Loss for the financial year		<u>(1,454,419)</u>	-	<u>(1,221,690)</u>	-

There were no other recognised gains or losses for the year. The results have all been derived from continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet - Assets*at 31 December 2000*

	<i>Note</i>	2000		1999	
		£	£	£	£
Investments					
Other financial investments	10		17,118,527		65,000
Reinsurers' share of technical provisions					
Long term business provision			2,780,043		-
Debtors	12				
Debtors arising out of reinsurance operations		246,438		-	
Other debtors				51,265	
			246,438		51,265
Other assets					
Tangible assets	11	-		343,475	
Cash at bank and in hand		187,113		30,514	
			187,113		373,989
Prepayments and accrued income					
Accrued interest and rent		108,723		-	
Deferred acquisition costs		601,282		-	
			710,005		-
			21,042,126		490,254

Balance sheet - Liabilities*at 31 December 2000*

	<i>Note</i>	2000		1999	
		£	£	£	£
Capital and reserves					
Called up equity share capital	13	16,170,001		1,545,000	
Profit and loss account		(2,925,838)		(1,471,419)	
			13,244,163		73,581
Technical Provisions	14				
Long term business provision gross amount			3,122,518		-
Creditors	15				
Creditors arising out of reinsurance operations		4,574,175		-	
Other creditors including taxation and social security		101,270		416,673	
			4,675,445		416,673
			21,042,126		490,254

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on _____ 2001 and were signed on its behalf by:

Director

Reconciliation of movements in shareholders' funds*for the year ended 31 December 2000*

	2000	1999
	£	£
Opening shareholders' funds	73,581	250,271
Retained loss for the financial year	(1,454,419)	(1,221,690)
Share capital issued during the year	14,625,000	1,045,000
	<hr/>	<hr/>
Closing shareholders' funds	13,244,162	73,581
	<hr/>	<hr/>

Notes to the accounts

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of preparation

The financial statements of the company have been prepared under the historical cost accounting convention on the basis of the accounting policies set out below and comply with the provisions relating to insurance companies in section 255A of, and the special provisions relating to insurance companies of Schedule 9A to the Companies Act 1985. The recommendations of the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998 (the 'ABI SORP') have been adopted.

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of the ultimate parent company MetLife, Inc.

(b) Long term business

The company has adopted the modified statutory solvency basis of accounting for long term business.

Premium Income

All premiums, including outwards reinsurance premiums, are accounted for when due.

Claims

No claims had been notified as at 31 December 2000. Provision for claims not yet notified is held within the long term business provision

Deferred acquisition costs

An explicit deferred acquisition cost has been established in the balance sheet. Deferred acquisition costs are amortised at a rate based on a pattern of anticipated margins in respect of the related policies to the extent that future margins are expected to cover them.

Long term business provision

The Long term business provision is computed having due regard for the actuarial principles laid down in Council Directive 92/96 EEC. Basic policy reserves are calculated by deducting the present value of future premiums from the present value of expected claim payments. The premium valued is the office premium less the expense loading included in the premium rates. In calculating reserves net of reinsurance account is taken of the proportion reinsured of claims and premiums.

Notes to the accounts (continued)***Investments***

Investments are stated at their current value at the balance sheet date. Listed investments are stated at midmarket value at the close of business on the balance sheet date or the last Stock Exchange dealing day before the balance sheet date. Debt securities and other fixed income securities are stated at current value at that date.

Investment income, expenses and charges

Investment income is accounted for on a receivable basis and is accrued up to the balance sheet date.

Deferred taxation

Deferred taxation, calculated on the liability method, is provided on items, which are recognised for accounts and tax purposes in different periods, to the extent that the asset or liability is expected to crystallise in the foreseeable future.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computers	3 years
Furniture and fixtures	7 years

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes to the accounts (continued)

2 Segmental analysis

(a) Geographical distribution of gross premium income

The transaction of life insurance business in the United Kingdom is regarded by the directors as the only business segment.

(b) Analysis of gross premiums and gross claims incurred

The company has only transacted inwards life reinsurance business in the financial year and the directors do not consider that there are any sub categories that are required to be disclosed.

3 Investment income

	2000 £	1999 £
<i>Technical account – long term business</i>		
Income from other financial investments	598,867	-
	<hr/>	<hr/>
The above figure includes income from listed investments	566,329	-
	<hr/>	<hr/>
<i>Non-technical account</i>		
Income from other financial investments	25,425	-
	<hr/>	<hr/>
No income included above is from listed investments		

4 Net operating expenses

	2000 £	1999 £
<i>Technical account – long term business</i>		
Acquisition expenses	11,071,804	-
Movement in deferred acquisition costs	(601,282)	-
Administrative expenses	352,315	-
	<hr/>	<hr/>
	10,822,837	-
Reinsurance commissions	(9,364,137)	-
	<hr/>	<hr/>
	1,458,700	-
	<hr/>	<hr/>

Notes to the accounts (continued)**5 Investment expenses and charges**

	2000 £	1999 £
<i>Technical account – long term business</i>		
Investment management expenses	18,287	-

6 Loss on ordinary activities before taxation

	2000 £	1999 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation (see note 11)	53,073	71,711
Auditors' remuneration:		
Audit	17,000	2,000
Other services	2,610	10,878
Operating leases:		
Land and buildings	127,104	149,494
Office equipment	4,694	-

7 Remuneration of directors

The emoluments of the directors during the year were £82,000 (1999: £46,000)

8 Staff numbers and costs

The number of persons employed by the company at 31 December 2000 was nil (1999: ten) as a result of the transfer of all employees to RGA UK Services Limited effective from 1 September 2000. The average number of persons employed during the year is eight (1999: eight). There were no pension contributions made. The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	464,209	553,337
Social security costs	55,169	3,654
	519,378	556,991

Notes to the accounts (continued)**9 Taxation**

No taxation charges arise in respect of the results for the year (1999: £nil)

10 Investments

Other financial investments	2000 £	1999 £
Debt securities and other fixed income securities listed in UK	12,718,527	-
Deposits with credit institutions	4,400,000	65,000
	<u>17,118,527</u>	<u>65,000</u>

11 Tangible assets

	Computers £	Furniture & Fixtures £	Total £
<i>Cost</i>			
At beginning of year	78,699	342,266	420,965
Additions	7,822	1,574	9,396
Transfer to RGA UK Services Limited	(86,521)	(343,840)	(430,361)
	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	-	-	-
<i>Accumulated depreciation</i>			
At beginning of year	24,639	52,851	77,490
Charge for the year	20,434	32,639	53,073
Eliminated in respect of transfer to RGA UK Services Limited	(45,073)	(85,490)	(130,563)
	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	-	-	-
<i>Net book value</i>			
At 31 December 2000	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1999	54,060	289,415	343,475
	<u>54,060</u>	<u>289,415</u>	<u>343,475</u>

The tangible fixed assets of the company were transferred to RGA UK Services Limited effective from 1 September 2000 at net book value.

Notes to the accounts (continued)**12 Debtors**

No amounts were due to group companies (1999: £nil)

13 Called up equity share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	40,000,000	20,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	16,170,001	1,545,001

During 2000, 14,625,000 ordinary shares of £1 each were issued at £1 each for cash to finance the company's activities (1999: 1,545,001 ordinary shares of £1 each were issued at £1 each for cash to finance the company's activities.)

14 Long term business provisions – key assumptions

Assumptions as at 31 December 2000

Mortality	Term assurance business were 76.5%/153% of TM92 for non-smoker/smoker male lives and 85%/170% of TF92 for non-smoker/smoker female lives.
Mobidity	Accelerated critical illness business were 100% of adjusted CIBT93 for non-smoker male/female lives and 160% of adjusted CIBT93 for smoker male/female lives.
Valuation rates of interest	4%
Expenses	1.25% term assurance and 2% accelerated critical illness

15 Creditors

All amounts within creditors are due within one year	2000 £	1999 £
Creditors arising out of reinsurance operations		
Amounts owed to group undertakings	1,247,035	-
Other creditors	3,327,140	-
	4,574,175	-
Other creditors including taxation and social security		
Amounts owed to group undertakings	-	277,708
Other creditors	101,270	138,965
	101,270	416,673

Notes to the accounts (continued)**16 Assets supporting the long term business fund**

Long term business assets	2000	1999
	£	£
Investments: Other financial investments	16,318,527	-
Reinsurers' share of technical provisions	2,780,043	-
Debtors	246,438	-
Other assets	162,408	-
Prepayments and accrued income	710,005	-
	<hr/>	<hr/>
	20,217,421	-
	<hr/>	<hr/>

17 Commitments under operating leases

Annual amounts under non-cancellable operating leases are as follows:

	Land and buildings 2000	Land and buildings 1999
	£	£
Operating leases which expire:		
After five years	-	156,520

The lease on office premises remains in the name of RGA Reinsurance UK limited; however, since 1 September 2000 the payments due under the lease have been discharged by RGA UK Services limited. The appropriate part of the cost is covered by the service agreement between the two companies.

18 Related party disclosure

The company has taken advantage of the dispensation available to subsidiary undertakings afforded by Financial Reporting Standard No. 8 and accordingly, no disclosures are made of related party transactions with those group undertakings, which are included in the consolidated financial statements of the parent company. Consolidated financial statements, which include the company, are publicly available as indicated in Notes 19 and 20.

19 Parent company

The company is a wholly owned subsidiary undertaking of RGA Holdings Limited, a company registered in England and Wales, located at The International Financial Centre, Level 32, 25 Old Broad Street, London, EC2N 1HQ.

20 Ultimate parent company and controlling party

The company's ultimate parent company is MetLife, Inc., a company incorporated in the United States. Their registered office is at 1209 Orange Street, Wilmington, Delaware.

Prior to 6 January 2000, the ultimate parent company was Reinsurance Group of America, Incorporated, a company incorporated in the United States. Reinsurance Group of America, Incorporated, remains an intermediate holding company. The consolidated accounts of this group are available to the public and may be obtained from 1370 Timberlake Manor Parkway, Chesterfield, Missouri, 63017-6039, USA.