GenAmerica Corporation

1998

Annual Report

GenAmerica Corporation commissioned art for its 1998 Annual Report from Raphael Lopez. Mr. Lopez was born in Mexico and now lives in San Diego, California.

Products and Services of GenAmerica Corporation's Major Operating Units

	General American Life Insurance Company	Collaborative Strategies, Inc.	Conning Corporation	Consultec, Inc.	Cova Corporation	GeneraLife	GenMark Incorporated	NaviSys Incorporated	Paragon Life Insurance Company	Reinsurance Group of America, Incorporated	Security Equity Life Insurance Company	Security Mutual Life Insurance Company of NY (Strategic alliance with General American)	Walnut Street Securities, Inc.
	St. Louis, MO	St. Louis, MO	St. Louis, MO Hartford, CT	Atlanta, GA	Oakbrook Terrace, IL	Edwardsville, IL	St. Louis, MO	St. Louis, MO	St. Louis, MO	St. Louis, MO	Armonk, NY	Binghamton, NY	St. Louis, MO
Products Services	Life and health insurance for individuals and groups as well as retirement plans and related financial services.	Provides strategic planning, project management, organizational design and development, sales programs, and distribution enhancement.	Asset management, research, and private equity services, primarily for the insurance industry, including fixed and floating rate investment contracts for General American.	Administrative management and information technology services, primarily for government health and human service programs.	Annuities as well as other retirement products and services to support individuals' needs for asset accumulation and retirement income.	GenAmerica's "virtual" life insurance company. Individual life insurance and annuities by way of leading-edge technology, including the Internet.	Full range of insurance products, including General American's and those of other carriers.	Provides software solutions and related services for enterprise life and health administration, sales illustrations, and electronic commerce. Also provides technology consulting services and outsourcing services for life and annuity administration and underwriting.	Low cost variable universal life insurance, offering a selection of nationally recognized money managers.	Life reinsurance, facultative and automatic, as well as financial reinsurance.	Customized individual life insurance products.	Individual life insurance, annuities, small group life and disability products, and retirement plan administrative services.	Full-service securities broker-dealer, offering a wide range of investment products.
Distribution System	GenMark agents and general agents for individual products. Group sales representatives serve employers through brokers and consultants.	Direct and through General American client companies.	Conning sales representatives.	Government agency procurements and direct sales force for prescription benefit management services.	Stockbrokers in regional firms, national wirehouses, banks, and alliances with other General American distribution systems.	Independent life insurance brokerage agencies, banks, stock brokerage firms, and alliances with other insurance companies.	Regional Marketing Offices support GenMark Business Advisors, general agents, and agents in 49 states, as well as a growing number of banks through GenMark's Bank Partners Group.	Direct sales force and alliances with other distributors.	Alliances with intermediaries to distribute through large organizations, affinity groups, and broker-dealers.	RGA sales representatives, intermediaries, and brokers.	Independent brokers and money managers.	Security Mutual agencies and General American sales associates through GenMark.	NASD licensed General American agents and general agents, Midland National Life representatives, and independent registered representatives.
Markets	Comprehensive portfolio of individual products primarily to serve professionals, business owners-executives, and others who need large amounts of insurance. Group products and services primarily serve benefit needs of medium to large employers.	Financial services industry clients, emerging companies, General American family.	Investor organizations, primarily insurance companies.	Government agencies, especially state Medicaid programs that use a fiscal agent, and healthcare-related commercial markets.	Individuals with needs for asset accumulation, retirement income, and wealth transfer.	Primarily individuals needing large amounts of life insurance for personal or business needs.	Life and health insurance products for individuals.	Life and health insurers and other financial institutions.	High-income individuals with needs for life insurance and wealth accumulation products.	Major life insurance companies in the U.S. and Canada as well as international business through interests in Latin America, Europe, and Asia Pacific.	Corporate-owned life insurance (COLI) and insurance for high net worth individuals.	Wealth transfer programs for high net worth individuals; tax deductible life insurance for small business owners, self-employed individuals, and employees of not-for-profit organizations; and work site life insurance programs.	Individual investors, small businesses, and institutional investors.

CONTENTS

Demutualization - A Plan for the New Century 2
Financial Strength 5
Dividend/Interest Crediting Rates for 1999 6
Making a Difference in Our Community 7
Individual Line 8
Group Line 14
Asset Management and Accumulation 18
Reinsurance Group of America, Incorporated 22
Consolidated Financial Statements 25
Notes to Consolidated Financial Statements 29
Independent Auditor's Report 40
Life Insurance and Investment Glossary 41
Board of Directors 44
Current Officers 46
What the IMSA Logo Means 48

GenAmerica

Who We Are and What We Do

Our vision is to be a family of premier insurance and financial services companies. Our associates seek to continuously and significantly increase the worth of the enterprise for the primary benefit of our owners. We want to be seen by those we serve and those with whom we compete as a value leader in all our chosen markets and to build an organization worthy in every way of our best efforts.

Our mission is to help people accumulate and preserve wealth during their productive years and to help them meet the financial needs associated with retirement, illness, and death. We do this directly or through other organizations.

Our reorganization into a mutual holding company structure in 1997 gave us greater flexibility to search for alternative or additional sources of capital. At that time we chose this structure as the best way to gain important business alternatives and pursue cost-effective growth initiatives.

On January 28, 1999 our Board of Directors authorized development of a plan for the company to convert from a mutual holding company to a publicly traded stock company. The demutualization process is expected to be completed by mid-year 2000.

Upon demutualization, eligible policyholders and contract holders will receive stock, cash, or enhanced policy values in exchange for their membership interests in the former holding company.

FORTUNE magazine, in its April 27, 1998 edition, includes GenAmerica Corporation in its listing of the top 500 U.S. corporations. Headquarters are in St. Louis, Missouri. Our four major lines of business are Individual Life Insurance, Group Life and Health Insurance, Asset Management and Accumulation, and Reinsurance Group of America, Incorporated (RGA). We have twelve major subsidiaries and more than fifty affiliated companies. Through these companies, we conduct business in fifty states, ten Canadian provinces, Puerto Rico, and the District of Columbia. RGA conducts business in Europe, Latin America, and the Pacific Rim countries as well as in North America.

Demutualization

A Plan for the New Century

by Richard A. Liddy, CLU
Chairman, President, and Chief Executive Officer

In this report I want to share with you news that will have a significant impact on GenAmerica Corporation and everyone who has a business relationship with it. For much of 1998, your company's Board of Directors and senior management thoughtfully discussed the best ways to organize GenAmerica Corporation in today's business environment. At the center of the discussion: the long-term growth and success of the enterprise.

After much deliberation, on January 28, 1999 the Board of Directors asked senior management to develop a demutualization plan.
If approved by the board, eligible policyholders, and regulators, the plan will convert the enterprise from a mutual holding company to a publicly traded stock company. Let me explain why we're doing this and outline how we will go about it.

As you may know, your company began more than sixty years ago as General American Life Insurance Company. The company was formed with a worthy and important mission - to rescue the policyholders of the failed Missouri State Life, a victim of the Great Depression. General American began as a shareholder-owned company but, in succeeding years, converted to a mutual company.

Fast-Changing Environment

Two years ago, policyholders voted to create a new structure, a mutual holding company, to give our business greater operating flexibility. A result was that General American Life reverted to a stock company, entirely owned by the newly formed mutual holding company. Given the circumstances of the time, this organizational concept seemed an ideal solution to address the fast-changing financial services environment.

The past several years have been very successful for the company, as its net worth has increased substantially and its businesses have grown. The most remarkable growth has been by Reinsurance Group of America (RGA), today one of the most highly regarded businesses in our industry. Through this company and our other businesses, we have built the enterprise to the point where it has substantial market value. We are today a financially strong and well respected organization. However, this success has resulted in some complications. To continue our progress, we must raise additional capital by selling equity over the next several years. But if we were to follow our traditional approach of selling interests in our subsidiaries, we would ultimately reduce our policyholders' share in these enterprises to a minority interest. It is undesirable that our policyholders should become minority shareholders in our most rapidly growing businesses.

Different Rights

Also, policyholders have different rights from shareholders, and those differences have become troubling. Stockholders in publicly traded companies have the right to buy, sell, or transfer shares. But policyholders' participations are illiquid, in as much as they cannot be bought, sold, or transferred. When a policy ceases, membership rights terminate entirely.

The substantial increase in the value of GenAmerica has largely been driven by strategic investments in new businesses. To be sure, dividends paid from these businesses contribute to policyholder dividends. But as the value of the enterprise grows, dividends are a slow and inefficient way to distribute value.
After months of studying these considerations, management and the board concluded that a demutualization was the proper solution to unlocking the value of the enterprise for the benefit of eligible policyholders. As a result, some 300,000 policyholders will share in a distribution that may be the highest average distribution to date of any U.S. insurer to demutualize.

Demutualization Plan

Eligible policyholders will become stockholders or else receive cash or enhanced policy values. Specific details of the demutualization plan are now being developed for review by the board and appropriate regulators. This process will take approximately eighteen months and will culminate in an initial public offering that will list GenAmerica shares on a major national exchange. The creation of a public market for the stock will create the liquidity required for policyholders to sell their shares whenever they choose or to hold them indefinitely and participate in the future of GenAmerica as a stockholder as well as a policyholder.

Existing policies will remain unchanged in every respect. Safeguards will assure that contractual terms and dividends will be applied in the same manner as before the demutualization. Our Board of Directors and regulatory agencies will review these matters carefully.

Changing Times

The business environment today is going through rapid and dramatic change driven by demographics, technology, vigorous competition, and heightened consumer expectations of financial service providers. Over the years GenAmerica has addressed changing times and the result is our substantial success. Now, as the need for capital continues, we believe demutualization best serves our policyholders' interests.

This is an exciting time for GenAmerica and its people. We are encouraged by our prospects. We believe our strategic directions are sound and our associates talented and motivated. Of course, we still have our historical principles to guide us: "Products to value...people to trust" will always be a powerful expression of our culture. As we write a new chapter in the history of the organization, we'll be guided further by our objectives to distribute value to our policyholders equitably, to create additional value and growth within the enterprise, and to maintain our commitments to our home community of St. Louis and our associates throughout the country and the world.

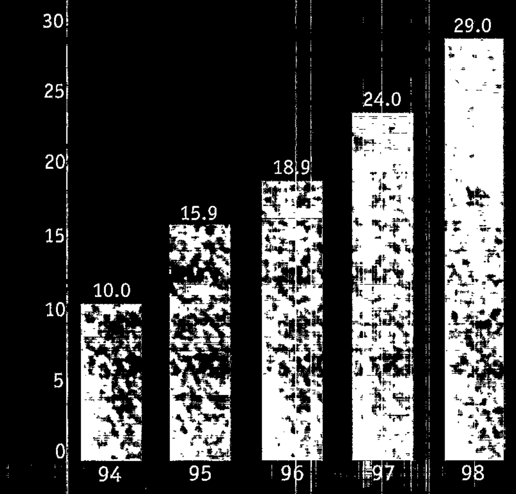
nancial Highlights

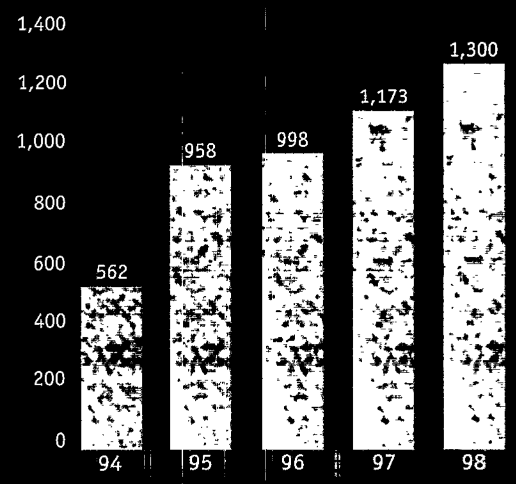
ver the past 25 years, General merican has grown from a id-sized mutual life insurer ith one subsidiary and assets f $600 million to a financial rvices family of twelve perating companies and more an fifty affiliates owned by enAmerica Corporation. Total onsolidated assets have creased to $29 billion.

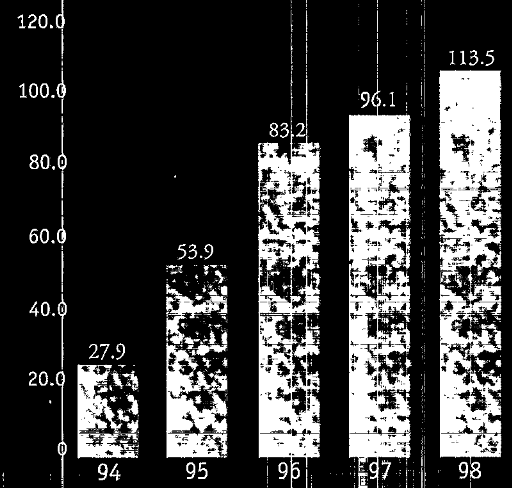
n 1998 total life insurance in rce increased 35 percent to a cord $451 billion compared ith $333 billion reported in 997. Assets measured under enerally Accepted Accounting rinciples increased 21 percent o $29 billion, compared with 24 billion in the same period f the prior year.

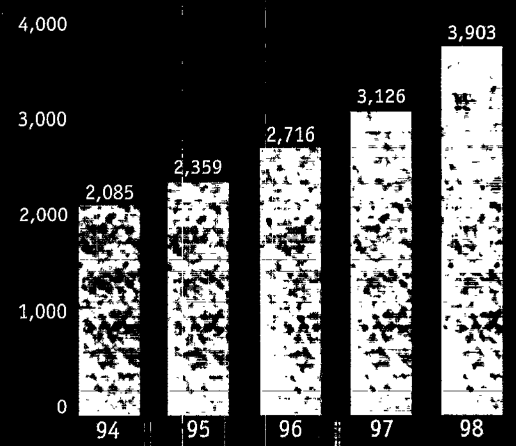
otal revenue in 1998 was a cord $3.9 billion, an crease of 24 percent over 997. Total benefits to olicyholders were $2 billion, ith an additional $192 illion paid to policyholders n the form of dividends.

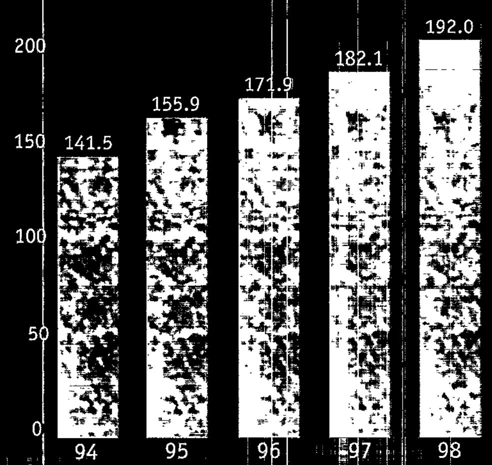
onsolidated net income totaled 113.5 million, an increase of 8 percent over the $96 million eported in 1997. Policyholder urplus increased by 11 percent uring 1998 to a record $1.3 illion from the closing surplus f more than $1.1 billion at ear-end 1997.

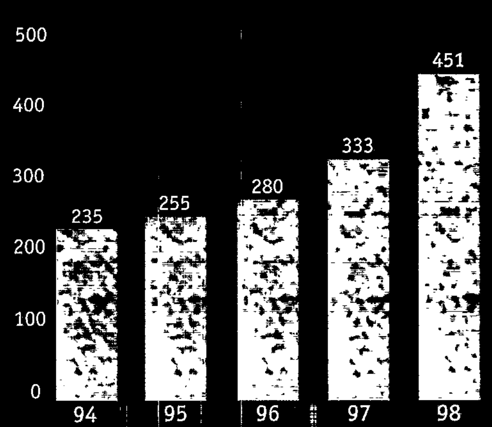












Dividend/Interest Crediting Rates Set for 1999

Each year, General American Life Insurance Company's Board of Directors establishes a dividend scale for traditional life products. The board also sets interest crediting rates on universal life products and on amounts allocated to our general account from variable universal life policies. The rates established are applicable to unborrowed policy funds.

Four Major Factors

Changes in the dividend scale reflect the current market environment and are affected by four major factors: expense variances, mortality variances, investment performance, and persistency variances. With participating life insurance policies, in return for premiums paid, policyholders receive guaranteed death benefits and cash values, and they share in the company's earnings through these dividends. Decreases in dividend and interest crediting rates have a negative effect on future policy performance. As these rates fall, non-guaranteed cash values will be less than those shown on initial illustrations, premium payment streams may be altered, and some policies will lapse in the future if dividend/interest levels do not subsequently rise.

General American has reduced its dividend scale interest rate on non-borrowed amounts for 1982 and later-series direct recognition pension and non-pension traditional products to 8.00 percent in 1999. Rates for all other traditional products remain unchanged from their prior level. The interest crediting rate for UL(97) and American Vision Series balances invested in the company's general account has been reduced from 7.60 percent to 7.50 percent in 1999. The rate on all other non-borrowed funds from universal life policies and on amounts allocated to our general account from variable universal life policies has decreased from 7.10 percent to 7.00 percent in 1999.

Payouts Will Grow

These changes reflect a continued decline in market interest rates since the middle of 1996. In 1998 General American paid roughly $181 million to individual participating policyholders. We project that in 1999 dividend payouts will grow to approximately $190 million, a 5.0 percent increase. We remain committed to maximizing dividends to policyholders while building the company's financial strength and surplus funds. And we are firmly committed to the principle of treating all policyholders equitably.

MAKING A DIFFERENCE IN OUR COMMUNITY

At GenAmerica we measure success in more than financial terms. While the interests of our policyholders always come first, we also recognize the importance of an ongoing commitment to our community and to organizations dedicated to serving those in need.

We are proud of the contributions our company and our associates have made over a period of sixty-five years. We value and accept our role as a good corporate citizen. Volunteerism has become a habit in our company as our executives and associates have assumed leadership roles in a variety of civic and charitable causes. More than 400 associates donate their time and talents to numerous service-oriented groups. In addition, the GenAmerica Foundation continues to fund many civic and cultural causes.

Involvement in United Way

In 1998 GenAmerica and its associates raised nearly $1.4 million for the United Way. This marks the sixth consecutive year that the company has been a $1 million contributor. Contributions come from a combination of associate, retiree, and corporate pledges.

Our foundation contributed another $700,000 to more than one hundred local and national non-profit organizations, primarily groups involved in medical research and human services. Among those receiving grants were the Arthritis Foundation, AMC Cancer Research, the Cardinal Glennon Children's Hospital, the Washington University School of Medicine, and the Southwest Foundation for Medical Research. Local human services recipients include organizations such as Doorways, an inter-faith AIDS residential program; the St. Patrick Center, a homeless shelter, food kitchen, and job assistance program; and the Salvation Army in its Tree of Lights campaign.

We continue to sponsor the LPGA Golf School in association with the Ladies Professional Golf Association Heartland Classic to benefit women with cancer. Contributions also go to the American Heart Association, the American Paralysis Association, and the Cystic Fibrosis Foundation.

Funding the arts and education

We also earmark funds for various educational programs and scholarships, including assistance for minority students. We contribute to the Missouri Colleges Fund, a consortium of thirteen small colleges that provides scholarships for deserving students; INROADS, a program offering college students internships to prepare them for careers in business and industry; and St. Joseph's Institute for the Deaf, a school for the hearing and speech impaired.

Recognizing the importance of the quality of life in our community, we support groups dedicated to music, drama, dance, and fine arts. We provide funding to the Saint Louis Symphony, the St. Louis Black Repertory Theatre, the St. Louis Art Museum, and other cultural organizations in the St. Louis area.

Commitment to community involvement and service, by management and associates, has been and will remain a high priority among all members of the GenAmerica family.

The Individual Line typically serves upper-income individuals such as professionals and business owners-executives

The **Individual Line's** comprehensive product portfolio consists of whole life, term, universal life, joint survivor, and variable universal life policies. Sales representatives also offer annuities and pension plans. Customers are typically upper-income individuals, such as professionals and business owners-executives, who are served through a network of about 325 sales offices from coast to coast.

Two wholly owned subsidiaries, **GenMark,** a marketing organization, and **Walnut Street Securities,** a broker-dealer, support the sales offices. **Security Equity Life,** another company-owned subsidiary, offers products for the New York and corporate-owned life insurance (COLI) markets. **GeneraLife** is a "virtual" insurance company (with a minimal operating infrastructure) that sells life insurance through brokerage networks and non-traditional channels like the Internet.

GenMark Business Advisors, a group of specially trained agents and representatives, works with clients that have complex financial needs. The objective is to provide a thorough analysis of each individual situation, then recommend solutions and products to help meet the client's needs. Comprehensive plans address liquidity, estate planning, business continuity, and wealth accumulation.

The Individual Line is rapidly expanding distribution through banks, CPA firms, and other non-traditional channels to reach new markets.

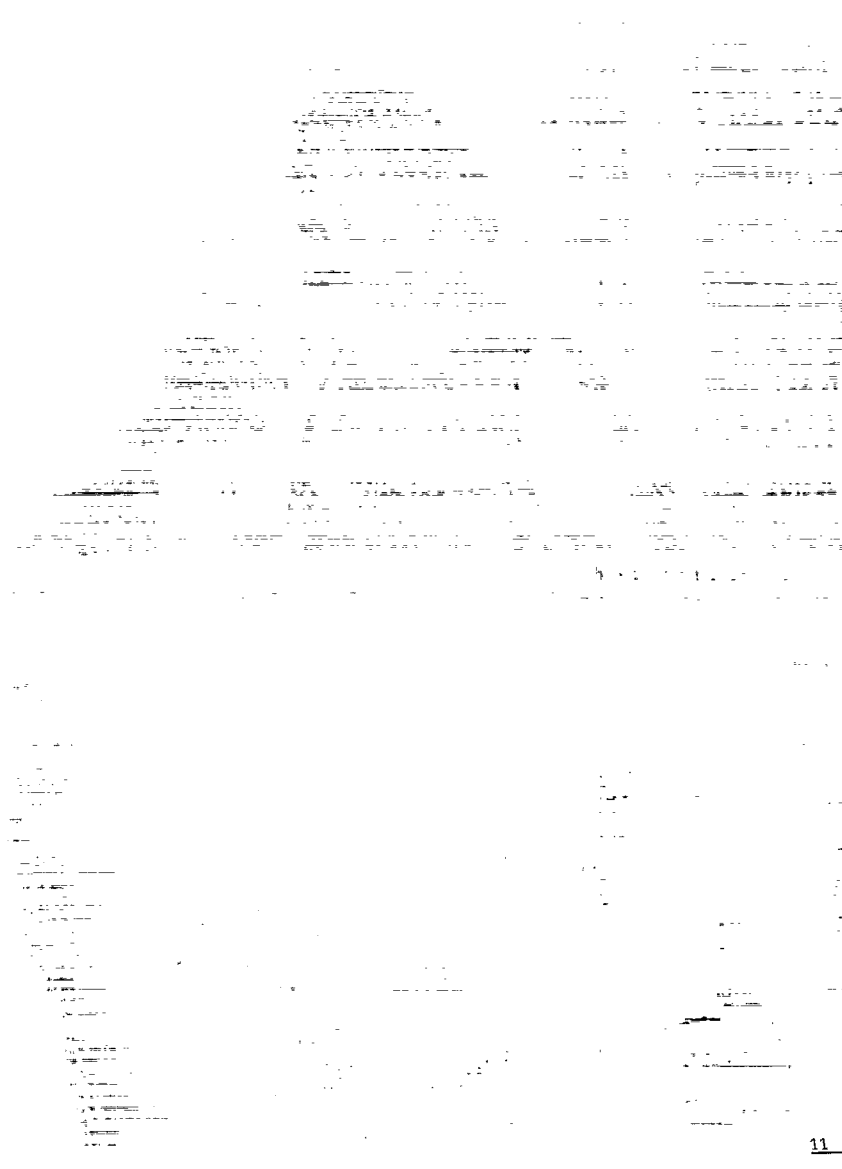
Individual Line

- Total net income improved by $1.5 million, an increase of 142 percent compared with the previous year's results.
- Sales through the general agency distribution system increased 5.2 percent to $58.6 million.
- Net income from "insourced" products, that is, other companies' products that complement General American's portfolio, grew by 92 percent. A new partnership with Ascensus, a leading brokerage agency, contributed to this result.
- We launched the American Vision Series of Variable Universal Life products, designed with an objective of meeting the needs of small businesses and their owners as well as individuals concerned about accumulating, preserving, and transferring wealth to future generations.

GenMark Incorporated

- The new **GenMark Business Advisor** program became the cornerstone of a small business market initiative. This nationwide network of elite GenMark representatives works with closely held companies and their owners.

- Numerous programs strengthened and enhanced GenMark's partnership with the general agency system: the High Performance Business Program, the "target marketing" program, the **Top Flight Service Center** at our home office, and computer-oriented illustration and communication systems.



Walnut Street Securities, Inc.

- Sales of $95.2 million, which exceeded plans by 8 percent, were 24 percent ahead of the previous year's.

- The development of three distinct business units — Walnut Street Insurance Group, Walnut Street Advisory Services, and Walnut Street Investment Services — enabled us to deliver marketing and sales support by product type.

- The introduction of the Branch Services department improved our support of branch managers, and the creation of a new Special Markets division helped us identify new distribution opportunities.

- To strengthen our position for continued growth, Walnut Street formed an alliance with Donaldson, Lufkin & Jenrette Securities Corporation's Pershing division, a clearing firm for stock, bond, and mutual fund transactions.

GeneraLife

- New life insurance premiums increased by 100 percent compared with the previous year's.

- Since **GeneraLife's** inception in 1995, the company now has more than 4,000 sales associates under contract.

- With GeneraLife's technology, for the first time in the life insurance industry, the policyholder can access and change information on his or her policy via the Internet.

- An Internet site, **EPI Center,** enabled GeneraLife's sales force to conduct and monitor transactions.

- GeneraLife gained industry recognition for its unique term, universal life, and survivorship products in the ages fifty-to-ninety market as well as its marketing program that involves banks, credit unions, and mortgage companies.

- Computer industry leaders in the U.S. recognized GeneraLife for its creative use of technology, as did well respected business publications in Europe and America.

General American's Group Life and Health Division specializes in multi-site employee groups of 300 or more.

General American's **Group Life and Health Division** concentrates on self-funded arrangements that include complete administrative services and stop-loss coverages as well as complementary or stand-alone life insurance programs. Regional sales and service offices in major cities throughout the country offer a comprehensive portfolio of group life, health, and managed care products, sold through brokers and consultants.

The Retirement Plan Group provides a full range of retirement plan products and services to sponsors of 401(k), defined benefit, profit sharing, and other tax-qualified retirement plans for medium-sized and large organizations.

The Group Line includes three wholly owned subsidiaries: **Paragon Life, NaviSys Incorporated,** and **Consultec, Inc. Paragon** focuses on tax-advantaged group variable universal life insurance products for high income individuals. **NaviSys,** formerly Genelco, offers an array of software and services to other life and health insurers and annuity companies. **Consultec, Inc.** provides software as well as systems development and administrative services, primarily to state government agencies and managed care programs.

Group Life and Health

- Sales growth in **Group Life and Health** was especially strong, resulting in its second-best sales year ever. El Paso Energy, Baylor College of Medicine, and Thomson Newspapers became new clients.

- Persistency results, that is, the number of clients who stayed with us, were also strong. We continued to add sales territories, opening a new office in San Francisco.

- Group Life and Health continued its strong growth in earnings.

- To sharpen its focus on the large employer market, Group Life and Health divested itself of several operations that did not fit into this strategy. Changes included the termination of a Medicare Part B contract, the sale of **Healthcare Interchange, Inc.**, transfer of **Technology Solutions Providers,** and the closure of **Provider Ventures.**

- New products and services included the addition of **Connection Dental,** one of the largest national dental networks; an improved life insurance product; and introduction of a Windows-based, employer-focused software system. Claim services exceeded all goals for timeliness and accuracy of payments. Managed care services offered high customer satisfaction results. All mission-critical systems were certified as Year 2000 compliant.

Retirement Plans Group

- New sales resulted in an additional $230 million in deposits. Assets under management grew to

NaviSys

• NaviSys, created from the merger of Genelco Incorporated, St. Louis; Beacon Software Development Company, Edison, New Jersey; and ECTA Corporation, Ambler, Pennsylvania; became a top competitor in the insurance software and services market. The new company posted nearly $80 million in revenues, a 35 percent increase since 1994. NaviSys introduced the industry's first "straight-through platform," which integrates sales illustrations, policy administration, and the Internet.

Consultec

• Consultec achieved record sales of $88.5 million. In Florida it secured its largest-ever Medicaid fiscal agent contract, valued over a six-year term at $154 million. At year-end, this subsidiary also won a contract to supply a decision support system for Medicaid in Florida. Consultec installed the latest version of its Medicaid management information system and assumed fiscal agent responsibilities for the Medicaid program in Colorado. Data warehouse-decision support systems became operational in North Carolina, Vermont, and West Virginia.

Paragon

• In terms of in-force business, Paragon is rapidly approaching the top 10 percent of all life insurance companies in the United States. In 1998 Paragon's in-force business went over the $15 billion mark for the first time, a 22 percent increase compared with the previous year's results. New paid life insurance grew to an all-time high, more than $4 billion in 1998, compared with approximately $3 billion in 1997.

more than $2.2 billion. Sales offices opened in Philadelphia and Dallas. New services for participants included an education program and RetireLink, an interactive website.

Asset Management and Accumulation

Conning Corporation, Cova Corporation, and Stable Value Operations make up the asset management and accumulation segment of GenAmerica Corporation.

Conning Corporation, a publicly traded investment management company, provides asset management services to insurance companies and the pension community, manages private equity funds, and conducts in-depth research for the insurance industry.

Cova Corporation provides its customers with annuities, retirement products, and services that support their need for asset accumulation and retirement income. Companies that make up Cova Corporation are **Cova Financial Services Life Insurance Company, Cova Financial Life Insurance Company** (California), and **First Cova Life Insurance Company** (New York). The companies market a portfolio of fixed and variable annuities as well as variable life insurance through regional broker-dealers and financial institutions.

Stable Value Operations focuses on its short-term variable rate product targeted primarily to institutional investors. This product is managed, underwritten, and marketed through the joint efforts of Conning, General American, and other insurance partners.

Conning Corporation

- **Conning Corporation** exceeded its 1998 growth goals, increasing revenue by 23 percent and net income by 47 percent compared with 1997 results.

- Three transactions complemented and enhanced its existing business:

  – Acquisition of **Schroder Mortgage Associates**, an asset management firm providing commercial mortgages and securitization capabilities for the pension community.

  – Acquisition of the **Noddings Group**, an asset management firm specializing in managing convertible securities for institutional investors and high net worth individuals.

  – Investment in the **Hales Group**, an advisor to insurance agencies, brokers, and distributors.

- Total assets serviced increased more than $10 billion. At 1998 year-end, Conning serviced a total of more than $90 billion in assets.

- Conning's asset management group completed a $155 million collateralized bond obligation during the year, leveraging asset management capabilities.

- The private equity division successfully closed Fund V, a $225 million capital equity fund, Conning's largest fund to date.

- The research group had significant growth in its core commission business and now provides investment research to more than ninety insurance and insurance-related companies.

- The mortgage loan and real estate unit reached a significant milestone during 1998, originating approximately $1 billion in commercial mortgages, a substantial increase from approximately $620 million in 1997.

- Conning's **Stable Value** investment arm generated record deposits during 1998.

Cova

- Teaming up with **NaviSys, Cova** finalized an arrangement to establish its operations arm, **Cova Life Administration Services,** in Des Moines.

- We introduced the **Premier Advisor Variable Annuity,** to be sold through financial institutions and certain national wirehouses.

- The new **Custom Architecture** program allows broker-dealers, financial institutions, and financial planning firms to create and offer variable annuities and life products with features and investment options specific to their firm's needs. During the year Cova added funds to its **Arch Variable Annuity,** the first variable annuity in the Custom Architecture program, then, in cooperation with **Wheat First Union,** introduced the **Destiny Select Variable Annuity.**

- We upgraded the **Cova Variable Annuity** contract to include an annual step-up death benefit option. Both current and prospective clients may choose a death benefit that offers a payment equal to the highest account value at any anniversary date of their contract.

- Cova launched a **SEP-IRA** program, directed at small businesses and sole proprietorships.

- A new private placement variable life insurance capability was designed to solve complex tax and estate planning problems.

Though most of its income is from North America, sales from overseas operations have become increasingly significant for RGA.

Reinsurance Group of America, Incorporated (RGA) is considered the largest facultative reinsurer in the United States, one of the leading reinsurers in Canada, and one of the largest automatic reinsurers in North America. RGA is also a leading global reinsurer.

The company also offers "asset-intensive" reinsurance and product development. RGA provides financial reinsurance directly and through its alliance with **RGA/Swiss Financial Group, L.L.C.** Though most of its income comes from North America, sales from overseas operations — particularly Asia Pacific and Latin America — have become increasingly significant. Expansion into overseas operations continues, as more and more countries liberalize their life insurance markets.

GenAmerica Corporation owns approximately 64 percent of RGA's outstanding voting shares and approximately 53 percent of all shares outstanding.

Reinsurance Group of America (RGA)

- Premium from continuing operations increased 36 percent compared with 1997 results.

- Shareholder value increased significantly as RGA's stock price grew to $70 per share, up from $42.56 per share at year-end 1997. Following a three – for – two stock split, announced January 28, 1999 the post-split price became $46.67 at the end of 1998 and $28.37 at the end of 1997 for the voting common stock.

- It was another record-breaking year for new facultative cases as we underwrote more than 120,000 of them during the year.

- International operations continued to expand. We opened an office in Mexico City and launched a life reinsurance company in South Africa. RGA Reinsurance Company of South Africa Limited established offices in Cape Town and Johannesburg.

- Through our alliance with RGA/Swiss Financial Group, L.L.C., we made history by completing the first financial reinsurance transaction in Japan.

- RGA expanded the scope of financial services it offers to clients when its subsidiary, RGA International Ltd., joined with Consolidated Risk Management Solutions, Inc. to form RGA Financial Products Limited. The new organization markets asset-liability and financial risk management services.

- RGA joined forces with the School of Medicine at Washington University in St. Louis, a world leader in medical research, to cosponsor The Longer Life Foundation. It funds research that analyzes the effects of changing medical and public health practices on human longevity and the rates of disease in specific populations.

GenAmerica Corporation and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands, except share data)

	As of December 31 1998	1997
Assets		
Fixed maturities:		
Available-for-sale, at fair value	$ 11,230,865	9,212,539
Mortgage loans, net	2,337,542	2,140,262
Real estate, net	129,851	140,145
Equity securities, at fair value	38,755	24,211
Policy loans	2,151,028	2,073,152
Short-term investments	200,371	194,610
Other invested assets	457,645	243,921
Total investments	16,546,057	14,028,840
Cash and cash equivalents	619,494	382,288
Accrued investment income	208,375	170,067
Reinsurance recoverables	784,983	718,717
Other contract deposits	4,094,777	3,336,328
Deferred policy acquisition costs	776,261	695,253
Other assets	631,752	496,844
Separate account assets	5,287,456	4,118,860
Total assets	$ 28,949,155	23,947,197
Liabilities and Stockholder Equity		
Policy and contract liabilities:		
Future policy benefits	$ 5,516,869	4,933,787
Policyholder account balances:		
Universal life	2,960,940	2,534,744
Annuities	3,714,526	4,161,946
Pension funds and interest sensitive contract liabilities	7,581,276	4,732,400
Policy and contract claims	591,088	458,606
Dividends payable to policyholders	121,740	113,525
Total policy and contract liabilities	20,486,439	16,935,008
Amounts payable to reinsurers	201,395	247,679
Long-term debt and notes payable	216,318	214,477
Other liabilities and accrued expenses	892,408	835,076
Deferred tax liability, net	75,954	87,485
Separate account liabilities	5,267,553	4,112,666
Total liabilities	27,140,067	22,432,391
Minority interests	383,900	216,555
Company-obligated mandatorily redeemable capital securities of subsidiary trust holding solely subordinated debentures of the company	125,000	125,000
Stockholder equity:		
Common stock, no par value, $1,000 stated value, 30,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	1,245,403	1,064,640
Accumulated other comprehensive income	53,785	107,611
Total stockholder equity	1,300,188	1,173,251
Total liabilities and stockholder equity	$ 28,949,155	23,947,197

See accompanying notes to consolidated financial statements.

GenAmerica Corporation and Subsidiaries

Consolidated Statements of Operations

(dollars in thousands)

			Years ended December 31
Revenues	**1998**	**1997**	**1996**
Insurance premiums and other considerations	$ 2,284,732	1,768,169	1,623,228
Net investment income	1,143,553	950,097	806,883
Ceded commissions	41,163	44,902	27,538
Other income	430,729	362,296	280,803
Net realized investment gains	13,718	28,538	24,531
Total revenues	3,913,895	3,154,002	2,762,983
Benefits and Expenses			
Policy benefits	2,032,352	1,528,333	1,379,803
Interest credited to policyholder account balances	430,758	345,937	262,532
Total policyholder benefits	2,463,110	1,874,270	1,642,335
Dividends to policyholders	192,085	182,146	171,904
Policy acquisition costs	240,640	168,045	143,094
Other insurance and operating expenses	810,919	740,134	642,636
Total benefits and expenses	3,706,754	2,964,595	2,599,969
Income before provision for income taxes	207,141	189,407	163,014
Income tax provision (benefit):			
Current	37,433	67,311	45,902
Deferred	19,939	(118)	13,992
Total provision for income taxes	57,372	67,193	59,894
Income before distributions on company-obligated mandatorily redeemable capital securities	149,769	122,214	103,120
Distributions on company-obligated mandatorily redeemable capital securities, net of applicable income tax benefit of $3,730 and $2,113, respectively	6,926	3,925	–
Income before minority interest	142,843	118,289	103,120
Minority interest in earnings of consolidated subsidiaries	(29,366)	(22,134)	(19,888)
Net income	$ 113,477	96,155	83,232

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(dollars in thousands)

	Years ended December 31		
	1998	1997	1996
Net income	$ 113,477	96,155	83,232
Other comprehensive (loss) income	(53,826)	76,311	(49,705)
Comprehensive income	$ 59,651	172,466	33,527

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholder Equity

(dollars in thousands)

	Common stock	Retained earnings	Accumulated other comprehensive (loss) income	Total stockholder equity
Balance at December 31, 1995	$ –	876,078	81,005	957,083
Net income		83,232		83,232
Other comprehensive (loss) income			(49,705)	(49,705)
Other, net		7,177		7,177
Balance at December 31, 1996	–	966,487	31,300	997,787
Net income		96,155		96,155
Other comprehensive income			76,311	76,311
Issuance of common stock	1,000	(1,000)		–
Other, net		2,998		2,998
Balance at December 31, 1997	1,000	1,064,640	107,611	1,173,251
Net income		113,477		113,477
Other comprehensive (loss) income			(53,826)	(53,826)
Parent's share of subsidiary's issuance of non-voting stock		68,609		68,609
Other, net		(1,323)		(1,323)
Balance at December 31, 1998	$ 1,000	1,245,403	53,785	1,300,188

See accompanying notes to consolidated financial statements.

GenAmerica Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(dollars in thousands)

Years ended December 31

Cash flows from operating activities	1998	1997	1996
Net income	$ 113,477	96,155	83,232
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in:			
Accrued investment income	(38,894)	(22,043)	(16,275)
Reinsurance recoverables and other contract deposits	(822,369)	(838,390)	(159,713)
Deferred policy acquisition costs	(104,549)	(113,040)	(87,249)
Other assets	(91,292)	(66,746)	(51,444)
Future policy benefits	578,948	693,052	330,511
Policy and contract claims	132,481	105,503	14,652
Other liabilities and accrued expenses	19,687	322,204	65,184
Deferred income tax provision	19,939	(118)	13,992
Policyholder considerations	(219,295)	(137,163)	(144,748)
Interest credited to policyholder account balances	430,758	345,937	262,532
Amortization and depreciation	37,775	32,929	28,375
Net realized investment gains	(13,718)	(28,538)	(24,531)
Other, net	6,908	372	(14,554)
Net cash provided by operating activities	49,856	390,114	299,964
Cash flows from investing activities			
Proceeds from investments sold or redeemed:			
Fixed maturities available-for-sale	2,067,595	2,072,330	1,822,169
Mortgage loans	370,418	594,151	182,650
Equity securities	2,065	31,602	13,427
Cost of investments purchased:			
Fixed maturities available-for-sale	(4,403,438)	(4,560,557)	(3,428,943)
Mortgage loan originations	(594,480)	(438,959)	(593,438)
Equity securities	(8,396)	(47,283)	(39,553)
Maturity of fixed maturities available-for-sale	157,188	281,736	225,087
Increase in policy loans, net	(77,876)	(153,399)	(210,624)
Increase in short-term and other invested assets, net	(211,910)	(135,482)	(12,678)
Investments in subsidiaries	(29,011)	(1,763)	(4,807)
Net cash used in investing activities	(2,727,845)	(2,357,624)	(2,046,710)
Cash flows from financing activities			
Net policyholder account and contract deposits	2,682,959	2,121,488	1,632,495
Issuance of company-obligated mandatorily redeemable capital securities	–	125,000	–
Proceeds from subsidiary stock offering	221,837	–	–
Issuance of debt	2,281	1,857	106,903
Repayment of debt	(1,043)	(80,668)	(19,497)
Dividends	(3,839)	(2,112)	(1,832)
Other, net	29,331	46,829	26,770
Net cash provided by financing activities	2,931,526	2,212,394	1,744,839
Effect of exchange rate changes	(16,331)	(5,320)	(266)
Net increase (decrease) in cash and cash equivalents	237,206	239,564	(2,173)
Cash and cash equivalents at beginning of year	382,288	142,724	144,897
Cash and cash equivalents at end of year	$ 619,494	382,288	142,724

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation and Summary of Significant Accounting Policies

Reorganization

In September 1996, the Board of Directors of General American Life Insurance Company (General American) adopted the Plan which authorized the reorganization (Reorganization) of General American into a mutual insurance holding company structure. The Missouri Department of Insurance held a public hearing on the Reorganization on December 19, 1996 and approved the Plan on January 24, 1997. The policyholders of General American approved the Plan on January 28, 1997 and the Reorganization became effective on April 24, 1997 (effective date). General American was the first company to obtain approval and to form a mutual insurance holding company under the Missouri Mutual Holding Company Statute.

Pursuant to the Reorganization, General American (i) formed General American Mutual Holding Company (GAMHC) as a mutual insurance holding company under the insurance laws of the State of Missouri, (ii) formed GenAmerica Corporation (the Company) as an intermediate stock holding company under the general laws of the State of Missouri, and (iii) amended and restated its Charter and Articles of Incorporation to authorize the issuance of capital stock and the continuance of its existence as a stock life insurance company under the same name. GAMHC may, among other things, elect all of the directors of the Company and approve matters submitted for shareholder approval. As of the effective date of the Reorganization, the membership interests and the contractual rights of the policyholders of General American were separated - the membership interests automatically became, by operation of law, membership interests in GAMHC and the contractual rights remained with General American. Each person who becomes the owner of a designated policy or contract of insurance or annuity issued by General American after the effective date of the Reorganization (subject to certain exceptions and conditions set forth in the Articles of Incorporation of GAMHC) will become a member of GAMHC and have a membership interest in GAMHC by operation of law so long as such policy or contract remains in force. The membership interests in GAMHC follow, and are not severable, from the insurance or annuity policy or contract from which the membership interest in GAMHC is derived.

On the effective date, General American issued three million shares of its authorized shares of capital stock to GAMHC. GAMHC then contributed all of these to the Company in exchange for one thousand shares of its common stock. As a result, the Company directly owns General American, and GAMHC indirectly owns General American, through the Company. The Reorganization was accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the accompanying financial statements and disclosures reflect the operations of the Company and General American for all periods presented.

The Company's principal lines of business, conducted through General American or one of its subsidiaries, are: Individual Life Insurance, Annuities, Group Life and Health Insurance, Asset Management, and Reinsurance. The Company distributes its products and services primarily through a nationwide network of general agencies, independent brokers, and group sales and claims offices. The Company (through General American and its subsidiaries) is licensed to do business in all fifty states, ten Canadian provinces, Puerto Rico, and the District of Columbia. Through its subsidiaries, the Company has operations in Europe, Pacific Rim countries, Latin America, and Africa.

Initial Public Offering

In December 1997, General American's subsidiary, Conning Corporation (Conning) successfully completed an Initial Public Offering of 2.875 million shares of its common stock. Conning received net proceeds of approximately $34.5 million from the offering. General American owned 62.7 percent of the total shares outstanding of Conning's common stock at December 31, 1998 and 1997. The publicly held stock of Conning is listed on the NASDAQ National Market System.

Subsequent Offering

At General American's subsidiary, Reinsurance Group of America's (RGA) annual stockholders' meeting on May 27, 1998, a new class of non-voting common stock was authorized. In June 1998, RGA completed a secondary public offering in which it sold 4.945 million shares of non-voting common stock traded on the New York Stock Exchange under the symbol RGA.A. The offering provided net proceeds of approximately $221.8 million which have been utilized to finance the continued growth of RGA's operations domestically and internationally. After the subsequent offering, General American's ownership percentage decreased from 63.8% to 53.3%.

Significant Accounting Policies

The accompanying consolidated financial statements are prepared on the basis of generally accepted accounting principles (GAAP) and include the accounts of GenAmerica Corporation and its majority owned subsidiaries. Less than majority-owned entities in which the Company has at least a 20 percent interest are reported on the equity basis. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements requires the use of estimates by management which affect the amounts reflected in the financial statements. Actual results could differ from those estimates. Accounts that the Company deems to be sensitive to changes in estimates include future policy benefits and policy and contract claims, deferred acquisition costs, and investment and deferred tax valuation allowances.

The significant accounting policies of the Company are as follows:

Recognition of Revenue

For traditional life policies, including participating businesses, premiums are recognized when due, less allowances for estimated uncollectible balances. For limited payment contracts, net premiums are recorded as revenue, and the difference between the gross premium and the net premium is deferred and recognized in income in a constant relationship to insurance in force over the estimated policy life.

For universal life and annuity products, contract charges for mortality, surrender, and expense, other than front-end expense charges, are reported as income when charged to policyholders' accounts.

Other income represents the fees generated from the Company's non-insurance operations, primarily service and contract fees relating to concessions, asset management, system development, and third-party administration. Amounts are recognized when earned.

Invested Assets

Fixed maturities and equity securities: All of the Company's securities are classified as available-for-sale. Fixed maturities available-for-sale are reported at fair value and are so classified based on the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs. Equity securities are carried at fair value.

Realized gains or losses on the sale of securities are determined on the basis of specific identification. Unrealized gains and losses are recorded, net of related income tax effects, in accumulated other comprehensive income, a separate component of stockholder equity.

Mortgage loans: Mortgage loans on real estate are stated at an unpaid principal balance, net of unamortized discounts, and valuation allowances for possible impairment in value. The Company discontinues the accrual of interest on mortgage loans which are more than 90 days delinquent. Interest received on nonaccrual mortgage loans is generally reported as interest income.

Policy loans, real estate and other invested assets: Policy loans are carried at an unpaid principal balance and are generally secured by the cash surrender value of the underlying contracts. Investment real estate which the Company intends to hold for the production of income is carried at depreciated cost, net of writedowns for other than temporary declines in fair value and encumbrances. Properties held for sale (primarily acquired through foreclosure) are carried at the lower of depreciated cost (fair value at foreclosure plus capital additions less accumulated depreciation and encumbrances) or fair value. Adjustments to carrying value of properties held for sale are recorded in a valuation reserve when the fair value is below depreciated cost. The accumulated depreciation and encumbrances on real estate amounted to $52.4 million and $47.0 million at December 31, 1998 and 1997, respectively. Direct valuation allowances amounted to $7.3 million and $6.7 million at December 31, 1998 and 1997, respectively. Other invested assets are principally recorded at fair value.

Short-term investments: Short-term investments, consisting primarily of money market instruments and other debt issues purchased with an original maturity of less than a year, are carried at amortized cost, which approximates fair value.

Invested asset impairment and valuation allowances: Invested assets are considered impaired when the Company determines that collection of all amounts due under the contractual terms is doubtful. The Company adjusts invested assets to their estimated net realizable value at the point at which it determines an impairment is other than temporary. In addition, the Company has established valuation allowances for mortgage loans and other invested assets. Valuation allowances for other than temporary impairments in value are netted against the asset categories to which they apply. Additions to valuation allowances are included in realized gains and losses.

The Company recognizes its proportionate share of the resultant gains or losses on the issuance or repurchase of its subsidiaries' stock as a direct credit or charge to retained earnings.

Cash and cash equivalents: For purposes of reporting cash flows, cash and cash equivalents represent cash, demand deposits, and highly liquid short-term investments, which include U.S. Treasury bills, commercial paper, and repurchase agreements with original or remaining maturities of 90 days or less when purchased.

Investment Income

Fixed maturity premium and discounts are amortized into income using the scientific yield method over the term of the security. Amortization of the premium or discount on mortgage-backed securities is recognized using a scientific yield method which considers the estimated timing and amount of prepayments of underlying mortgage loans. Actual prepayment experience is periodically reviewed and effective yields are adjusted when differences arise between the prepayments originally anticipated and the actual prepayments received and those prepayments currently anticipated. When such differences occur, the net investment in the mortgage-backed security is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security with a corresponding charge or credit to interest income (the "retrospective method").

Policy and Contract Liabilities

For traditional life insurance policies, future policy benefits are computed using a net level premium method taking into account actuarial assumptions as to mortality, persistency, and interest established at policy issue. Assumptions established at policy issue as to mortality and persistency are based on industry standards and the Company's historical experience which, together with interest and expense assumptions, provide a margin for adverse deviation. Interest rate assumptions generally range from 2.5 percent to 11.0 percent. When the liabilities for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected policy benefits and expenses, unrecoverable deferred policy acquisition costs are written off and thereafter a premium deficiency reserve is established through a charge to earnings.

For participating policies, future policy benefits are computed using a net level premium method based on the guaranteed cash value basis for mortality and interest. Mortality rates are similar to those used for statutory valuation purposes. Interest rates generally range from 2.5 percent to 6.0 percent. Dividend liabilities are established when earned.

Policyholder account balances for universal life and annuity policies are equal to the policyholder account value before deduction of any surrender charges. The policyholder account value represents an accumulation of gross premium payments plus credited interest less expense, mortality charges, and withdrawals. These expense charges are recognized in income as earned.

The range of weighted average interest crediting rates used by the Company's life insurance subsidiaries were as follows:

	1998	1997	1996
Universal life	5.25-7.10%	6.00-7.10%	6.00-7.56%
Annuities	4.00-9.20%	5.70-9.30%	5.70-13.00%

Accident and health benefits for active lives are calculated using the net level premium method and assumptions as to future morbidity, withdrawals, and interest, which provide a margin for adverse deviation. Benefit liabilities for disabled lives are calculated using the present value of future benefits and experience assumptions for claim termination, expense, and interest which also provide a margin for adverse deviation.

Policy and Contract Claims
The Company establishes a liability for unpaid claims based on estimates of the ultimate cost of claims incurred, which is comprised of aggregate case basis estimates, average claim costs for reported claims, and estimates of incurred but not reported losses based on past experience. Policy and contract claims include a provision for both life and accident and health claims. Management believes the liabilities for unpaid claims are adequate to cover the ultimate liability; however, due to the underlying risks and the high degree of uncertainty associated with the determination of the liability for unpaid claims, the amounts which will ultimately be paid to settle these liabilities cannot be precisely determined and may vary from the estimated amount included in the consolidated balance sheets.

Deferred Policy Acquisition Costs
The costs of acquiring new business, which vary with and are primarily related to the production of new and renewal business, have been deferred to the extent that such costs are deemed recoverable from future profitability of the underlying business. Such costs include commissions, premium taxes, as well as certain other costs of policy issuance and underwriting.

For limited payment and other nonparticipating traditional life insurance policies, the deferred policy acquisition costs are amortized, with interest, in proportion to the ratio of the expected annual premium revenue to the expected total premium revenue. Expected future premium revenue is estimated utilizing the same assumptions used for computing liabilities for future policy benefits for these policies.

For participating life insurance, universal life, and annuity type contracts, the deferred policy acquisition costs are amortized over a period of not more than thirty years in relation to the present value of estimated gross profits arising from interest margin, cost of insurance, policy administration, and surrender charges.

The range of average rates of assumed interest used by the Company's insurance subsidiaries in estimated gross margins were as follows:

	1998	1997	1996
Participating life	8.25%	8.17%	8.70%
Universal life	6.25-7.50%	6.25-7.79%	6.00-8.20%
Annuities	7.00-7.83%	7.00-7.84%	7.83%

The estimates of expected gross margins are evaluated regularly and are revised if actual experience or other evidence indicates that revision is appropriate. Upon revision, total amortization recorded to date is adjusted by a charge or credit to current earnings. Deferred policy acquisition costs are adjusted for the impact on estimated gross margins as if the net unrealized gains and losses on securities had actually been realized.

Reinsurance and Other Contract Deposits
In the normal course of business, the Company seeks to limit its exposure to loss on any single insured by ceding risks to other insurance enterprises or reinsurers under various types of contracts including coinsurance and excess coverage. The Company's retention level per individual life ranges between $50 thousand and $2.5 million depending on the entity writing the policy.

The Company assumes and retrocedes financial reinsurance contracts which represent low mortality risk reinsurance treaties. These contracts are reported as deposits and are included in other contract deposits in the consolidated balance sheets. The amount of revenue reported on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement.

Reinsurance activities are accounted for consistent with terms of the underlying contracts. Premiums ceded to other companies have been reported as a reduction of premiums. Amounts applicable to reinsurance ceded for future policy benefits and claim liabilities have been reported as assets for these items, and commissions and expense allowances received in connection with reinsurance ceded have been accounted for in income as earned. Reinsurance does not relieve the Company from its primary responsibility to meet claim obligations. The Company evaluates the financial conditions of its reinsurers annually.

Federal Income Taxes
The Company and certain of its U.S. subsidiaries file consolidated federal income tax returns. Any acquired life insurance company is not included in the consolidated return until the acquired company has been a member of the consolidated group for five years. Prior to satisfying the five-year requirement, the subsidiary files a separate federal return. RGA Barbados, a subsidiary of RGA, and Missouri Reinsurance (Barbados) Inc., a subsidiary of the Company, also file U.S. tax returns. The Company's foreign subsidiaries are taxed under applicable local statutes. No deferred tax liabilities have been recognized for the foreign subsidiaries per Accounting Principles Board (APB) Opinion 23, *Accounting for Income Taxes - Special Areas.* The Company uses the asset and liability method to record deferred income taxes.

Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using enacted tax rates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Separate Account Business
The assets and liabilities of the separate account represent segregated funds administered and invested by the Company for purposes of funding variable life insurance and annuity contracts for the exclusive benefit of the contractholders.

The Company charges the separate account for cost of insurance and administrative expense associated with a contract and charges related to early withdrawals by contractholders. The assets and liabilities of the separate account are carried at fair value. The Company's participation in the separate account (seed money) is carried at fair value in the separate account, and amounted to $19.9 million and $6.2 million at December 31, 1998 and 1997, respectively.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could significantly affect the estimates and such estimates should be used with care. The following assumptions were used to estimate the fair value of each class of financial instrument for which it was practicable to estimate fair value:

Investment securities: Fixed maturities are valued using quoted market prices, if available. For securities not actively traded, fair values are estimated using values obtained from independent pricing services or in the case of private placements are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of investments. The fair values of equity securities are based on quoted market prices.

Mortgage loans: The fair values of mortgage loans are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Policy loans: The fair value of policy loans approximates the carrying value. The majority of these loans are indexed, with a yield tied to a stated return.

Policyholder account balances on investment type contracts: Fair values for the Company's liabilities under investment-type contracts are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For contracts with no defined maturity date, the carrying value approximates fair value.

Separate account assets and liabilities: The separate account assets and liabilities are carried at fair value as determined by the market value of the underlying segregated investments.

Short-term investments and cash and cash equivalents: The carrying amount approximates fair value.

Long-term debt and notes payable: The fair value of long-term debt and notes payable is estimated using discounted cash flow calculations based on interest rates currently being offered for similar instruments.

Refer to Note 3 for additional information on fair value of financial instruments.

Reclassification

The Company has reclassified the presentation of certain prior period information to conform to the 1998 presentation.

(2) Investments

Fixed Maturities and Equity Securities

The amortized cost and estimated fair value of fixed maturities and equity securities at December 31, 1998 and 1997 are as follows (in thousands):

1998		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
U. S. Treasury securities	$	20,708	424	-	21,132
Government agency obligations		1,162,502	122,687	(11,176)	1,274,013
Corporate securities		7,000,355	381,458	(164,578)	7,217,235
Mortgage-backed securities		1,845,123	34,242	(38,568)	1,840,797
Asset-backed securities		868,781	13,093	(4,186)	877,688
Total fixed maturities available-for-sale	$	10,897,469	551,904	(218,508)	11,230,865
Equity securities	$	29,246	9,509	-	38,755

1997		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
U. S. Treasury securities	$	48,074	1,125	(27)	49,172
Government agency obligations		378,002	84,425	(1,281)	461,146
Corporate securities		5,551,699	320,549	(45,790)	5,826,458
Mortgage-backed securities		2,574,648	45,459	(17,832)	2,602,275
Asset-backed securities		270,728	3,386	(626)	273,488
Total fixed maturities available-for-sale	$	8,823,151	454,944	(65,556)	9,212,539
Equity securities	$	23,558	653	-	24,211

The Company manages its credit risk associated with fixed maturities by diversifying its portfolio. At December 31, 1998, the Company held no corporate debt securities or foreign government debt securities of a single issuer which had a carrying value in excess of ten percent of stockholder equity.

The amortized cost and estimated fair value of fixed maturity investments at December 31, 1998 are shown by contractual maturity for all securities except, U.S. Government agencies mortgage-backed securities which are distributed by maturity year based on the Company's estimate of the rate of future prepayments of principal over the remaining lives of the securities (in thousands). These estimates are developed using prepayment speeds provided in broker consensus data. Such estimates are derived from prepayment speed experience at the interest rate levels projected for the applicable underlying collateral and can be expected to vary from actual experience.

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 211,928	211,986
Due after one year through five years	1,847,659	1,875,415
Due after five years through ten years	2,629,976	2,678,770
Due after ten years through twenty years	4,362,783	4,623,898
Mortgage-backed securities	1,845,123	1,840,796
Total	$ 10,897,469	11,230,865

The sources of net investment income follow (in thousands):

	1998	1997	1996
Fixed maturities	$ 750,675	565,258	464,512
Mortgage loans	188,775	194,504	171,781
Real estate	25,682	34,164	39,062
Equity securities	1,285	1,317	755
Policy loans	152,247	148,316	133,511
Short-term investments	23,677	17,605	13,979
Other	18,938	13,943	9,705
Investment revenue	1,161,279	975,107	833,305
Investment expenses	(17,726)	(25,010)	(26,422)
Net investment income	$ 1,143,553	950,097	806,883

Net realized gains (losses) from sales of investments consist of the following (in thousands):

	1998	1997	1996
Fixed maturities:			
Realized gains	$ 19,104	23,969	27,928
Realized losses	(13,982)	(16,796)	(10,398)
Equity securities:			
Realized gains	1,985	1,835	6,146
Realized losses	(164)	(1,457)	(288)
Other investments, net	6,775	20,987	1,143
Net realized investment gains	$ 13,718	28,538	24,531

Included in net realized losses are permanent write-downs of approximately $5.5 million and $4.8 million during 1998 and 1997, respectively.

A summary of the components of the net unrealized appreciation (depreciation) on invested assets carried at fair value is as follows (in thousands):

	1998	1997
Unrealized appreciation (depreciation):		
Fixed maturities available-for-sale	$ 333,396	389,388
Equity securities & short-term investments	9,561	658
Derivatives	(5,261)	888
Effect of unrealized appreciation (depreciation) on:		
Deferred policy acquisition costs	(155,713)	(142,187)
Present value of future profits	(473)	(2,901)
Deferred income taxes	(69,619)	(92,172)
Other	(2,928)	139
Minority interest, net of taxes	(19,561)	(24,341)
Net unrealized appreciation	$ 89,402	129,472

The Company has securities on deposit with various state insurance departments and regulatory authorities with an amortized cost of approximately $545.7 million and $346.6 million at December 31, 1998 and 1997, respectively.

Mortgage Loans

The Company originates mortgage loans on income-producing properties, such as apartments, retail and office buildings, light warehouses, and light industrial facilities. Loan to value ratios at the time of loan approval are 75 percent or less. The Company minimizes risk through a thorough credit approval process and through geographic and property type diversification.

The Company's mortgage loans were distributed as follows (in thousands):

	1998 Carrying Value	1998 Percent of Total	1997 Carrying Value	1997 Percent of Total
Arizona	$ 167,628	7.1 %	156,453	7.2 %
California	395,329	16.6	358,443	16.5
Colorado	228,096	9.6	228,797	10.5
Florida	171,608	7.2	153,174	7.0
Georgia	176,090	7.4	131,861	6.1
Illinois	162,168	6.8	155,184	7.1
Maryland	102,915	4.3	104,567	4.8
Missouri	93,528	3.9	100,815	4.6
Texas	197,375	8.3	191,619	8.8
Washington	99,615	4.2	84,140	3.9
Other	581,717	24.6	513,213	23.5
Subtotal	2,376,069	100.0 %	2,178,266	100.0 %
Valuation reserve	(38,527)		(38,004)	
Total	$ 2,337,542		2,140,262	

	1998 Carrying Value	1998 Percent of Total	1997 Carrying Value	1997 Percent of Total
Property type:				
Apartment	$ 77,069	3.2 %	101,038	4.6 %
Retail	872,205	36.7	903,438	41.5
Office building	747,824	31.5	622,185	28.6
Industrial	422,553	17.8	445,253	20.4
Other commercial	256,418	10.8	106,352	4.9
Subtotal	2,376,069	100.0 %	2,178,266	100.0 %
Valuation reserve	(38,527)		(38,004)	
Total	$ 2,337,542		2,140,262	

An impaired loan is measured at the present value of expected future cash flows or, alternatively, the observable market price or the fair value of the collateral.

Mortgage loans which have been non-income producing for the preceding twelve months were $20.1 million and $8.7 million at December 31, 1998 and 1997, respectively. At December 31, 1998 and 1997, the recorded investment in mortgage loans that were considered impaired was $100.7 million and $119.7 million, respectively, with related allowances for credit losses of $12.6 million and $12.7 million, respectively. The average recorded investment in impaired loans during 1998 and 1997 was $110.2 million and $103.1 million, respectively.

For the years ended December 31, 1998, 1997, and 1996, the Company recognized $6.8 million, $9.7 million, and $6.6 million, respectively, of interest income on those impaired loans, which included $7.0 million, $9.9 million, and $6.7 million, respectively, of interest income recognized using the cash basis method of income recognition.

The Company has outstanding mortgage loan commitments as of December 31, 1998 totaling $429.5 million.

Securities Lending
The Company participates in a securities lending program. The amount on loan at December 31, 1998 was $122.5 million and was appropriately collateralized.

Derivatives
The Company has a variety of reasons to use derivative instruments, such as to attempt to protect the Company against possible changes in the market value of its portfolio as a result of interest rate changes and to manage the portfolio's effective yield, maturity, and duration. The Company does not invest in derivatives for speculative purposes. Upon disposition, a realized gain or loss is recognized accordingly, except when exercising an option contract or taking delivery of a security underlying a futures contract. In these instances, the recognition of gain or loss is postponed until the disposal of the security underlying the option of futures contract.

Summarized below are the specific types of derivative instruments used by the Company:

Interest rate swaps: The Company manages interest rate risk on certain contracts, primarily through the utilization of interest rate swaps. Under interest rate swaps, the Company agrees with counterparties to exchange, at specified intervals, the payments between floating and fixed-rate interest amounts calculated by reference to notional amounts. Net interest payments are recognized within net investment income in the consolidated statements of operations.

At December 31, 1998, the Company had 35 outstanding interest rate swap agreements which expire at various dates through 2025. Under 15 of the agreements, the Company receives a fixed rate ranging from 5.79 percent to 7.57 percent on a notional amount of $80.5 million and pays a floating rate based on London Interbank Offered Rate (LIBOR). Under 19 outstanding interest rate swap agreements, the Company receives a floating rate based on LIBOR on a notional amount of $116.0 million and pays a fixed rate ranging from 3.13 percent to 8.56 percent. On the remaining swap agreement, the Company receives a floating rate based on LIBOR on a notional amount of $5 million and pays a floating rate based on LIBOR. The estimated fair value of the agreements at December 31, 1998 was a net loss of approximately $4.7 million, which is recognized in accumulated other comprehensive income.

At December 31, 1997, the Company had 30 outstanding interest rate swap agreements which expire at various dates through 2025. Under 13 of the agreements, the Company receives a fixed rate ranging from 5.98 percent to 7.51 percent on a notional amount of $68.6 million and pays a floating rate based on LIBOR. Under the remaining 17 outstanding interest rate swap agreements, the Company receives a floating rate based on LIBOR on a notional amount of $93 million and pays a fixed rate ranging from 6.50 percent to 8.56 percent. The estimated fair value of the agreements was a net loss of approximately $2.5 million, which is not recognized in accumulated other comprehensive income.

Currency swaps and cross currency swaps: Under foreign currency swaps, the Company agrees with other parties to exchange at specified intervals, the difference between two currencies on an exchange rate basis the interest amounts calculated by reference to an agreed notional principal amount. Under cross currency swaps, the Company swaps the difference between two currencies and between floating and fixed-rate interest amounts calculated by reference to notional amounts. The Company uses this technique for foreign denominated assets to match dollar denominated liabilities of various fixed income products. Net interest payments are recognized within net investment income in the consolidated statements of operations.

The Company had one outstanding currency swap agreement and five outstanding cross currency swaps at December 31, 1998 and 1997, respectively, which expire at various dates through 2016. The notional amount was $34.2 million and $34.3 million, respectively. The 1998 estimated fair value of the agreements was a net loss of $5.5 million and is recognized in accumulated other comprehensive income and the 1997 net loss of $1.3 million is not recognized in accumulated other comprehensive income.

Total return swap: The Company uses the total return swap to construct a structured product that resembles an equity linked note. The total return swap is used to obtain the equity participation. The Company agrees with other parties to pay at specified intervals, floating-rate interest amounts calculated by reference to an agreed notional principal amount. In return the Company receives equity participation, which is calculated by reference to an agreed equity market index and a notional principal amount. If the amount is positive at the termination date, the Company receives such amount. If the amount is negative at the termination date, the Company pays out such amount to the counterparty.

At December 31, 1998, the Company had one outstanding total return swap which expires in 2028. The notional amount was $14.0 million and the estimated fair value of the agreement was a net profit of $1.9 million, which is recognized in accumulated other comprehensive income. At December 31, 1997, the Company held no return swap agreements.

Futures: A futures contract is an agreement involving the delivery of a particular asset on a specified future date at an agreed upon price. The Company generally invests in futures on U.S. Treasury Bonds, U.S. Treasury Notes, and the S&P 500 Index and typically closes the contract prior to the delivery date. These contracts are generally used to manage the portfolio's effective maturity and duration. The 1998 unrealized gain was recognized in accumulated other comprehensive income and the 1997 unrealized loss was not recognized in accumulated other comprehensive income.

Futures contracts outstanding as of December 31, 1998 and 1997 were as follows (in thousands):

	Net Sold Position	Notional Amount	Fair Value	Unrealized Gain (Loss)
December 31, 1998	(259)	$ 33,117	$ 32,923	$ 194
December 31, 1997	(510)	51,000	60,940	(907)

Call options: Currently, the Company buys both exchange-traded and over-the-counter options based on the S&P 500 Index to support equity indexed annuity contracts. An equity indexed annuity is a product under which contractholders receive a minimum guaranteed value and also participate in stock market appreciation. Options are marked to market value quarterly. The change in value is reflected in investment income to assure proper matching of the hedge to changes in the liability. At December 31, 1998 and 1997, the amounts involved were not material.

Put option: The Company uses a put option to construct a structured product that resembles an equity linked note. A put option is used to hedge equity exposure that is associated with the total return swap. The put option helps protect the downside exposure. A lump sum payment is made at the outset. The notional amount of the put is based on the notional amount associated with the total return swap. The termination date for the put option is set to match the termination date of the total return swap. At December 31, 1998 and 1997, the amounts involved were not material.

The Company is exposed to credit related risk in the event of nonperformance by counterparties to financial instruments but does not expect any counterparties to fail to meet their obligations. Where appropriate, master netting agreements are arranged and collateral is obtained in the form of rights to securities to lower the Company's exposure to credit risk. It is the Company's policy to deal only with highly rated companies. At December 31, 1998 and 1997, there were not any significant concentrations with counterparties.

(3) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1998 and 1997. SFAS 107, *Disclosures about the Fair Value of Financial Instruments,* defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties (in thousands):

	1998		1997	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Fixed maturities	$ 11,230,865	11,230,865	9,212,539	9,212,539
Mortgage loans	2,337,542	2,472,485	2,140,262	2,333,895
Policy loans	2,151,028	2,151,028	2,073,152	2,073,152
Short-term investments	200,371	200,371	194,610	194,610
Other invested assets	457,645	457,645	243,921	243,921
Separate account assets	5,287,456	5,287,456	4,118,860	4,118,860
Liabilities:				
Policyholder account balances relating to investment contracts	$ 6,675,466	6,781,053	6,696,690	6,608,068
Long-term debt and notes payable	216,318	260,770	214,477	240,908
Separate account liabilities	5,267,553	5,267,553	4,112,666	4,112,666
Capital securities	$ 125,000	155,007	125,000	147,154

(4) Reinsurance

The Company is a reinsurer to the life and health industry. The effect of reinsurance on premiums and other considerations is as follows (in thousands):

	1998	1997	1996
Direct	$ 1,253,409	1,120,169	1,097,340
Assumed	1,422,262	996,861	827,171
Ceded	(390,939)	(348,861)	(301,283)
Net insurance premiums and other considerations	$ 2,284,732	1,768,169	1,623,228

Reinsurance assumed represented approximately $313.7 billion, $212.5 billion, and $160.0 billion, of insurance in force at December 31, 1998, 1997, and 1996, respectively. The amount of ceded insurance in force, including retrocession, was $31.4 billion, $50.4 billion, and $53.2 billion, for 1998, 1997, and 1996, respectively.

(5) Federal Income Taxes

Income tax expense (benefit) attributable to income from operations consists of the following (in thousands):

	1998	1997	1996
Current income tax expense	$ 37,433	67,311	45,902
Deferred income tax expense (benefit)	19,939	(118)	13,992
Provision for income taxes	$ 57,372	67,193	59,894

Income tax expense attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 35 percent to pre-tax income as a result of the following (in thousands):

	1998	1997	1996
Computed "expected" tax expense	$ 72,499	66,292	57,055
Increase (decrease) in income tax resulting from:			
Surplus tax (benefit) on mutual life insurance companies	(7,505)	5,325	4,777
Foreign tax rate in excess of U.S. tax rate	752	556	941
Tax preferred investment income	(10,971)	(6,583)	(7,318)
State tax net of federal benefit	1,845	748	971
Corporate owned life insurance	(3,574)	-	-
Foreign tax credit	(1,297)	(594)	-
Goodwill amortization	2,357	956	895
Difference in book vs. tax basis in domestic subsidiaries	2,711	2,166	2,230
Other, net	555	(1,673)	343
Provision for income taxes	$ 57,372	67,193	59,894

Total income taxes were allocated as follows:

	1998	1997	1996
Provision for income taxes	$ 57,372	67,193	59,894
Income tax from stockholder equity:			
Unrealized investment gain or loss recognized for financial reporting purposes	(22,528)	56,315	(24,612)
Foreign currency translation	(9,370)	(12,122)	-
Other	(1,439)	(437)	(1,023)
Total income tax	$ 24,035	110,949	34,259

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 1998 and 1997 are presented below (in thousands):

		1998	1997
Deferred tax assets:			
Reserve for future policy benefits	$	151,132	149,496
Deferred acquisition costs capitalized for tax		128,830	110,418
Difference in basis of post retirement benefits		7,773	6,911
Net operating loss		49,719	40,915
Other, net		129,494	134,260
Gross deferred tax assets		466,948	442,000
Less valuation allowance		1,549	1,150
Total deferred tax assets after valuation allowance	$	465,399	440,850

		1998	1997
Deferred tax liabilities:			
Unrealized gain on investments	$	96,785	124,363
Deferred acquisition costs capitalized for financial reporting		275,689	282,714
Other, net		168,879	121,258
Total deferred tax liabilities		541,353	528,335
Net deferred tax liability	$	75,954	87,485

The Company has not recognized a deferred tax liability for the undistributed earnings of its wholly owned foreign subsidiaries because the Company currently does not expect those unremitted earnings to become taxable to the Company in the foreseeable future. This is because the unremitted earnings will not be repatriated in the foreseeable future, or because those unremitted earnings that may be repatriated will not be taxable through the application of tax planning strategies that management would utilize.

As of December 31, 1998 and 1997, the Company has provided for a 100 percent valuation allowance against the deferred tax asset related to the net operating losses of the Company's foreign subsidiaries; including RGA's Australian, Argentine, and UK subsidiaries and NaviSys' Mexican subsidiary. The Company has provided for a 50 percent valuation allowance against the deferred tax asset related to International Underwriting Services' net operating losses which were incurred in separate return limitation years. Based on income projections for future years, a 50 percent valuation allowance is appropriate. Management believes that it is more likely than not that results of future operations will generate sufficient taxable income to realize the remaining deferred tax assets.

At December 31, 1998, the Company had capital loss carryforwards of $.2 million. During 1998, 1997, and 1996 the Company paid income taxes totaling approximately $59.6 million, $70.8 million, and $20.7 million, respectively. At December 31, 1998, the Company's subsidiaries had recognized deferred tax assets associated with net operating loss carryforwards of approximately $131.8 million. The net operating loss and capital losses are expected to be utilized during the period allowed for carryforwards.

(6) Deferred Policy Acquisition Costs

A summary of the policy acquisition costs deferred and amortized is as follows (in thousands):

		1998	1997	1996
Balance at beginning of year	$	695,253	652,251	526,939
Transfer of present value of future profits		-	19,279	-
Prior year adjustment due to change in reserving methods		(225)	-	-
Policy acquisition costs deferred		335,398	267,008	206,790
Policy acquisition costs amortized		(280,061)	(211,979)	(182,038)
Interest credited		39,421	40,843	38,944
Deferred policy acquisition costs relating to change in unrealized (gain) loss on investments available for sale		(13,525)	(72,149)	61,616
Balance at end of year	$	776,261	695,253	652,251

(7) Associate Benefit Plans and Postretirement Benefits

The Company has a defined benefit plan covering substantially all associates. The benefits are based on years of service and each associate's compensation level. The Company's funding policy is to contribute annually the maximum amount deductible for federal income tax purposes. Contributions provide for benefits attributed to service to date and for those expected to be earned in the future.

The Company also has several non-qualified, defined benefit, and defined contribution plans for directors and management associates. The plans are unfunded and are deductible for federal income tax purposes when the benefits are paid.

In addition to pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while working for the Company. Alternatively, retirees may elect certain prepaid health care benefit plans.

The Company uses the accrual method to account for the costs of its retiree plans and amortizes its transition obligation for retirees and fully eligible or vested employees over 20 years. The unamortized transition obligation was $14.4 million and $16.8 million at December 31, 1998 and 1997, respectively.

The Board of Directors has adopted an associate incentive plan applicable to full-time salaried associates with at least one year of service. Contributions to the plan are determined annually by the Board of Directors and are based upon salaries of eligible associates. Full vesting occurs after five years of continuous service. The Company's contribution to the plan was $10.4 million, $10.4 million, and $8.8 million for 1998, 1997, and 1996 respectively.

GenAmerica Corporation and Subsidiaries

The following tables summarize the Company's associate benefit plans and postretirement benefits (in thousands):

	Pension Benefits 1998	Pension Benefits 1997	Other Benefits 1998	Other Benefits 1997
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 129,830	122,551	$ 37,678	41,518
Service cost	5,775	5,915	1,705	1,665
Interest cost	9,269	8,597	2,898	2,488
Participant contributions	-	-	216	207
Plan amendments	(423)	(547)	(1,317)	-
Curtailments	-	(1,046)	-	-
Benefits paid	(6,640)	(5,903)	(1,438)	(1,577)
Actuarial (gain) or loss	11,282	264	5,962	(6,623)
Benefit obligation at end of year	149,093	129,831	45,704	37,678
Change in plan assets:				
Fair value of plan assets at beginning of year	150,498	125,742	-	-
Actual return on plan assets	29,183	29,043	-	-
Employer contributions	1,703	1,616	-	-
Benefits paid	(6,640)	(5,903)	-	-
Fair value of plan assets at end of year	$ 174,744	150,498	$ -	-

	Pension Benefits 1998	Pension Benefits 1997	Pension Benefits 1996	Other Benefits 1998	Other Benefits 1997	Other Benefits 1996
Reconciliation of funded status:						
Funded status	$ 25,652	20,668	3,192	$ (45,704)	(37,678)	(41,518)
Unrecognized actuarial (gain) or loss	(14,455)	(8,237)	9,826	(1,862)	(7,824)	(1,361)
Unrecognized transition obligation	298	1,098	1,396	14,404	16,766	17,884
Unrecognized prior service cost	(779)	(2,185)	(580)	-	-	-
Net amount recognized at end of year	10,716	11,344	13,834	(33,162)	(28,736)	(24,995)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	37,921	35,850	35,335	-	-	-
Accrued benefit liability	(32,208)	(28,183)	(26,377)	(33,162)	(28,736)	(24,995)
Intangible asset	869	868	1,608	-	-	-
Accumulated other comprehensive loss	4,133	2,810	3,268	-	-	-
Net amount recognized at end of year	10,715	11,345	13,834	(33,162)	(28,736)	(24,995)
Other comprehensive loss (income) attributable to change in additional minimum liability recognition	$ 1,324	(458)	(84)	$ -	-	-

	Pension Benefits 1998	Pension Benefits 1997	Pension Benefits 1996	Other Benefits 1998	Other Benefits 1997	Other Benefits 1996
Additional year-end information for plans with benefit obligations in excess of plan assets:						
Benefit obligation	$ 36,587	32,239	29,077	$ 45,704	37,378	41,518
Fair value of plan assets	81	41	-	-	-	-
Additional year-end information for pension plans with accumulated benefit obligations in excess of plan assets:						
Projected benefit obligation	36,587	32,239	29,077	-	-	-
Accumulated benefit obligation	32,078	28,019	26,241	-	-	-
Fair value of plan assets	81	41	-	-	-	-
Components of net periodic benefit cost:						
Service cost	5,775	5,915	5,421	1,705	1,665	1,921
Interest cost	9,269	8,597	8,047	2,898	2,488	2,729
Expected return on plan assets	(13,261)	(11,108)	(10,447)	-	-	-
Amortization of prior service cost	(71)	(51)	58	-	-	-
Amortization of transitional obligation	98	298	338	1,045	1,118	1,118
Recognized actuarial (gain) or loss	432	455	491	-	(160)	-
Net periodic benefit cost	$ 2,242	4,106	3,908	$ 5,648	5,111	5,768
Additional loss recognized due to:						
Curtailment	$ 91	-	-	$ -	-	-
Settlement	-	-	192	-	-	-
Weighted-average assumptions as of December 31:						
Discount rate	6.75%	7.25%	7.25%	6.75%	7.25%	7.25%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.25%	-	-	-
Rate of compensation increase (qualified plan)	4.20%	4.20%	4.50%	-	-	-

Assumed health care cost trend: For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate assumed to decrease gradually to 5% for 2000 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost components for 1998	$ 834	(643)
Effect on end of year 1998 postretirement benefit obligation	$ 6,608	(5,272)

(8) Debt

The Company's long-term debt and notes payable consists of the following (in millions):

Description	Rate	Maturity	Face Value at December 31, 1998	1997
Long-term debt:				
General American surplus note	7.625%	January 2024	$ 107.0	107.0
RGA senior note	7.250%	April 2006	100.0	100.0
Notes payable:				
RGA Australia Hldgs.	5.180%	April 1999	8.9	7.8
Total long-term debt and notes payable			$ 215.9	214.8

The difference between the face value of debt and the carrying value per the consolidated balance sheets is unamortized discount.

General American's surplus note pays interest on January 15 and July 15 of each year. The note is not subject to redemption prior to maturity. Payment of principal and interest on the note may be made only with the approval of the Missouri Director of Insurance.

The RGA senior note pays interest semiannually on April 1 and October 1. The ability of RGA to make debt principal and interest payments as well as make dividend payments to shareholders is ultimately dependent on the earnings and surplus of its subsidiaries and the investment earnings on the undeployed debt proceeds. The transfer of funds from the insurance subsidiaries to RGA is subject to applicable insurance laws and regulations.

Principal repayments are due in April 1999 and are expected to be renewed under the terms of the line of credit. This agreement contains various restrictive covenants which primarily pertain to limitations on the quality and types of investments, minimum requirements of net worth, and minimum rating requirements.

Interest paid on debt during 1998, 1997, and 1996 amounted to $17.0 million, $20.0 million, and $19.9 million, respectively.

As of December 31, 1998, the Company was in compliance with all covenants under its debt agreements.

(9) Comprehensive Income

In June 1997, The Financial Accounting Standards Board issued SFAS No. 130, *Reporting Comprehensive Income*, effective for years beginning after December 15, 1997. SFAS 130 establishes standards for reporting and display of comprehensive income but does not affect results of operations. Effective January 1, 1998, the Company adopted SFAS 130. The components of comprehensive income, other than net income, are as follows (in thousands):

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
1998			
Foreign currency translation adjustments	$ (20,621)	7,200	(13,421)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(56,267)	19,210	(37,057)
Less: Reclassification adjustment for gains (losses) realized in net income	4,726	(1,713)	3,013
Net unrealized gains (losses) on securities	(60,993)	20,923	(40,070)
Minimum benefit liability	(335)	-	(335)
Total other comprehensive (loss) income	$ (81,949)	28,123	(53,826)
1997			
Foreign currency translation adjustments	$ (14,254)	10,583	(3,671)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	133,449	(49,532)	83,917
Less: Reclassification adjustment for gains (losses) realized in net income	7,432	(2,620)	4,812
Net unrealized gains (losses) on securities	126,017	(46,912)	79,105
Minimum benefit liability	877	-	877
Total other comprehensive (loss) income	$ 112,640	(36,329)	76,311
1996			
Foreign currency translation adjustments	$ (1,543)	-	(1,543)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(48,303)	16,081	(32,222)
Less: Reclassification adjustment for gains (losses) realized in net income	23,033	(8,167)	14,866
Net unrealized gains (losses) on securities	(71,336)	24,248	(47,088)
Minimum benefit liability	(1,074)	-	(1,074)
Total other comprehensive (loss) income	$ (73,953)	24,248	(49,705)

The following schedule reflects the change in net accumulated other comprehensive (loss) income for the periods ending December 31, 1998 and 1997 (in thousands):

		Balance As of 12/31/97	Current Period Change	Balance As of 12/31/98
Foreign currency adjustments	$	(19,481)	(13,421)	(32,902)
Unrealized gains (losses) on securities		129,472	(40,070)	89,402
Minimum benefit liability		(2,380)	(335)	(2,715)
Total accumulated other comprehensive (loss) income	$	107,611	(53,826)	53,785

		Balance As of 12/31/96	Current Period Change	Balance As of 12/31/97
Foreign currency adjustments	$	(15,810)	(3,671)	(19,481)
Unrealized gains on securities		50,367	79,105	129,472
Minimum benefit liability		(3,257)	877	(2,380)
Total accumulated other comprehensive income	$	31,300	76,311	107,611

(10) Company-obligated Mandatorily Redeemable Capital Securities of Subsidiary Trust Holding Solely Subordinated Debentures of the Company

In June 1997, the Company issued $125.0 million of 8.525 percent Capital Securities through a wholly-owned subsidiary trust, GenAmerica Capital I (the Trust). The Company has fully and unconditionally guaranteed, on a subordinated basis, the obligation of the Trust under the Capital Securities and is obligated to mandatorily redeem the securities on June 30, 2027. The Company may prepay the securities at anytime after June 30, 2007.

(11) Regulatory Matters

The Company's insurance subsidiaries are subject to financial statement filing requirements in their respective state of domicile, as well as the states in which they transact business. Such financial statements, generally referred to as statutory financial statements, are prepared on a basis of accounting which varies in some respects from GAAP. Statutory accounting practices include: (1) charging of policy acquisition costs to income as incurred; (2) establishment of a liability for future policy benefits computed using required valuation standards; (3) nonprovision of deferred federal income taxes resulting from temporary differences between financial reporting and tax bases of assets and liabilities; (4) recognition of statutory liabilities for asset impairments and yield stabilization on fixed maturity dispositions prior to maturity with asset valuation reserves based on statutorily determined formulas; and (5) valuation of investments in bonds at amortized cost.

Combined net income and policyholders' surplus of the Company's consolidated insurance subsidiaries, for the years ended and at December 31, 1998, 1997, and 1996, as determined in accordance with statutory accounting practices, are as follows (in thousands):

		1998	1997	1996
Net income	$	60,793	39,737	18,464
Policyholders' surplus		1,147,411	844,110	636,260

Under Risk-Based Capital (RBC) requirements, General American and its insurance subsidiaries are required to measure their solvency against certain parameters. As of December 31, 1998, the Company's insurance subsidiaries exceeded the established RBC minimums. In addition, the Company's insurance subsidiaries exceeded the minimum statutory capital and surplus requirements of their respective states of domicile.

The Company's insurance subsidiaries are subject to limitations on the payment of dividends to the Company. Generally, dividends during any year may not be paid without prior regulatory approval, in excess of the lessor of (and with respect to life and health subsidiaries in Missouri, in excess of the greater of): (a) ten percent of the insurance subsidiaries' statutory surplus as of the preceding December 31 or (b) the insurance subsidiaries' statutory gain from operations for the preceding year.

(12) Participating Policies and Dividends to Policyholders

Over 22.8 percent and 27.5 percent of the Company's business in force relates to participating policies as of December 31, 1998 and 1997, respectively. These participating policies allow the policyholders to receive dividends based on actual interest, mortality, and expense experience for the related policies. These dividends are distributed to the policyholders through an annual dividend, using current dividend scales which are approved by the Board of Directors.

(13) Contingent Liabilities

The Company was named as a defendant in a lawsuit that was filed in 1996 in Arizona State Court. The lawsuit claimed benefits under a disability policy and damages for bad faith termination of such benefits. In November 1998, the jury entered a verdict against the Company, awarding the plaintiff approximately $59 million in damages, including $58 million in punitive damages. In January 1999, the Company filed a motion for judgment notwithstanding the verdict, a motion for a new trial, and a request for reduction of the punitive damages awarded. The Company intends to press vigorously for the Court to eliminate the bad faith claim, reduce the punitive damage award, grant a new trial, and vigorously appeal the verdict if it is allowed to stand.

The Company was named as defendant in the following purported class action lawsuits: *Chain v. General American Life Insurance Company* (filed in the U.S. District Court for the Northern District of Mississippi in 1996); *Newburg Trust v. General American Life Insurance Company* (filed in the U.S. District Court for the District of Massachusetts in 1996); and *Ludwig, Sippil, D'Allesandro and Cunningham v. General American Life Insurance Company* (filed in the U.S. District Court for the Southern District of Illinois in 1997). These lawsuits allege that the Company engaged in deceptive sales practices in connection with the sale of certain life insurance policies. None of these lawsuits has been certified as a class action. Although the claims asserted in each lawsuit are not identical, the plaintiffs seek unspecified actual and punitive damages under similar claims, including breach of contract, fraud, intentional or negligent misrepresentation, breach of fiduciary duty, and unjust enrichment.

The Company filed a motion to dismiss all of the claims in each of the lawsuits. The Court in each of these lawsuits has dismissed certain of the plaintiffs' claims while allowing others to proceed. These three cases have been consolidated with one individual case in the U.S. District Court for the Eastern District of Missouri. The Company intends to oppose these lawsuits vigorously.

In addition to the matters discussed above, the Company is involved in pending and threatened litigation in the normal course of its business. While the outcome of these matters cannot be predicted with certainty, at the present time and based on information currently available, management does not believe that the Company's liability arising from pending or threatened litigation will have a material adverse affect on the Company's financial condition or results of operations.

(14) Subsequent Events

On January 28, 1999, the Board of Directors of GenAmerica Corporation authorized the development of a demutualization plan for GAMHC to convert from a mutual holding company to a publicly traded stock company. The demutualization plan will be subject to approval by the Board of Directors, regulators, and policyholders.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder of GenAmerica Corporation:

We have audited the accompanying consolidated balance sheets of GenAmerica Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, comprehensive income, stockholder equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GenAmerica Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
March 4, 1999

GenAmerica Corporation and Subsidiaries
Five Year Comparison of Significant Results

(in thousands)

	1998	1997	1996	1995	1994
Benefits	$ 2,463,110	1,874,270	1,642,335	1,342,710	1,500,586
Dividends	192,085	182,146	171,904	264,658	141,546
Total payments for policyholders	2,655, 195	2,056,416	1,814,239	1,607,368	1,642,132
Life insurance in force	451,256,148	332,791,876	279,800,000	255,332,902	234,998,475
Total assets	28,949,155	23,947,197	18,897,110	15,927,104	9,960,970
Net premiums and other considerations:					
Life	1,949,835	1,536,988	1,356,490	1,229,082	1,079,440
Health					
Insured	334,897	231,181	266,738	268,931	518,374
Premium equivalents*	1,451,477	1,356,463	1,290,623	1,201,896	1,085,981
Health total	1,786,374	1,587,644	1,577,361	1,470,827	1,604,355
Net investment income	$ 1,143,553	950,097	806,883	676,404	551,471

** Health premium equivalents are health insurance benefits we administer for fees but do not insure.*

Glossary of Life Insurance Terms

Accelerated death benefit. A death benefit paid to the policyholder prior to death under clearly defined health-related circumstances.

Agent. A sales and service representative of an insurance company. Life insurance agents may also be called life underwriters or field underwriters.

Annuitant. The person during whose life an annuity is payable, usually the person to receive the annuity.

Annuity. A contract that provides a periodic income at regular intervals for a specified period of time, such as for a number of years or for life.

Assignment. The legal transfer of one person's interest in an insurance policy to another person.

Beneficiary. The person named in the policy to receive the insurance proceeds at the death of an insured.

Broker. A sales and service representative who handles insurance for clients, generally selling insurance of various kinds.

Cash surrender value. The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Certificate. A statement issued to individuals insured under a group policy, setting forth the essential provisions relating to their coverage.

Convertible term insurance. Term insurance, which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.

Declination. The rejection by a life insurance company of an application for life insurance, usually for reasons of the health or occupation of the applicant.

Deferred annuity. An annuity providing for the income payments to begin at some future date.

Defined benefit plan. A pension plan stating either (1) the benefits to be received by employees after retirement or (2) the method of determining such benefits. The employer's contributions under such a plan are actuarially determined.

Defined Contribution Plan. A plan under which the contribution rate is fixed and benefits to be received by employees after retirement depend to some extent upon the contributions and their earnings.

Dividend. A return of part of the premium on participating insurance to reflect the difference between the premium charged and the combination of actual mortality, expense, and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.

Dividend addition. An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.

Employee Stock Ownership Plan (ESOP). A defined contribution pension plan designed to invest primarily in employer securities.

Endowment. Life insurance payable to the policyholder, if living on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

Face amount. The amount stated on the face of the policy, to be paid in case of death or at the maturity of the policy.

Flexible premium policy or annuity. A life insurance policy or annuity under which the policyholder or contractholder may vary the amounts or timing of premium payments.

401(K) Plan. A salary reduction plan that allows employees to contribute a portion of their salaries on a tax-deferred basis.

Grace period. A period (usually 30 or 31 days) following the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Group annuity. A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Guaranteed interest contract. A vehicle for benefit plan sponsors to invest funds at a fixed interest rate for a fixed duration.

Immediate annuity. An annuity providing for payment to begin immediately.

Individual policy pension trust. A type of pension plan, frequently used for small groups, administered by trustees authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policy usually provides both life insurance and retirement benefits.

Individual Retirement Account (IRA). An account to which an individual can make annual contributions of 100 percent of earnings up to $2,000 ($2,250 for a one-income married couple). These contributions are tax deductible for workers not covered by an employer-sponsored pension plan regardless of income or, if covered, do not exceed certain taxable income levels.

Keogh (HR 10) Account. An account to which an individual can make annual tax deductible contributions, subject to certain limitations.

Lapsed policy. A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

Level premium life insurance. Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest earned, serve to balance the underpayments of the later years.

Limited payment life insurance. Whole life insurance on which premiums are payable for a specified number of years or until death, if death occurs before the end of the specified period.

Mortality table. A statistical table showing the death rate at each age, usually expressed as so many per thousand.

Mutual life insurance company. A life insurance company without stockholders whose management is directed by a board elected by the policyholders.

Nonforfeiture option. One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This may be taken in cash, as extended term insurance, or as reduced paid-up insurance.

Nonmedical limit. The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Nonparticipating policy. A life insurance policy in which the company does not distribute to policyholders any part of its surplus.

Ordinary life insurance. Life insurance usually issued in amounts of $2,000 or more with premiums payable on an annual, semiannual, quarterly, or monthly basis.

Participating policy. A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus that its board of directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder has paid.

Permanent life insurance. A phrase used to cover any form of life insurance except term; generally, insurance that accrues cash value, such as whole life.

Policy loan. A loan made by a life insurance company from its general funds to a policyholder on the security of cash value of a policy.

Policyholder. The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership, or a corporation.

Premium. The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy.

Qualified Plan. A plan which the Internal Revenue Service approves as meeting the requirements of the 1954 Internal Revenue Code. Such plans receive tax advantages.

Rated policy. Sometimes called an extra-risk policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or hazardous occupation.

Renewable term insurance. Term insurance which can be renewed at the end of the term, at the option of the policyholder, and without evidence of insurability for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.

Reserve. The amount required to be carried as a liability in the financial statement of an insurer, to provide for future commitments under policies outstanding.

Rider. A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.

Risk classification. The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health).

Settlement options. The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid.

Stock life insurance company. A life insurance company owned by stockholders, who elect a board to direct the company's management.

Term insurance. Life insurance payable to a beneficiary only when an insured dies within a specified period.

Underwriting. The process by which a life insurance company determines whether or not it can accept an application for life insurance and, if so, on what basis.

Universal life insurance. A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amount of timing of premium payments. Premiums (less expense charges) are credited to the policy account, from which mortality charges are deducted and to which interest is credited at rates that may change from time to time.

Variable annuity. An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities' market values, a cost of living index, or some other variable factor.

Variable life insurance. Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid.

Waiver of premium. A provision that, under certain conditions, an insurance policy will be kept in full force by the company without further payment of premiums. It is used most often in the event of total and permanent disability.

Whole life insurance. Life insurance payable to a beneficiary at the death of the insured, whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

Reprinted with permission from the American Council of Life Insurance

Glossary of Investment Terms

Adviser. An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices (also called the investment adviser).

Appreciation. An increase in an investment's value.

Asked or Offering Price. The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value per share plus any sales charge.

Assets. The current dollar value of the pool of money shareholders have invested in a fund.

Automatic Reinvestment. A fund service giving shareholders the option to purchase additional shares using dividend and capital gain distributions.

Average Portfolio Maturity. The average maturity of all the bonds in a bond fund's portfolio.

Bear Market. A period during which security prices in a particular market (such as the stock market) are generally falling.

Bid or Sell Price. The price at which a mutual fund's shares are redeemed, or bought back, by the fund. The bid or redemption price is usually the current net asset value per share.

Bond. A debt security or IOU issued by a company, municipality, or government agency. A bond investor lends money to the issuer and, in exchange, the issuer promises to repay the loan amount on a specified maturity date; the issuer usually pays the bondholder periodic interest payments over the life of the loan.

Broker/Dealer (or Dealer). A firm that buys and sells mutual fund shares and other securities from and to investors.

Bull Market. A period during which security prices in a particular market (such as the stock market) are generally rising.

Capital Gain Distribution. Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio for more than a year.

Closed-End Fund. A type of investment company that has a fixed number of shares that are publicly traded.

Compounding. Earnings on an investment's earnings.

Credit Risk. The possibility that a bond issuer may not be able to pay interest and repay its debt.

Custodian. An organization, usually a bank, that holds the securities and other assets of a mutual fund.

Depreciation. A decline in an investment's value.

Distribution. (1) The payment of dividends and capital gains, or (2) a term used to describe a method of selling to the public.

Diversification. The practice of investing broadly across a number of securities to reduce risk.

Dollar-cost Averaging. The practice of investing a fixed amount of money at regular intervals, regardless of whether the securities markets are declining or rising.

Exchange Privilege. A fund option enabling shareholders to transfer their investments from one fund to another within the same fund family as their needs or objectives change.

Ex-dividend Date. With regard to mutual funds, this is the day on which declared distributions (dividends or capital gains) are deducted from the fund's assets before it calculates its net asset value (NAV). The NAV per share will drop by the amount of the distribution per share.

Expense Ratio. A fund's cost of doing business, expressed as a percentage of its assets.

Face Value. The amount that a bond's issuer must repay at the maturity date.

401(k) Plan. An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan.

403(b) Plan. An employer-sponsored retirement plan that enables employees of universities, public schools, and non-profit organizations to make tax deferred contributions from their salaries to the plan.

457 Plan. An employer-sponsored retirement plan that enables employees of state and local governments and other tax-exempt employers to make tax-deferred contributions from their salaries to the plan.

Hedge Fund. A private investment pool for wealthy investors that, unlike a mutual fund, is exempt from SEC regulations.

Income. Dividends, interest, and/or short term capital gains paid to a mutual fund's shareholders.

Interest Rate Risk. The possibility that a bond's or bond mutual fund's value will decrease due to rising interest rates.

Investment Company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective.

Large Cap Stocks. Stocks of large-capitalization companies, generally considered to be companies whose total outstanding shares are valued at $2 billion or more.

Liquidity. The ability to have ready access to invested money.

Long-term Funds. A mutual fund industry designation for all funds other than money market funds.

Management Fee. The amount paid by a mutual fund to the investment adviser for its services.

Maturity. The date by which an issuer promises to repay the bond's face value.

National Association of Securities Dealers, Inc. (NASD). A self-regulatory organization with authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value (NAV). The per-share value of a mutual fund, found by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding.

No-load Fund. A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than .25 percent per year.

Open-end Investment Company. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors.

Portfolio. A collection of securities owned by an individual or an institution that may include stocks, bonds, and money market securities.

Portfolio Turnover. A measure of the trading activity in a fund's investment portfolio. How often securities are bought and sold by a fund.

Prepayment Risk. The possibility that a bond owner will receive his or her principal investment back from the issuer prior to the bond's maturity date.

Prospectus. The official document that describes a mutual fund to prospective investors.

Quality. The creditworthiness of a bond issuer, indicating the likelihood that it will be able to repay its debt.

Redeem. To cash in mutual fund shares by selling them back to the fund.

Reinvestment Privilege. An option whereby mutual fund dividend and capital gain distributions automatically buy new fund shares.

Risk/Reward Tradeoff. The principle that an investment must offer higher potential returns as compensation for the likelihood of increased volatility.

Rollover. The shifting of an investor's assets from one qualified retirement plan to another.

Sales Charge or Load. An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals.

Securities and Exchange Commission (SEC). The primary U.S. government agency responsible for the regulation of the day-to-day operations and disclosure obligations of mutual funds.

Short-term Funds. Another term for money market funds.

Small-cap Stocks. Stocks of small-capitalization companies, generally considered to be companies whose total outstanding shares are valued at less than $1 billion.

Stock. A share of ownership or equity in a corporation.

Total Return. A measure of a fund's performance that encompasses all elements of return: dividends, capital gain distributions, and changes in net asset value.

Transfer Agent. The organization employed by a mutual fund to prepare and maintain records relating to shareholder accounts.

12b-1 Fee. A mutual fund fee, named for the SEC rule that permits it, used to pay for distribution costs such as advertising and commissions paid to dealers.

Underwriter. The organization that sells a mutual fund's shares to broker/dealers and investors.

Unit Investment Trust (UIT). An investment company that buys and holds a fixed number of shares until the trust's termination date. When the trust is dissolved, proceeds are paid to shareholders.

Withdrawal Plan. A fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

Yield. A measure of net income (dividends and interest) earned by the securities in the fund's portfolio less the fund's expenses during a specified period.

Board of Directors

August A. Busch III
Chairman of the board and president of Anheuser-Busch Companies, Inc., a St. Louis-based, global corporation that includes the world's largest brewing organization, the second-largest U.S.manufacturer of aluminum beverage containers, and one of the largest theme park operations in the country.

Mr. Busch plays a major role in his company's philanthropic activities. Anheuser-Busch is well known for its efforts on behalf of alcohol awareness, environmental conservation, education opportunities, and disaster relief. His efforts have been recognized through numerous awards from civic organizations, ranging from the National Urban League, to the Boy Scouts of America, to the United States Olympic Committee.

Mr. Busch was educated at the University of Arizona and trained as a brewmaster at the Siebel Institute of Technology, Chicago. After working his way through the brewing and operations divisions, he joined the company's board in 1963 and assumed company leadership in 1975.

William E. Cornelius
Retired chairman and chief executive officer of Union Electric Company, St. Louis.

He joined Union Electric in 1962 as an assistant controller and rose through the ranks to become president, chief executive officer, then chairman of the board, a post he held until his retirement in 1994.

Mr. Cornelius is a director of the Municipal Theatre Association of Missouri, a trustee of Washington University, and treasurer of the Episcopal Diocese of Missouri. He has also served as president of Civic Progress and as chairman of the United Way of Greater St. Louis.

He holds a bachelor's degree from the University of Missouri, Columbia, and a master's degree from Washington University.

John C. Danforth
Former United States senator, now a partner with the law firm of Bryan Cave LLP, St. Louis and Kansas City, and a clergyman.

Mr. Danforth represented Missouri in Washington D.C. for 18 years. While a member of the U.S. Senate, his major legislative efforts focused on international trade, telecommunications, health care policy, research and development, transportation, and civil rights.

Currently, he is also president of InterACT-St. Louis (Interfaith Action for Children Today), which creates opportunities for church members of all faiths to help inner city youths. Mr. Danforth is also chairman of St. Louis 2004, a citizen-based effort to revitalize the region, and chairman of the board of the Danforth Foundation. He is also a board member of Time Warner, Inc. and the Dow Chemical Company.

Ordained to the clergy of the Episcopal Church, he is currently an associate priest at the Church of the Holy Communion, University City. Mr. Danforth has received countless awards from prestigious organizations.

He received his degrees from Princeton University, Yale Divinity School, and Yale Law School.

Bernard A. Edison
Retired president of Edison Brothers Stores, Inc., St. Louis.

Mr. Edison joined the firm in 1951, rose to the position of director, then served as president until his retirement in 1987.

He has been a member of Civic Progress and a director of the United Way of St. Louis, St. John's Mercy Medical Center, St. Louis Jewish Hospital, BJC Health Systems, as well as the director for the Harry Edison Foundation and the Irving and Beatrice C. Edison Foundation, Inc.

Mr. Edison served as a lieutenant in the U.S. Air Force.

He received his bachelor's degree from Harvard College and a master's degree from Harvard Graduate School of Business Administration. As a student, he worked one summer as an actuarial intern for General American.

Richard A. Liddy
Chairman, president, and chief executive officer of General American Life Insurance Company, St. Louis.

Mr. Liddy joined General American in 1988 as president and chief operating officer, assumed CEO responsibilities in 1992, and in 1995 became chairman. He began his insurance career with CIGNA, rising to the post of marketing vice president and chairman of its securities subsidiary. After moving to Continental Insurance, as executive vice president he assumed responsibility for that company's life insurance operations and also served as president of Continental's Financial Services Group.

Active in insurance industry organizations, Mr. Liddy is past chairman of the College of Financial Planning and has served on the boards of LIMRA-International and the American Council of Life Insurance.

Taking an active role in the St. Louis community, Mr. Liddy has been chairman of the board of Webster University and currently serves as chairman of the United Way and as president of Civic Progress, an organization composed of the leading CEO's in St. Louis.

He earned his bachelor's degree from Iowa State University.

William E. Maritz
Chairman of Maritz, Inc., a St. Louis based communication company.

He joined the organization as a salesman, rose through the ranks, and became chairman and CEO in 1983. Mr. Maritz has been with the privately held firm for more than forty years.

He has served on the boards of numerous civic organizations, ranging from the Missouri Botanical Garden to the American Youth Foundation. He's received many awards for civic leadership that include involvement with St. Louis's V.P. Fair, the redevelopment of Laclede's Landing, and the development of the area's light rail system.

During the Korean War, he served in the U.S. Navy as operations officer on a rocket launcher off the coast of Korea.

Mr. Maritz received a bachelor's degree from the Woodrow Wilson School at Princeton University and has served on that university's board of trustees.

Board of Directors

Craig D. Schnuck

Chairman of the board and chief executive officer, Schnucks Markets, Inc., St. Louis.

Mr. Schnuck worked in virtually every store-level position, ranging from bagger to meat cutter to store manager, within the Schnucks organization. He also served in a variety of systems and merchandising positions before taking the lead in developing the company's combination food and drug store concept.

Mr. Schnuck is a member of the board of directors of Mercantile Bancorporation, the Food Marketing Institute, Washington University, the United Way of St. Louis, and the St. Louis Area Council of Boy Scouts of America, among many other organizations.

He has a bachelor's and master's degree from Cornell University.

William P. Stiritz

Chairman of Ralston Purina Company, St. Louis since 1981 and of Ralcorp Holdings, Inc., St. Louis since 1994. He is also chairman, CEO, and president of Agribrands International.

Mr. Stiritz joined Ralston Purina in 1964. He was promoted to Ralston Purina president, chief executive officer, and chairman in 1981 and served until 1997 as chief executive officer.

He is a veteran U.S. Navy aviator.

Mr. Stiritz holds a bachelor's degree from Northwestern University and a master's degree from St. Louis University.

Andrew C. Taylor

Chief executive officer of Enterprise Rent-A-Car Company, St. Louis.

He joined Enterprise Rent-A-Car in 1973, was promoted to general manager of the St. Louis Group Offices, became president and chief operating officer, then in 1991 was promoted to chief executive officer. The organization now has the largest rental car fleet in the United States. Previously, Mr. Taylor worked for RLM Leasing, a Ford Motor Company affiliate, in San Francisco.

Among the numerous boards he serves on or has served on are the Missouri Botanical Garden, Washington University, and the United Way of St. Louis.

He received his bachelor's degree from the University of Denver.

H. Edwin Trusheim

Retired chairman, General American Life Insurance Company, St. Louis.

Mr. Trusheim joined General American as a trainee in the mortgage loan department in 1955 and rose to the top position in the company, the only General American associate to achieve this distinction. He retired as chairman in 1995.

Previously, his career was in education, having taught history and social studies at private secondary schools.

Very much involved in the life of the community, Mr. Trusheim is past president of the Saint Louis Symphony's board of trustees, past chairman of Civic Progress, past chairman of the Federal Reserve Bank of St. Louis, and past chairman of the Washington University investment committee.

He has a bachelor's degree from Concordia University as well as a master's degree from Northwestern University and undertook further graduate studies at Washington University.

Robert L. Virgil

General principal of Edward Jones & Co., St. Louis, he is responsible for management development.

Previously, Dr. Virgil was with Washington University in St. Louis, where his career spanned three decades. He served as a faculty member and administrator, rising to the position of dean of the Olin School of Business. He has also taught at Dartmouth College, Hanover, N.H. and the Israel Institute of Technology, Haifa, Israel.

Among his many civic and professional accomplishments are serving as chair of a consortium to attract minority students to M.B.A. programs and as director of the Salvation Army Midland Division. He has also been chairman of the Federal Reserve Bank of St. Louis.

Dr. Virgil served in the U.S. Army from 1956 to 1958.

He earned his bachelor's degree from Beloit College and his master's and doctorate degrees from Washington University.

Virginia V. Weldon, M.D.

Director of the Center for the Study of American Business at Washington University, a public policy research center in St. Louis.

From 1989 to 1999, she was senior vice president for public policy at Monsanto Company. Previously, she was professor of pediatrics, deputy vice chancellor for medical affairs, and vice president of the Medical Center at Washington University.

Dr. Weldon has received recognition from numerous medical, scientific, and educational organizations, among them the Association of American Medical Colleges, which she served as chairman. In 1994 Dr. Weldon was one of 18 individuals appointed by President Clinton to the President's Committee of Advisors on Science and Technology. More recently, she became a member of the California Institute of Technology board of trustees.

She has a bachelor's degree from Smith College and a medical doctor's degree from the State University of New York at Buffalo. She also completed post-doctoral studies at The Johns Hopkins University.

Ted C. Wetterau

Retired chairman of the board and chief executive officer of Wetterau, Incorporated, St. Louis.

During his forty-year career with the firm, which served approximately 2,750 supermarkets in twenty-nine states, he worked in nearly every capacity.

A respected leader in the nation's food industry, he is a former chairman of the National-American Wholesaler Grocers' Association, which presented him its highest award. He is also a director of the Food Marketing Institute, the country's largest retail organization.

Mr. Wetterau is an active supporter of numerous civic and charitable organizations. The long list includes terms as chairman of the St. Louis Regional Commerce and Growth Association, the Arts and Education Council of St. Louis, Goodwill Industries, and the Saint Louis Symphony. Currently, he is on the boards of Westminster College and the University of Missouri at St. Louis.

He earned his bachelor's degree from Westminster College.

Donald E. Lasater

(Director Emeritus)

Retired chairman of the board of Mercantile Bancorporation, Inc., St. Louis.

A St. Louis native, Mr. Lasater practiced law in his home community for eleven years, including three years as assistant prosecuting attorney for St. Louis County. In 1959 he joined the trust department of Mercantile Bank, became president in 1967, then chairman and chief executive officer in 1970. He retired in 1989.

Among his many leadership roles in the community, he has served as president of Civic Progress, chairman of the board of the St. Louis Art Museum, chairman of the United Way annual fund drive, and board member of Washington University, Barnes Hospital, and the local chapter of the Boy Scouts of America.

He earned his bachelor of laws degree from the University of Southern California.

Current Officers

GenAmerica Corporation

Richard Liddy, CLU
Chairman, President,
and Chief Executive Officer

Robert J. Banstetter, J.D.
Vice President,
General Counsel, and Secretary

John W. Barber, CPA, FLMI
Vice President and Controller

Bruce B. Brodie
Chief Technology Officer

David L. Herzog, CPA, FLMI
Chief Financial Officer

E. Thomas Hughes, FSA
Corporate Actuary and Treasurer

Charles L. Larance, FLMI
Vice President
Corporate Relations

Matthew P. McCauley, J.D., CLU
Vice President and
Associate General Counsel

Marcia S. McMillian, FLMI, ACS
Vice President
Human Resources

General American Life Insurance Company

Richard A. Liddy, CLU
Chairman, President, and
Chief Executive Officer

Kevin Eichner
Executive Vice President
and Chairman –
GenMark Incorporated and
Walnut Street Securities

Trevor E. Holland, FSA, MAAA,
FCIA
Vice President and
Chief Financial Officer –
Group Life and Health

Mark M. Hopfinger, FSA
Vice President–
Finance and Chief
Financial Officer –
Individual Line

Michael P. Ingrassia, HIA
Vice President –
Group Business Segment

Randall C. Poppell
Vice President and
Chief Information Officer –
Individual Information Systems

Walter T. Schultz, FLMI
Vice President –
Group Information Systems

Karen A. Smith, HIA
Vice President –
Group Operations

Deborah J. Walters
Vice President –
Individual Operations

Warren J. Winer, FSA, MAAA
Executive Vice President –
Group Life and Health

Bernard H. Wolzenski, FSA, CLU
Executive Vice President –
Individual Line

A. Greig Woodring, FSA, FLMI
Executive Vice President –
Reinsurance

Subsidiaries

COLLABORATIVE STRATEGIES, INC
Kevin Eichner
President

CONNING CORPORATION
Leonard M. Rubenstein, CFA
Chairman and
Chief Executive Officer

CONSULTEC, INC.
Gray J. Arnold
President

COVA FINANCIAL SERVICES LIFE
INSURANCE COMPANY
Lorry J. Stensrud
President and Chief Executive
Officer

NAVISYS
E. Chris Simonds, FLMI
President and
Chief Operating Officer

GENERALIFE
Michael E. Conley, CLU
President and
Chief Executive Officer

GENMARK INCORPORATED
Kevin Eichner
President

INTERNATIONAL UNDERWRITING
SERVICES
Dick Fundakowski
President

PARAGON LIFE INSURANCE
COMPANY
Carl H. Anderson, ChFC, CLU
President and
Chief Executive Officer

REINSURANCE GROUP OF AMERICA
INCORPORATED
A. Greig Woodring, FSA, FLMI
President and
Chief Executive Officer

SECURITY EQUITY LIFE
INSURANCE COMPANY
William C. Thater, J.D., CLU
President

WALNUT STREET SECURITIES, INC.
Richard J. Miller, CLU, ChFC
President

Individual Line

General Agents Advisory Council
Dale W. Young, CLU, ChFC
Chairman
Tulsa, Oklahoma

Donnel M. Dickerson
Southfield, Michigan

William P. Bourke
Atlanta, Georgia

Thomas E. Brady
San Mateo, California

G. Scott Cahill, CLU
Orlando, Florida

Scott E. Kelly, CLU
Madison, Wisconsin

Terry R. O'Neill
Laguna Hills, California

Michael S. Ruben, CLU, ChFC,
CFP
Clayton, Missouri

Elliot M. Sabel, CLU, ChFC
Evansville, Indiana

Regional Offices
CALIFORNIA
Newport Beach
Erol Woods, CLU, ChFC
Agency Marketing Director

FLORIDA
Orlando
Eugene Fetter, CLU, ChFC,
LUTCF
Agency Marketing Director

MICHIGAN
Detroit
David Dewar, CLU, ChFC
Agency Marketing Director

MISSOURI
St. Louis
John E. Petersen, CLU, ChFC
Regional Sales Vice President

NEW JERSEY
Mt. Laurel
Gerald J. Ciser
Regional Sales Vice President

PENNSYLVANIA
Pittsburgh
James A. Schepis, CLU
Regional Sales Vice President

TEXAS
Dallas
Robert E, Jackson, CLU, ChFC,
LUTCF
Agency Marketing Director

Group Line

Sales Offices
CALIFORNIA
Los Angeles
Stephen P. Behan
Regional Sales Vice President

San Francisco
Robert A. Shaffer
Regional Sales Manager

GEORGIA
Atlanta
Norbert Feltrop
Regional Sales Vice President

ILLINOIS
Chicago
Michael J. Langford
Regional Sales Vice President

MISSOURI
St. Louis
Gerald J. Clark
Regional Sales Vice President

NORTH CAROLINA
Charlotte
Stuart B. Stout
Regional Sales Manager

OHIO
Columbus
Gerald R. Kucan
Regional Sales Vice President

OKLAHOMA
Tulsa
Daniel Borman
Employee Benefits Manager

Current Officers

Pennsylvania
Philadelphia
Steve E. LaCasse
Regional Sales Vice President

Texas
Dallas
Patrick E. Fairchild
Regional Sales Vice President

Houston
Robert C. Slie, CLU
Regional Sales Vice President

Group Claim Offices
Georgia
Atlanta
Sue Hertlein
Regional Claim Director

Illinois
Rockford
Doreen Taylor
Regional Calim Director

Missouri
St. Louis
Pam Hager
Director of National Accounts

Lisa Roseland
Director of Preferred Accounts

Dave Toben
Director of Home Office Accounts

Christine Tulipana
Director of Custom Accounts

Ohio
Columbus
Carl Myers
Regional Claim Director

Texas
Dallas
Gary Carmichael
Regional Claim Director

Retirement Plans Sales Offices
California
Los Angeles
Thomas L. Burnor
Regional Vice President

Florida
Tampa
Dan G. Edwards
Regional Vice President

Illinois
Chicago
Mark D. Faulds
Regional Vice President

James P. Lenihan
Regional Vice President

Massachusetts
Boston
Jeanne D. Herz
Account Manager

Missouri
St. Louis
Frank J. Tocco
Senior Regional Vice President

James V. Wallerius
Regional Vice President

North Carolina
Charlotte
Kenneth W. Hungate, CLU, ChFC
Regional Vice President

Pennsylvania
Philadelphia
Patrick R. McAllister
Regional Vice President

Texas
Dallas
Douglas A. Adams, CFP, MSFS
Senior Regional Vice President

Cova Financial Services Life Insurance Company

Philip Haley
Executive Vice President
Sales and Marketing

California
Napa
Lori Powell
Vice President
Western Sales Director

Roseville
John Schaus
First Vice President and Wholesaler

San Diego
Renee DuBerger
Vice President and Wholesaler

Florida
Tarpon Springs
M.H. Sandberg
Vice President and Wholesaler

Illinois
Granite City
John Krekovich
First Vice President and Wholesaler

Oakbrook Terrace
Bill Boscow
First Vice President
National Sales Manager

Ken M. DiFrancesca
First Vice President
National Sales Manager

Sarah Mulloy
Regional Manager

Wheaton
Richard Russell
Vice President and Wholesaler

Indiana
Columbus
Craig Kessler
Vice President and Wholesaler

Zionsville
Phil Cramer
First Vice President and Wholesaler

Kentucky
Louisville
Robert Lotze
Regional Manager

Massachusetts
Medfield
Doug Ikenberry
Vice President and Wholesaler

Minnesota
Shorewood
David Gunter
Vice President and Wholesaler

White Bear Lake
Gary Keller
Regional Manager

Maryland
Crofton
Dan Murphy
Vice President and Wholesaler

Missouri
St. Charles
Bill Rader
Vice President and Wholesaler

St. Louis
John Gilliam
Regional Manager

Pennsylvania
Pittsburgh
Nick Bellino
Vice President
Eastern Sales Director

Texas
Leander
Jim Franklin
Vice President and Wholesaler

Conroe
Stuart Taylor
Vice President and Wholesaler

Washington
Vancouver
Doug Jacobs
Vice President and Wholesaler

Conning Asset Management Company

Real Estate and Mortgage Loan Offices
Arizona
Phoenix
Robert Long, CRA
District Vice President

California
Anaheim
Thomas E. Nieman, CPM, FLMI
District Vice President

San Ramon
Michael D. Fisk, CFA
District Vice President

Colorado
Denver
Rance K. Nakama, CFA
District Vice President

William R. McClure, MAI, CCIM
Vice President

Florida
Orlando
Robert M. Poole
District Vice President

Georgia
Atlanta
Joe T. Korosec
District Vice President

Illinois
Chicago
Roy L. Bierschenk
District Vice President

Missouri
St. Louis
Fred H. Helfrich
District Vice President

New York
New York City
Gregory White
Senior Vice President

Texas
Dallas
J. Ken Scoggins, SRPA, CPM
District Vice President

Washington, D.C.
Gary M. Burris, CCIM
District Vice President

What the IMSA Logo Means

INSURANCE MARKETPLACE STANDARDS ASSOCIATION

Five GenAmerica companies – General American, Cova, GeneraLife, Paragon, and Security Equity — have become charter members in the Insurance Marketplace Standards Association, which allows them to use the IMSA symbol with their marketing and communication material.

IMSA is an independent, voluntary organization created by the life insurance industry. Its purpose is to help ensure that member companies meet and maintain high standards of ethical conduct in their dealings with consumers. In 1998 the GenAmerica companies completed a vigorous self assessment — plus an assessment by an independent examiner — before they could be admitted to IMSA membership.

The IMSA standards include:

- Maintaining policies and procedures that demonstrate a commitment to honesty, fairness, and integrity in all client contacts involving the sales and service of individual life and annuity products.

- Emphasizing to all associates and distributors the concept of ethical market conduct through ongoing communication projects. Reviewing our advertising materials regularly for clarity, honesty, and fairness.

- Examining our sales material continually to ensure they are up-to-date, accurate, and in accordance with current laws and regulations.

- Monitoring the sales process carefully, on a regular basis, to obtain and respond to client feedback.

- Engaging in fair and active competition, consistent with state and federal laws, and communicating this practice to distributors and sales associates.

The GenAmerica companies have in place a system to review all new product materials through both the Law Division and the Communications Division. For equity-linked products, there's further review by Walnut Street Securities, our broker-dealer, as well as by the National Association of Securities Dealers. And we have undertaken a special review of materials already in use.

There is a written code of ethics. We expect all home office associates to know it and abide by it. If the need should arise, we have a quick response system for client concerns. We maintain constant vigilance because we understand that our consumers' perception of reality is as important as the reality itself.

At GenAmerica Corporation we have always tried to do everything possible to earn and retain our customers' confidence. Our dedication to these principles continues. We believe that everyone who has a business relationship with us has every right to expect the highest ethical standards in the marketplace.

Policyholders Annual Meeting

General American has been a stock company since 1997. All General American stock is owned by GenAmerica Corporation, which is entirely owned by General American Mutual Holding Company. All General American policyholders are members of the mutual holding company and have rights to elect their company's board of directors. Annual meetings take place on the fourth Thursday in April. The next annual meeting will take place at the company's National Headquarters, 700 Market St., St. Louis, Missouri, on Thursday, April 22, 1999, at 11 a.m. Members are entitled to vote in person at this meeting, but they also receive materials that enable them to vote by proxy if they prefer.

SM

America

GenAmerica Corporation

700 Market Street, St. Louis, Missouri 63101
www.genamerica.com