UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

X **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-11848

REINSURANCE GROUP OF AMERICA, INCORPORATED

(Exact name of Registrant as specified in its charter)

MISSOURI	**43-1627032**
(State or other jurisdiction of incorporation or organization)	**(IRS employer identification number)**

1370 Timberlake Manor Parkway

Chesterfield, Missouri 63017

(Address of principal executive offices)

(636) 736-7000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes _X_ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _X_ Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No _X_

As of July 31, 2013, 70,984,449 shares of the registrant s common stock were outstanding.

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2013	December 31, 2012
	(Dollars in thousands, except share data)	
Assets		
Fixed maturity securities:		
Available-for-sale at fair value (amortized cost of $19,757,321 and $19,559,432)	$ 21,284,216	$ 22,291,614
Mortgage loans on real estate (net of allowances of $7,903 and $11,580)	2,377,246	2,300,587
Policy loans	1,245,252	1,278,175
Funds withheld at interest	5,777,395	5,594,182
Short-term investments	38,601	288,082
Other invested assets	1,035,809	1,159,543
Total investments	31,758,519	32,912,183
Cash and cash equivalents	973,619	1,259,892
Accrued investment income	233,153	201,344
Premiums receivable and other reinsurance balances	1,314,004	1,356,087
Reinsurance ceded receivables	585,555	620,901
Deferred policy acquisition costs	3,453,513	3,619,274
Other assets	472,258	390,757
Total assets	$ 38,790,621	$ 40,360,438
Liabilities and Stockholders Equity		
Future policy benefits	$ 11,491,692	$ 11,372,856
Interest-sensitive contract liabilities	12,991,981	13,353,502
Other policy claims and benefits	3,316,727	3,160,250
Other reinsurance balances	254,815	233,630
Deferred income taxes	1,839,909	2,120,501
Other liabilities	584,488	742,249
Short-term debt	120,000	
Long-term debt	1,815,533	1,815,253
Collateral finance facility	487,556	652,010
Total liabilities	32,902,701	33,450,251
Commitments and contingent liabilities (See Note 8)		
Stockholders Equity:		
Preferred stock - par value $.01 per share, 10,000,000 shares authorized, no shares issued or outstanding		
Common stock - par value $.01 per share, 140,000,000 shares authorized, 79,137,758 shares issued at June 30, 2013 and December 31, 2012	791	791
Additional paid-in-capital	1,772,811	1,755,421
Retained earnings	3,428,646	3,357,255
Treasury stock, at cost - 8,170,066 and 5,210,427 shares	(496,462)	(312,182)
Accumulated other comprehensive income	1,182,134	2,108,902
Total stockholders equity	5,887,920	6,910,187
Total liabilities and stockholders equity	$ 38,790,621	$ 40,360,438

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenues:	(Dollars in thousands, except per share data)			
Net premiums	$ 2,035,156	$ 1,950,661	$ 4,014,849	$ 3,814,143
Investment income, net of related expenses	444,234	328,334	869,365	669,274
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(9,803)	(1,959)	(10,005)	(9,566)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	(306)	162	(306)	(7,059)
Other investment related gains (losses), net	58,352	25,598	152,925	83,946
Total investment related gains (losses), net	48,243	23,801	142,614	67,321
Other revenues	63,009	72,957	164,916	117,990
Total revenues	2,590,642	2,375,753	5,191,744	4,668,728
Benefits and Expenses:				
Claims and other policy benefits	2,030,574	1,625,446	3,719,484	3,205,595
Interest credited	118,345	66,697	243,828	154,739
Policy acquisition costs and other insurance expenses	370,505	335,939	727,862	643,573
Other operating expenses	113,408	105,541	232,909	215,639
Interest expense	29,918	23,360	58,404	46,682
Collateral finance facility expense	2,650	2,878	5,188	5,845
Total benefits and expenses	2,665,400	2,159,861	4,987,675	4,272,073
Income (loss) before income taxes	(74,758)	215,892	204,069	396,655
Provision for income taxes	(25,146)	74,781	68,146	132,226
Net income (loss)	$ (49,612)	$ 141,111	$ 135,923	$ 264,429
Earnings per share:				
Basic earnings per share	$ (0.69)	$ 1.91	$ 1.86	$ 3.59
Diluted earnings per share	$ (0.69)	$ 1.91	$ 1.85	$ 3.57
Dividends declared per share	$ 0.24	$ 0.18	$ 0.48	$ 0.36

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Comprehensive income (loss)				
Net income (loss)	$ (49,612)	$ 141,111	$ 135,923	$ 264,429
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustments	(88,832)	(16,865)	(102,937)	7,215
Change in net unrealized gains and losses on investments	(706,848)	203,156	(826,181)	167,741
Change in other-than-temporary impairment losses on fixed maturity securities	199	(106)	650	4,588
Changes in pension and other postretirement plan adjustments	875	1,211	1,700	1,501
Total other comprehensive income (loss), net of tax	(794,606)	187,396	(926,768)	181,045
Total comprehensive income (loss)	$ (844,218)	$ 328,507	$ (790,845)	$ 445,474

See accompanying notes to condensed consolidated financial statements.

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2013	2012
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 135,923	$ 264,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(35,457)	(38,182)
Premiums receivable and other reinsurance balances	(5,100)	(47,370)
Deferred policy acquisition costs	104,002	(63,690)
Reinsurance ceded receivable balances	64,814	(540)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	806,172	755,790
Deferred income taxes	69,071	(5,469)
Other assets and other liabilities, net	(165,129)	62,682
Amortization of net investment premiums, discounts and other	(43,662)	(69,347)
Investment related gains, net	(142,614)	(67,321)
Gain on repurchase of collateral finance facility securities	(46,506)	
Excess tax benefits from share-based payment arrangement	(2,420)	24
Other, net	66,027	27,251
Net cash provided by operating activities	805,121	818,257
Cash Flows from Investing Activities:		
Sales of fixed maturity securities available-for-sale	1,898,833	1,759,932
Maturities of fixed maturity securities available-for-sale	62,734	104,008
Purchases of fixed maturity securities available-for-sale	(2,487,016)	(2,518,580)
Cash invested in mortgage loans	(244,939)	(225,005)
Cash invested in policy loans	(17)	(1,589)
Cash invested in funds withheld at interest	(60,156)	(60,145)
Principal payments on mortgage loans on real estate	150,098	46,313
Principal payments on policy loans	32,940	11,752
Change in short-term investments	241,136	35,989
Change in other invested assets	(1,591)	62,541
Net cash used in investing activities	(407,978)	(784,784)
Cash Flows from Financing Activities:		
Dividends to stockholders	(35,169)	(26,524)
Repurchase of collateral finance facility securities	(112,000)	
Net change in short-term debt	120,000	
Purchases of treasury stock	(234,690)	(6,924)
Excess tax benefits from share-based payment arrangement	2,420	(24)
Exercise of stock options, net	11,439	(651)
Change in cash collateral for derivatives and other arrangements	(31,858)	(15,096)
Deposits on universal life and other investment type policies and contracts	39,706	79,134
Withdrawals on universal life and other investment type policies and contracts	(397,033)	(70,753)
Net cash used in financing activities	(637,185)	(40,838)
Effect of exchange rate changes on cash	(46,231)	1,836
Change in cash and cash equivalents	(286,273)	(5,529)
Cash and cash equivalents, beginning of period	1,259,892	962,870
Cash and cash equivalents, end of period	$ 973,619	$ 957,341

Supplementary information:				
Cash paid for interest	$	58,387	$	49,094
Cash paid for income taxes, net of refunds	$	105,401	$	40,735

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Basis of Presentation

Reinsurance Group of America, Incorporated (RGA) is an insurance holding company that was formed on December 31, 1992. The accompanying unaudited condensed consolidated financial statements of RGA and its subsidiaries (collectively, the Company) have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Results for the six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. There were no subsequent events that would require disclosure or adjustments to the accompanying condensed consolidated financial statements through the date the financial statements were issued. These unaudited condensed consolidated financial statements include the accounts of RGA and its subsidiaries, all intercompany accounts and transactions have been eliminated. They should be read in conjunction with the Company s 2012 Annual Report on Form 10-K (2012 Annual Report) filed with the Securities and Exchange Commission (SEC) on March 1, 2013.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share on net income (loss) (in thousands, except per share information):

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Earnings:				
Net income (loss) (numerator for basic and diluted calculations)	$ (49,612)	$ 141,111	$ 135,923	$ 264,429
Shares:				
Weighted average outstanding shares (denominator for basic calculation)	72,350	73,718	73,089	73,646
Equivalent shares from outstanding stock options		336	484	402
Denominator for diluted calculation	72,350	74,054	73,573	74,048
Earnings per share:				
Basic	$ (0.69)	$ 1.91	$ 1.86	$ 3.59
Diluted	$ (0.69)	$ 1.91	$ 1.85	$ 3.57

As a result of the net loss for the three months ended June 30, 2013, the Company was required to use basic weighted average common shares outstanding in the calculation of diluted loss per share, since the inclusion of shares for outstanding stock options of 0.4 million would have been antidilutive to the earnings (loss) per share calculations. In the absence of the losses, weighted average common shares outstanding and dilutive potential common shares would have totaled 72.8 million.

The calculation of common equivalent shares does not include the impact of options having a strike or conversion price that exceeds the average stock price for the earnings period, as the result would be antidilutive. The calculation of common equivalent shares also excludes the impact of outstanding performance contingent shares, as the conditions necessary for their issuance have not been satisfied as of the end of the reporting period. For the three months ended June 30, 2013, no stock options and approximately 0.7 million performance contingent shares were excluded from the calculation. For the three months ended June 30, 2012, approximately 1.8 million stock options and approximately 0.7 million performance contingent shares were excluded from the calculation. Year-to-date amounts for equivalent shares from outstanding stock options and performance contingent shares are the weighted average of the individual quarterly amounts.

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3. Accumulated Other Comprehensive Income

The balance of and changes in each component of accumulated other comprehensive income (loss) (AOCI) for the six months ended June 30, 2013 and 2012 are as follows (dollars in thousands):

	Accumulated Other Comprehensive Income (Loss), Net of Income Tax			
	Accumulated Currency Translation Adjustments	Unrealized Appreciation (Depreciation) of Investments[1]	Pension and Postretirement Benefits	Total
Balance, December 31, 2012	$ 267,475	$ 1,877,657	$ (36,230)	$ 2,108,902
Other comprehensive income (loss) before reclassifications	(102,937)	(819,019)	206	(921,750)
Amounts reclassified from AOCI		(6,512)	1,494	(5,018)
Net current-period other comprehensive income (loss)	(102,937)	(825,531)	1,700	(926,768)
Balance, June 30, 2013	$ 164,538	$ 1,052,126	$ (34,530)	$ 1,182,134

	Accumulated Other Comprehensive Income (Loss), Net of Income Tax			
	Accumulated Currency Translation Adjustments	Unrealized Appreciation (Depreciation) of Investments[1]	Pension and Postretirement Benefits	Total
Balance, December 31, 2011	$ 229,795	$ 1,419,318	$ (30,960)	$ 1,618,153
Change in component during the period	7,215	172,329	1,501	181,045
Balance, June 30, 2012	$ 237,010	$ 1,591,647	$ (29,459)	$ 1,799,198

(1) Includes cash flow hedges. See Note 5 - Derivative Instruments for additional information on cash flow hedges.

The following table presents the amounts reclassified out of AOCI for the three and six months ended June 30, 2013 (dollars in thousands):

	Amount Reclassified from AOCI		
Details about AOCI Components	Three months ended June 30, 2013	Six months ended June 30, 2013	Affected Line Item in Statement of Income
Unrealized gains and losses on available-for-sale securities	$ 13,510	$ 23,858	Investment related gains (losses), net
Gains and losses on cash flow hedge - interest rate swap	201	506	Investment income
Deferred policy acquisition costs attributed to unrealized gains and losses[1]	(13,283)	(14,831)	
	428	9,533	Total before tax
	(87)	(3,021)	Tax expense
	$ 341	$ 6,512	Net of tax
Amortization of unrealized pension and postretirement benefits:			
Prior service cost[2]	$ (213)	$ (307)	
Actuarial gains/(losses)[2]	(968)	(1,991)	
	(1,181)	(2,298)	Total before tax

		413		804	Tax benefit
	$	(768)	$	(1,494)	Net of tax
Total reclassifications for the period	$	(427)	$	5,018	Net of tax

(1) This AOCI component is included in the computation of the deferred policy acquisition cost. See Note 8 Deferred Policy Acquisition Costs of the 2012 Annual Report for additional details.
(2) These AOCI components are included in the computation of the net periodic pension cost. See Note 9 Employee Benefit Plans for additional details.

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4. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables provide information relating to investments in fixed maturity and equity securities by sector as of June 30, 2013 and December 31, 2012 (dollars in thousands):

June 30, 2013:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
Corporate securities	$ 11,346,144	$ 648,955	$ 191,618	$ 11,803,481	55.4%	$
Canadian and Canadian provincial governments	2,633,388	901,567	9,162	3,525,793	16.6	
Residential mortgage-backed securities	1,015,155	53,581	13,768	1,054,968	5.0	(241)
Asset-backed securities	789,849	18,998	18,537	790,310	3.7	(2,259)
Commercial mortgage-backed securities	1,564,924	110,294	36,586	1,638,632	7.7	(5,125)
U.S. government and agencies	394,026	21,417	2,453	412,990	1.9	
State and political subdivisions	278,148	25,513	11,850	291,811	1.4	
Other foreign government, supranational and foreign government-sponsored enterprises	1,735,687	51,165	20,621	1,766,231	8.3	
Total fixed maturity securities	$ 19,757,321	$ 1,831,490	$ 304,595	$ 21,284,216	100.0%	$ (7,625)
Non-redeemable preferred stock	$ 85,483	$ 6,722	$ 1,747	$ 90,458	56.4%	
Other equity securities	74,273		4,392	69,881	43.6	
Total equity securities	$ 159,756	$ 6,722	$ 6,139	$ 160,339	100.0%	

December 31, 2012:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
Corporate securities	$ 11,333,431	$ 1,085,973	$ 39,333	$ 12,380,071	55.5%	$
Canadian and Canadian provincial governments	2,676,777	1,372,731	174	4,049,334	18.2	
Residential mortgage-backed securities	969,267	76,520	3,723	1,042,064	4.7	(241)
Asset-backed securities	700,455	19,898	28,798	691,555	3.1	(2,259)
Commercial mortgage-backed securities	1,608,376	142,369	51,842	1,698,903	7.6	(6,125)
U.S. government and agencies	231,256	33,958	24	265,190	1.2	
State and political subdivisions	270,086	38,058	5,646	302,498	1.4	
Other foreign government, supranational and foreign government-sponsored enterprises	1,769,784	94,929	2,714	1,861,999	8.3	
Total fixed maturity securities	$ 19,559,432	$ 2,864,436	$ 132,254	$ 22,291,614	100.0%	$ (8,625)
Non-redeemable preferred stock	$ 68,469	$ 6,542	$ 170	$ 74,841	33.6%	
Other equity securities	148,577	416	1,134	147,859	66.4	
Total equity securities	$ 217,046	$ 6,958	$ 1,304	$ 222,700	100.0%	

The Company enters into various collateral arrangements that require both the pledging and acceptance of fixed maturity securities as collateral. The Company pledged fixed maturity securities as collateral to derivative and reinsurance counterparties with an amortized cost of $32.9 million and $16.9 million, and an estimated fair value of $33.9 million and $17.0 million, as of June 30, 2013 and December 31, 2012 respectively. The pledged fixed maturity securities are included in fixed maturity securities, available-for-sale in the condensed consolidated balance sheets as of June 30, 2013, and are included in other invested assets in the condensed consolidated balance sheets as of December 31, 2012. Securities with an amortized cost of $8,046.9 million and $7,549.0 million, and an estimated fair value of $8,377.6 million and $7,913.8 million, as of June 30, 2013 and December 31, 2012, respectively, were held in trust to satisfy collateral requirements under certain third-party reinsurance treaties.

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The Company received fixed maturity securities as collateral from derivative and reinsurance counterparties with an estimated fair value of $91.5 million and $95.6 million, as of June 30, 2013 and December 31, 2012, respectively. The collateral is held in separate custodial accounts and is not recorded on the Company s condensed consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral; however, as of June 30, 2013 and December 31, 2012, none of the collateral had been sold or re-pledged.

As of June 30, 2013, the Company held securities with a fair value of $1,231.6 million that were guaranteed or issued by the Canadian province of Ontario and $1,516.3 million that were guaranteed or issued by the Canadian province of Quebec, both of which exceeded 10% of total stockholders equity. As of December 31, 2012, the Company held securities with a fair value of $1,400.0 million that were guaranteed or issued by the Canadian province of Ontario and $1,785.0 million that were guaranteed or issued by the Canadian province of Quebec, both of which exceeded 10% of total stockholders equity.

The amortized cost and estimated fair value of fixed maturity securities available-for-sale at June 30, 2013 are shown by contractual maturity in the table below. Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset and mortgage-backed securities are shown separately in the table below, as they are not due at a single maturity date. At June 30, 2013, the contractual maturities of investments in fixed maturity securities were as follows (dollars in thousands):

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$ 426,022	$ 432,495
Due after one year through five years	3,613,328	3,773,306
Due after five years through ten years	6,893,971	7,127,743
Due after ten years	5,454,072	6,466,762
Asset and mortgage-backed securities	3,369,928	3,483,910
Total	$ 19,757,321	$ 21,284,216

The tables below show the major industry types of the Company s corporate fixed maturity holdings as of June 30, 2013 and December 31, 2012 (dollars in thousands):

June 30, 2013:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 3,636,121	$ 3,770,773	32.0%
Industrial	5,914,051	6,138,234	52.0
Utility	1,768,696	1,867,151	15.8
Other	27,276	27,323	0.2
Total	$ 11,346,144	$ 11,803,481	100.0%

December 31, 2012:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 3,619,455	$ 3,900,152	31.5%
Industrial	5,881,967	6,443,846	52.0
Utility	1,799,658	2,002,611	16.2
Other	32,351	33,462	0.3
Total	$ 11,333,431	$ 12,380,071	100.0%

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Other-Than-Temporary Impairments

As discussed in Note 2 Summary of Significant Accounting Policies of the 2012 Annual Report, a portion of certain other-than-temporary impairment (OTTI) losses on fixed maturity securities are recognized in AOCI. For these securities the net amount recognized in earnings (credit loss impairments) represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in AOCI. The following table sets forth the amount of pre-tax credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in AOCI, and the corresponding changes in such amounts (dollars in thousands):

	Three months ended June 30, 2013	Three months ended June 30, 2012
Balance, beginning of period	$ 14,773	$ 62,236
Initial impairments - credit loss OTTI recognized on securities not previously impaired		60
Additional impairments - credit loss OTTI recognized on securities previously impaired		161
Credit loss OTTI previously recognized on securities impaired to fair value during the period	(1,449)	(8,288)
Credit loss OTTI previously recognized on securities which matured, paid down, prepaid or were sold during the period		(8,266)
Balance, end of period	$ 13,324	$ 45,903

	Six months ended June 30, 2013	Six months ended June 30, 2012
Balance, beginning of period	$ 16,675	$ 63,947
Initial impairments -credit loss OTTI recognized on securities not previously impaired		1,962
Additional impairments - credit loss OTTI recognized on securities previously impaired		8,881
Credit loss OTTI previously recognized on securities impaired to fair value during the period	(1,449)	(19,669)
Credit loss OTTI previously recognized on securities which matured, paid down, prepaid or were sold during the period	(1,902)	(9,218)
Balance, end of period	$ 13,324	$ 45,903

Purchased Credit Impaired Fixed Maturity Securities Available-for-Sale

In the third quarter of 2012, the Company began purchasing certain structured securities that had experienced deterioration in credit quality since their issuance. Securities acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired securities. For each security, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. At the date of acquisition, the timing and amount of the cash flows expected to be collected was determined based on a best estimate using key assumptions, such as interest rates, default rates and prepayment speeds. If subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI.

The following tables present information on the Company s purchased credit impaired securities, which are included in fixed maturity securities available-for-sale (dollars in thousands):

	June 30, 2013	December 31, 2012
Outstanding principal and interest balance(1)	$ 178,911	$ 108,831
Carrying value, including accrued interest(2)	$ 132,985	$ 84,765

(1) Represents the contractually required payments which is the sum of contractual principal, whether or not currently due, and accrued interest.
(2) Estimated fair value plus accrued interest.

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The following table presents information about purchased credit impaired investments acquired during the six months ended June 30, 2013 (dollars in thousands).

	At Date of Acquisition
Contractually required payments (including interest)	$ 109,931
Cash flows expected to be collected[(1)]	88,422
Fair value of investments acquired	58,471

(1) Represents undiscounted principal and interest cash flow expectations at the date of acquisition.

The following table presents activity for the accretable yield on purchased credit impaired securities for the three and six months ended June 30, 2013 (dollars in thousands):

	Three months ended June 30, 2013	Six months ended June 30, 2013
Balance, beginning of period	$ 59,915	$ 39,239
Investments purchased	7,885	29,951
Accretion	(1,879)	(3,822)
Disposals	(832)	(832)
Reclassification from nonaccretable difference	1,180	1,733
Balance, end of period	$ 66,269	$ 66,269

Unrealized Losses for Fixed Maturity and Equity Securities Available-for-Sale

The following table presents the total gross unrealized losses for the 1,394 and 567 fixed maturity and equity securities as of June 30, 2013 and December 31, 2012, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (dollars in thousands):

	June 30, 2013		December 31, 2012	
	Gross Unrealized Losses	% of Total	Gross Unrealized Losses	% of Total
Less than 20%	$ 267,765	86.2%	$ 54,951	41.2%
20% or more for less than six months	5,629	1.8	734	0.5
20% or more for six months or greater	37,340	12.0	77,873	58.3
Total	$ 310,734	100.0%	$ 133,558	100.0%

The Company s determination of whether a decline in value is other-than-temporary includes analysis of the underlying credit and the extent and duration of a decline in value. The Company s credit analysis of an investment includes determining whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment. The Company continues to consider declines in value as a potential indicator of credit deterioration. However, the Company believes that due to fluctuating market conditions and an extended period of economic uncertainty, the extent and duration of a decline in value have become less indicative of when there has been credit deterioration with respect to a fixed maturity security since it may not have an impact on the ability of the issuer to service all scheduled payments and the Company s evaluation of the recoverability of all contractual cash flows or the ability to recover an amount at least equal to amortized cost. In the Company s impairment review process, the duration and severity of an unrealized loss position for equity securities are given greater weight and consideration given the lack of contractual cash flows or deferability features.

The following tables present the estimated fair values and gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for 1,394 and 567 fixed maturity and equity securities that have estimated fair values below amortized cost as of June 30, 2013 and December 31, 2012, respectively (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related fair value has remained below amortized cost.

June 30, 2013:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate securities	$ 3,229,715	$ 161,032	$ 89,098	$ 12,531	$ 3,318,813	$ 173,563
Canadian and Canadian provincial governments	138,843	9,162			138,843	9,162
Residential mortgage-backed securities	210,336	9,553	14,822	2,643	225,158	12,196
Asset-backed securities	220,912	4,719	51,673	5,567	272,585	10,286
Commercial mortgage-backed securities	227,712	9,172	18,893	6,455	246,605	15,627
U.S. government and agencies	191,973	2,344	4,037	109	196,010	2,453
State and political subdivisions	97,877	6,351	11,402	5,499	109,279	11,850
Other foreign government, supranational and foreign government-sponsored enterprises	657,957	19,787	5,698	721	663,655	20,508
Total investment grade securities	4,975,325	222,120	195,623	33,525	5,170,948	255,645
Non-investment grade securities:						
Corporate securities	366,159	11,452	40,425	6,603	406,584	18,055
Residential mortgage-backed securities	53,715	1,007	2,359	565	56,074	1,572
Asset-backed securities	25,233	376	30,434	7,875	55,667	8,251
Commercial mortgage-backed securities	19,324	198	43,879	20,761	63,203	20,959
Other foreign government, supranational and foreign government-sponsored enterprises	952	113			952	113
Total non-investment grade securities	465,383	13,146	117,097	35,804	582,480	48,950
Total fixed maturity securities	$ 5,440,708	$ 235,266	$ 312,720	$ 69,329	$ 5,753,428	$ 304,595
Non-redeemable preferred stock	$ 30,787	$ 1,745	$ 1	$ 2	$ 30,788	$ 1,747
Other equity securities	69,881	4,392			69,881	4,392
Total equity securities	$ 100,668	$ 6,137	$ 1	$ 2	$ 100,669	$ 6,139

December 31, 2012:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate securities	$ 786,203	$ 13,276	$ 108,187	$ 17,386	$ 894,390	$ 30,662
Canadian and Canadian provincial governments	12,349	174			12,349	174
Residential mortgage-backed securities	22,288	97	19,394	3,199	41,682	3,296
Asset-backed securities	59,119	449	96,179	9,508	155,298	9,957
Commercial mortgage-backed securities	89,507	797	29,181	7,974	118,688	8,771
U.S. government and agencies	7,272	24			7,272	24
State and political subdivisions	20,602	1,514	11,736	4,132	32,338	5,646
Other foreign government, supranational and foreign government-sponsored enterprises	244,817	1,953	7,435	761	252,252	2,714
Total investment grade securities	1,242,157	18,284	272,112	42,960	1,514,269	61,244
Non-investment grade securities:						
Corporate securities	181,168	3,170	39,123	5,501	220,291	8,671
Residential mortgage-backed securities	15,199	80	2,633	347	17,832	427
Asset-backed securities	3,421	26	31,938	18,815	35,359	18,841
Commercial mortgage-backed securities	3,317	764	68,405	42,307	71,722	43,071
Total non-investment grade securities	203,105	4,040	142,099	66,970	345,204	71,010

Total fixed maturity securities	$ 1,445,262	$ 22,324	$ 414,211	$ 109,930	$ 1,859,473	$ 132,254
Non-redeemable preferred stock	$ 5,577	$ 52	$ 5,679	$ 118	$ 11,256	$ 170
Other equity securities	85,374	1,134			85,374	1,134
Total equity securities	$ 90,951	$ 1,186	$ 5,679	$ 118	$ 96,630	$ 1,304

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As of June 30, 2013, the Company does not intend to sell these fixed maturity securities and does not believe it is more likely than not that it will be required to sell these fixed maturity securities before the recovery of the fair value up to the current amortized cost of the investment, which may be maturity. As of June 30, 2013, the Company has the ability and intent to hold the equity securities until the recovery of the fair value up to the current cost of the investment. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity and equity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality, asset-liability management and liquidity guidelines.

Unrealized losses on non-investment grade securities are principally related to asset and mortgage-backed securities and were the result of wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations. As of June 30, 2013 and December 31, 2012, approximately $29.2 million and $61.5 million, respectively, of gross unrealized losses greater than 12 months was associated with non-investment grade asset and mortgage-backed securities. This class of securities was evaluated based on actual and projected collateral losses relative to the securities positions in the respective securitization trusts and security specific expectations of cash flows. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread.

Investment Income, Net of Related Expenses

Major categories of investment income, net of related expenses, consist of the following (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Fixed maturity securities available-for-sale	$ 240,590	$ 193,388	$ 479,834	$ 384,806
Mortgage loans on real estate	28,362	16,000	56,605	30,966
Policy loans	15,450	16,334	33,360	33,117
Funds withheld at interest	159,212	62,992	296,471	178,006
Short-term investments	422	781	1,235	1,769
Investment receivable		36,752		36,752
Other invested assets	13,379	11,356	27,301	22,679
Investment revenue	457,415	337,603	894,806	688,095
Investment expense	(13,181)	(9,269)	(25,441)	(18,821)
Investment income, net of related expenses	$ 444,234	$ 328,334	$ 869,365	$ 669,274

Investment Related Gains (Losses), Net

Investment related gains (losses), net consist of the following (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Fixed maturities and equity securities available for sale:				
Other-than-temporary impairment losses on fixed maturities	$ (9,803)	$ (1,959)	$ (10,005)	$ (9,566)
Portion of loss recognized in accumulated other comprehensive income (before taxes)	(306)	162	(306)	(7,059)
Net other-than-temporary impairment losses on fixed maturities recognized in earnings	(10,109)	(1,797)	(10,311)	(16,625)
Impairment losses on equity securities		(2,186)		(3,025)
Gain on investment activity	26,845	26,593	48,525	48,905
Loss on investment activity	(6,760)	(8,918)	(17,972)	(16,422)
Other impairment losses and change in mortgage loan provision	125	1,762	(1,501)	(4,081)
Derivatives and other, net	38,142	8,347	123,873	58,569

Total investment related gains (losses), net	$ 48,243	$ 23,801	$ 142,614	$ 67,321

The net other-than-temporary impairment losses on fixed maturity securities recognized in earnings were $10.1 million and $1.8 million for the three months ended June 30, 2013 and 2012, and $10.3 million and $16.6 million for the first six months of 2013 and 2012, respectively. The other-than-temporary impairment losses on fixed maturity securities in the second quarter and first six months of 2013 were primarily due to the decision to sell certain subordinated commercial mortgage-backed securities. The other-than-temporary impairments in the first six months of 2012 were primarily due to a decline in value of structured securities with exposure to commercial mortgages and general credit deterioration in select corporate and foreign securities. The increase in derivatives and other in 2013 is primarily due to an increase in the fair value of embedded derivatives.

During the three months ended June 30, 2013 and 2012, the Company sold fixed maturity and equity securities with fair values of $257.6 million and $153.5 million at losses of $6.8 million and $8.9 million, respectively. During the six months ended June 30, 2013 and 2012, the Company sold fixed maturity and equity securities with fair values of $461.9 million and $401.6 million at losses of $18.0 million and $16.4 million, respectively. The Company generally does not engage in short-term buying and selling of securities.

Securities Borrowing and Other

The Company participates in a securities borrowing program whereby securities, which are not reflected on the Company s condensed consolidated balance sheets, are borrowed from a third party. The Company is required to maintain a minimum of 100% of the fair value of the borrowed securities as collateral, which consists of rights to reinsurance treaty cash flows. The Company had borrowed securities with an amortized cost of $87.5 million as of June 30, 2013 and December 31, 2012, which was equal to the fair value in both periods. The borrowed securities are used to provide collateral under an affiliated reinsurance transaction.

The Company also participates in a repurchase/reverse repurchase program in which securities, reflected as investments on the Company s condensed consolidated balance sheets, are pledged to a third party. In return, the Company receives securities from the third party with an estimated fair value equal to a minimum of 100% of the securities pledged. The securities received are not reflected on the Company s condensed consolidated balance sheets. As of June 30, 2013 the Company had pledged securities with an amortized cost of $292.1 million and an estimated fair value of $307.7 million, and in return the Company received securities with an estimated fair value of $338.0 million. As of December 31, 2012 the Company had pledged securities with an amortized cost of $290.2 million and an estimated fair value of $305.9 million, and in return the Company received securities with an estimated fair value of $342.0 million.

Mortgage Loans on Real Estate

Mortgage loans represented approximately 7.5% and 7.0% of the Company s total investments as of June 30, 2013 and December 31, 2012. The Company makes mortgage loans on income producing properties, such as apartments, retail and office buildings, and light industrial facilities. Loan-to-value ratios at the time of loan approval are 75% or less. The distribution of mortgage loans, gross of valuation allowances, by property type is as follows as of June 30, 2013 and December 31, 2012 (dollars in thousands):

	June 30, 2013		December 31, 2012	
	Recorded Investment	% of Total	Recorded Investment	% of Total
Apartment	$ 220,117	9.2%	$ 229,266	9.9%
Retail	747,282	31.3	669,958	29.0
Office building	841,842	35.3	825,406	35.7
Industrial	450,140	18.9	455,682	19.7
Other commercial	125,768	5.3	131,855	5.7
Total	$ 2,385,149	100.0%	$ 2,312,167	100.0%

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As of June 30, 2013 and December 31, 2012, the Company s mortgage loans, gross of valuation allowances, were distributed throughout the United States as follows (dollars in thousands):

	June 30, 2013		December 31, 2012	
	Recorded Investment	% of Total	Recorded Investment	% of Total
Pacific	$ 636,084	26.7%	$ 593,589	25.7%
South Atlantic	507,010	21.3	477,068	20.5
Mountain	257,130	10.8	233,174	10.1
Middle Atlantic	276,799	11.6	300,475	13.0
West North Central	174,764	7.3	168,063	7.3
East North Central	222,991	9.2	224,122	9.7
West South Central	158,666	6.7	161,451	7.0
East South Central	61,966	2.6	62,789	2.7
New England	89,739	3.8	91,436	4.0
Total	$ 2,385,149	100.0%	$ 2,312,167	100.0%

The maturities of the mortgage loans, gross of valuation allowances, as of June 30, 2013 and December 31, 2012 are as follows (dollars in thousands):

	June 30, 2013		December 31, 2012	
	Recorded Investment	% of Total	Recorded Investment	% of Total
Due within five years	$ 1,066,678	44.7%	$ 1,187,387	51.3%
Due after five years through ten years	875,596	36.7	776,655	33.6
Due after ten years	442,875	18.6	348,125	15.1
Total	$ 2,385,149	100.0%	$ 2,312,167	100.0%

Information regarding the Company s credit quality indicators for its recorded investment in mortgage loans, gross of valuation allowances, as of June 30, 2013 and December 31, 2012 is as follows (dollars in thousands):

	June 30, 2013		December 31, 2012	
Internal credit risk grade:	Recorded Investment	% of Total	Recorded Investment	% of Total
High investment grade	$ 1,475,089	61.8%	$ 1,235,605	53.5%
Investment grade	694,476	29.1	834,494	36.1
Average	127,967	5.4	132,607	5.7
Watch list	53,831	2.3	76,463	3.3
In or near default	33,786	1.4	32,998	1.4
Total	$ 2,385,149	100.0%	$ 2,312,167	100.0%

The age analysis of the Company s past due recorded investment in mortgage loans, gross of valuation allowances, as of June 30, 2013 and December 31, 2012 is as follows (dollars in thousands):

	June 30, 2013	December 31, 2012
31-60 days past due	$ 20,563	$ 7,504
61-90 days past due		

Greater than 90 days	7,930	16,886
Total past due	28,493	24,390
Current	2,356,656	2,287,777
Total	$ 2,385,149	$ 2,312,167

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The following table presents the recorded investment in mortgage loans, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, at (dollars in thousands):

	June 30, 2013	December 31, 2012
Mortgage loans:		
Evaluated individually for credit losses	$ 37,617	$ 39,956
Evaluated collectively for credit losses	2,347,532	2,272,211
Mortgage loans, gross of valuation allowances	2,385,149	2,312,167
Valuation allowances:		
Specific for credit losses	4,738	6,980
Non-specifically identified credit losses	3,165	4,600
Total valuation allowances	7,903	11,580
Mortgage loans, net of valuation allowances	$ 2,377,246	$ 2,300,587

Information regarding the Company s loan valuation allowances for mortgage loans for the three and six months ended June 30, 2013 and 2012 is as follows (dollars in thousands):

	Three months ended June 30,	
	2013	2012
Balance, beginning of period	$ 9,924	$ 14,650
Charge-offs	(1,296)	(1,876)
Provision (release)	(725)	(1,763)
Balance, end of period	$ 7,903	$ 11,011

	Six months ended June 30,	
	2013	2012
Balance, beginning of period	$ 11,580	$ 11,793
Charge-offs	(2,148)	(4,069)
Provision (release)	(1,529)	3,287
Balance, end of period	$ 7,903	$ 11,011

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Information regarding the portion of the Company s mortgage loans that were impaired as of June 30, 2013 and December 31, 2012 is as follows (dollars in thousands):

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Carrying Value
June 30, 2013:				
Impaired mortgage loans with no valuation allowance recorded	$ 16,714	$ 16,104	$	$ 16,104
Impaired mortgage loans with valuation allowance recorded	21,582	21,513	4,738	16,775
Total impaired mortgage loans	$ 38,296	$ 37,617	$ 4,738	$ 32,879
December 31, 2012:				
Impaired mortgage loans with no valuation allowance recorded	$ 13,039	$ 12,496	$	$ 12,496
Impaired mortgage loans with valuation allowance recorded	27,527	27,460	6,980	20,480
Total impaired mortgage loans	$ 40,566	$ 39,956	$ 6,980	$ 32,976

The Company s average investment in impaired mortgage loans and the related interest income are reflected in the table below for the periods indicated (dollars in thousands):

	Three months ended June 30, 2013		2012	
	Average Investment(1)	Interest Income	Average Investment(1)	Interest Income
Impaired mortgage loans with no valuation allowance recorded	$ 15,181	$ 49	$ 10,585	$ 28
Impaired mortgage loans with valuation allowance recorded	24,211	294	41,747	410
Total	$ 39,392	$ 343	$ 52,332	$ 438

	Six months ended June 30, 2013		2012	
	Average Investment(1)	Interest Income	Average Investment(1)	Interest Income
Impaired mortgage loans with no valuation allowance recorded	$ 14,286	$ 184	$ 17,555	$ 197
Impaired mortgage loans with valuation allowance recorded	25,294	534	37,634	718
Total	$ 39,580	$ 718	$ 55,189	$ 915

(1) Average recorded investment represents the average loan balances as of the beginning of period and all subsequent quarterly end of period balances.

The Company did not acquire any impaired mortgage loans during the six months ended June 30, 2013 and 2012. The Company had $7.9 million and $16.9 million of mortgage loans, gross of valuation allowances, that were on nonaccrual status at June 30, 2013 and December 31, 2012, respectively.

Policy Loans

Policy loans comprised approximately 3.9% of the Company s total investments as of both June 30, 2013 and December 31, 2012, substantially all of which are associated with one client. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due to the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. As policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds Withheld at Interest

Funds withheld at interest comprised approximately 18.2% and 17.0% of the Company s total investments as of June 30, 2013 and December 31, 2012, respectively. As of June 30, 2013 and December 31, 2012, approximately 70.8% and 69.7%, respectively, of the Company s funds withheld at interest balance, net of embedded derivatives, was associated with one client. For reinsurance agreements written on a modified coinsurance basis and certain agreements written on a coinsurance funds withheld basis, assets equal to the net statutory reserves are withheld and legally owned and managed by the ceding company and are reflected as funds withheld at interest on the Company s condensed consolidated balance sheets. In the event of a ceding company s insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. The Company is subject to the investment performance on the withheld assets, although it does not directly control them. These assets are primarily fixed maturity investment securities and pose risks similar to the fixed maturity securities the Company owns. To mitigate this risk, the Company helps set the investment guidelines followed by the ceding company and monitors compliance.

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Other Invested Assets

Other invested assets include equity securities, limited partnership interests, real estate joint ventures, structured loans, derivative contracts, Federal Home Loan Bank of Des Moines (FHLB) common stock (included in other), and real estate held-for-investment (included in other). Other invested assets represented approximately 3.3% and 3.5% of the Company s total investments as of June 30, 2013 and December 31, 2012, respectively. Carrying values of these assets as of June 30, 2013 and December 31, 2012 are as follows (dollars in thousands):

	June 30, 2013	December 31, 2012
Equity securities	$ 160,339	$ 222,700
Limited partnerships and real estate joint ventures	423,790	356,419
Structured loans	245,734	306,497
Derivatives	118,791	168,208
Other	87,155	105,719
Total other invested assets	$ 1,035,809	$ 1,159,543

5. Derivative Instruments

Derivatives, except embedded derivatives, are carried on the Company s condensed consolidated balance sheets in other invested assets or other liabilities, at fair value. Embedded derivative liabilities on modified coinsurance or funds withheld arrangements are included on the condensed consolidated balance sheets with the host contract in funds withheld at interest, at fair value. Embedded derivative liabilities on indexed annuity and variable annuity products are included on the condensed consolidated balance sheets with the host contract in interest-sensitive contract liabilities, at fair value. Embedded derivative assets are included on the condensed consolidated balance sheets in reinsurance ceded receivables. The following table presents the notional amounts and gross fair value of derivative instruments prior to taking into account the netting effects of master netting agreements as of June 30, 2013 and December 31, 2012 (dollars in thousands):

	June 30, 2013			December 31, 2012		
	Notional	Carrying Value/Fair Value		Notional	Carrying Value/Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives not designated as hedging instruments:						
Interest rate swaps	$ 1,531,811	$ 54,742	$ 16,971	$ 2,195,059	$ 123,085	$ 17,867
Interest rate options	240,000	8,073				
Financial futures	110,328			127,877		
Foreign currency forwards	83,387	148	9,484	74,400	1,017	2,105
Consumer price index swaps	74,840	234	257	85,135	1,446	
Credit default swaps	709,700	3,975	6,632	714,000	2,228	5,922
Equity options	727,641	61,102		696,776	62,514	
Synthetic guaranteed investment contracts	3,469,027			2,018,073		
Embedded derivatives in:						
Modified coinsurance or funds withheld arrangements			108,473			243,177
Indexed annuity products			793,586			740,256
Variable annuity products			84,982			172,105
Total non-hedging derivatives	6,946,734	128,274	1,020,385	5,911,320	190,290	1,181,432
Derivatives designated as hedging instruments:						
Interest rate swaps	50,349		5,058	57,275	344	786
Foreign currency swaps	729,890	18,298	2,498	629,512		27,398
Total hedging derivatives	780,239	18,298	7,556	686,787	344	28,184
Total derivatives	$ 7,726,973	$ 146,572	$ 1,027,941	$ 6,598,107	$ 190,634	$ 1,209,616

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Netting Arrangements

Certain of the Company s derivatives are subject to enforceable master netting arrangements and reported as a net asset or liability in the condensed consolidated balance sheets. The Company nets all derivatives that are subject to such arrangements.

The Company has elected to include all derivatives, except embedded derivatives, in the tables below, irrespective of whether they are subject to an enforceable master netting arrangement or a similar agreement. See Note 4 Investments for information regarding the Company s securities borrowing and repurchase/reverse repurchase programs. See Embedded Derivatives below for information regarding the Company s bifurcated embedded derivatives.

The following table provides information relating to the Company s derivative instruments as of June 30, 2013 and December 31, 2012 (dollars in thousands):

				Gross Amounts Not Offset in the Balance Sheet		
	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Financial Instruments	Cash Collateral Pledged/ Received	Net Amount
June 30, 2013:						
Derivative assets	$ 146,572	$ (27,781)	$ 118,791	$ (17,010)	$ (89,829)	$ 11,952
Derivative liabilities	40,900	(27,781)	13,119	(2,722)	(6,950)	3,447
December 31, 2012:						
Derivative assets	$ 190,634	$ (22,426)	$ 168,208	$ (22,458)	$ (136,414)	$ 9,336
Derivative liabilities	54,078	(22,426)	31,652	(1,565)	(27,867)	2,220

Accounting for Derivative Instruments and Hedging Activities

The Company does not enter into derivative instruments for speculative purposes. As discussed below under Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging, the Company uses various derivative instruments for risk management purposes that either do not qualify or have not been qualified for hedge accounting treatment, including derivatives used to economically hedge changes in the fair value of liabilities associated with the reinsurance of variable annuities with guaranteed living benefits. As of June 30, 2013 and December 31, 2012, the Company held interest rate swaps that were designated and qualified as cash flow hedges of interest rate risk. As of June 30, 2013 and December 31, 2012, the Company held foreign currency swaps that were designated and qualified as hedges of a portion of its net investment in its foreign operations. As of June 30, 2013 and December 31, 2012, the Company also had derivative instruments that were not designated as hedging instruments. See Note 2 Summary of Significant Accounting Policies of the Company s 2012 Annual Report for a detailed discussion of the accounting treatment for derivative instruments, including embedded derivatives. Derivative instruments are carried at fair value and generally require an insignificant amount of cash at inception of the contracts.

Cash Flow Hedges

The Company designates and accounts for certain interest rate swaps, in which the cash flows are denominated in different currencies, commonly referred to as cross-currency swaps, as cash flow hedges when they meet the requirements of the general accounting principles for *Derivatives and Hedging*.

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The following table presents the components of AOCI, before income tax, and the condensed consolidated income statement classification where the gain or loss is recognized related to cash flow hedges for the three and six months ended June 30, 2013 and 2012 (dollars in thousands):

	Three months ended June 30,	
	2013	2012
Accumulated other comprehensive income (loss), balance beginning of period	$ 1,961	$ (862)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(6,797)	464
Amounts reclassified to investment income	(201)	(321)
Accumulated other comprehensive income (loss), balance end of period	$ (5,037)	$ (719)

	Six months ended June 30,	
	2013	2012
Accumulated other comprehensive income (loss), balance beginning of period	$ 403	$ (828)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(4,934)	787
Amounts reclassified to investment income	(506)	(678)
Accumulated other comprehensive income (loss), balance end of period	$ (5,037)	$ (719)

As of June 30, 2013, the before-tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months are $0.7 million. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to investment income over the term of the investment cash flows. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments on existing financial instruments, for the three and six months ended June 30, 2013 and 2012.

The following table presents the effects of derivatives in cash flow hedging relationships on the condensed consolidated statements of income and AOCI for the three and six months ended June 30, 2013 and 2012 (dollars in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)		Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amounts Excluded from Effectiveness Testing)	
		Investment Related Gains (Losses)	Investment Income	Investment Related Gains (Losses)	Investment Income
For the three months ended June 30, 2013:					
Interest rate swaps	$ (6,797)	$	$ 201	$ 31	$
For the three months ended June 30, 2012:					
Interest rate swaps	$ 464	$	$ 321	$ 27	$
For the six months ended June 30, 2013:					