Omnilife

Omnilife Insurance Company Limited Annual Report and Accounts

Year ended 31 December 2019

Registered Number 2294080

Contents

CHAIRMAN'S STATEMENT

I'm delighted to introduce Omnilife's Annual Report & Accounts for 2019, a transformative year during which we have changed ownership, changed strategy and made significant progress in transitioning to a new business model.

On 1st February 2019, Omnilife became a wholly owned subsidiary of Reinsurance Group of America, Inc ("RGA"). Already, Omnilife has benefitted greatly from being part of RGA, through access to a wealth of experience and technical expertise. Our greater financial stability, was reflected in an immediate upgrade of our credit rating by S&P Global to A+.

Following the acquisition by RGA, we began to explore new strategic opportunities for Omnilfe, involving the acqusition of closed books of life insurance business in conjunction with the RGA Group. In May 2019, a transfer agreement was signed with Assicurazioni Generali S.p.A to acquire a closed book of business, primarily annuities in payment. Subject to regulatory approval, the transfer is expected to complete in 2020. It will significantly increase our assets under management and is the first step towards executing our new strategy.

Following our entry into the closed book market, the decision was made to write no new Group Risk business after 30 June 2019. Group Risk had been the core market for Omnilife since obtaining a UK licence in 1994. I would like to thank everyone who has supported Omnilife in this market over many years and assure our intermediaries and policyholders that we will continue to deliver the excellent service you have come to expect from us as we now run off this business.

To facilitate the execution of the new block acquisition strategy, we are implementing a new operating model with a relatively small highly experienced core team, supported by services provided via outsourcing arrangements both externally and with the wider RGA Group. These arrangements give us access to significant expertise and resources. The changes are designed to ensure a safe, scaleable operating model, providing high quality service to all our policyholders.

Ceasing to write group life business has inevitably had a short term impact on financial performance. Gross written premiums of £16.9m were 12% lower than 2018 and we are reporting an operating loss after tax of £4.7m driven by one-off restructuring costs and a maintenance expense reserve increase to support overheads until the first block acquisition completes. Despite the loss after tax, the Company's financial position remains robust. Shareholders' funds decreased 26% to £13.3 million, representing 337% coverage of the statutory minimum capital requirement.

The change in our business model has meant recruiting new staff with different skills and losing a substantial number of our existing staff, including many long serving employees. Some have been redeployed within the RGA Group while others are leaving the business. I would like to thank all the staff who have been affected for everything they have contributed to Omnilife and to wish them every success in their future careers.

It has been a busy year for Jonathan Plumtree and his team and also for our Board as we establish the necessary controls and procedures required to underpin our new business model. At the time of our change of ownership, Mohamed El Zein and Houda Momtaz of Medgulf resigned from our Board, togther with Ted Garrett. From the RGA Group, we welcomed Hamish Galloway, Patricia Kavanagh and Hortense Frisby. Following her decision to leave RGA at the end of 2019, Hortense Frisby resigned from the Board on 12 December. We are currently recruiting a new independent non-executive director to further strengthen the skills base of the Board.

After an exciting first year as part of the RGA Group, I am grateful for the considerable support provided by our shareholder. During 2020 I look forward to completing the first phase of our transformation and establishing Omnilife as a trusted player within the closed book market.

Jim Jack

Chairman

STRATEGIC REPORT

The Strategic report on pages 5 to 11 contains information about Omnilife, our strategy, our 2019 business performance, our key performance indicators, our principal risks and uncertainties and the short term outlook for the Company. The Strategic report was approved by the Board on 5 March 2020 and signed on its behalf by Jonathan Plumtree, CEO and Jim Jack, Chair.

Strategy

Historically and during the year until 30 June 2019, the main market for Omnilife was the UK group risk market, providing employee benefit insurance to employers covering death and ill health of staff, with business conducted entirely through corporate IFAs and employee benefit consultants.

Omnilife was a niche provider in a highly concentrated market with a market share of just 1% in 2018. Significant investment and management focus would have been required to generate sustainable profitable growth in this market and, on 1 July 2019, following a strategic review, the Company announced its decision to withdraw from the UK group risk market through a managed run-off and renewal rights agreement.

Following the company's acquisition by RGA, the Board agreed with the shareholder a new strategic objective to become a consolidator of closed UK life insurance blocks.

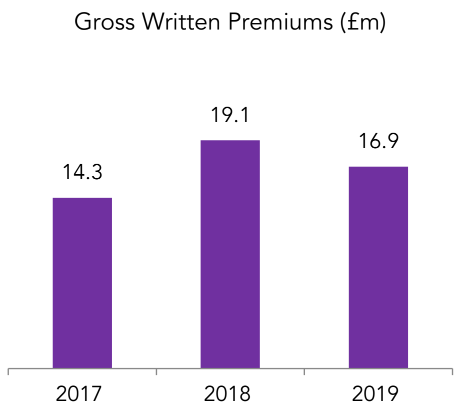
The UK has a history of block acquisition and consolidation, often as a result of regulatory changes and structural changes, creating blocks of business which are outside of insurers' core strategies. Closed-book consolidators enable insurers to release capital from non-core operations. For example, £55bn of annuity liabilities have changed hands across nine deals since 2012. The pension scheme de-risking market also presents significant opportunities with £90bn of risk transferred to the insurance market since its inception via bulk annuities and longevity swaps.

Omnilife intends to leverage the relationships, experience and expertise of RGA to proactively pursue block acquisition opportunities in the UK market, generating sustainable profitability, whilst delivering excellent customer service for incoming policyholders. During 2019 the Company signed the first business transfer agreement for such an acquisition, which is expected to complete in 2020, subject to regulatory approval.

Business performance

The financial results for the year are set out on pages 25 to 28.

2019 annualised new business premiums of £2.3 million (2018: £5.4 million) were all generated in the first half of the year, prior to the announcement to withdraw from the UK group risk market. In the second half of the year, management's focus was on facilitating a smooth transition to alternate providers for existing policyholders on a no worse terms basis. At 31 December 2019, 420 schemes had terminated from a peak of 1264 schemes at 30 June 2019. Total gross written premiums decreased 12% to £16.9 million (2018: £19.1 million), reflecting the run off the book in the second half of the year. After taking into account the significant proportion of risk reinsured, net written premiums decreased 19% to £6.8 million (2018: £8.4 million).



Net claims incurred have increased by 72% to £4.3 million (2018: £2.5 million) due to particularly adverse mortality experience for UK Group business and an increase in the number of surrenders for the overseas individual business.

The increase in long term business provisions, net of reinsurance, of £1.4 million (2018: £0.1 million decrease) is due mainly to a £3.1 million increase in the expense reserve. The increase is required to support the excess business costs above that allowed for within premiums while the group risk book runs off, prior to the completion of the first closed book transaction. Excluding the increase to the expense reserve, the long term business provisions have decreased due to the run-off the UK Group Risk business and an increase in the number of surrenders from the overseas individual business.

The Loss ratio of 101%, (Gross claims incurred plus the Gross change in other technical provisions divided by Gross written premiums) has increased 37% compared to the prior year (2018 loss ratio: 64%). This significant increase is due to a combination of lower premiums, adverse claims experience and the expense reserve increase.

Loss Ratio (£'m)	2019	2018
Gross written premiums	16.9	19.1
Gross claims incurred	(17.4)	(11.0)
Gross change in other technical provisions	0.3	(1.3)
Loss Ratio (%)	101%	64%

To monitor the underlying profitability of its insurance activities, one of the Key Performance Indicators (KPIs) used by the Company's management is the 'underwriting result', calculated as Earned premiums less Net incurred claims, Change in other technical provisions and Commissions. In 2019 the underwriting result decreased £4.4 million to £0.0 million (2018: £4.4 million). The decrease was due to lower premiums, higher claims and the increase to the expense reserve, as described above, only partly offset by a decrease in other long term business provisions relating to UK Group business and overseas individual business.

Underwriting Result (£'m)	2019	2018
Net earned premiums	6.8	8.4
Net claims incurred	(4.3)	(2.5)
Net change in other technical provisions	(1.4)	(0.1)
Commission expenses	(1.2)	(1.3)
Underwriting result	0.0	4.4

Total expenses have increased by 26% to £7.3 million (2018: £5.8 million) due to a £0.3 million increase in technical expenses and a £1.3 million increase in the non-technical expenses.

Total Expenses (£'m)	2019	2018
Technical Account	4.4	4.1
Commission	1.2	1.3
Non-technical Account	1.7	0.4
Total	7.3	5.8

Staff costs represent the most significant technical expense for the Company and these have decreased 3% during the year to £2.5 million (2018: £2.6 million) due to reduced headcount in the second half of the year. The £0.3 million increase to technical expenses comprises professional fees and other administrative costs associated with running the business that have not yet decreased as result of the closure of the UK group risk business.

The £1.3 million increase to non-technical expenses is due to restructuring costs, as the Company changes strategic focus. The most significant items relate to compensation for exiting staff; legal and actuarial consultancy for the first closed block acquisition transaction and the write-off of fixed assets that supported the UK group risk business.

Omnilife reports a 2019 loss after tax of £4.7 million (2018: £0.1 million profit). The loss has been generated as a result of adverse claims experience; an increase to the expense reserve and restructuring costs. 2019 has been a transitional year for the Company, which has adversely impacted profits, but reflects strong progress on the necessary changes in preparation for the first transaction under the new strategy, which is expected to complete in 2020.

Despite the loss after tax, the Company's financial position remains robust. Shareholders' funds decreased 26% to £13.3 million (2018: £18.0 million) but this represents 337% (2018: 270%) coverage of the minimum solvency capital requirement, which has reduced due to the run off of the existing business.

Key Performance Indicators

Management use a balanced scorecard to report Key Performance Indicators ("KPIs") to the Board and to manage business performance. The balanced scorecard covers wider areas of business performance in addition to financial indicators. A summarised balanced scorecard at 31 December 2019 is shown below.

FINANCIAL			CUSTOMERS & GROWTH		
£'m	**2019**	**2018**	**£'m**	**2019**	**2018**
Gross written premiums	16.9	19.1	UK new business	2.3	5.2
Underwriting result	(0.0)	4.4	UK lost business	7.3	0.9
Profit after tax	(4.7)	0.1	UK customers (#)	844	1184
Solvency (%)	337%	270%	Loss ratio	101%	64%
ORGANISATION & DEVELOPMENT			OPERATING EXCELLENCE		
	2019	**2018**		**2019**	**2018**
Headcount	15	33	Service - administration	86%	93%
	Project status		UK debtors over 90 days (£'m)	0.91	0.87
RGA Integration	Green		Excess USD assets (£'m)	0.93	0.60
Target Operating Model	Green				

Financial – Financial metrics are largely adverse to 2018 due to higher claims experience and significant one-off items relating to the integration and restructuring of the business. The solvency ratio has improved due to a lower solvency capital requirement as a result of the run-off of the UK portfolio.

Customers & Growth – UK Customers have decreased by 29% to 844 (2018: 1184) due to high lapses as the group risk business started running off in the second half of the year. This is partly offset by the UK new business sales made before the market exit announcement on 01 July 2019, prior to this policy numbers peaked at 1264. The Loss ratio of 101% is 37% higher than in 2018 and is driven by higher volumes of UK claims experienced and an increase to the maintenance expense reserve.

Organisation & Development – The Company's headcount decreased 55% to 15 during 2019, due to the decision to close to new business and run-off the UK group risk business. Major transition projects completed during the year included fully integrating core functions into RGA and developing a new target operating model and corporate governance structure consistent with the Company's new strategic focus.

Operating Excellence – The Company's administration team aims to issue account statements within 10 working days. This service level has fallen slightly to 86% (2018: 93%) although the Company remains committed to high quality service to its policyholders even as it exits the group risk market. UK debtors over 90 days have increased slightly, despite the decrease in premiums and collection will continue to be a focus in 2020. USD assets in excess of the Company's liabilities have caused large volatility in financial performance in the past but are now within risk appetite tolerance and have had little impact on the 2019 result.

Principal risks & uncertainties

During 2019, the Company's principal business was short duration group life insurance, mainly in the UK, representing over 95% of Gross Written Premiums, which is annually renewable with premium rates usually guaranteed for two years.

The Company has a robust risk management framework which ensures that all risks are understood and regularly monitored, with oversight by the Audit & Risk Committee. The Company's most significant on-going risks relate to:

- Insurance – this is our business and we have an established framework of procedures and controls to manage this within the risk appetite set by the Board;
- Reinsurance – we use reinsurance to share our insurance risk, primarily through a long-established relationship with Gen Re. We will only use highly-rated reinsurers (Gen Re is rated AA+ (Very Strong) by S&P) and continually monitor the risk of reinsurance default;
- Investments – how we invest determines the risk and returns in this area and since the Company has low appetite for market risk, our investment approach has been conservative with a mix of high quality bonds and term deposits; and
- Operating model – The change in strategic focus brings new areas of risk for the business, both during the transition phase and in executing the new strategy. The Company is managing these risks through updating all relevant processes, frameworks, and policies to enhance the risk management framework in line with its new business model. A primary focus of the framework is to deliver consistent policyholder service and protection while complying with all regulatory requirements as a firm regulated by both the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

Brexit

Omnilife has considered the impact of the United Kingdom's exit from the European Union on 31st January 2020 and concluded that there is a low risk of either operational disruption or material financial impact. Omnilife currently has a small number of policyholders in the European Union but has been reducing this exposure in preparation for Brexit, for example through not offering renewal terms. The Company is in correspondence with relevant EU regulators regarding its approach to EU resident policyholders after Brexit.

In May 2019, Omnilife signed a business transfer agreement for the acquisition of a book of UK policies from the UK branch of Generali, an Italian insurer, subject to regulatory approval. The Company is working with Generali, the Italian regulator (IVASS) and the PRA with the objective to complete the portfolio transfer before the end of the Brexit transition period on 31st December 2020. Despite strong project management disciplines, there is a risk that the process will not complete before the end of the Brexit transition period, which may lead to more onerous regulatory requirements under the post-Brexit regime.

The Company has discussed the exit from the European Union with its main suppliers in the UK and is confident that business can continue as usual beyond the end of the Brexit transition period.

Engaging with our stakeholders

Omnilife aims to create value for its stakeholders balanced across both the short and long term. We engage with our stakeholders to better inform them of our activities and to create mutually supportive opportunities and outcomes for them. The Board has identified the following as being key stakeholders as they are most impacted by our business and at the same time are important to our ongoing success.

Who are our key stakeholders?	Why are these stakeholders important to Omnilife?	How do we engage them?
Policyholders Our policyholders are those stakeholders who use our products and rely on Omnilife to pay claims at times of need	Our policyholders are central to our business without whom we would not exist	We monitor KPIs on service levels, product performance and complaints to monitor our policyholder outcomes. Day to day engagement is via trusted intermediaries
Intermediaries Our intermediaries introduce policyholders to us and then provide them with ongoing support and advice	Our intermediaries have been integral to our growth as a business, acting for our policyholders, even now as we run off the business	We engage on a daily basis with our intermediaries to ensure both they and our policyholders receive the value and service they expect
Employees Our employees drive our business, embody our culture and provide excellent service to our policyholders and intermediaries	Our employees are central to our business and will always be critical to our success	Employee engagement takes many forms such as weekly informal updates, one-to-ones, surveys, an employee working group and a charity group
Regulators Omnilife is regulated by both the PRA and the FCA who set the standard by which we operate and look after the interests of policyholders	Omnilife operates in a regulated market and is authorised to do so by the PRA. The FCA monitors our business conduct	Omnilife adopts an open and proactive approach, keeping our regulators up to date with our plans for the future, any significant changes and other important matters
Shareholders Our majority shareholder at the beginning of the year was Medgulf with a number of minority shareholders. From 1st February 2019 RGA became the sole shareholder	Our sole shareholder provides the capital which sustains our business.	There are two RGA group nominated non-executive Directors on the Board to ensure the shareholder's interests are reflected in our decision making. The shareholder nominated Directors also provide a wealth of experience and technical expertise

The Board sets capital allocation and dividend policies including a target solvency capital ratio. Maintaining this ratio looks after the long-term security of our stakeholders.

When setting the Company's strategy the Directors consider the likely long-term consequences for our stakeholders of any decision in the long-term. During the year a number of key decisions were made which involved balancing the interests of our key stakeholder groups.

- Omnilife announced its withdrawal from the Group Risk market. To ensure that our policyholders are not left without cover we have found an alternative insurer, L&G, who will offer our policyholders cover on the same or better terms and provide the level of service that they have come to expect from Omnilife. The arrangement with L&G also ensures our intermediaries are compensated for the extra support they provide to policyholders through the transition.

- As a result of the change in strategy and move to a new operating model the majority of our employees were put at risk of redundancy and a consultation period began. It was of great importance to the Board that impacted employees were supported through this difficult process and to that end, the Company offered an outplacement support service; increased the frequency of the employee working group meetings, and secured roles for a number of staff within RGA.

- In 2019 Omnilife had increased engagement with the PRA as it prepares to accept the new book of annuity business from Generali S.p.A. The Company has shared planned enhancements to the governance structure, reinsurance strategy and operating model and incorporated feedback received from the regulator.

- Prior to the acquisition by RGA, Omnilife had a number of minority shareholders. The Board of Omnilife went to great lengths to ensure the interests of these shareholders were understood and considered during the sale process, writing to each shareholder prior to the transaction to give opportunity to object or ask questions. The Company also employed tracing agents where contact had been lost.

Section 172(1) statement

The Directors of Omnilife have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its Shareholders and in doing so (amongst other matters) took into account:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between shareholders of the Company.

Engagement with key stakeholders is detailed in the previous section of this strategic report, "Engaging with our stakeholders." The Directors also took into account the views and interests of a wider set of stakeholders including the Government, the community, our reinsurers and our suppliers.

Considering this broad range of interests is an important part of the way the Board makes decisions, although it recognises that in balancing those different perspectives it won't always be possible to deliver all desired outcomes.

The Board will occasionally engage directly with certain stakeholders on specific issues but the current operating model means that stakeholder engagement often takes place at an operational level. The Board considers and discusses information from across the Company to help it understand the interests and views of our key stakeholders.

The Board also reviews management information on financial and operational performance as well as information covering key risks and regulatory compliance. The Board reviews and approves the company's strategy and any significant changes to the business.

As result of these activities the Board has an overview of engagement with stakeholders, and other relevant factors which enables the Directors to comply with their legal duty under Section 172 of the Companies Act 2006.

Outlook and business development

2019 has been a landmark year for Omnilife as it has become part of RGA, one of the largest life reinsurers in the world. The Company has also commenced its exit from the group risk market in which it has participated for over 20 years, and the implementation of a new operating model that will support new strategic opportunities.

The Company has laid the foundations to complete its first closed block acquisition in 2020 as part of an exciting new strategy, with strong support from the shareholder, executed in line with the Company's risk appetite. The completion of this acquisition remains subject to regulatory approvals and, if successful, will involve:

- the establishment of new intra-group reinsurance arrangements with appropriate protections for the Company due to the significant counterparty risk; and
- the transfer of policies, together with servicing arrangements, which will be outsourced by the Company with the majority continuing to be performed by the current third party administrator.

The principal source of growth will be through the acquisition of closed blocks of life insurance business, sourced and executed in partnership with RGA. In the short-term the Company will be focused on finalising and implementing its new operating model and risk management framework, whilst completing the Generali block acquisition and ensuring a safe transition and welcome for our new policyholders.

The Company will continue to monitor the overall performance of the business against its plans using a balanced scorecard of key performance indicators, which is being enhanced and extended to reflect the changing objectives and risks of the business. Additional monitoring and reporting is being established as part of the risk management framework in line with the Company's transition to a more outsourced operating model with increased counterparty risks. This will be subject to regular review at relevant management committees, with quarterly oversight by the Audit & Risk Committee and the Board.

Approved and authorised for issue by the Board

Jonathan Plumtree	Jim Jack
Chief Executive Officer	Chair
Date: 11 March 2020	

DIRECTORS and ADVISORS

Jim Jack - Chair

Jim was appointed Chair in 2017, having served as chair of the Audit and Risk Committee and been a non-executive director since 2015. After qualifying as a Chartered Accountant, he has spent his whole career in the insurance and reinsurance industry. Jim spent over 25 years with the Prudential Group where he held a number of senior financial positions before leaving to help launch a new annuity business. He is a member of the FRC Case Management Committee.

Jonathan Plumtree - CEO

Jonathan is an FCA with over 30 years' experience in the insurance industry and was appointed CEO in November 2017, with responsibility for developing and growing the business. Jonathan began his career with the Royal Navy, before joining Coopers & Lybrand, working in London and the US. He spent ten years as Finance Director at Unum and then built and ran a successful new group protection insurance start up for Zurich Insurance Group, and subsequently led its corporate pensions business. He is also a Vice President for the charity CLIC Sargent, supporting children and young people with cancer.

Caroline Instance

Caroline joined the Omnilife Board in 2015. Her professional background is Human Resources and was HR Director of United Friendly Insurance until 2004. She became the founding CEO of the UK's first pensions regulator, the Occupational Pensions Regulatory Authority and later the CEO of the Institute and Faculty of Actuaries. She is a Trustee of Age UK, Horsham District, having previously sat on the trustee boards of the Royal London Group Pension Scheme and the Charity ShareAction. She currently chairs Thakeham Parish Council where she lives in West Sussex.

Michelle Cracknell

Michelle Cracknell is an Actuary with over 30 years' experience in financial services. She was appointed as a non-executive director in June 2015. Michelle spent nearly 10 years as a pension consultant looking after SMEs and running a self-administered business. She spent 3 years as Strategy Director at Skandia and 3 years as a consultant. From 2013 to 2018, she was the Chief Executive of The Pensions Advisory Service, the public service that delivers pensions guidance.

Patricia Kavanagh (Appointed 10 May 2019)

Patricia is a Certified Accountant with 30 years' experience in the (re) insurance industry. She is Managing Director of RGA International Reinsurance Company dac responsible for the oversight and management of business written through RGA International's branch operations in Europe and Singapore. Prior to joining RGA in 2008 Patricia spent over 18 years with the Great West Life Group where she held a number of senior financial positions.

Hamish Galloway (Appointed 16 April 2019)

Hamish is Senior Vice President, Global Financial Solutions (GFS) for RGA UK Services Limited. He heads the office's Financial Solutions team, which focuses on longevity reinsurance and financial reinsurance. Hamish was an integral member of the team that took RGA's UK operations from a start-up to its current status as the market's leading life reinsurance provider. Hamish graduated from Cambridge University's Sidney Sussex College, and qualified as an actuary in 1993. He is a Fellow of the Institute of Actuaries (FIA).

The following Directors were all in place for part of 2019 but resigned during the year.

- Hortense Frisby (Appointed 15 March 2019, Resigned 12 December 2019)
- Mohamed El Zein (resigned 01 February 2019)
- Houda Momtaz (resigned 01 February 2019)
- Edward Garrett (resigned 01 February 2019)

Company Secretary

Richard Batey (Resigned 31 January 2020)
16th Floor
5 Aldermanbury Square
London
EC2V 7HR

Waterhouse Company Secretaries Ltd (Appointed 04 February 2020)
3rd Floor
5 St. Bride Street
London
EC4A 4AS

Chief Actuary

Nick Dumbreck FIA
Milliman LLP
11 Old Jewry
London
EC2R 8DU

Auditors

Deloitte LLP (Appointed 10 September 2019)
1 New Street Square
London
EC4A 3HQ

BDO LLP (Appointed 01 February 2019, Resigned 02 October 2019)

Moore Stephens LLP (Resigned 01 February 2019)

Bankers

Barclays Bank PLC
Broadgate Business Centre
155 Bishopsgate
London EC2M 3XA

On 1st February Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP resigned as auditor and the directors appointed BDO LLP as auditor in their place.

On 10th September 2019 the Board approved the appointment of Deloitte LLP as auditors after considering proposals from both Deloitte LLP and BDO LLP. Deloitte LLP were selected based on their expertise in the closed book acquisition market and because they are the RGA Group auditor. Subsequently, BDO LLP confirmed their resignation on 2nd October 2019.

CORPORATE GOVERNANCE

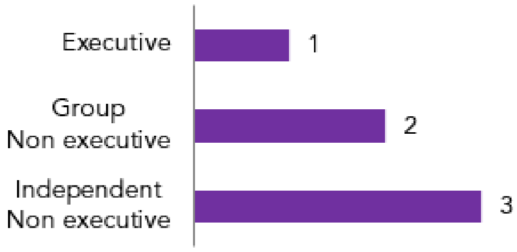
The Omnilife Board

The Board is ultimately accountable for all of Omnilife's activities, with responsibility for defining, controlling and monitoring all business functions.

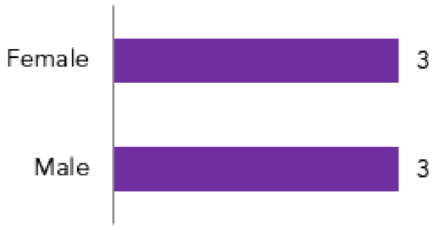
The Board is comprised of the chair, Jim Jack, and the other Company directors, as detailed on pages 12-14. It has an experienced and diverse membership which is effective at governing the Company's insurance business. During 2019 the Board met 10 times. An additional independent non-executive director will be appointed in 2020.

The Board is supported by 2 sub-committees (2018: 3) which each meet separately and make recommendations to the Board for approval. During 2019 the Investment Committee was discontinued with responsibility for investment strategy being covered directly by the Board and oversight of investment risk becoming a responsibility of the Audit and Risk Committee.

Composition of Board*



Board member balance*



Board member tenure*

*At 31 December 2019

Nomination and remuneration committee

The main purpose of the Committee is to assist the Board in establishing and maintaining an effective Board by regularly reviewing its structure, size and composition; performing rigorous formal evaluations of new members; and monitoring the development of existing members. The committee also recommends to the Board the framework and broad policy for the remuneration of executive directors and senior managers, as well as the overall levels of remuneration for all other staff employed by the Company.

During 2019 the Nomination and Remuneration Committee worked on the development of governance arrangements on becoming part of the RGA group and the people implications of the Company's exit from the UK Group Risk market; reviewed Board mix, skills and diversity, together with its proposed training programme for 2020; assessed changes to senior management needed to implement the new target operating model, including initiation of regulatory approvals; reviewed the findings from the company's participation in the MIND Workplace Wellbeing Index and associated recommendations; and provided oversight over executive and staff remuneration matters.

At 31st December 2019, the committee was comprised of the chair, Caroline Instance, as well as non-executive directors Jim Jack and Patricia Kavanagh. During the year the committee met 4 times.

Audit and risk committee

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for external audit, Omnilife's risk management, its financial and regulatory reporting, the internal control framework, internal audit and compliance matters.

During 2019, the Committee placed particular emphasis on risk management. This involved in depth reviews of controls within major risk areas for the business together with updating the ORSA and Recovery & Resolution plans to take into account the changes in the business, its ownership and future plans.

At 31 December 2019, the committee was comprised of the chair, Michelle Cracknell, as well as non-executive directors, Hamish Galloway, Patricia Kavanagh and Caroline Instance. The committee met 4 times during the year.

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of Omnilife Insurance Company Limited, registered number 2294080, ("the Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company during the year under review continued to be the transaction of Group Life insurance business in the United Kingdom. Since 1 July 2019 no new Group Life business has been written.

Financial performance and future prospects

The Company's strategy and business performance are covered within the Strategic Report.

Principal risks and uncertainties

The Company's principal risks and how they are managed are covered within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend (2018: £nil).

Directors and Secretary

The Directors and Secretary of the Company at 31 December 2019 are listed on pages 12-14.

Mohamed El Zein, Houda Momtaz and Edward Garrett resigned as Directors on 1st February 2019, following the acquisition of the Company by the RGA Group. During 2019, Patricia Kavanagh, Hamish Galloway and Hortense Frisby were all appointed as Directors. Hortense Frisby resigned on 12 December 2019.

Directors' liabilities

During the year the Company had in force an indemnity provision in favour of one or more directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Disclosure of information to auditors

Having made appropriate enquiries, each of the Directors confirms that:

a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

b) They have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved and authorised for issue by the Board

Jonathan Plumtree	Jim Jack
Chief Executive Officer	Chair
Date: 11 March 2020	

STATEMENT OF DIRECTORS` RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standards 102 (FRS 102) and 103 (FRS 103) issued by the Financial Reporting Council. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OMNILIFE INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Omnilife Insurance Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 23, excluding the capital adequacy disclosures in note 2.8 calculated in accordance with the Solvency II regime which is marked unaudited.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of the expense overrun provision within the Long Term Business Provision
Materiality	The materiality that we used in the current year was £240,000 which was determined on the basis of 2% of Shareholder's equity.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the Long Term Business Provision – expense overrun provision

Refer to Strategic report on page 6 and note 22: to the financial statements

Key audit matter description	The valuation of the long term business provision is dependent on certain of management's judgements on the assumptions, their view of the likely level of future cash flows, and the models used to calculate the liabilities. The reserve involves a high degree of judgement around future expenses and the run-off period, and has not been reserved by management in the past. Based on our analysis and risk assessment of the components of the reserves, we pinpointed the expense overrun provision as the key audit matter. As management could be incentivised to manipulate assumptions during the assumption setting process in order to produce more favourable results it also has a potential risk of fraud. The expense overrun provision is valued at £4,000,000 and consists of; forecast administrative expenses, business closure costs and expense loadings. The provision was set up during 2019 upon the company entering run-off. Forecast administrative expenses represent management's estimate of the administrative expenses that will be incurred in running off the company. Underlying the forecast administrative expenses were management's analysis of actual 2019 expenses, forecast of 2020 expected expenses, and the key assumption that the relevant run-off period to consider was 2020 only. Analysis only includes up to 2020 as if required this would be the period over which a successful run-off could be achieved for the costs recorded. Business closure costs represent management's estimate of redundancy costs for staff employed by the company at the reporting date and the expected costs of buying customers out of their contracts during 2020. Expense loadings are recorded to reflect the expense margin that is part of Group Risk insurance premiums, which will be received during 2020 and will offset the 2020 expenses. Management calculated the total expense loadings for each line by business by projecting the expected expense margins for schemes currently in force to the scheme renewal date.

How the scope of our audit responded to the key audit matter	With involvement of our actuarial specialists we: reviewed management's methodology for determining the forecast underlying costs and challenged management's expense forecast where it differed from 2019 actuals, by performing look-back testing comparing our expectations against those costs. We also checked management's inflation assumptions for appropriateness based on the nature of the expense; reviewed the validity of recharged intercompany expenses recorded and the contingency in place. We performed a recalculation of expected redundancy costs and compared to management's recorded number, and verified management's calculations to determine the expected cost of buying customers out of their contracts. We also performed tests of details over the redundancy provision as at year-end, by tracing to board papers, employee contracts and payslips; evaluated the methodology and assumptions used by management to determine the expense loadings, and validated the calculations performed. We also performed tests to validate the accuracy and completeness of underlying data.
Key observations	We have determined the valuation of the expense overrun provision to be reasonable.

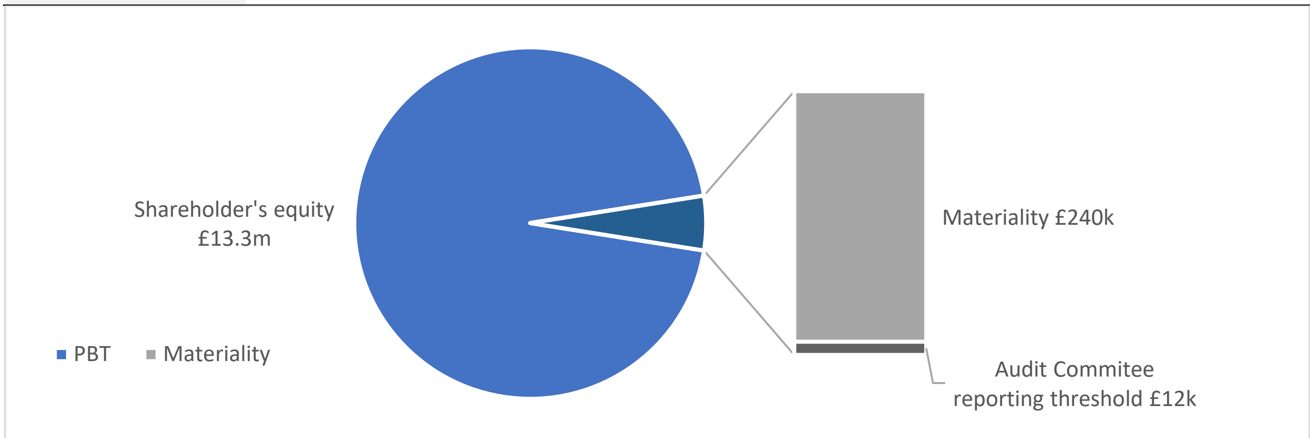
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£240,000
Basis for determining materiality	Materiality was determined as 2% of Shareholder's equity.
Rationale for the benchmark applied	As a life insurer Shareholder's equity is an appropriate measure to give the clearest indication of the financial position of Omnilife, and is the long-term driver of the accounts, as the balance between investments and liabilities (including technical provisions) is the best indicator of the long-term health of the company. This is particularly the case in 2019 where the organisation only actively wrote new business for half of the financial year and is now in run-off, increasing the stakeholder focus on Shareholder's equity as the key financial measure.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit. In determining performance materiality, we considered the following factors:

- Our understanding of the control environment and Management's controls in place over key balances.
- A low number of uncorrected misstatements were identified in the prior period.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £12k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

The scope of our audit was determined by obtaining an understanding of the company and its environment, including internal controls, and assessing the risks of material misstatement at the company level. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team. We did not plan to adopt a controls reliance approach in our first year of audit and thus performed substantive testing to achieve assurance over all material account balances.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, IT and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of the Long Term Business Provision – expense overrun provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the Long Term Business Provision – expense overrun provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with PRA and FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

13.3. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 10 September 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ending 31 December 2019.

13.4. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Addis (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

11 March 2020

Profit and loss account
Technical account - long term business
For the year ended 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	16,888		19,110	
Outward reinsurance premiums	3	(10,071)		(10,738)	
			6,817		8,372
Investment return	4		287		208
Other income			167		-
Claims incurred, net of reinsurance					
Claims incurred:					
Gross amount	3	(18,367)		(10,101)	
Reinsurers' share	3	13,821		7,808	
		(4,546)		(2,293)	
Change in provision for claims					
Gross amount	3	938		(863)	
Reinsurers' share	3	(701)		657	
		237		(206)	
Net claims incurred			(4,309)		(2,499)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	20,22	340		(1,336)	
Reinsurers' share	22	(1,701)		1,245	
	22		(1,361)		(91)
Net operating expenses	5		(5,669)		(5,406)
Foreign exchange gain/(loss)	21		(59)		7
(Loss)/profit on the technical account before tax			(4,127)		591
Tax credit/(charge)	8		782		(118)
Balance on the technical account - Long term business			**(3,345)**		**473**

All the above amounts are derived from continuing activities.

The notes on pages 29 – 45 form part of these financial statements.

Profit and loss account
Non - technical account
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Balance on the long term business technical account		(3,345)	473
Tax (credit)/charge attributable to technical account		(782)	118
Investment return	4	3	10
Other expenses	5	(1,574)	(369)
Foreign exchange loss	21	(1)	(20)
Depreciation	5,9	(28)	(29)
Amortisation	5,10	(63)	(9)
Profit on ordinary activities before tax		(5,790)	174
Tax credit/(charge) on profit on ordinary activities	8	1,089	45
(Loss)/profit for the financial year		**(4,701)**	**129**

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2018: Nil)

The notes on pages 29 – 45 form part of these financial statements.

Balance sheet at 31 December 2019

ASSETS	Notes	2019 £'000	2018 £'000
Investments:			
Financial investments	14	13,829	4,952
Reinsurers' share of technical provision:			
Long term business provision	22	3,956	5,657
Claims outstanding		883	1,584
		4,839	7,241
Debtors:			
Debtors arising out of direct insurance operations	11	2,740	3,341
Debtors arising out of direct insurance operations through related parties	13	-	772
Debtors arising out of reinsurance operations		1,886	-
Amounts due from related parties	13	-	15
Other debtors		342	109
Taxation	8	1,012	-
		5,980	4,237
Other assets:			
Tangible assets	9	-	89
Intangible assets	10	-	348
Cash at bank and in hand		5,839	19,956
		5,839	20,393
Total ASSETS		**30,487**	**36,823**
LIABILITIES			
Capital and reserves:			
Called up share capital	15,16	13,834	13,834
Share premium	16	1,058	1,058
Profit and loss account	16	(1,578)	3,123
Shareholders' funds-equity interest		13,314	18,015
Technical Provisions:			
Long term business provision	20,22	12,463	12,962
Claims outstanding - gross amount		1,313	2,251
Gross Technical Provisions		13,776	15,213
Creditors:			
Creditors arising out of direct insurance operations		1,324	1,594
Creditors arising out of reinsurance operations		-	833
Accruals and provisions	12	1,927	922
Amounts due to related parties	13	133	146
Deferred Tax Liability	8	13	89
Taxation		-	11
		3,397	3,595
Total LIABILITIES		**30,487**	**36,823**

The notes on pages 29 – 45 form part of these financial statements.

Approved and authorised for issue by the Board

Jonathan Plumtree
Chief Executive Officer
Date: 11 March 2020

Jim Jack
Chair

Statement of Changes in Equity
For the year ended 31 December 2019

	Share Capital £'000	Share Premium £'000	Profit and Loss account £'000	Total £'000
As at 1 January 2018	13,834	1,058	2,994	17,886
Profit for the year			129	129
As at 31 December 2018	13,834	1,058	3,123	18,015
Profit for the year			(4,701)	(4,701)
As at 31 December 2019	13,834	1,058	(1,578)	13,314

All shareholders' funds are attributable to equity shareholders.

The notes on pages 29 – 45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. PRINCIPAL ACCOUNTING POLICIES

Omnilife Insurance Company Limited is a private company limited by shares and is incorporated and domiciled in England. The Registered Office is 16th Floor, 5 Aldermanbury Square, London, United Kingdom, EC2V 7HR. The financial statements were approved for issue by the Board of Directors on 05 March 2020.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standards 102 (FRS 102) and 103 (FRS 103) issued by the Financial Reporting Council and approved by the Directors in accordance with the Companies Act 2006 and Financial Reporting Standards as endorsed by the European Union (EU). The Company is subject to the requirements of the Companies Act 2006.

The Company has not disclosed a cash flow statement as permitted under FRS 102 on the basis that an equivalent disclosure will be presented in the financial statements of the immediate parent company's consolidated financial statements.

The financial statements are prepared in sterling which is the functional and presentational currency of the Company.

The Company's principal business is short duration group life insurance.

a) Basis of accounting

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In forming this assessment, the Directors have considered:

- Projections of the Company's financial position covering the period up to 31 December 2022. These projections show that based on the directors' assumptions regarding, inter-alia, new business, mortality/morbidity experience and expense levels, the Company will meet its regulatory capital requirements;
- The balance sheet at 31 December 2019 which demonstrates a strong financial position with shareholders' funds of £13.3 million and a regulatory solvency margin of 337%; and
- The credit rating from S&P Global of A+, reflecting the strategic importance to RGA Group

The closure of the Group Risk business does not cast uncertainty over the ability of the company to continue as a going concern as the company has signed a business transfer agreement for a new block of business which is expected to complete in 2020, subject to regulatory approval. Omnilife, supported by RGA, have employed strict project management discipline and have the right experience and expertise in place to obtain the regulatory approval.

The Financial Statements are prepared on the going concern basis.

b) Translation and conversion of foreign currencies

Revenue transactions in foreign currencies are translated to sterling at approximately the average rates of exchange ruling during the year, and assets and liabilities at the rates ruling at the end of the year. Any resulting gains or losses are transferred to the non-technical account except for the exchange difference on translation of the technical provisions at the beginning of the year, which is transferred to the long term business technical account.

c) Premiums

Premiums are accounted for when due for payment in accordance with the contract terms.

d) Reinsurance

Reinsurance premiums are accounted for when due in accordance with the contract terms and stated net of profit commission due for the period. Reinsurance recoveries recognised in the profit and loss account reflect the amounts received or receivable from reinsurers in respect of claims incurred during the year. Reinsurance recoveries recognised in the balance sheet reflect the amount recoverable from reinsurers after provision for any amounts considered not to be receivable.

e) Investments

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. In general, purchases and sales of financial assets are recognised on the trade date i.e. the date that the company commits to purchase or sell the asset. Loans are recognised on their funding dates. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value in the balance sheet. All changes in fair value are recognised in the profit and loss account as described in the accounting policy for investment return. Policy and Other loans which are recognised as cost less impairment as they are not publicly traded.

Fair value hierarchy levels 1 to 3 are assigned, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

f) Investment return

Investment return comprises investment income, including realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses and charges.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return relating to investments which are directly connected with the carrying on of long term business is recorded in the long term business technical account. The investment return arising in relation to all other investments is recorded in the non-technical account.

g) Long term business provision

The long-term business provision is determined by the Chief Actuary. The methodology underlying the calculations follows that prescribed in the Solvency II Delegated Acts. Under Solvency II, which came into force on 1 January 2016, the technical provisions are calculated using best estimate assumptions.

The interest rates assumptions, required for discounting, are specified by the European Insurance and Occupational Pension Authority (EIOPA). The calculations use a combination of unearned premium and incurred but not reported reserves for group business. The reserve for individual investment contracts is made up of the policy balances, with provisions for the guaranteed maturity values. The term assurances and other miscellaneous reserves are valued using discounted cash-flow methods.

The expense reserve does not take into account the benefit of the incoming portfolio from Assicurazioni Generali S.p.A and is calculated by comparing the forecast expenses with projected expenses margins generated from the existing business as it runs off.

The long term business provision reported in these accounts is the same as in the Solvency II balance sheet.

h) Claims

Maturity claims and PHI claims are recognised when due for payment. Surrenders are accounted for when paid for or, if earlier, on the date when the policy ceases to be included in the calculation of the long term business provision. Death claims and all other claims are accounted for when notified.

Claims payable include internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claims.

i) Acquisition costs

Acquisition costs comprise direct costs, such as acquisition commissions, and indirect costs of obtaining and processing new business. Acquisition costs are expensed in the technical account - long term business because they are recovered from margins levied at the time they are incurred.

j) Tangible Assets

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used of this purpose are:

Leasehold Improvements	10%
Office furniture and equipment	25%
Computers	25%

Tangible assets are assessed at each reporting date for any indication that they are impaired. If such an indication exists, the Company estimates the recoverable amount of the asset. If the recoverable amount of an asset is less than the carrying amount, the Company will incur an impairment loss and reduce the carrying amount of the asset to its recoverable amount.

k) Intangible Assets

The cost of intangible assets is their purchase cost, together with any incidental costs of acquisition. Amortisation is calculated so as to write off the cost of intangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used of this purpose are:

Administration system	10%
Website	20%

Intangible assets are assessed at each reporting date for any indication that they are impaired. If such an indication exists, the Company estimates the recoverable amount of the asset. If the recoverable amount of an asset is less than the carrying amount, the Company will incur an impairment loss and reduce the carrying amount of the asset to its recoverable amount.

l) Taxation

Deferred taxation is provided on timing differences that have originated, but not reversed by the balance sheet date on a non-discounted basis.

Deferred taxation assets are recognised to the extent that it is more likely than not that there will be suitable trading profits from which future reversals of the underlying timing differences can be deduced. No provision is made where the amounts involved are not material.

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations in the year.

The standard rate of tax applied to the reported profit is 19% (2018: 19%). Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2016 and the corporate tax rate will reduce to 17% from 01 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates.

m) Operating Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Significant Estimates

The following estimate has had the most significant effect on amounts recognised in the financial statements:

- Valuation of the long term business provision - The long-term business provision is valued using best estimate assumptions as detailed in note 1g. Due to the complexity of the valuation and the underlying assumptions, such estimates are subject to significant uncertainty. Note 22 details the underlying assumptions, including sensitivity analysis.

Critical Judgements

Management do not consider any of the judgements made in the preparation of the financial statement to be critical.

2. RISK MANAGEMENT

2.1 Risk Management Overview

The Company operates a robust risk management framework to ensure that all risks are understood and regularly monitored, with oversight by the Audit & Risk Committee.

In accordance with the requirements of the Prudential Regulation Authority ("the PRA"), the Company operates in a manner that focusses on risk and allocates responsibilities to specific individuals. Management maintains an on-going Risk Register which records each significant risk, alongside an assessment of its likelihood and impact, and the steps the Company is taking to mitigate each risk. The Audit and Risk Committee reviews quarterly updates of the Risk Register.

The Company also undertakes stress and scenario testing to evaluate the likely effect on the Company of certain adverse events. This informs the Board's strategic decision making.

2.2 Insurance Risks

The principal insurance risk that the Company is exposed to is that the overall claims experience is worse than expected, resulting in actual claims and benefit payments exceeding the carrying amount of the insurance liabilities held.

The Company has an established framework of procedures and measures in place to manage this risk, including:

- Reinsurance is the primary means of mitigating risk, using quota-share with a capped level of loss to limit the Company's exposure, especially to large sums assured.
- All quotations are signed-off by underwriters with appropriate degrees of authority, dependent on experience, to ensure appropriate premiums are charged for each policy.
- The group risk products have short-term pricing guarantees, usually two years, allowing re-pricing in the event of a sustained deterioration of claims experience.

It is common in the Company's group risk business to insure a group of people working at the same location, which increases the risk of multiple claims from a disaster or pandemic. This is a significant risk for the Company and is managed by:

- Focussing on small/medium-sized schemes, to achieve geographical diversity in the insured portfolio;
- Monitoring the geographical spread and concentrations in the portfolio; and
- Incorporating in policy schedules a maximum pay-out per scheme (Event Limit) from claims arising from a catastrophe.

Breakdown of size of membership of UK Group Schemes

	As at 31 December 2019		**As at 31 December 2018**	
Membership up to	Number of schemes	Number of lives	Number of schemes	Number of lives
20	215	1,816	304	2,515
100	380	19,097	506	24,934
200	115	16,793	180	25,371
500	91	26,471	126	37,040
1000	29	20,386	44	31,110
2000	8	11,047	15	19,670
5000	6	19,141	9	26,698
	844	114,751	1,184	167,338

If the Company were to experience an unexpected influx of 20 additional claims of average size from UK group schemes, losses would increase by about £340,000 and the Company's solvency ratio would decrease by approximately 9%.

2.3 Market Risk

Market risk encompasses any adverse movement in the value of assets due to movements in interest rates, credit spreads and foreign exchange rates.

The Company follows an investment strategy approved by the Board and implemented through its Investment Guidelines. The strategy reflects the Company's low appetite for market risk.

The Company holds high-quality bonds. It does not invest in equities or use any hedging vehicles, and its investments are very liquid. The current environment of low interest rates has constrained the yield that can be obtained on the investment portfolio.

Due to holding more US dollar assets than are required to match the liabilities, the Company is exposed to fluctuations in the US dollar exchange rate.

The Company is managing the currency risk in the following ways.

- It holds sufficient assets of a particular currency to match fully the value of liabilities in that currency. Middle Eastern currencies are linked to US dollar, so liabilities in those currencies are matched by US dollar assets.
- The amount of excess US dollar assets it holds is not allowed to exceed £1m, which limits the volatility in the results caused by movements in the USD exchange rate.

Currency matching of net Long Term Business Provision (LTBP)

£'000	US$	GB£	Euro €	Middle East [1]	Other	Total
As at 31 December 2019						
LTBP net of reinsurance	2,038	5,548	6	915	0	8,507
Total assets[2]	2,971	17,803	129	915	3	21,821
As at 31 December 2018						
LTBP net of reinsurance	2,769	3,441	52	1,039	3	7,304
Total assets[2]	4,081	19,744	473	1,039	0	25,337

[1] US dollar assets have been matched to liabilities in Bahraini dinar and other Middle East currencies.

[2] Assets are shown net of non-insurance liabilities.

Assuming that assets in currencies other than GBP that are not backing technical provisions remain at the same level as at 31 December 2019, a 10% rise in those currencies would increase losses after tax by around £96,000 (2018: 200,000). In such a situation, the solvency ratio would decrease by about 2% (2018: 3%).

2.4 Liquidity Risk

The liquidity risk for Omnilife is very low because a significant proportion of its assets are held as cash and short-term deposits, which can generally be liquidated instantly, possibly subject to a loss of interest penalty.

The profile of the Company's contractual financial obligations and estimated cash flows of recognised insurance contract liabilities, which are all non-derivative, is set out below.

Durations to contractual maturities of financial liabilities and estimated cash flows of insurance contract liabilities

	0-1 year	2-5 years	6-10 years	longer
As at 31 December 2019 (£'m)				
Long term business provision	12.2	0.0	0.0	0.3
Claims outstanding	1.3	0.0	0.0	0.0
Creditors arising out of direct insurance operations	1.3	0.0	0.0	0.0
Amounts due to related parties	0.1	0.0	0.0	0.0
	14.9	0.0	0.0	0.3
	98%	0%	0%	2%
As at 31 December 2018 (£'m)				
Long term business provision	11.8	0.2	0.8	0.2
Claims outstanding	2.3	0.0	0.0	0.0
Creditors arising out of direct insurance operations	1.6	0.0	0.0	0.0
Amounts due to related parties	0.1	0.0	0.0	0.0
	15.8	0.2	0.8	0.2
	93%	1%	5%	1%

2.5 Credit Risk

The Company is exposed to the risk of a counter-party defaulting, such as the issuer of a bond that the Company holds, a bank in which it has a deposit or a reinsurer liable for a share of the Company's claims. This risk increases if there is high exposure to a single counter-party.

For investment counter-parties, this risk is managed through the limits specified in the Investment Guidelines.

- The Company only invests in counter-parties with a high quality credit rating.
- The Guidelines specify a limit on the amount held with a single counter-party.

Investments bearing credit risk

	As at 31 December 2019						As at 31 December 2018					
£'000	AAA	AA	A	B	Unrated	**Total**	AAA	AA	A	B	Unrated	**Total**
Bonds	2,628	3,440	7,588			**13,655**	122		4,299			**4,421**
Deposits									16,376			**16,376**
Cash			5,709	83	46	**5,839**			3,461	87	32	**3,580**
	2,628	3,440	13,297	83	46	**19,494**	122		24,136	87	32	**24,377**

Omnilife reinsures about 30% of its gross technical provisions with a highly-rated reinsurer, GenRe. The Company manages the risk of a default on our reinsurance by:

- reinsuring with a highly rated reinsurer with AA+ credit rating, which is considered very strong financially;
- continually monitoring GenRe's financial strength; and
- minimising outstanding balances due from the reinsurer.

2.6 Operational Risk

There is a wide scope to the risks faced by the Company in the day to day running of the business. Omnilife has formally documented policies and procedures for all aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations.

All issues relating to operational risk are reported to the Risk Management Function. Issues will be reported to the Audit & Risk Committee (ARC) either by their respective risk owners - such as a regulatory breach by the Head of Compliance, a data breach by the DPO and a financial error by the CFO or by the Risk Management Function. The ARC monitors the management actions being implemented to address the issues.

Omnilife has a range of qualitative and quantitative Risk Tolerances in respect of operational risk, the status of which is reported to ARC by the Risk Management Function.

2.7 Emerging Risks

After RGA Americas acquired 100% of Omnilife shares, the Company stopped writing new group life business from 1 July 2019, and is focused instead on the acquisition of closed blocks of life insurance, particularly annuities, which will be largely reinsured to companies with the RGA group. The change in strategic focus brings new areas of risk for the business, both during the transition phase and in executing the new strategy. The Company is managing these risks through updating all relevant processes, frameworks and policies to enhance the risk management framework in line with its new business model. A primary focus of the framework is to deliver consistent policyholder service and protection while complying with all regulatory requirements as a firm regulated by both the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

2.8 Capital adequacy

Under the rules prescribed by the PRA, the Company must at all times maintain assets of a value sufficient to cover its liabilities. The Company maintains a strong solvency position and publishes this within its unaudited Solvency and Financial Condition Report.

The Company's capital is represented by the Solvency II own funds, which are available to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) under Solvency II. Solvency II is the Europe-wide prudential regulatory framework that came into force on 1 January 2016.

At 31 December 2019 the Solvency II own funds amount to £13.3 million (2018: £18.0 million), the unaudited solvency capital requirement is £3.9 million (2018: £6.7 million), and the SCR coverage ratio is 337% (2018: 270%).

The Solvency II own funds are comprised of the Shareholders equity fund interest on the Balance sheet. Throughout this financial year the Company's capital remained above the Solvency Capital Requirement.

3. PREMIUMS AND CLAIMS

a) **Written premiums**	**2019** £'000	**2018** £'000
Gross written premiums:		
UK Group Life	15,644	17,008
UK Group Income Protection	279	340
UK Critical Illness	267	222
Overseas Group	458	1,261
Overseas Individual	240	279
Total gross written premiums	**16,888**	**19,110**
Reinsurance		
UK Group Life	9,366	10,137
UK Group Income Protection	153	(195)
UK Critical Illness	158	120
Overseas Group	227	571
Overseas Individual	167	105
Total reinsurance	**10,071**	**10,738**
Total net written premiums	**6,817**	**8,372**

b) **Net claims incurred**	**2019** £'000	**2018** £'000
Gross claims incurred		
UK Group Life	15,858	10,521
UK Group Income Protection	14	61
UK Critical Illness	195	50
Overseas Group	372	148
Overseas Individual	989	185
Total gross claims incurred	**17,429**	**10,965**
Reinsurance		
UK Group Life	12,788	8,253
UK Group Income Protection	13	56
UK Critical Illness	116	-
Overseas Group	203	157
Total reinsurance	**13,120**	**8,466**
Total net claims incurred	**4,309**	**2,499**

4. INVESTMENT RETURN

	2019 £'000	**2018** £'000
Technical account:		
Investment Income – Investments measured at fair value through profit or loss	339	233
Unrealised loss – Investments measured at fair value through profit or loss	(68)	(49)
Investment Income – Investments measured at cost less impairment	16	24
	287	**208**
Non-technical account:		
Investment Income – Investments measured at fair value through profit or loss	3	10
Total Investment Return	**290**	**218**

5. NET OPERATING EXPENSES

	2019 £'000	2018 £'000
Technical account:		
Acquisition costs	2,460	2,138
Administrative expenses	3,209	3,268
Net operating expenses	**5,669**	**5,406**
Non-technical account:		
Depreciation	28	29
Amortisation	63	9
Other expenses	1,574	369
Total expenses	**7,334**	**5,813**

The total commission accounted for during the year in respect of direct insurance was £1,155,128 (2018: £1,313,972).

Net operating expenses include the following:

	2019 £'000	2018 £'000
Directors' emoluments (note 7)	657	549
Auditors remuneration:		
- Audit of the financial statements	108	84
- Audit fees relating to prior year	2	-
- Audit fees for mid-year review	-	8
Internal audit remuneration	46	41
Operating lease payments	532	511

Other expenses comprise:

	2019 £'000	2018 £'000
Impairment of tangible and intangibles assets (note 9 and note 10)	454	-
Professional fees	150	160
Professional fees (restructuring)	706	35
Other smaller amounts	264	174
	1574	369

6. EMPLOYEE INFORMATION

The average number of persons (including executive Directors) employed by the company during the year was:

	2019 Number	2018 Number
Business Development	5	7
Underwriting	5	6
Finance and Actuarial	8	6
Administration & other central functions	12	12
	30	**31**

The related staff costs of these persons were:

	2019 £'000	2018 £'000
Wages & Salaries	1,789	1,617
Social Security	251	251
Pensions	105	94
Benefits, Bonuses, Other costs	357	596
	2,502	**2,558**

7. DIRECTORS' EMOLUMENTS

	2019 £'000	2018 £'000
Aggregate emoluments	657	549
	653	**549**

The emoluments of the highest paid Director were £560,000 (2018: £384,000). The Company made payments to the pension scheme of one Director which amounted to £10,000 (2018: £15,000). No Director has any options in shares of the Company or any other group company at 31 December 2019. During the year the Company paid no loss of office compensation (2018: Nil). Executive Directors are considered to be key management personnel.

Two group appointed Directors are remunerated by other Group Companies with no part of their remuneration allocated to the Company, as such no disclosure of their remuneration has been made in these financial statements.

8. TAXATION

	2019 £'000	2018 £'000
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	(1,013)	33
Adjustments in respect of prior years	-	1
Current tax charge	(1,013)	34
Deferred Tax:		
The origination of timing differences	(76)	11
Tax (credit)/charge on profit on ordinary activities	**(1,089)**	**45**
The tax (credit)/charge arises from:		
Long term business technical account	(782)	118
The non-technical account	(307)	(73)
	(1,089)	**45**
b) Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	(5,789)	174
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2018 at 19.0%)	(1,100)	33
Expenses not deductible for tax purposes	2	6
Other timing differences	9	5
Adjustments in respect of prior years	-	1
Current tax (credit)/charge	**(1,089)**	**45**

c) Deferred tax liability

The deferred tax liability included in the balance sheet is £12,750 (2018: £88,860). This arises due to a transitional adjustment relating to the impact to the technical provisions of implementing Solvency II. The movement of the liability in the current year is reconciled below.

	£'000
At 1 January 2019	(89)
Deferred tax charge in current year	76
At 31 December 2019	**(13)**

d) Tax Asset

The Company holds an asset of £1,012,428 (2018: nil) on the balance sheet for tax losses incurred during the year. These can be utilised to reduce taxable profits arising in future years or against taxable profits arising in another UK company in the same tax group. There is no expiry date for utilising these losses.

9. TANGIBLE ASSETS

	Leasehold improvements £'000	Office furniture and equipment £'000	Computers £'000	**Total £'000**
Cost:				
At 1 January 2019	107	118	391	**616**
Additions	52	3	-	**55**
Impairments*	(159)	(121)	(391)	**(671)**
At 31 December 2019	-	-	-	-
Depreciation / amortisation:				
At 1 January 2019	54	110	363	**527**
Charge for the year	14	4	10	**28**
Impairments*	(68)	(114)	(373)	**(555)**
At 31 December 2019	-	-	-	-
Net book value:				
At 31 December 2019	-	-	-	-
At 31 December 2018	53	8	28	**89**

* In October 2019, management reviewed the recoverable amounts of the tangible assets and assessed them to be nil, as a result of the decision to exit the Group Risk market. The assets were fully impaired at this date.

10. INTANGIBLE ASSETS

	Intangible assets £'000	**Total** **£'000**
Cost:		
At 1 January 2019	357	**357**
Additions	62	**62**
Impairments*	(419)	**(419)**
At 31 December 2019	-	-
Depreciation / amortisation:		
At 1 January 2019	9	**9**
Charge for the year	63	**63**
Impairments*	(72)	**(72)**
At 31 December 2019	-	-
Net book value:		
At 31 December 2019	-	-
At 31 December 2018	348	**348**

* In October 2019, management reviewed the recoverable amounts of the intangible assets and assessed them to be nil, as a result of the decision to exit the Group Risk market. The assets were fully impaired at this date.

11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £'000	**2018** £'000
Debtors arising out of direct insurance operations		
Premium debtors over 90 days old	1,831	2,473
Premium debtors under 90 days old	909	868
	2,740	**3,341**

Debtors arising out of direct insurance operations relate to premiums due from policy holders, analysed as premium debtors that are past due for less than 90 days and premium debtors that are past due for more than 90 days. Debtors over 90 days old are followed up with the intermediaries and management review these balances on a monthly basis for indications of impairment. At 31 December 2019 the provision for bad and doubtful debts is £143,643 (2018: £13,862).

12. ACCRUALS AND PROVISIONS

	2019 £'000	**2018** £'000
Accruals and provisions		
Accruals	1,105	721
Provisions	822	201
	1,927	**922**

13. AMOUNTS DUE FROM / (TO) RELATED PARTIES

	2019 £'000	2018 £'000
Amounts due from related parties		
Arising from direct insurance operations		
Mediterranean and Gulf Insurance and Reinsurance	-	772
Addison Bradley & Co Ltd	-	0
	-	772
Arising from other operations		
Addison Bradley & Co Ltd	-	15
RGA	0	-
Total due from related parties	0	787
Amounts due (to) related parties		
Arising from other operations		
Mediterranean and Gulf Insurance and Reinsurance - Lebanon	-	(146)
RGA	(133)	-
Total due (to) related parties	(133)	(146)
Net due from / (to) related parties		
Mediterranean and Gulf Insurance and Reinsurance	-	626
Addison Bradley & Co Ltd	-	15
RGA	(133)	-
	(133)	**641**

Until 01 February 2019, the Company was controlled by Mediterranean and Gulf Insurance & Reinsurance B.S.C. (c) ("Medgulf"). Medgulf and all of its subsidiaries were related parties to Omnilife until this date. On 01 February 2019, 100% of the Company's shares were acquired by RGA Americas Reinsurance Company Ltd, a subsidiary of Reinsurance Group of America Incorporated ("RGA"). RGA and all subsidiaries became related parties to Omnilife.

The terms of all outstanding balances with related parties are market-standard and on an arms-length basis. Transactions with related parties and subsidiary during 2019 are detailed as follows:

	RGA £'000	AB & Co £'000	Medgulf £'000	Total £'000
Opening Balance	-	15	626	641
Transactions before acquisition by RGA:				
Expenses borne on behalf of related parties	-	0	-	0
Amounts settled with related parties	-	-	(716)	(716)
Balance at 31.01.2019	-	15	(90)	(75)
Transactions after acquisition by RGA:				
Expenses borne on behalf of related parties	(142)	-	-	(142)
Premiums due from related parties	-	0	313	313
Reinsurance due to related parties	(133)	-	-	(133)
Amounts settled with related parties	81	(15)	(86)	(20)
Commission & other expenses payable to related parties	61	-	-	61
Foreign Exchange	-	-	(4)	(4)
Closing Balance at 31.12.2019	(133)	0	133	1
Reclassification to non-related party	-	(0)	(133)	(133)
Closing Balance	**(133)**	-	-	**(133)**

Addison Bradley & Co Ltd is incorporated in the United Kingdom and is a 100% insurance broking subsidiary of Medgulf. On 1st February 2019, an amount of £63,063 from Addison Bradley & Co Ltd was waived and written off.

14. FINANCIAL INVESTMENTS

		2019 Market value £'000	2019 Cost £'000	2018 Market value £'000	2018 Cost £'000
Policy and Other Loans					
-Policy loans		163	163	500	500
-Other loans		10	10	31	31
Total measured at cost less impairment		**173**	**173**	**531**	**531**
Corporate Bonds/Listed					
-World Bank	Level 2	115	102	122	102
-STE Generale	Level 3	4,195	4,293	4,299	4,293
-BNG Bank NV	Level 2	1,002	1,000		
-Kreditanstalt Fuer WI	Level 2	1,510	1,500		
-Muenchener Rueckv	Level 2	1,121	1,000		
-DBS Group Holdings Ltd	Level 2	765	754		
-Metropolitan Life Insurance	Level 2	1,179	1,132		
-Svenska Handelsbanken	Level 2	759	755		
-Motability Operations	Level 2	1,507	1,500		
-Euroclear Bank SA	Level 2	1,503	1,500		
Total measured at fair/value through profit or loss		**13,656**	**13,536**	**4,421**	**4,395**
Total Financial Investments		**13,829**	**13,709**	**4,952**	**4,926**

Level 2 bonds are traded in non-active markets and the values are derived from the quoted price, using market data obtained from external independent sources. Level 3 bonds are not frequently traded and the values are based on quotes from individual brokers. The Policy and Other loans are not traded and are recognised at cost less impairment.

The market value and cost for policyholder payables is £1,324,566 (2018: £1,594,283 million) and the market value and cost for intercompany payables is £132,630 (2018: £145,630).

15. SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised:		
13,833,910 Ordinary shares of £1 each	13,834	13,834
Allotted and fully paid:		
13,833,910 Ordinary shares of £1 each	13,834	13,834
	13,834	13,834

16. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000
At 1st January 2019	13,834	1,058	3,123
Profit/(loss) for the year	-	-	(4,701)
At 31st December 2019	13,834	1,058	(1,578)

17. ASSETS IN THE LONG TERM BUSINESS FUND

At 31 December 2019, the total amount of assets representing the long-term fund is £12,463,000 (2018: £12,962,000).

18. RECONCILIATION OF BALANCES OF PORTFOLIO INVESTMENTS TO AMOUNTS SHOWN IN THE BALANCE SHEET

	01/01/2018	Cash movement	Unrealised loss	01/01/2019	Cash movement	Unrealised loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank	18,899	1,057	-	19,956	(14,117)	-	5,839
Financial Investments	4,881	120	(49)	4,952	8,945	(68)	13,829
	23,780	**1,177**	**(49)**	**24,908**	**(5,172)**	**(68)**	**19,668**

19. OTHER FINANCIAL COMMITMENTS

At 31 December 2019 the Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2019	**2018**
	£'000	£'000
Less than one year	342	323
Expiring between one to five years	1,312	1,292
Expiring after five years	-	269
	1,654	**1,884**

20. MOVEMENT IN TECHNICAL PROVISONS

	2019	**2018**
	£'000	£'000
Technical Provisions at 01 January	12,962	11,390
Change in technical provisions (excluding foreign exchange)	(340)	1,336
Foreign exchange (gain) / loss on technical provisions (Note 21)	(159)	236
Technical Provisions at 31 December	**12,463**	**12,962**

21. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2019	**2018**
	£'000	£'000
Technical account		
Foreign exchange (loss) / gain on assets	(218)	243
Foreign exchange gain / (loss)on technical provisions	159	(236)
Total gain / (loss)	(59)	7
Non-technical account		
Foreign exchange (loss) on assets	(1)	(20)
Total loss	(1)	(20)
Net foreign exchange loss	**(60)**	**(13)**

22 TECHNICAL PROVISIONS

The principal assumptions underlying the calculation of the long term business provision are as follows:

Class of business	Mortality / Disability termination		Interest rate % pa		Lapses p.a.	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Term assurances	100% TXC00 ult	100% TXC00 ult	Risk-free	Risk-free	5%	5%
PHI Claims in payment - UK	100% CMIR-12	100% CMIR-12	Risk-free	Risk-free	-	-
PHI Claims in payment – Overseas	85% CMIR-12	85% CMIR-12	Risk-free	Risk-free	-	-
Deterministic guaranteed maturity reserve on Investment contracts	N/A	N/A	Risk-free	Risk-free	5%	5%

For term assurance business the most significant assumption is the mortality basis and for PHI claims in payment it is the termination rates of the claims. These assumptions are best estimates. Because all claims are typically settled within 12 months of receipt, the claims development triangle has not been presented.

The risk-free interest rates at the valuation date come from the risk-free yield curve for each currency published by EIOPA.

For group assurance business the reserves for the unexpired portion of the risk premium and expense margin (excluding commission) allow them to emerge evenly over a policy year. Reserves in respect of 'incurred but not reported' ("IBNR") claims are calculated as number of months of risk premium.

Incurred but not reported	IBNR Period in months	
	2019	**2018**
UK group business	At least 1.5 months	At least 1.5 months
Overseas life business	2.5 months	2.5 months
Overseas PHI business	5 months	5 months

Under the Solvency II regime, introduced on 1 January 2016, the assumptions are best estimates and do not contain margins for prudency.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For group business, increasing the IBNR period in the table above by 20% would result in an increase in net reserves of around £64,000. Increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £335,000.

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2018 to 31 December 2019 are set out in the table below.

Long Term Business Provisions	£'000	Gross	Reins	Net
At 31 December 2018		12,962	5,657	7,305
Change in group risk		(2,441)	(1,757)	(684)
Change in individual incl term assurance		(929)	56	(985)
Change in expense reserve		3,098	-	3,098
Change in risk margin		(227)	-	(227)
At 31 December 2019		12,463	3,956	8,507

23. CONTROLLING PARTY

Throughout 2018 and up until 31 January 2019, the immediate and ultimate controlling party of the Company was Mediterranean and Gulf Insurance & Reinsurance B.S.C. (c) ("the Parent company") a company incorporated and registered in the Kingdom of Bahrain as a Bahraini Shareholding Company (Closed) and registered under commercial registration number 34029. The group consolidated financial statements can be obtained from the registered office of the parent company which is:

Building 519, Road 1010, Sanabis, P.O. Box 1109, Manama, Kingdom of Bahrain.

From 01 February 2019 and at the accounting reference point, the immediate controlling party became RGA Americas Reinsurance Company Ltd, a company incorporated in Bermuda. The immediate parent's financial statements can be obtained from the registered office of the company which is:

Power House, 7 Par-la-Ville Road, Hamilton, Bermuda HM11.

Also on 01 February, the ultimate controlling party became Reinsurance Group of America Incorporated, a company incorporated in the State of Missouri. The group consolidated financial statements can be obtained from the registered office of the ultimate parent company which is:

16600 Swingley Ridge Road, Chesterfield, Missouri 63017-1706.