Omnilife

Omnilife Insurance Company Limited
Annual Report and Accounts

Year ended 31 December 2020

Registered Number 2294080

Contents

CHAIRMAN'S STATEMENT

I am pleased to introduce Omnilife's Annual Report & Accounts for 2020, a year in which we largely completed our transition from writing group risk business to becoming an acquirer of closed books of annuity business.

Our first annuity transaction occurred on 31 December 2020. It involved the transfer of a £550m closed annuity book from the UK branch of Assicurazioni Generali S.p.A. To carry out this transaction we received significant financial support from our parent, the RGA Group. The support comprised a £140m capital injection plus the provision of ongoing reinsurance cover. Immediately following the transaction, our year end solvency ratio stood at 251% (2019 337%) of the statutory minimum.

The orderly run-off of group risk and other closed business continued to progress well; liabilities before reinsurance are now less than £4m (2019 £14m).

Our post tax operating loss was £21m (2019 £5m) reflecting the start-up costs of the new closed book business and the winding down of the existing business.

As with many businesses, the past year proved to be operationally challenging for Omnilife as the effects of the Covid-19 pandemic became clear and new working arrangements had to be implemented quickly. The team successfully navigated these unforeseen circumstances and continued to prepare for the transfer of the first closed annuity book. The pandemic did not have a material impact on group risk claims experience. Overall, it highlighted the benefits of being part of a strong and diverse group with the infrastructure required to operate in the current environment. My thanks go to the whole team for all they achieved in 2020, despite working from home for much of the year.

The change in business strategy has required a much greater focus on risk management and governance. In addition to changes at executive level, we also added an additional non-executive director to the Board.

We were sorry to see Michelle Cracknell leave on 30 April on taking up another appointment after five years on the Board. In early July, Paul Whitlock and Mark Laidlaw joined the Board, bringing us the benefit of their extensive risk and actuarial experience. I should also mention Nick Dumbreck our external Chief Actuary who stepped down in July after advising Omnilife for over 20 years.

In partnership with RGA, we have already announced our next potential annuity book acquisition which is expected to complete towards the end of 2022. With the changes we have now put in place I am confident we can look forward to an exciting future as a trusted player within the closed book market.

Jim Jack

Chairman

STRATEGIC REPORT

The Strategic report on pages 4 to 11 contains information about Omnilife, our strategy, our 2020 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 1 April 2021 and signed on its behalf by Jonathan Plumtree, CEO and Jim Jack, Chair.

Strategy

The Company's strategic objective is to become a consolidator of closed UK life insurance blocks. This represents a major change in direction for the Company, following its acquisition by RGA in 2019 and subsequent strategic review, which also resulted in its decision to withdraw from the UK group risk market through a managed run-off and renewal rights agreement.

Under this new strategy, Omnilife intends to leverage the relationships, experience and expertise of RGA to actively pursue block acquisition opportunities in the UK market, generating sustainable profitability, whilst delivering excellent customer service for incoming policyholders. 2020 has therefore been a year of transformation as the Company successfully set itself up to pursue this strategy, as well as gaining regulatory approval to proceed with its first closed book transfer, which was successfully completed on 31 December 2020.

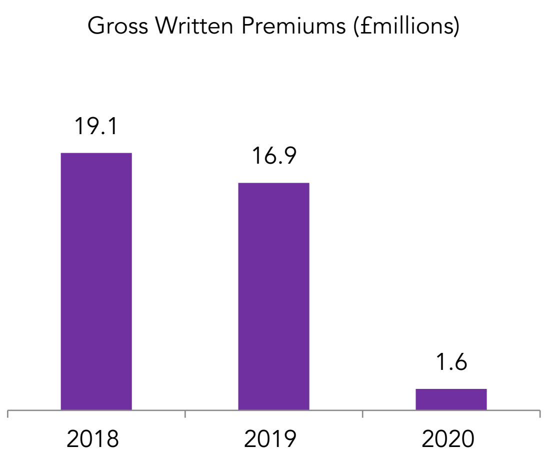
The market remains buoyant for block acquisition and consolidation, driven by changes in regulation, customer behaviour and structural changes, with an estimated £380 billion of assets held in closed life funds. There are also further opportunities emerging due to annuities vesting from with-profits business and pension scheme de-risking, and so the Company maintains its firm belief in pursuing this strategy.

Business performance

The financial results for the year are set out on pages 27 to 30.

On 31 December 2020 the Company completed its first transfer of a closed block of annuities from Generali which followed a previous reinsurance agreement between Generali and RGA International Reinsurance Company dac – UK Branch (RGAI UK Branch). On completion of the transfer the reinsurance arrangements were restructured to meet the Company's requirements.

Total gross written premiums decreased to £1.6 million (2019: £16.9 million), reflecting the successful run off of the group life book from the second half of 2019 and throughout 2020. Net written premiums were £(237.7) million (2019: £6.8 million). This negative net written premium was the result of the implementation of new reinsurance arrangements with RGA Americas, RGA Atlantic and Assured Guaranty Re Overseas Ltd (AGRO) to support the new closed block acquisition that completed on 31 December 2020.



Net claims incurred fell by 28% to £3.0 million (2019: £4.3 million) whilst claim notifications were down 65% to 60 (2019: 174). The fall in notifications reflects that the business is in run off. As the group risk business reduced in size the Company experienced some volatility in terms of claims incurred, with higher numbers in the first half of the year decreasing to zero claims in the final quarter.

The long-term business provisions, net of reinsurance, decreased by £235.8 million (2019: £1.4 million) due to the reinsurance provision on the new annuity business. Excluding this item, the long-term business provisions reduced by £5.9m reflecting the run-off of the group risk business.

The Loss ratio of 191%, (Gross claims incurred plus the gross change in other technical provisions divided by gross written premiums) has increased 90% compared to the prior year (2019 loss ratio: 101%). This is due to a combination of lower premiums, and adverse claims experience, offset by the reduction in technical provisions.

Group Risk Loss Ratio (£m)	2020	2019
Gross written premiums	1.6	16.9
Gross claims incurred	(7.2)	(17.4)
Gross change in other technical provisions	4.1	0.3
Loss Ratio (%)	191%	101%

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 2020 the underwriting result decreased to £ (0.9) million (2019: £0.0 million). The decrease was due to lower premiums and adverse claims experience.

Group Risk Underwriting Result (£m)	2020	2019
Net earned premiums	0.8	6.8
Net claims incurred	(3.0)	(4.3)
Net change in other technical provisions	1.6	(1.4)
Commission expenses	(0.3)	(1.2)
Underwriting result	(0.9)	0.0

Total expenses have reduced by 38% to £4.6 million (2019: £7.3 million). A reduction in commissions payable to brokers and lower staff costs as the Company transitioned to its new strategy was partly offset by costs related to implementing the new strategy.

Total Expenses (£'m)	2020	2019
Technical Account	3.9	4.4
Commission	0.3	1.2
Non-technical Account	0.4	1.7
Total	4.6	7.3

The 2019 non-technical account expenses included restructuring expenses and the write-off of fixed assets that supported the UK group risk business.

The 2020 loss after tax of £21.0 million (2019: £4.7 million loss) was generated as a result of adverse claims experience on the group life business and an initial loss on the transfer of the new annuity portfolio due to the costs of establishing the new reinsurance arrangements and the setting up of the expense reserves.

As part of the restructuring of the reinsurance arrangements the interim reinsurance agreement with RGAI UK Branch was cancelled. There was a shortfall of £47.9m between the assets received from RGAI UK Branch and the Solvency II liabilities transferred to Omnilife. As this cancellation was with a linked company the shortfall was taken directly to retained earnings. Further details of the impact of the transfer and the restructuring of the reinsurance arrangements on the Company's income statement and balance sheet are shown in Note 23 of the financial statements.

The Company's financial position remained strong following a £139.6 million capital injection in December 2020 to support the Company's new strategy. Shareholders' funds increased 532% to £84.1 million (2019: £13.3 million); this represents 251% (2019: 337%) coverage of the minimum solvency capital requirement.

Key Performance Indicators

Management uses 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 and is developed as necessary to support ongoing changes to the business. A summarised balanced scorecard at 31 December 2020 is shown below.

Financial (£m)	2020	2019	Customers and growth	2020	2019
Gross written premium	1.6	16.9	Group life policy numbers	67	844
Expenses	4.6	7.3	Annuity policy numbers	5,303	-
Loss after tax	(21.0)	(4.7)	New deal pipeline	1	1
Solvency (%)	251%	337%			
Organisation & development	**2020**	**2019**	**Operating excellence**	**2020**	**2019**
Headcount (dedicated FTEs)	9[1]	15	Service delivery	100%	86%
Project status	On track	-	Complaints	5	5
% premium switch to L&G	80%	82%	Breaches	5	5
			Premium debt	£1.6m	£2.3m

[1] This includes associates employed by RGA UK Services who are dedicated resources of Omnilife.

Financial – Financial metrics are largely adverse to 2019 due to a combination of the legacy business run-off (including claims experience) and significant one-off items related to onboarding the new annuity portfolio at the end of the year. The solvency ratio has reduced but remains significantly higher than the Company's solvency risk appetite target.

Customers & Growth – 2020 has been a year of transformation as the Company successfully achieved regulatory approval to proceed with its first closed book transfer – which successfully completed on 31 December 2020. This transfer of annuity business from Assicurazioni Generali S.p.A. (Generali) saw around 5,000 new customers join Omnilife. At the end of 2020, there were less than 70 Group Risk schemes remaining from our previous business, and our managed run-off of this business is progressing well.

Organisation & Development – The Company's operating model transitioned in 2020, as we implemented our new Target Operating Model (TOM) to support the onboarding of Generali's annuity portfolio, as well as set ourselves up to be able to successfully onboard and manage future closed books. The implementation of our TOM, and operational readiness activities to support the portfolio transfer were major transition projects, which were successfully completed, demonstrating the Company's ability to conduct these types of activity to support future strategic portfolio acquisitions.

Operating Excellence – The Company remains committed to high quality service to its customers and monitors the effectiveness of its communications with its customers through service delivery KPIs. These service delivery KPIs cover our handling of client enquiries within satisfactory timescales and quality. The significant focus of the transition project in 2020, was to ensure a safe and consistent financial structure, operating model and governance framework, which places the fair treatment of customers and customer service at its heart. With the benefit of RGA's client focus and service expertise, and with the oversight of Omnilife's Board and Management team, we will ensure that this continues. Premium debt is the amount of money still owed by our customers for our insurance products. Management monitors the age and size of the debt, alongside any cover obligations, to indicate concerns regarding the operational effectiveness of the administration function.

Principal risks & uncertainties

During 2020, the Company's principal business focus was to progress its exit from the UK group risk market, while preparing to accept the transfer of a portfolio of annuity policies from Generali.

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

- Reinsurance – we use highly rated reinsurance providers to share our insurance and investment risks. The new longevity business is reinsured with RGA Americas, the Company's immediate parent, RGA Atlantic, a fellow subsidiary, and Assured Guaranty Re Overseas Ltd (AGRO), a Bermuda domiciled company. The remaining group risk business is largely reinsured through the UK Branch of RGA International Reinsurance Company dac. RGA Americas and RGA International are rated AA- (Stable) by S&P, RGA Atlantic is rated A+ (Superior) by AM Best and AGRO is rated AA (Stable) by S&P. We will only use highly rated reinsurers 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 diversified portfolio of mainly high quality bonds. The Company monitors liquidity risk, to ensure it can meet its obligations when due, by forecasting and manging cashflow and by liquidity stress testing. The investment risk on the longevity business is limited to the retained portfolio as the related reinsurance arrangements transfer both longevity and investment risks;

- Operating model – The change in strategic focus has brought new areas of risk for the business, both during the transition phase and in executing the new strategy. The Company is managing these risks with new operational processes, governance, frameworks and policies to enhance the risk management system 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'); and

- Insurance (UK group risk run-off) – we have an established framework of procedures and controls to manage this within the risk appetite set by the Board. The run-off is operating well.

Climate change

Omnilife does not consider climate change to be a principal risk in the short term. The Company maintains a plan, prepared in accordance with the regulator's policy statement PS11/19 and Supervisory Statement SS3/19, for managing the financial risks relating to climate change. The Chief Risk Officer is responsible for ensuring climate-related risks are identified, measured, monitored and managed through the Company's risk management framework and in line with its risk appetite. The Audit and Risk Committee oversees the management of the climate-related risks and opportunities.

Brexit

Omnilife prepared for the United Kingdom's exit from the European Union (EU) on 31st January 2020 and the subsequent transition period ending on 31st December 2020. There was no operational disruption or significant financial impact for the Company from Brexit due to very few policyholders being resident in the European Union. This includes a small number of EU resident policyholders transferred as part of the annuity portfolio transferred from Generali on 31st December 2020.

The Company proactively communicated its approach to the UK exit from the EU with regulators, affected customers and suppliers and expects the business to continue as usual beyond the end of the Brexit transition period.

Covid-19

The Covid-19 pandemic has caused significant disruption and financial strain throughout the world. When the pandemic struck in 2020 Omnilife swiftly implemented its business continuity plans and, with the help of its 3rd party providers, successfully managed the operational challenges of having staff work from home for a prolonged period. Appropriate changes were also made to manage the impact of Covid-19 on policyholders.

The continued run-off of the Company's group life business has naturally limited its exposure to the financial impacts of the pandemic, resulting in two Covid-19 related claims from group life policies. The newly acquired closed block of annuities does not impact on mortality risk exposure for the Company, including in relation to Covid-19.

As the vaccine rollout in the UK continues and restrictions start to ease the Company expects to see a return to a more normal operational and risk environment.

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 key stakeholders being most impacted by our business and at the same time being 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 their annuities or insurance 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.
Third party administrators Our third-party administration partners are fundamental in delivering our new strategy	Our operating model is to use experienced third-party administrators with an excellent track record to support the core team in meeting our service objectives	We engage on a daily basis with our third-party administrators to ensure both they and our annuitants receive the value and service they expect
Employees Our employees drive our business, embody our culture and provide excellent service to our other stakeholders	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 and various employee wellbeing groups
Regulators Omnilife is regulated by both the PRA and the FCA who set the standards 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 sole shareholder throughout 2020 was RGA	Our sole shareholder provides the capital which sustains our business and the RGA group is also the key outsourced service provider to Omnilife.	There are three 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 policyholders and other stakeholders.

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

In 2020 Omnilife had increased engagement with the PRA as it prepared to accept the new book of annuity business from Generali. The Company shared planned enhancements to the governance structure, recovery and resolution plan, reinsurance strategy and operating model and incorporated feedback received from the PRA to successfully achieve regulatory approval for the Generali portfolio transfer.

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

2020 has been a challenging but, ultimately, successful year as we transitioned to our new strategy. The Company's orderly exit from the group risk market continued at pace whilst it was seeking and achieving regulatory approval to complete its first closed block acquisition, and during the same period developing and implementing its new operating model to support the new strategic opportunities.

With strong shareholder support the Company increased its share capital to facilitate its first closed block acquisition in December 2020, executed in line with the Company's risk appetite.

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 the transfer of a second, significantly smaller block of Generali business. Following the announcement on 4 February 2021 of RGA's proposed acquisition of Hodge Life Assurance Ltd (HLAC), the Company is also now preparing for the transfer of the HLAC annuity business, expected to complete in 2022, subject to regulatory and court approvals.

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 continually being enhanced and extended to reflect the changing objectives and risks of the business. Additional monitoring and reporting have been 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
Chief Executive Officer
Date: 8 April 2021

Jim Jack
Chairman

DIRECTORS and ADVISORS

Jim Jack - Chairman

Jim was appointed Chairman 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 was a member of the FRC Case Management Committee until the end of 2020.

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 West Sussex, Brighton & Hove, 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.

Paul Whitlock (appointed 1 July 2020)

Paul joined the Omnilife Board in July 2020 and was appointed Chair of the Audit and Risk Committee in September. Paul is a qualified actuary and has over 35 years' experience in the life insurance industry in both corporate and consulting environments. Latterly, Paul spent 25 years in consulting and leadership positions at Willis Towers Watson, and, at different times, was Chief Actuary to nine UK life companies, including two major writers of annuity business. Earlier in his career, Paul was Finance Director for the UK operations of a Canadian financial services group.

Mark Laidlaw (appointed 1 July 2020)

Mark was appointed to the Omnilife Board in 2020 and is a member of the Audit and Risk Committee. Mark is a qualified actuary with over 30 years' experience in the insurance industry working across life insurance, general insurance, asset management in the UK and internationally. He has held a number of senior positions including Chief Financial Officer, Chief Investment Officer and most recently Corporate Strategy Director at Liverpool Victoria.

Patricia Kavanagh

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

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).

Michelle Cracknell, who was Director for part of the year, resigned on 30 April 2020.

Company Secretary

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

Statutory auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ

CORPORATE GOVERNANCE

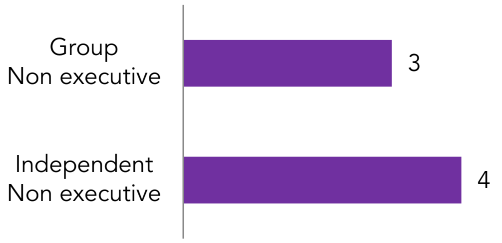
The Omnilife Board

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

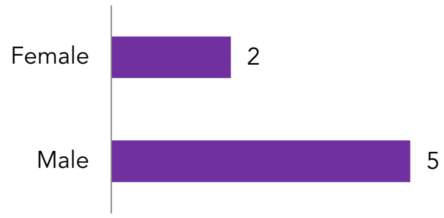
The Board is comprised of the chair, Jim Jack, and the other Company directors, as detailed on pages 12-13. It has an experienced and diverse membership which is effective at governing the Company's insurance business. During 2020 the Board met 11 times.

The Board is supported by 2 sub-committees (2019: 2) which each meet separately and make recommendations to the Board for approval.

Composition of Board*



Board member balance*



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, policyholder security, capital strength, reinsurance arrangements, the internal control framework, internal audit and compliance matters. The Committee reviews, challenges, evaluates and then reports its findings, with recommendations, to the Board.

During 2020, 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 2020, the committee was comprised of the chair, Paul Whitlock, as well as non-executive directors, Hamish Galloway, Patricia Kavanagh, Caroline Instance and Mark Laidlaw. The committee met 9 times during the year.

Nomination and remuneration committee

The Committee assists in ensuring the effectiveness of the board by overseeing the composition and skills of the board and by leading the identification of suitable candidates for election to the board. In addition, the Committee makes recommendations to the Board in terms of the appointment of individuals into regulated senior management functions and oversees the application of the company's remuneration policy within the RGA group context, including the framework for the remuneration of executive directors and others covered by the PRA/FCA Senior Managers and Certification Regime ('SMCR'), in compliance with the Company's obligations under Solvency II.

During 2020 the Nomination and Remuneration Committee oversaw the recruitment of two new independent non-executive directors and completion of changes to the Company's senior management function holders; reviewed Board mix, skills and diversity; oversaw individual director assessments; recommended an appropriate Board training programme for 2021; reviewed Board and senior management succession plans; and maintained its oversight over staff remuneration matters, in the context of the wider RGA group, including periodic assessment against Solvency II requirements.

At 31st December 2020, 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.

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 2020.

Principal activities

The principal activity of the Company during the year under review was the acquisition and administration of closed life insurance business and the administration 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 (2019: £nil).

Directors and Secretary

The Directors and Secretary of the Company at 31 December 2020 are listed on pages 12-13.

Michelle Cracknell resigned as a Director on 30 April 2020. Effective 1 July 2020, Paul Whitlock and Mark Laidlaw were appointed as Directors.

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.

Going Concern

The Company's business activities, strategy and financial position are set out in the Strategic Report on pages 4 to 11. In addition, notes 2.1 to 2.8 to the financial statements includes details of the Company's exposure to certain risks including insurance risk, market risk, liquidity risk, credit risk and operational risk.

The Company has excellent financial resources, has already identified its next closed block acquisition and has considerable support from its parent.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in the preparing the annual financial statements.

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
Chief Executive Officer
Date: 8 April 2021

Jim Jack
Chairman

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 2020 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; and
- the related notes 1 to 25, excluding the capital adequacy disclosures calculated in accordance with the Solvency II regime in note 2.8 which are marked as 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 matters that we identified in the current year were: • Accounting and disclosure for the series of transactions to achieve the business transfer • Valuation of the long term business provision relating to the business transfer Within this report, key audit matters are identified as follows: (!) Newly identified
Materiality	The materiality that we used in the current year was £2.5m which was determined on the basis of 3% of Shareholder's equity at 31 December 2020.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	We have identified a new key audit matter in the year relating to the accounting and disclosure for the series of transactions to achieve the business transfer. The key judgement being the accounting treatment and disclosure of the transactions to which the Company was party. We have removed the key audit matter relating to the valuation of the expense overrun provision within the long term business provision, in response to the conclusions drawn through the procedures performed in the prior year and based on our current year risk assessment. We have however identified a new key audit matter in the year pertaining to the valuation of the long term business provision relating to the business transfer during the year. The valuation of the provision is dependent upon certain of management assumptions, notably judgments around the base mortality and mortality improvements.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating and challenging management's judgement paper, including the operational and financial impact of both COVID-19 and Brexit on the Company, and considering the consistency of business plans with other available information and our understanding of the business;
- evaluating management's stress and scenario testing within the Companies Organisational Risk and Solvency Assessment ("ORSA"). We challenged the governance over, and the production of, solvency monitoring information, and considered its consistency with other available information and our understanding of the business;
- assessing the capital and liquidity position of the Company, including challenge of the capital contribution of £139.6m from its parent Company, and understanding the Company's ability to meet short term obligations highlighting a net asset position of £84.1m, including a cash balance of £19.2m;
- considering the Company's ability to pursue acquisitions, referring to the successful portfolio acquisition from Generali during the year; and
- reviewing the minutes of various governance committee meetings in advance of reporting.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 year 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. Accounting and disclosure for the series of transactions to achieve the business transfer

Key audit matter description	The Company completed the transfer of a closed book of annuity business during the year. This was achieved through a series of transactions with UK branch of Assicurazioni Generali S.p.A.("Generali") and other entities in the Reinsurance Group of America ("RGA") group in order to first reinsure 100% of the business to the RGA International Reinsurance Company dac ("RGAI UK Branch") and then transfer a closed annuity book from the UK branch of Generali to the Company. The business transferred included the reinsurance arrangement with RGAI UK Branch which was cancelled immediately after the transfer and a new reinsurance structure was implemented. The key judgement is how to account for and disclose the transactions to which the Company was party. Management concluded that certain transactions were linked and that it was appropriate to show the shortfall between the assets received and the liabilities transferred as a negative movement in retained earnings. Other parts of the transactions were concluded as not linked and were accounted for as separate transactions. Management has set out the impact of the transactions in note 23, including; the net inflow of assets of £311.3m, the net technical provision of £379.9m, and the negative retained earnings movement of £47.9m.
How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we performed the following procedures: • obtained and assessed the details of contracts between the Company, Generali and other entities in the RGA group; • obtained and reviewed the board papers and regulatory correspondence relating to the transactions; • compared the amounts recorded in the financial statements to those in relevant contracts and the completed flows of cash and investments; and • challenged the appropriateness of management's paper on the accounting treatment of the transaction with reference to relevant accounting standards and assessed the appropriateness of the disclosures in the financial statements.
Key observations	We have determined that the accounting and disclosure for the series of transactions to achieve the business transfer are appropriate.

5.2. Valuation of the long term business provision relating to the business transfer

Key audit matter description	The technical provisions are the most significant liabilities on the Company's balance sheet, totalling £615.0m at 31 December 2020 (2019; £13.8m), with £609.8m relating to the business transfer from Generali. The valuation of these liabilities is dependent on certain of management's judgements on the assumptions, its view of the likely level of future cash flows, and the models used to calculate the liabilities. Further, within the assumption setting process, management apply judgement in segregating the annuitants into cohorts. Based on our initial analysis and risk assessment of the components of the technical provisions, we have pinpointed the key audit matter in the acquired portfolio, to the base mortality and mortality improvement assumptions, including the impact of COVID-19 on such assumptions. We have also deemed there to be a risk of fraud, due to the inherent risk of management overriding internal controls around the setting of assumptions used within the calculation of technical provisions. The accounting policy adopted by the Company is documented within note 1(g) to the financial statements. Further details relating to technical provisions are provided through note 22.
How the scope of our audit responded to the key audit matter	With the involvement of our internal actuarial specialists we have performed the following procedures: • gained an understanding of the internal controls around the technical provisioning process, with specific reference to the determination the base mortality and mortality improvement assumptions; • evaluated the approach used by management to segregate the experience into separate cohorts and set assumptions for these groups. We have performed testing to evaluate whether the historic data used in setting the base mortality assumption is reflective of the behaviours of the cohort through the current period; • replicated the summary calculations used to set the base mortality rates; • performed tests of the data underpinning the assumptions by reconciling to audited sources or source documentation, and testing other data used within the technical provisioning process, such as experience studies, to source documentation; • assessed whether the calculated and approved assumptions relating to base mortality and mortality improvement are accurately reflected within the technical provision model; • challenged management around the adjustments and allowances made to the base mortality, and mortality improvement assumptions. We have done this with reference to the results of experience studies and industry standards, with focus given to the impact of COVID-19 on such assumptions; and • for a sample of policyholders, we benchmarked the life expectations against comparable annuity portfolios.
Key observations	We have determined that the base mortality and mortality improvement assumptions used within the valuation of the long term business provision relating to the transferred business are appropriate.

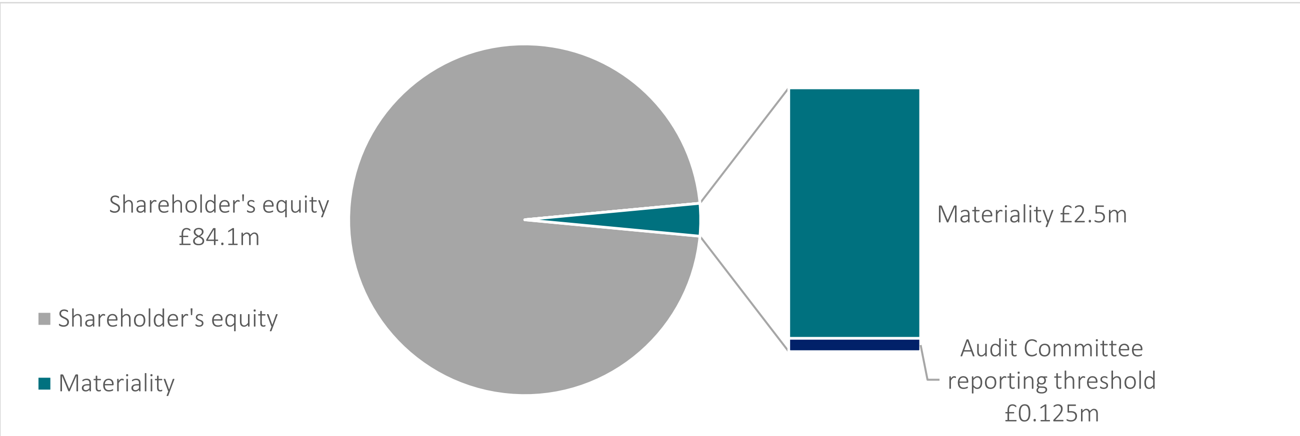
6. Our application of materiality

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	£2.5m (2019: £240k)
Basis for determining materiality	Materiality was determined on 3% of Shareholder's equity (2019: 2% of Shareholder's equity) We have increased our basis to 3% of Shareholder's equity for the current year due to a greater understanding of the entity, and to align with the others in the industry. Whilst we have increased our basis, the increase in materiality is primarily driven by the increase in Shareholder's equity, from £13.3m as at 31 December 2019 to £84.1m at 31 December 2020.
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 the Company, and represents a stable long-term measure of value. This is the case in 2020, as the shareholders equity balance reflects the changes in the business.



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 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £125,000 (2019: £12,000), 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 have not adopted a controls reliance approach, and thus have performed substantive testing to achieve assurance over all material account balances.

8. Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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, internal audit, in-house legal counsel, 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 relevant internal specialists, including actuarial, tax, valuations, and, IT 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 relating to the business transfer. 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 frameworks 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, pensions legislation, and tax legislation; and
- 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 and compliance with the requirements of the Financial Conduct Authority and Prudential Regulatory Authority.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the long term business provision relating to the business transfer 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 in-house 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 regulatory authorities; 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.

14. Other matters which we are required to address

14.1. 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. Our total uninterrupted period of engagement is 2 years, covering the years ending 31 December 2019 to 31 December 2020.

14.2. 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).

15. 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
8 April 2021

Profit and loss account

Technical account - long term business

For the year ended 31 December 2020

		2020		2019	
	Notes	£millions	£millions	£millions	£millions
Earned premiums, net of reinsurance					
Gross premiums written	3	1.6		16.9	
Outward reinsurance premiums	3	(239.3)		(10.1)	
			(237.7)		6.8
Investment return	4		0.4		0.3
Other income			0.3		0.2
Claims incurred, net of reinsurance					
Claims incurred:					
Gross amount	3	(5.8)		(18.3)	
Reinsurers' share	3	4.3		13.8	
		(1.5)		(4.5)	
Change in provision for claims					
Gross amount	3	(1.3)		0.9	
Reinsurers' share	3	(0.2)		(0.7)	
		(1.5)		0.2	
Net claims incurred			(3.0)		(4.3)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	20, 22, 23	(50.8)		0.3	
Reinsurers' share	22, 23	275.2		(1.7)	
	22		224.4		(1.4)
Net operating expenses	5		(4.2)		(5.7)
Other expenses			(0.8)		0.0
Foreign exchange gain/(loss)	21		0.1		0.0
Loss on the technical account before tax			(20.5)		(4.1)
Tax (charge)/credit	8		(0.2)		0.8
Balance on the technical account - Long term business			**(20.7)**		**(3.3)**

All the above amounts are derived from continuing activities.

The notes on pages 31 – 46 form part of these financial statements.

Profit and loss account
Non - technical account
For the year ended 31 December 2020

	Notes	2020 £millions	2019 £millions
Balance on the long-term business technical account		(20.7)	(3.3)
Tax charge/(credit) attributable to technical account		0.2	(0.8)
Investment return	4	0.0	0.0
Other expenses	5	(0.3)	(1.6)
Foreign exchange loss	21	0.0	0.0
Depreciation	5,9	0.0	0.0
Amortisation	5,10	0.0	(0.1)
Loss on ordinary activities before tax		(20.8)	(5.8)
Tax credit on profit on ordinary activities	8	(0.2)	1.1
Loss for the financial year		(21.0)	(4.7)

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2019: Nil)

The notes on pages 31 – 46 form part of these financial statements.

Balance sheet at 31 December 2020

	Notes	2020 £millions	2019 £millions
ASSETS			
Investments:			
Financial investments	14	443.4	13.8
Reinsurers' share of technical provision:			
Long term business provision	22	230.5	4.0
Claims outstanding		0.7	0.9
		231.2	4.9
Debtors:			
Debtors arising out of direct insurance operations	11	1.1	2.7
Debtors arising out of reinsurance operations through related parties	13	0.3	0.0
Debtors arising out of reinsurance operations		2.3	1.9
Amounts due from related parties	13	0.1	0.0
Other debtors		6.4	0.4
Taxation	8	0.0	1.0
		10.2	6.0
Other assets:			
Cash at bank and in hand		19.2	5.8
		19.2	5.8
Total ASSETS		704.0	30.5
LIABILITIES			
Capital and reserves:			
Called up share capital	15,16	20.0	13.8
Share premium	16	134.6	1.1
Profit and loss account	16, 23	(70.5)	(1.6)
Shareholders' funds-equity interest		84.1	13.3
Technical Provisions:			
Long term business provision	20, 22	612.4	12.5
Claims outstanding - gross amount		2.7	1.3
Gross Technical Provisions		615.1	13.8
Creditors:			
Creditors arising out of direct insurance operations		0.7	1.4
Creditors arising out of reinsurance operations		0.0	0.0
Creditors arising out of reinsurance operations through related parties	13	3.3	0.0
Accruals and provisions	12	0.8	1.9
Amounts due to related parties	13	0.0	0.1
		4.8	3.4
Total LIABILITIES		704.0	30.5

The notes on pages 31 – 46 form part of these financial statements.

Approved and authorised for issue by the Board

Jonathan Plumtree
Chief Executive Officer
Date: 8 April 2021

Jim Jack
Chairman

Statement of Changes in Equity
For the year ended 31 December 2020

	Share Capital £millions	Share Premium £millions	Profit and Loss account £millions	Total £millions
As at 1 January 2019	13.8	1.1	3.1	18.0
Comprehensive loss			(4.7)	(4.7)
As at 31 December 2019	13.8	1.1	(1.6)	13.3
New share issuance	6.2	133.5		139.7
Comprehensive loss			(21.0)	(21.0)
Shortfall on cancellation of reinsurance treaty (Note 23)			(47.9)	(47.9)
As at 31 December 2020	20.0	134.6	(70.5)	84.1

All shareholders' funds are attributable to equity shareholders.

The notes on pages 31 – 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 5th Floor, 24 Chiswell Street, London, United Kingdom, EC1Y 4TY. The financial statements were approved for issue by the Board of Directors on 8 April 2021.

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 administering closed books of 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 2023. These projections show that based on the directors' assumptions regarding, inter-alia, new business, longevity experience, mortality and morbidity experience and expense levels, the Company will meet its regulatory capital requirements;
- The balance sheet at 31 December 2020 which demonstrates a strong financial position with shareholders' funds of £84.1 million and a regulatory solvency margin of 251%; and
- The credit rating from S&P Global of A+, reflecting the strategic importance to RGA Group.

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 but include a risk margin.

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

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

h) Claims and annuity benefits

Maturities, PHI claims and annuity benefits 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) 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 and group tax relief 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 loss is 19% (2019: 19%).

On 11 March 2021 the UK Government published the Finance Bill 2021. The Bill is presented to Parliament each year and it enacts the proposals for taxation made by the Chancellor of the Exchequer in the Budget statement and, following approval by Parliament, brings them into law. The Finance Bill 2021 included a change to the corporation tax rate from 19% to 25% for companies with profits in excess of £250,000 and is effective April 2023.

k) 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 considers the judgement made in the preparation of the financial statements for the treatment of the business transfer and subsequent cancellation of a reinsurance agreement and implementation of new reinsurance arrangements to be a critical judgement. Details of the transfer can be found in note 23 of the financial statements.

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:

- For the annuity business, which is the most material insurance risk to the Company, reinsurance is the primary means of mitigating risk, using quota share and stop loss arrangements and the monitoring of actual versus expected longevity experience.
- For the group risk business reinsurance is the primary means of mitigating risk, using quota-share arrangements to limit the Company's exposure, especially to large sums assured.
- The products have short-term pricing guarantees, usually two years, allowing re-pricing in the event of a sustained deterioration of claims experience.

As the group risk business continues to run-off the mortality and catastrophe risks associated with this business have significantly reduced and no longer have a material impact on the Company's solvency ratio. At 31 December 2020 the Company still provided insurance coverage for 67 schemes (2019: 844) with 6,083 lives (2019: 114,751).

If the Company experienced 5% reduction in the best estimate mortality for annuity business mortality it would result in an increase in net reserves of around £4,000,000. For group business, increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £37,000.

2.3 Market Risk

Market risk encompasses any adverse movement in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments due to changes in interest rates, credit spreads and foreign exchange rates.

The Company follows an investment strategy approved by the Board and implemented through its Investment Policy Statement. The Investment Policy Statement details the permitted securities, including limits, minimum credit ratings and maximum concentrations and 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.

The Company manages the risk of credit spread volatility through the use of reinsurance stop loss arrangements and the ongoing review of investment risk and limits. The Company intends to apply for a volatility adjustment that will also provide some mitigation of the exposure to credit spread movements.

If interest rates increase by 1% it would result in a reduction in the Company's own funds by £8.4m, whilst a 1% increase in credit spreads would result in a £16.2m reduction.

The Company's exposure to exchange rate fluctuations has reduced significantly following the acquisition of the closed block annuities. Less than 1% of the Company's assets and liabilities are held in currencies other than sterling. Assuming assets in currencies other than GBP that are not backing technical provisions and remain at existing levels, a 10% rise in those currencies would increase losses before tax by around £122,000 (2019: £122,000).

2.4 Liquidity Risk

Omnilife defines liquidity risk as the risk of loss or inability to realise investments and other assets in order to settle financial obligations when they fall due. Liquidity risks, or changes in the liquidity risk profile, are identified through day-to-day management and monitoring. The methods used to identify liquidity risks are:

- Cash flow forecasting
- Cash flow management
- Liquidity stress testing

Omnilife conducts annual stress tests as part of the ORSA and business planning process to enable the Board to refine the Business Plan, if required, and to ensure that sufficient liquidity is available to meet a number of scenarios.

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 counterparty.

For investment counterparties, this risk is managed through the limits specified in the Investment Policy Statement.

- The Company only invests in counterparties with a high-quality credit rating.
- The guidelines specify a limit on the amount held with a single counterparty.

Investments bearing credit risk

	As at 31 December 2020						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	7.0	44.8	178.6	207.4	5.6	0.0	**443.4**
Cash	0.0	0.0	19.1	0.0	0.0	0.1	**19.2**
	7.0	44.8	197.7	207.4	5.6	0.1	**462.6**
	As at 31 December 2019						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	2.6	3.5	7.7	0.0	0.0	0.0	**13.8**
Cash	0.0	0.0	5.7	0.0	0.0	0.1	**5.8**
	2.6	3.5	13.4	0.0	0.0	0.1	**19.6**

Omnilife reinsures its longevity exposure through a quota share arrangement with RGA Americas, the Company's immediate parent, and through stop loss arrangements with RGA Atlantic, a fellow subsidiary, and AGRO and Bermudan based reinsurer. The Company reinsures its group business with GenRe and a fellow subsidiary, RGA International Reinsurance Company dac.

The Company manages the risk of a default on its reinsurance by:

- Reinsurers are monitored periodically to ensure they meet required financial standards;
- Exposure is limited or additional security provided for un-rated external reinsurers;
- The use of a collateral agreement with an internal counterparty and the provision of a Letter of Credit facility should there be a default;
- There must be full compliance with all of the necessary regulations where applicable. In particular, the company must have recourse to sufficient funds to meet policyholder benefits, and is able to execute on its recovery and resolution plan to support this;
- Limits and other safeguards are in place to control exposure of the Company to loss on any single insured life and to control aggregate exposure to any single reinsurance counterparty; and
- Robust recovery & resolution plans are in place to respond to the unlikely scenario of a reinsurer default.

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

The Company's strategy is the acquisition of closed blocks of life insurance, particularly annuities, which will be largely reinsured to companies with the RGA group. The Company manages the risks associated with new business acquisition by performing appropriate due diligence and updating relevant internal processes, frameworks and policies taking into consideration the impact of any new acquisition. A primary focus of this approach 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 - unaudited

Under the rules prescribed by the PRA, the Company must at all times maintain assets sufficient to meet its liabilities together with sufficient capital to meets its Solvency Capital Requirement (SCR) under the Solvency II regulatory rules. Capital is represented on the Balance Sheet by Shareholders' funds-equity interest, amounting to £84.1 million (2019: £13.3 million). Throughout the year the Company's capital remained substantially above the SCR and at 31 December 2020 represented 251% (2019: 337%) of the SCR.

Further details of the Company's capital position are contained in its annual Solvency and Financial Condition Report (SFCR) which can be accessed on the Omnilife website.

3. PREMIUMS AND CLAIMS

a) Written premiums

	2020 £millions	2019 £millions
Gross written premiums:		
UK Group Life	1.3	15.6
UK Group Income Protection	0.0	0.3
UK Critical Illness	0.1	0.3
Overseas Group	0.1	0.5
Overseas Individual	0.1	0.2
Total gross written premiums	**1.6**	**16.9**
Reinsurance		
Longevity	238.4	0.0
UK Group Life	0.8	9.4
UK Group Income Protection	0.0	0.1
UK Critical Illness	0.0	0.2
Overseas Group	0.0	0.2
Overseas Individual	0.1	0.2
Total reinsurance	**239.3**	**10.1**
Total net written premiums	**(237.7)**	**6.8**

b) Net claims incurred

	2020 £millions	2019 £millions
Gross claims incurred		
UK Group Life	6.8	15.8
UK Critical Illness	0.1	0.2
Overseas Group	0.1	0.4
Overseas Individual	0.1	1.0
Total gross claims incurred	**7.1**	**17.4**
Reinsurance		
UK Group Life	4.0	12.8
UK Critical Illness	0.0	0.1
Overseas Group	0.1	0.2
Total reinsurance	**4.1**	**13.1**
Total net claims incurred	**3.0**	**4.3**

4. INVESTMENT RETURN

	2020 £millions	2019 £millions
Technical account:		
Investment Income – Investments measured at fair value through profit or loss	0.3	0.4
Unrealised gain/(loss) – Investments measured at fair value through profit or loss	0.1	(0.1)
	0.4	**0.3**
Non-technical account:		
Investment Income – Investments measured at fair value through profit or loss	0.0	0.0
Total Investment Return	**0.4**	**0.3**

5. NET OPERATING EXPENSES

	2020 £millions	2019 £millions
Technical account:		
Acquisition costs	0.0	2.5
Administrative expenses	4.2	3.2
Net operating expenses	**4.2**	**5.7**
Non-technical account:		
Amortisation	0.0	0.1
Other expenses	0.3	1.5
Total expenses	**4.5**	**7.3**

The total commission accounted for during the year in respect of direct insurance was £262,148 (2019: £1,266,536).

Net operating expenses include the following:

	2020 £millions	2019 £millions
Directors' emoluments (note 7)	0.5	0.7
Auditors remuneration:		
- Audit of the financial statements	0.2	0.1
- Audit fees relating to prior year	0.1	0.0
Internal audit remuneration	0.0	0.1
Operating lease payments	0.5	0.5

Other expenses comprise:

	2020 £millions	2019 £millions
Impairment of tangible and intangibles assets (note 9 and note 10)	0.0	0.5
Professional fees	0.2	0.1
Professional fees (restructuring)	0.1	0.7
Other smaller amounts	0.1	0.3
	0.4	1.6

6. EMPLOYEE INFORMATION

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

	2020 Number	2019 Number
Business Development	0	5
Underwriting	0	5
Finance and Actuarial	1	8
Administration & other central functions	1	12
	2	**30**

The related staff costs of these persons were:

	2020 £millions	2019 £millions
Wages & Salaries	0.4	1.8
Social Security	0.0	0.2
Pensions	0.0	0.1
Benefits, Bonuses, Other costs	0.0	0.4
	0.4	**2.5**

7. DIRECTORS' EMOLUMENTS

	2020 £millions	2019 £millions
Aggregate emoluments	0.5	0.7
	0.5	**0.7**

The emoluments of the highest paid Director were £383,000 (2019: £560,000). The Company made no payments to the pension scheme of any Director (2019: £10,000). No Director has any options in shares of the Company or any other group company at 31 December 2020. During the year the Company paid no loss of office compensation (2019: Nil).

Three Directors are employed and remunerated by other Group Companies. Only the costs of one of these Directors are recharged to the Company. No disclosure of their remuneration has been made in these financial statements.

8. TAXATION

	2020 £millions	2019 £millions
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	0.0	(1.0)
Adjustments in respect of prior years	0.2	0.0
Current tax charge	0.2	(1.0)
Deferred Tax:		
The origination of timing differences	0.0	(0.1)
Charge/(credit) on loss on ordinary activities	**0.2**	**(1.1)**
The tax credit arises from:		
Long term business technical account	0.2	(0.8)
The non-technical account	0.0	(0.3)
	0.2	**(1.1)**
b) Factors affecting current tax charge for the year		
Loss on ordinary activities before tax	(20.8)	(5.8)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2019 at 19.0%)	(4.0)	(1.1)
Other timing differences	4.0	0.0
Adjustments in respect of prior years	0.2	0.0
Current tax charge/(credit)	**0.2**	**(1.1)**

c) Deferred tax asset

The deferred tax asset included in the balance sheet is nil (2019: £12,750). No credit has been taken for potential group tax relief on losses as reported during the year.

d) Tax Asset

At 31 December 2020 the Company held a tax asset of nil (2019: £1,012,000) in respect of tax losses incurred during the year.

On 11 March 2021 the UK Government published the Finance Bill 2021. The Bill is presented to Parliament each year and it enacts the proposals for taxation made by the Chancellor of the Exchequer in the Budget statement and, following approval by Parliament, brings them into law. The Finance Bill 2021 included a change to the corporation tax rate from 19% to 25% for companies with profits in excess of £250,000 and is effective April 2023.

9. TANGIBLE ASSETS

In 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 and no further asset movements took place in 2020.

10. INTANGIBLE ASSETS

In 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 and no further asset movements took place in 2020.

11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2020 £millions	2019 £millions
Debtors arising out of direct insurance operations		
Premium debtors over 90 days old	0.7	1.8
Premium debtors under 90 days old	0.4	0.9
	1.1	**2.7**

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 2020 the provision for bad and doubtful debts is £121,023 (2019: £143,643).

12. ACCRUALS AND PROVISIONS

	2020 £millions	2019 £millions
Accruals and provisions		
Accruals	0.5	1.1
Provisions	0.3	0.8
	0.8	**1.9**

13. AMOUNTS DUE FROM / (TO) RELATED PARTIES

	2020 £millions	2019 £millions
Amounts due from related parties		
Arising out of reinsurance operations		
RGA Atlantic	0.2	0.0
RGA International UK Branch	0.1	0.0
Total due from related parties	0.3	0.0
Amounts due to related parties		
Arising out of reinsurance operations		
RGA International UK Branch	(0.6)	(0.1)
RGA Americas	(2.7)	0.0
	(3.3)	(0.1)
Arising from other operations		
RGA UK Services Ltd	0.1	0.0
Total due (to) related parties	(2.9)	0.0
Net due from / (to) related parties		
RGA UK Services Ltd	0.1	0.0
RGA International UK Branch	(0.5)	(0.1)
RGA Americas	(2.7)	0.0
RGA Atlantic	0.2	0.0
	(2.9)	**(0.1)**

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 2020 are detailed as follows:

	RGA UK Services £millions	RGAI UK Branch £millions	RGA Atlantic £millions	RGA Americas £millions	Total £millions
Opening Balance	0.0	(0.1)	0.0	0.0	(0.1)
Premiums due (to)/from related parties	0.0	(0.9)	(0.6)	(236.9)	(238.4)
Consideration for transfer due (to)/from related parties	0.0	550.9	0.0	0.0	550.9
Outstanding claims due (to)/from related parties	0.0	0.3	0.0	0.0	0.3
Other due (to)/from related parties	(2.0)	0.0	0.0	0.0	(2.0)
Amounts settled with related parties	2.1	(550.7)	0.8	234.2	(313.6)
Closing Balance	**0.1**	**(0.5)**	**0.2**	**(2.7)**	**(2.9)**

On 6 April 2020, following direction from RGA Americas, Omnilife entered into a Deed Poll which released the directors of the Company of any liability, if and to the extent the recapture of the reinsurance arrangement with RGAI UK Branch is held to have constituted an unlawful distribution.

14. FINANCIAL INVESTMENTS

	2020 Market value £millions	2020 Cost £millions	2019 Market value £millions	2019 Cost £millions
Policy and Other Loans				
Policy loans	0.1	0.1	0.2	0.2
Total measured at cost less impairment	**0.1**	**0.1**	**0.2**	**0.2**
Corporate Bonds/Listed				
Bonds Backed by Non-US Government	1.5	1.5	1.5	1.5
Global Corporate	325.0	325.0	8.0	8.0
Global Government Agencies	16.4	16.4	1.0	1.0
Hybrids	15.3	15.3	1.0	1.0
Supranationals	4.4	4.4	0.9	0.9
UK Government Bonds	17.7	17.6	0.0	0.0
US Corporates	63.0	63.0	1.2	1.1
Total measured at fair value through profit or loss	**443.3**	**443.2**	**13.6**	**13.5**
Total Financial Investments	**443.4**	**443.3**	**13.8**	**13.7**

15. SHARE CAPITAL

	2020 £millions	2019 £millions
Authorised:		
20,000,000 (2019: 13,833,910) Ordinary shares of £1 each	20.0	13.8
Allotted and fully paid:		
20,000,000 (2019: 13,833,910) Ordinary shares of £1 each	20.0	13.8
	20.0	**13.8**

On 26 November 2020 the Board approved a resolution to increase the authorised share capital of the Company by 6,166,090 ordinary shares of £1 each. The Company received a premium of £21.64 on each new share issued.

16. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £millions	Share Premium £millions	Profit & Loss Account £millions
At 1st January 2020	13.8	1.1	(1.6)
New share issuance	6.2	133.5	0.0
Shortfall on cancellation of reinsurance treaty	0.0	0.0	(47.9)
Loss for the year	0.0	0.0	(21.0)
At 31st December 2020	20.0	134.6	(70.5)

17. ASSETS IN THE LONG-TERM BUSINESS FUND

At 31 December 2020, the total amount of assets representing the long-term fund is £612,371,000 (2019: £12,463,000).

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

	Closing Balance 2018	Cash movement	Unrealised gain/(loss)	Closing Balance 2019	Cash movement	Unrealised gain	Closing Balance 2020
	£millions	£millions	£millions	£millions	£millions	£millions	£millions
Cash at bank	20.0	(14.1)	0.0	5.8	13.3	0.0	19.2
Financial Investments	5.0	8.8	0.0	13.8	429.5	0.1	443.4
	25.0	**(5.3)**	**0.0**	**19.7**	**442.8**	**0.1**	**462.6**

19. OTHER FINANCIAL COMMITMENTS

At 31 December 2020 the Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2020	**2019**
	£millions	£millions
Less than one year	0.3	0.3
Expiring between one to five years	1.0	1.3
	1.3	**1.6**

20. MOVEMENT IN TECHNICAL PROVISONS

	2020	**2019**
	£millions	£millions
Technical Provisions at 01 January	12.5	13.0
Change in technical provisions (excluding foreign exchange)	50.8	(0.3)
Fair value of the annuity reserves related to the Generali transfer	550.9	0.0
Release following recapture of group business	(1.7)	0.0
Foreign exchange gain on technical provisions (Note 21)	(0.1)	(0.2)
Technical Provisions at 31 December	**612.4**	**12.5**

21. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2020	**2019**
	£millions	£millions
Technical account		
Foreign exchange loss on assets	0.0	(0.2)
Foreign exchange gain on technical provisions	0.1	0.2
Total gain	0.1	0.0
Net foreign exchange gain	**0.1**	**0.0**

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.	
	2020	2019	2020	2019	2020	2019
Annuities (base mortality)						
Males – annuity <£6,802 p.a.	87.1% PNMA00	n/a	Risk-free	n/a	-	n/a
Males – annuity >£6,802 p.a.	86.9% PNMA00	n/a	Risk-free	n/a	-	n/a
Females	99.4% PNFA00	n/a	Risk-free	n/a	-	n/a
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%
	Mortality improvement					
	2020	2019				
Annuities						
Males – annuity <£6,802 p.a.	CMI2017 with RGA adj.	n/a				
Males – annuity >£6,802 p.a.	CMI2017 with RGA adj.	n/a				
Females	CMI2017 with RGA adj.	n/a				

For term assurance and annuity business the most significant assumption is the mortality basis. For PHI claims in payment it is the termination rates of the claims. These assumptions are best estimates.

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	
	2020	2019
UK group business	At least 2 months	At least 1.5 months
Overseas life business	2.5 months	2.5 months
Overseas PHI business	n/a	5 months

Under the Solvency II regime, introduced on 1 January 2016, the assumptions are best estimates and no longer contain margins for prudency.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For annuity business, a 5% change in the best estimate mortality would result in an increase in net reserves of around £4,000,000. For group business, increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £37,000.

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2019 to 31 December 2020 are set out in the table below.

Long Term Business Provisions (£millions)	**Gross**	**Reins**	**Net**
At 31 December 2019	**12.5**	**4.0**	**8.5**
Change in annuity	585.3	229.8	355.5
Change in group risk	(5.4)	(3.4)	(2.0)
Change in individual including term assurance	(0.2)	0.1	(0.3)
Change in expense reserve	7.1	0.0	7.1
Change in risk margin	13.1	0.0	13.1
At 31 December 2020	**612.4**	**230.5**	**381.9**

23. TRANSFER OF ANNUITY BUSINESS

On 31 December 2020, following approval by IVASS (the Italian Institute for the Supervision of Insurance), in consultation with the UK Prudential Regulation Authority, Omnilife completed its first bulk acquisition of a closed book of annuities with the transfer of business from Assicurazioni Generali S.p.A UK Branch to the Company. The impact on the Company's balance sheet and technical account as a result of the transfer and the subsequent reinsurance restructuring was as follows:

	£millions	£millions
Balance Sheet		
Cash and investments		
Net cash and bonds, including accrued interest		549.6
Cash and bonds paid to reinsurers		(235.8)
Amounts due to related parties		(2.5)
Net inflow of assets		**311.3**
Technical provisions		
Gross technical provision		609.8
Reinsurance technical provision		(229.9)
Net technical provision		**379.9**
Retained earnings		
Shortfall on cancellation of reinsurance treaty		(47.9)
Movement in retained earnings		**(47.9)**
Technical account		
Reinsurance premium		(238.5)
Recapture fee		(1.1)
Change in gross technical provision (difference between the fair value and the Solvency II reserve)	(59.0)	
Change in reinsurance technical provision	277.8	218.8
Loss before tax		**(20.8)**

The business transferred from Generali included a 100% reinsurance arrangement with RGA International Reinsurance Company dac (RGAI UK Branch) which was cancelled immediately after the transfer and a new reinsurance structure was implemented. There was a shortfall of £47.9m between the assets received from RGAI UK Branch (£550.9m) and the Solvency II liabilities transferred to Omnilife (£598.8m). As this cancellation was with a linked company the shortfall was taken directly to retained earnings.

24. LETTER OF CREDIT

The Company's intra-group reinsurance arrangements are supported by a letter of credit for £79.5m expiring on 31 December 2021 taken out by RGA Americas and issued by Standard Chartered Bank. The letter of credit will automatically be extended annually unless notice of cancellation is given by RGA Americas, in which case alternative arrangements will be put in place if required or it can be drawn down before maturity.

25. CONTROLLING PARTY

The immediate controlling party is 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.

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.