



# Omnilife Insurance Company Limited Solvency and Financial Condition Report

Year ended 31 December 2020



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# Summary

## Company Overview

Omnilife Insurance Company Limited ('Omnilife' or 'the Company') is a privately owned, UK life insurance company. The Company is a wholly owned by RGA Americas Reinsurance Company Ltd ('RGAA') which is part of Reinsurance Group of America ('RGA'). The ultimate parent company in the Group is Reinsurance Group of America, Incorporated ('RGA Inc'), whose corporate headquarters is located St. Louis, Missouri and is listed on the New York Stock Exchange (NYSE: RGA).

## Purpose of the Solvency and Financial Condition Report

This report will assist the Company's customers in understanding the Company's regulatory position and financial strength under the European wide Solvency II regulations.

This report also covers the business performance of the Company, its system of governance, risk profile and the Solvency II balance sheet valuation methodology.

## Business and Performance Summary

Until 30 June 2019, the main market for Omnilife was the UK Group Risk market, providing employee benefit insurance to employers covering death and ill health of staff, with business conducted entirely through corporate IFAs and employee benefit consultants.

During 2019, following the acquisition by RGA, the Company announced its decision to withdraw from the UK Group Risk market through a managed run-off and renewal rights agreement and the Board approved a new strategic objective to become a consolidator of closed UK life insurance blocks, working in conjunction with RGA.

Omnilife intends to leverage the relationships, experience and expertise of RGA to proactively pursue block acquisition opportunities in the UK market, generating sustainable profitability, whilst delivering excellent customer service for incoming policyholders. The first such business transfer was successfully completed at the end of 2020.

The Company's financial performance resulted in a loss for the 2020 financial year, after taxation, of £68.9m. The loss was due to the business transfer which was therefore preceded by a £139.7m capital injection from RGAA. Whilst there has been a reduction in the Company's solvency ratio to 251% (2019: 337%), this is due to the large increase in the solvency capital requirement although Omnilife continues to have a significant margin over its target minimum solvency ratio.

Solvency Position (£000's)	31 December 2020	31 December 2019
Solvency II Own Funds	84,126	13,314
Capital Requirement (SCR)	33,473	3,946
Excess Own Funds	50,652	9,368
Solvency Ratio	251%	337%

The Company's financial performance is discussed in more detail in Section A of this report whilst Section E details the capital management and metrics under which the company controls and reports solvency capital.

## Governance Overview

The board of directors of the Company (the Board) is responsible for, amongst other things, the approval of the Omnilife strategy, setting and oversight of the effectiveness of Omnilife's governance structure and internal control system and oversight of the risk management system, including setting Omnilife's risk appetite and tolerances.

The Omnilife System of Governance includes:

- an organisational structure, with clear allocation and segregation of responsibilities;
- corporate policies that define key principles and rules for operation;
- operating procedures detailing the activities and controls individuals are expected to perform; and

- a regular governance effectiveness review.

## Risk Management

Omnilife manages its risks using a 'Three Lines of Defence' model, which is widely used across the UK life insurance industry. The 3 lines of defence within Omnilife are as follows:

1. Active risk management - the risk-taking business units such as business development, marketing, and administration. All individuals that carry out a 'first line' activity or make decisions on behalf of Omnilife are responsible for managing the risks in relation to that activity or decision.
2. Risk assurance - the second line functions of risk management, actuarial and compliance provide oversight and assurance to the Board. They are also responsible for the provision of the policies and standards with which the first line must comply.
3. Independent assurance - the Audit and Risk Committee and the Nomination & Remuneration Committee, together with the internal and external audit functions, provide independent assurance to the Board regarding the risk management activity of the business.

Omnilife has appointed a Whistleblowing Champion to whom staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Omnilife's Risk Management System is designed to assess, control, and monitor risks from all sources for the purpose of increasing value to all Omnilife's stakeholders. Risk management within Omnilife is a combination of 'top down' strategic planning and 'bottom up' risk assessment.

The Company's overall strategy and its 3-year business plan are set with reference to Omnilife's risk appetite, to ensure that the type and amount of risks to which Omnilife is exposed can be adequately managed and are in line with agreed preferences.

The Company's system of governance and risk management is described in detail in Section B.

## Profile of the Solvency Capital Requirement

Omnilife has specific written risk policies in respect of each of its material categories of risk exposure; these policies set out the process the Company will follow to identify, assess, mitigate, manage, and report risks.

The solvency capital requirement of the Company has changed significantly in 2020 as a result of the business transfer and the continuing run-off of the legacy group life business. The Company's SCR is the amount of capital that Omnilife is required to hold against its risk profile. The following table provides a split by the major risk categories.

Solvency Capital Requirement (£000s)	31-Dec-20	31-Dec-19
Credit Spread	21,345	516
Interest Rate	10,885	403
Life Longevity	11,130	2
Life Catastrophe	54	933
Other SF SCR Components	10,536	3,812
<b>Undiversified SCR Components</b>	<b>53,950</b>	<b>5,666</b>
Diversification (level 1 & 2)	-23,172	-2,476
<b>BSCR after Diversification</b>	<b>30,778</b>	<b>3,190</b>
Operational Risk	2,695	769
Loss absorbing capacity of deferred tax	0	-13
<b>SCR</b>	<b>33,473</b>	<b>3,946</b>

## Capital Management

Omnilife carries out an Own Risk and Solvency Assessment ('ORSA') annually, and more frequently if required. The ORSA process is intended to identify, assess, monitor, manage and report on both short and long term risks and to determine the capital required to ensure that Omnilife can continue to meet its solvency requirements over its business planning period. In particular, the ORSA process connects the Company's Risk Management System with its risk exposures and its related economic capital needs, and incorporates:

- the Board's forward looking plans for the business;
- a consideration of the appropriateness of the Standard Formula assumptions; and
- continuing compliance with Solvency II regulatory requirements.

The 2020 ORSA was approved by the Board on 10 December 2020.

## Statement of Directors' Approval

### Omnilife Insurance Company Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report  
Financial period ended 31 December 2020

We certify that:

the Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

we are satisfied that:

- (a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
- (b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

By order of the Board



Jonathan Plumtree

Date: 1 April 2021

## A. Business and Performance

### A.1. Business and External Environment

#### A.1.1. Summary Information

Omnilife is a private limited company. It is incorporated in the UK and its company registration number is 02294080. The registered office is:

Omnilife Insurance Company Limited  
24 Chiswell Street  
London  
EC1Y 4TY

The company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

Prudential Regulation Authority  
Bank of England  
20 Moorgate  
London  
EC2R 6DA  
<https://www.bankofengland.co.uk/prudential-regulation>

Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN  
<https://www.fca.org.uk/>

The independent external auditors of the Company are:  
Deloitte LLP  
1 New Street Square  
London

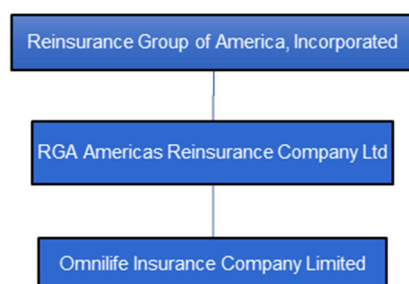
The Omnilife Board of Directors has reviewed and approved the contents of the 2020 Solvency & Financial Condition Report.

#### A.1.2. Group Structure

Omnilife is wholly owned by RGA Americas Reinsurance Company Ltd, a company incorporated in Bermuda and a fully owned subsidiary of Reinsurance Group of America ('RGA'). The ultimate controlling party is Reinsurance Group of America Incorporated, a company incorporated in the State of Missouri and listed on the New York Stock Exchange (NYSE: RGA).

RGA is a global reinsurance group with operations in 26 different countries, serving multinational and domestic clients in more than 80 countries. As at 31 December 2020 RGA had consolidated assets of almost \$85 billion and in 2020 consolidated net premiums were \$11.7 billion.

A simplified RGA Group structure is set out below.





### A.1.3. Business and Strategy

Following the company's acquisition by RGA, the Company announced its decision to withdraw from the UK Group Risk market through a managed run-off and renewal rights agreement and the Board approved a new strategic objective to become a consolidator of closed UK life insurance blocks, working in conjunction with RGA.

On 31 December 2020 Omnilife completed the transfer of annuity business from the UK branch of Generali which is a representative office of Assicurazioni Generali S.p.A., which is authorised and regulated in Italy by IVASS (the Italian Institute for the Supervision of Insurance). This business now represents around 99% of the liabilities of Omnilife.

Up to 1 July 2019, Omnilife primarily sold Group Risk business; that is, it offered insurance on a group basis rather than to individual customers. In the UK marketplace, Omnilife has underwritten standard group life and group critical illness contracts and has a small residual book of group income protection. Following Omnilife's decision to leave the Group Risk market, these policies are terminating as schemes switch to other providers.

In markets outside of the UK, Omnilife has some group life, including credit life schemes for banks, and group disability business. This business is in run off as the policies are not being renewed.

Omnilife has on its books a small number of overseas individual deposit administration ('IDA') policies, which have guaranteed maturity values, and some individual term assurances. Omnilife no longer writes this business and the portfolio is now in run off.

The table below illustrates the relative size of each of Omnilife's lines of business, in terms of Best Estimate Liabilities as at 31 December 2020 and written premium in 2020, with a comparison to the prior year.

LINE OF BUSINESS	BEST ESTIMATE LIABILITIES (£ MILLION) <sup>1</sup>				WRITTEN PREMIUM (£ MILLION) <sup>2</sup>			
	2020 GROSS	2020 NET	2019 GROSS	2019 NET	2020 GROSS	2020 NET	2019 GROSS	2019 NET
UK ANNUITIES*	585.3	355.5	-	-	-	-238.5	-	-
UK GROUP RISK	0.5	0.1	4.2	1.4	1.5	0.7	16.2	6.5
OVERSEAS INDIVIDUAL AND GROUP RISK	0.5	0.3	2.1	1.0	0.1	0.0	0.6	0.3
OVERSEAS INDIVIDUAL SAVINGS	1.6	1.6	1.9	1.9	0.1	0.1	0.1	0.1
EXPENSE PROVISION	11.1	11.1	4.0	4.0	-	-	0.0	0.0
TOTAL	599.0	368.5	12.2	8.3	1.6	-237.7	16.9	6.8

\*The transfer on annuity business is not considered to be a written premium in this presentation, however the reinsurance arrangements set up at the point of transfer have been included as written reinsurance premiums.

The annual premium for both the UK and Overseas protection business reduced during 2020, with the business in run-off. The reduction in the Overseas Individual Savings liabilities was caused primarily by surrenders and maturities during 2020.

The insurance liabilities of Omnilife are primarily UK sterling denominated, together with some US dollar denominated. The following table shows Omnilife's Best Estimate Liabilities as at 31 December 2020 split by currency.

CURRENCIES	BEST ESTIMATE LIABILITIES (£ MILLION)			
	2020 GROSS	2020 NET	2019 GROSS	2019 NET

<sup>1</sup> Omnilife does not calculate the Solvency II Risk Margin at the level of individual lines of business, Best Estimate Liabilities have therefore been used above to compare the relative materiality of the different lines of business. The Risk Margin accounted for approximately 2% of the overall Solvency II Technical Provisions as at 31 December 2020.

<sup>2</sup> Written premiums before reinsurance profit share rebates.

UK STERLING	595.5	366.8	8.2	5.3
US DOLLAR	3.5	1.8	2.3	2.1
BAHRAINI DINAR	0.0	0.0	1.7	0.9
TOTAL	599.0	368.5	12.2	8.3

#### A.1.4. Significant Business and External Events

##### **New directors**

Two new independent non-executive directors were appointed during the year, both of whom have significant market and longevity market experience which has supplemented the Board's strong mix of skills and experience and will assist Omnilife in executing its new strategy.

##### **Credit rating**

Omnilife has retained its A+ (Strong) credit rating from S&P Global Ratings reflecting the financial strength of the Company and its strategic role within the RGA group.

##### **Business Developments**

On 31 December 2020 Omnilife completed the transfer of annuity business from the UK branch of Generali which is a representative office of Assicurazioni Generali S.p.A., which is authorised and regulated in Italy by IVASS (the Italian Institute for the Supervision of Insurance).

##### **Reinsurance**

Three new reinsurance agreements were put in place on 31 December 2020 to support the transfer of the annuity business. These included a coinsurance agreement with RGAA, a stop-loss agreement with RGA Atlantic Reinsurance Company Limited and a further stop-loss agreement with Assured Guaranty Re Overseas Limited.

Prior to October 2019, all of Omnilife's outward reinsurance arrangements for the legacy business were with Gen Re. The reinsurance administration for the UK Group Risk business is with the London office of Gen Re, while administration of the overseas business is with the Cologne office. From October 2019, a small number of UK Group Risk policies no longer covered under the Gen Re arrangements, for example those passing the end of their rate guarantee period, are being reinsured 100% with RGA International Reinsurance Company dac.

##### **Brexit**

Omnilife currently has a small number of policyholders in the European Union but has been reducing this exposure by not offering renewal terms. The Company has been in correspondence with relevant EU regulators and affected customers regarding its approach to EU resident policyholders post the end of the Brexit transition period.

##### **Covid-19**

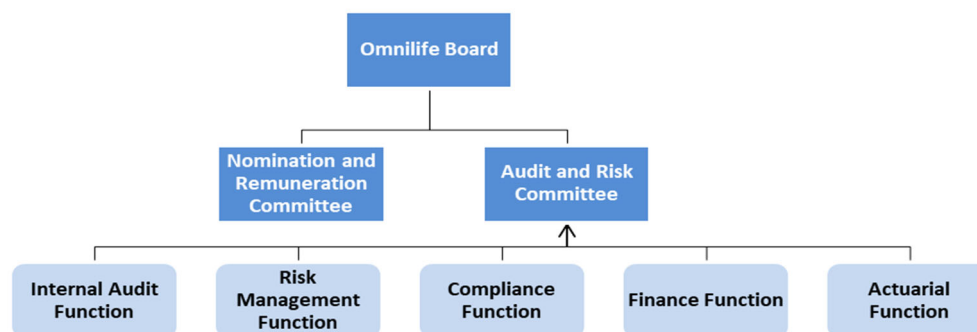
The Covid-19 pandemic has caused significant disruption and financial strain throughout the world. When the pandemic struck in 2020 Omnilife swiftly implemented its business continuity plans and, with the help of its 3rd party providers, successfully managed the operational challenges of having staff 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.

### A.1.5. Organisational Structure

Omnilife's Organisational Structure is shown below. A new operating model has been implemented to support the company's new strategy and appropriately balances the formation and ongoing development of a dedicated core team with the efficient utilisation of existing, proven RGA resources and selected outsourced services as the business grows. At the end of 2020 all Omnilife staff were employed by RGA's service company with appropriate cross charges made for their costs.



- The Chair of the Board, Jim Jack, was appointed on 8 December 2017. Jim has been an independent Non-Executive Director ('NED') since 23 September 2014.
- Michelle Cracknell was Chair of the Audit and Risk Committee until her resignation effective 30 April 2020. Jim Jack temporarily took on this role for a period until Paul Whitlock, who joined the Board as one of two new independent NEDs on 1 July, received regulatory approval on 17 September 2020.
- Caroline Instance, an independent NED since 1 April 2015 was chair of the Nomination and Remuneration Committee throughout 2020.
- The Chief Executive Officer ('CEO'), Jonathan Plumtree, was appointed on 17 November 2017. As CEO he reports to the Board and to the RGA EMEA Head of Global Financial Solutions.
- Gary Finkelstein has held the role of Chief Risk Officer ('CRO') since 3 December 2019 and reports to the CEO and the Chair of the Audit and Risk Committee.
- Nathan Beverley was the Chief Financial Officer ('CFO') until 30 April 2020, reporting to the CEO and the Chair of the Audit and Risk Committee. Stephen Turner took over as CFO and received regulatory approval on 13 August 2020.
- Bernie Goldberg was the Chief Compliance Officer ('CCO') and the Money Laundering Reporting Officer ('MLRO') until 31 March 2020, reporting into the CEO and the Chair of the Audit and Risk Committee for both of these roles. Nigel Ennis took over as CCO and MLRO and received regulatory approval on 3 July 2020.
- The Chief Actuary role was outsourced to Nick Dumbreck at Milliman LLP ('Milliman'), reporting to the CEO and the Board. Stephen Grigg took over as Chief Actuary on 10 July 2020.
- The Internal Audit Function is outsourced internally to Omnilife's parent group, RGA Inc. Paul Smith is the Head of the Internal Audit function and reports to the Chair of the Audit and Risk Committee.
- The Company Secretary was previously Richard Batey, who was appointed on 13 December 2017. Upon his retirement on 31 January 2020, the role of Company Secretary has been taken over by Waterstone Company Secretaries Ltd.
- The managers of the operational functions report directly to the CEO.

## A.2. Underwriting Performance

### A.2.1. Overall Underwriting Performance

The following table sets out Omnilife's underwriting performance for 2020 and 2019. The Underwriting Profit removes the impact of market and foreign exchange movements.

COMPONENT OF UNDERWRITING PERFORMANCE	2020 RESULT (£ MILLION)	2019 RESULT (£ MILLION)
GROSS WRITTEN PREMIUM	1.6	16.9
REINSURANCE WRITTEN PREMIUM	(0.8)	(10.1)
<b>NET WRITTEN PREMIUM</b>	<b>0.8</b>	<b>6.8</b>
GROSS CLAIMS	(7.2)	(17.4)
REINSURANCE RECOVERIES	4.2	13.1
<b>NET CLAIMS</b>	<b>(3.0)</b>	<b>(4.3)</b>
COMMISSION	(0.2)	(1.1)
MANAGEMENT EXPENSES	(4.0)	(6.2)
<b>TOTAL EXPENSES *</b>	<b>(4.2)</b>	<b>(7.3)</b>
MOVEMENT IN GROSS TECHNICAL PROVISIONS	9.8	0.5
MOVEMENT IN REINSURANCE ASSET	(3.3)	(1.7)
<b>MOVEMENT IN NET TECHNICAL PROVISIONS **</b>	<b>6.5</b>	<b>(1.2)</b>
<b>UNDERWRITING PROFIT***</b>	<b>0.1</b>	<b>(6.0)</b>

\* Due to Omnilife's small size and given that all its activities are related solely to pursuing its insurance business, all expenses of the Company have been attributed to underwriting activities.

\*\* Technical Provisions are reported gross of reinsurance under Solvency II, and the term 'Net Technical Provisions' has been used throughout this report to describe the value of Technical Provisions in excess of the value of the Reinsurance Asset.

\*\*\*The underwriting profit in the table is for legacy business, on the annuity transfer there was an underwriting loss of £68.7m giving a total underwriting loss of £68.6m.

Omnilife made an underwriting profit of approximately £0.1 million over 2020 (2019: loss of £6.0 million), the main components of this loss are as follows:

- Net premium income decreased £6.0 million to £0.8 million during 2019 (2019: £6.8 million). This was driven by the cessation of writing new Group business from 1<sup>st</sup> July 2019 and running off the existing business.
- Claim payments reduced in 2020, with net claims reducing from £4.3 million to £3.0 million. Whilst claims were lower there was an increase in the loss ratio<sup>3</sup> relative to 2019. The legacy portfolio continues to decline and therefore claims experience is volatile. Omnilife attempts to manage this volatility through the use of reinsurance.
- Total expenses reduced £3.1 million from £7.3 million in 2019 to £4.2 million in 2020. The 2019 costs were high due to the cost of restructuring following the acquisition by RGA and the subsequent change in strategy. In 2020 costs reduced as the new strategy was embedded, including the use of outsourcing to the wider RGA group. The expenses here exclude a £1.1m recapture fee associated with the annuity transfer.
- Net Technical provisions decreased £6.5 million in 2020 (including the run-off of the £4.0m expense provision) due to the run-off of the existing business, increasing profit.

Omnilife made an underwriting loss of £68.7m on the annuity business transfer. The business transferred from Generali included a 100% reinsurance arrangement with RGA International Reinsurance Company dac (RGAI) 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 RGA and the Solvency II liabilities transferred to Omnilife.

<sup>3</sup> The loss ratio is claims divided by written premium in the year.

Additional costs and reserves associated with changing the reinsurance structure, together with an establishing an additional expense reserve accounts for the £20.8m balance.

### A.2.2. Underwriting Performance by Line of Business

The following table sets out Omnilife's underwriting performance for 2020 split out by line of business.

LINE OF BUSINESS	2020 RESULT (£ MILLION)	2019 RESULT (£ MILLION)
UK GROUP	(0.8)	3.9
OVERSEAS GROUP	0.8	0.3
OVERSEAS INDIVIDUAL	0.1	(0.0)
TOTAL EXPENSES	(4.2)	(7.3)
TOTAL NON-SEGMENTAL MOVEMENT IN PROVISIONS	4.2	(2.9)
<b>TOTAL UNDERWRITING PROFIT</b>	0.1	(6.0)

The underwriting results for each line of business in the above table does not include expenses and some smaller movements in technical provisions, which have been included at an aggregate level, consistent with the level at which these are monitored by the Company.

#### UK group

The UK group portfolio has reduced in size over 2020, with gross premium income of £1.5 million versus £16.2 million in the previous year. This was due to being closed to new business and in run-off.

Technical Provisions decreased by £1.3 million in 2020, primarily as a result of the existing business running off.

#### Overseas group

The increase in the underwriting profit for the year was in part due to the profit realised on Medgulf's recapture of the majority of the credit life business. The overseas group portfolio has decreased over 2020, with gross premium income of £0.1 million versus £0.5 million in the previous year. This was largely due to being closed to new business and the business running off.

Overall, the value of Net Technical Provisions reduced by £0.7 million over 2019, to £0.3 million.

#### Overseas individual savings

Whilst the number of policies continued to reduce the volume of surrenders has reduced compared to the increase seen when the Company closed to new business. There were claims payments of £0.2 million in 2020 (2019: £1.0 million).

Net Technical Provisions reduced from £1.9 million to £1.6 million, due to the maturities and surrenders.

#### Overseas individual term assurance

The number of policies reduced from 18 to 13 due to lapses.

There were no claims in 2020 and the technical provisions for this line of business are heavily reinsured and so there were no material impacts to the Net Technical Provisions in the year.

### A.3. Investment Performance

#### A.3.1. Overall Investment Performance

COMPONENT OF INVESTMENT PERFORMANCE	2020 RESULT (£ MILLION)	2019 RESULT (£ MILLION)
INVESTMENT INCOME	0.3	0.3
INTEREST ON POLICY LOANS	0.0	0.0
UNREALISED GAINS / LOSSES	0.1	(0.1)
FOREIGN EXCHANGE GAINS / LOSSES	0.0	(0.0)
<b>NET INVESTMENT GAINS</b>	<b>0.4</b>	<b>0.2</b>

Omnilife earned investment income during the year from:

- bond coupons and redemptions; and
- interest on short-term deposits and cash accounts.

Part of Omnilife's Own Funds (i.e. assets in excess of Technical Provisions) is held as US dollar deposits, the sterling value of which is subject to movements in the UK sterling / US dollar exchange rate.

Omnilife maintained the low amount of Own Funds held in US dollar during 2020. The foreign exchange gains / losses in the year were negligible.

#### A.3.2. Investment Performance by Asset Class

Omnilife's Investment Policy Statement (IPS) prohibits investment in equities and property and it does not use any hedging vehicles. The IPS was last updated in December 2019 in preparation for future bulk transfers into Omnilife

The investment performance for 2020 has been analysed below across each asset class.

ASSET CLASS	NET INVESTMENT GAIN 2020 (£ MILLION)	NET INVESTMENT GAIN 2019 (£ MILLION)
BONDS	0.4	0.2
DEPOSITS	0.0	0.0
CASH ACCOUNTS	0.0	0.0
POLICY LOANS	0.0	0.0
<b>TOTAL</b>	<b>0.4</b>	<b>0.2</b>

The £0.4 million investment performance in 2020 came predominantly from interest and market gains on bonds.

### A.4. Performance of Other Activities

#### A.4.1. Other Activities

Omnilife's only material leasing arrangement is the rental of its office. This lease commenced at the end of November 2013 for a 10-year period. Omnilife did not exercise the clause to break the lease at the end of the fifth year. The rent is currently set at £285,133 + VAT.

Omnilife does not carry out any other material activities outside of the core activities related to the acquisition and management of UK and overseas insurance and reinsurance business.

## B. System of Governance

### B.1. General Information

#### B.1.1. Overview of Governance Framework

The Omnilife System of Governance includes:

- an Organisational Structure (see Section A.1.5), with clear allocation and segregation of responsibilities;
- corporate policies defining key principles and rules for operation;
- operating procedures detailing the activities and controls individuals are expected to perform; and

Following the acquisition of the Company by RGA on 1 February 2019, the Board underwent a number of changes reflecting the new ownership and new requirements of the company. Two new independent NED's were appointed in 2020 to replace the outgoing chair of the Audit and Risk committee and to strengthen the Board.

#### B.1.2. Board and Sub-Committees

The Board and each committee have Terms of Reference ('TOR') setting out the following:

- Purpose;
- Membership;
- Procedures;
- Duties and responsibilities; and
- Reporting requirements.

#### Board of Directors

The Board is ultimately accountable for all of Omnilife's activities. The Board's responsibilities are documented in its TOR and include:

- approval of Omnilife's Business Strategy, Business Plan and any individual large or complex transactions;
- approval of Omnilife's investment strategy and the investment policy statement;
- monitoring operating performance against the approved Business Plan;
- ensuring sufficient capital is held to maintain Omnilife's ongoing solvency;
- oversight of the Risk Management System, including setting Omnilife's risk policies, and risk appetite and risk tolerance limits;
- setting and oversight of the effectiveness of Omnilife's Governance Framework and internal control systems;
- setting and oversight of adherence to corporate policies; and
- ensuring Omnilife meets all regulatory requirements.

The Board is composed of the CEO and six non-executive Directors ('NEDs'), 4 of which are independent ('INEDS').

BOARD MEMBER	TITLE
JONATHAN PLUMTREE	CEO
PATRICIA KAVANAGH	NED, RGA
HAMISH GALLOWAY	NED, RGA
CAROLINE INSTANCE	INED
JIM JACK	CHAIR, INED
PAUL WHITLOCK	INED
MARK LAIDLAW	INED

Michelle Cracknell resigned as a Director and Chair of the Audit and Risk Committee on 30 April 2020. Paul Whitlock and Mark Laidlaw joined the Board on 1 July 2020, with Paul taking on the role of chair of the Audit and Risk Committee following regulatory approval on 17 September 2020.

The Board meets at least four times a year or more frequently as detailed within the TOR, or as considered necessary.

In order to fulfil its duties effectively, the Board is provided with information from its committees and senior management.

The Board has established the following committees to help fulfil its responsibilities:

- Audit and Risk Committee; and
- Nomination and Remuneration Committee.

### **Audit and Risk Committee**

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities by leading the process of reviewing and making recommendations on Omnilife's Risk Management System, its financial and regulatory reporting, the external auditor, the Internal Control System and matters relating to the Internal Audit and Compliance Functions. Its responsibilities include, but are not limited to, providing oversight and challenge as to the integrity of the:

- Financial statements and regulatory returns;
- Internal Control System;
- Risk Management System;
- Compliance & Financial Crime Function;
- Internal Audit Function; and
- Investment management.

The Audit and Risk Committee is also responsible for the oversight of compliance with the Investment Policy Statement for the Company's investment portfolio and to ensure that the portfolio is being managed in accordance with the agreed risk appetite. In doing so, the Committee ensures that Omnilife has sound liquidity management practices which cover both short-term and long-term considerations.

The Audit and Risk Committee annually reviews and approves a risk-based Internal Audit Plan. The Committee also oversees Omnilife's relationship with its external auditor, as provided in the Committee TOR.

The Audit and Risk Committee currently comprises five members, appointed by the Board, three of whom (including the Committee Chair) are independent NEDs. The CEO, CRO, Chief Actuary, Head of Internal Audit, Head of Compliance and MLRO and external advisers may be invited to attend Committee meetings, at the discretion of the Committee Chair, to ensure the Committee is fully apprised of any risks or issues identified within the business.

The Audit and Risk Committee meets on a quarterly basis or as necessary to review and discuss reports from the Internal Audit, Risk Management and Compliance & Financial Crime functions. The Committee receives the reports from these functions and the external auditor and proposes further actions to be taken by the Board to address any issues identified. The results of any Internal Audit or Compliance reviews are circulated to the CEO, the Risk Management function and managers of the areas reviewed.

The Chair of the Audit and Risk Committee provides updates to the Board, outlining progress against the Internal Audit and Compliance Monitoring Plans and key findings, risks and issues identified as a result of Internal Audit, Compliance and external audit reviews. The Committee also reviews the necessary disclosures within the Annual Report and Accounts and makes recommendations to the Board regarding their approval. The Committee is supported by the CEO and other executive management, who provide updates to the Committee and the Board regarding implementation of Internal Audit recommendations.



## Nomination and Remuneration Committee

The purpose of the Nomination and Remuneration Committee is to:

- assist the Board with regular reviews of the structure, size and composition (including the skills knowledge and experience) of the Board
- lead the process of identifying candidates for election and appointment to the Board, as necessary
- monitor the balance of skills and experience available to the Board
- monitor the Board's succession plans
- monitor the time requirements for the non-executive directors
- ensure that before any appointments to the Board, rigorous formal evaluations are undertaken of the skills, knowledge, experience and independence of potential appointees to determine their suitability
- support the Board in overseeing the design of the remuneration policy and remuneration practices, their implementation and operation, in the context of the wider RGA group.

The Nomination and Remuneration Committee currently comprises three members, appointed by the Board, two of whom (including the Committee Chair), are independent NEDs. Executives of the Company and advisers are invited by the Committee to attend all or part of any meeting as and when appropriate.

The Nomination and Remuneration Committee meets at least twice a year and at such other times as the Committee Chair requires.

The Chair of the Nomination and Remuneration Committee is charged with reporting to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

### B.1.3. Delegation of Responsibility and Reporting Lines

#### Senior Managers

The Company operates under the PRA / FCA Senior Management and Certification Regime (SMCR), which became effective on 10 December 2019. The Company's Senior Managers, who hold key governance roles requiring regulatory approval, and their Prescribed Responsibilities under SMCR and reporting lines are set out below.

TITLE	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
CEO	JONATHAN PLUMTREE	<ul style="list-style-type: none"> <li>• ENSURING THAT THE FIRM HAS COMPLIED WITH ITS OBLIGATIONS IN INSURANCE - FITNESS AND PROPRIETY IN THE PRA RULEBOOK TO:               <ul style="list-style-type: none"> <li>○ ENSURE THAT EVERY PERSON WHO PERFORMS A KEY FUNCTION BUT DOES NOT ALSO PERFORM A PRA SENIOR MANAGEMENT FUNCTION OR A CERTIFICATION FUNCTION IS A FIT AND PROPER PERSON; AND</li> <li>○ PROVIDE AND OBTAIN REGULATORY REFERENCES.</li> </ul> </li> <li>• OVERSEEING THE ADOPTION OF OMNILIFE'S CULTURE IN DAY-TO-DAY MANAGEMENT</li> <li>• DEVELOPMENT AND MAINTENANCE OF OMNILIFE'S BUSINESS MODEL BY THE BOARD</li> <li>• IMPLEMENTING POLICIES AND PROCEDURES FOR THE INDUCTION, TRAINING AND PROFESSIONAL DEVELOPMENT OF ALL OF OMNILIFE'S KEY FUNCTION HOLDERS (OTHER THAN MEMBERS OF THE BOARD)</li> <li>• THE FIRM'S PERFORMANCE OF ITS OBLIGATIONS IN RESPECT OF OUTSOURCED OPERATIONAL FUNCTIONS AND TECHNOLOGY UNDER CONDITIONS GOVERNING BUSINESS 7.</li> </ul>	BOARD
CFO	STEPHEN TURNER	<ul style="list-style-type: none"> <li>• MANAGEMENT OF THE ALLOCATION AND MAINTENANCE OF OMNILIFE'S CAPITAL AND LIQUIDITY</li> </ul>	CEO AUDIT AND RISK COMMITTEE

TITLE	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
		<ul style="list-style-type: none"> <li>PRODUCTION AND INTEGRITY OF THE FIRM'S FINANCIAL INFORMATION AND ITS REGULATORY REPORTING</li> </ul>	
CRO	GARY FINKELSTEIN	<ul style="list-style-type: none"> <li>OVERSIGHT OF THE RISK MANAGEMENT FRAMEWORK;</li> <li>PERFORMANCE OF THE FIRM'S OWN RISK AND SOLVENCY ASSESSMENT (ORSA)</li> </ul>	CEO AUDIT AND RISK COMMITTEE
GROUP ENTITY SENIOR MANAGER	PATRICIA KAVANAGH (NED) HAMISH GALLOWAY (NED)	<ul style="list-style-type: none"> <li>ASSIST THE BOARD IN DEVELOPING ITS STRATEGIC BUSINESS MODEL FROM THE FIRM'S OVERSEAS PARENT COMPANY</li> </ul>	BOARD
CHAIR OF THE BOARD	JIM JACK (NED)	<ul style="list-style-type: none"> <li>INDUCTION, TRAINING AND PROFESSIONAL DEVELOPMENT OF ALL MEMBERS OF THE FIRM'S GOVERNING BODY</li> <li>CHAIRING THE BOARD AND LEADING THE DEVELOPMENT OF OMNILIFE'S CULTURE BY THE BOARD AS A WHOLE</li> </ul>	BOARD
CHAIR OF THE AUDIT AND RISK COMMITTEE	PAUL WHITLOCK (NED)	<ul style="list-style-type: none"> <li>CHAIRING AND OVERSEEING THE PERFORMANCE OF THE ROLE OF THE AUDIT AND RISK COMMITTEE IN DELIVERING ITS AGREED TERMS OF REFERENCE</li> </ul>	BOARD
CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE	CAROLINE INSTANCE (NED)	<ul style="list-style-type: none"> <li>OVERSEEING THE DEVELOPMENT AND IMPLEMENTATION OF OMNILIFE'S REMUNERATION POLICIES AND PRACTICES</li> <li>OVERSEEING THE INDEPENDENCE, AUTONOMY AND EFFECTIVENESS OF OMNILIFE'S POLICIES AND PROCEDURES ON WHISTLEBLOWING INCLUDING THE PROCEDURES FOR PROTECTION OF STAFF WHO RAISE CONCERNS FROM DETRIMENTAL TREATMENT.</li> </ul>	BOARD
CHIEF ACTUARY	STEPHEN GRIGG	<ul style="list-style-type: none"> <li>MANAGEMENT OF THE ALLOCATION AND MAINTENANCE OF THE FIRM'S CAPITAL AND LIQUIDITY.</li> </ul>	CEO AUDIT AND RISK COMMITTEE
HEAD OF COMPLIANCE AND MLRO	NIGEL ENNIS	<ul style="list-style-type: none"> <li>PERFORMANCE BY THE FIRM OF ITS OBLIGATIONS UNDER THE SENIOR MANAGERS REGIME, INCLUDING IMPLEMENTATION AND OVERSIGHT</li> <li>PERFORMANCE BY THE FIRM OF ITS OBLIGATIONS UNDER THE CERTIFICATION REGIME</li> <li>THE FIRM'S POLICIES AND PROCEDURES FOR COUNTERING THE RISK THAT THE FIRM MIGHT BE USED TO FURTHER FINANCIAL CRIME</li> <li>THE FIRM'S PERFORMANCE OF ITS OBLIGATIONS UNDER THE CODE OF CONDUCT (COCON) FOR TRAINING AND REGULATORY REPORTING</li> <li>COMPLIANCE WITH THE REQUIREMENTS OF THE REGULATORY SYSTEM ABOUT THE MANAGEMENT RESPONSIBILITIES MAP</li> </ul>	CEO AUDIT AND RISK COMMITTEE
HEAD OF INTERNAL AUDIT	PAUL SMITH	<ul style="list-style-type: none"> <li>RESPONSIBLE FOR THE MANAGEMENT OF THE INTERNAL AUDIT FUNCTION AND FOR REPORTING DIRECTLY TO THE AUDIT AND RISK COMMITTEE ON THE INTERNAL AUDIT FUNCTION</li> </ul>	AUDIT AND RISK COMMITTEE

### Certified Functions

In addition to the approved Senior Management Functions, the Company has also certified its other independent NED (Mark Laidlaw) under the SMCR, together with two further functions, the associated responsibilities and reporting lines of which, are set out below.

KEY FUNCTION	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
PRODUCT GOVERNANCE MANAGER	GEORGINA SHIELD	<ul style="list-style-type: none"> <li>RESPONSIBLE FOR PRODUCT GOVERNANCE, ENSURING WE TREAT CUSTOMERS FAIRLY, INCLUDING CARE OF VULNERABLE CUSTOMERS.</li> <li>RESPONSIBLE FOR THE OVERSIGHT AND DEVELOPMENT OF CUSTOMER AND MARKETING COMMUNICATIONS.</li> </ul>	CEO
BUSINESS MANAGER	RUSSELL TAPLIN	<ul style="list-style-type: none"> <li>RESPONSIBLE FOR OVERSEEING BUSINESS ACTIVITIES</li> <li>RESPONSIBLE FOR THE OVERSIGHT OF SIGNIFICANT OUTSOURCING ARRANGEMENTS.</li> </ul>	CEO

Further details of the key internal control functions are set out later in this Report.

### **External audit**

The external auditor, Deloitte, is responsible for undertaking Omnilife's statutory audits and reporting its findings to the Audit and Risk Committee.

### **Reporting**

Omnilife's reporting structure is set out in the tables above and in the Organisational Structure in Section A.1.5. This Governance Framework ensures that the relevant financial and non-financial information from each business function is provided to the appropriate individuals and / or committees to enable the monitoring of Omnilife's performance and an informed and risk-based approach to business decision processes.

The key internal control functions are responsible for undertaking monitoring activities and reviews to determine the accuracy and reliability of both financial and non-financial information being reported throughout the Company. In November 2019, the Board initiated a Board effectiveness review, undertaken by the RGA Legal function, the recommendations from which included the appointment of an additional INED and other actions to be implemented during 2020. In view of the recent changes to the Board and business, an independent Board effectiveness review will take place during the first half of 2021.

## **B.1.4. Remuneration**

### **Remuneration policy**

The Remuneration policy is regularly reviewed by the Nomination and Remuneration Committee, in the context of the wider RGA group, and approved by the Board. The remuneration framework is applicable to Omnilife employees who are either wholly or substantially working for Omnilife or are Senior Managers or Certified staff registered to Omnilife and remunerated for that role. The policy sets out the principles and framework for Omnilife employee remuneration, which is transparent to all staff, with clear communication of the reward structure and the processes used for decision-making; is applied consistently to all employees, with no 'special arrangements' inconsistent with this policy; and provides employees with total compensation that is competitive with relevant market medians.

Omnilife staff are employed by RGA UK Services Limited and are entitled to remuneration and benefits consistent with other employees of RGA.

### **Executive Directors and employees**

The Nomination and Remuneration Committee reviews the ongoing appropriateness and relevance of the Remuneration Policy, in the context of the wider RGA group.

In respect of Executive Directors, Senior Management Function Holders and Material Risk Takers (as defined by PRA/FCA Rules), where those individuals are working solely or mostly for Omnilife, the responsibilities of the Nomination and Remuneration Committee include:

- Ensuring that remuneration features transparent goals and objectives which are aligned to the strategy and risk of the company;
- Ensuring that remuneration provides appropriate incentives to remain in the employment of the Company and to reward their individual contributions to the success of the Company;
- Being aware and input to the design of any performance-related pay schemes operated by the RGA group in which they participate;
- Ensuring that remuneration gives due regard to the comments and recommendations of current regulatory guidance;
- Being aware of and input to any major changes in employee benefit structures affecting these individuals, including pension arrangements

The Nomination and Remuneration Committee is also responsible for maintaining awareness and oversight of the overall levels of remuneration for all other staff working solely or mostly for the Company.

The objective of the Remuneration Policy is to provide total compensation that is in line with market rate and structured and calibrated so as to attract, retain, motivate and reward its employees to deliver enhanced performance in the eyes of customers and / or members.

Executive directors and employees are remunerated as follows:

- Basic salary: Salaries are reviewed each year and increases may be granted, though not automatically implemented, based on comparable market rates for each job and individual performance.
- Pension contributions: All employees are automatically enrolled into the RGA defined contribution pension arrangement, to which the Company contributes. Employees can also make additional contributions.
- Other benefits: Life cover, income protection insurance and medical insurance.
- Annual bonus: A discretionary annual bonus may be paid which is based on a combination of RGA Inc., Segment, Local, Company and personal performance relative to objectives. A common structure is in place for employees, managers and the CEO in order to ensure alignment of this incentive throughout the Company.
- Long Term Incentive Plan: A discretionary long-term incentive may be paid which is determined in a similar way to the annual bonus. This element is held for a minimum period of three years before it can be paid to incentivise management to take a long term view, which is in line with the regulations.

In reviewing and approving remuneration arrangements, the Nomination and Remuneration Committee gives due regard to the comments and recommendations of current regulatory guidance. No Executive Director shall vote on any decisions as to his or her own remuneration.

#### **Non-Executive Directors**

The remuneration of NEDs is a matter for the Board but advice about appropriate payments via benchmarking is provided by the Nomination and Remuneration Committee. All INEDs are paid a fixed fee, with Board and Committee Chairs receiving an additional fee for their extra work. RGA Group staff serving as NEDs are not remunerated.

## B.2. Fit and Proper Requirements

### B.2.1. Skill, Knowledge and Expertise Requirements

#### Overview of requirements

A robust approach to managing the fitness and propriety of Omnilife's employees is important to ensure that they demonstrate the following attributes:

- They have the necessary knowledge, skills and experience to undertake their intended roles and responsibilities competently, in an effective and efficient manner and, where relevant, are able to add value to the business;
- They are unlikely to undertake their activities in a manner that will bring the Company into disrepute; and
- They are unlikely to undertake their activities for the purposes of financial crime, fraud, or any other criminal activity.

#### Senior Managers and Certified Personnel

Omnilife's Senior Managers and Certified Personnel and their prescribed responsibilities are set out in Section B.1.3 above. All Senior Managers, Certified Personnel and other staff are required to meet the PRA Conduct Standards and FCA Conduct Rules in carrying out their duties for Omnilife.

Where a Senior Manager is allocated one or more of the PRA / FCA Prescribed Responsibilities, the individual's role profile will include that responsibility.

### B.2.2. Fit and Proper Policy

In order for Omnilife to ensure the fitness and propriety of all its staff, and in particular its Senior Managers and Certified Personnel, the following processes are implemented:

- Recruitment process;
- Initial training and supervision;
- Ongoing training and competence management;
- Annual fitness and propriety checks; and
- Governance and management reviews.

The extent to which the above processes are applied will be determined by the intended roles and responsibilities of a specific individual. For example, more comprehensive fitness and propriety processes will be undertaken for individuals that currently are or are intended to become Senior Managers or Certified Persons.

The Compliance function is responsible for maintaining Omnilife's Fitness and Proprietary Policy and for monitoring the processes contained within it to ensure they are up-to-date, relevant and adhered to.

### B.2.3. Assessment Process

#### Recruitment

The recruitment process plays an initial and pivotal role in ensuring that Omnilife employs only individuals that it considers to be fit, proper and of good repute. Key steps involved in the recruitment process are set out below.

- A Recruitment and Compensation Governance Policy exists to ensure appropriate control and oversight of remuneration and appointment of staff.
- The HR function, which is an outsourced function, works closely with the relevant manager(s) to understand fully the position to be filled, therefore enabling a clear role profile to be developed.
- All candidates are required to submit a curriculum vitae to the Company. Suitable candidates are invited for competency-based interviews. Depending on the nature of the role to be filled, candidates may participate in a number of interviews with various Omnilife representatives up to and including members of the Board.

- Employment offers are subject to satisfactory references, right to work checks and evidence of qualifications. All Senior Managers and Certified Personnel are subject to pre-employment criminal, credit and regulatory background checks.
- In addition to the above, for any individual that will become a PRA / FCA Controlled Function holder, the following activities will be undertaken:
  - Submission of the 'Controlled Function' application to the PRA / FCA; and
  - Completion of a self-assessment by the individual.
- The HR function is responsible for maintaining records to demonstrate that a robust recruitment process was followed.

#### **Initial training and supervision**

All new employees are provided with a role profile, which includes details of their roles and responsibilities, performance measures, and expected competence attributes.

All new employees are subject to the Omnilife's induction processes. A new employee is not permitted to undertake activities unsupervised until all required training has been completed and an adequate level of competence can be demonstrated.

A new employee is subject to a performance review at the end of the probationary period, before being confirmed in the position. This is the responsibility of the relevant manager.

Upon joining the Company, Senior Managers and Certified Persons are provided with training to ensure they understand fully their responsibilities and expectations under the PRA/FCA's Senior Managers and Certification Regime. They are also informed of their responsibilities for notifying the Company of any changes to their circumstances.

#### **Ongoing training and competence management**

All employees are subject to annual performance reviews.

Line managers are responsible for co-ordinating and monitoring a training and development programme appropriate to each member of staff. This includes meeting CPD requirements and undertaking mandatory learning on Compliance and data privacy issues.

Where any issues or instances of inadequate performance are identified, the relevant manager, in conjunction with the HR function, is responsible for determining the required action to be undertaken.

Employees are encouraged to feedback their views and opinions as to the performance and behaviour of their respective managers during the performance review process.

Performance reviews are linked to employee remuneration in the following ways:

- Managers have direct input into their team's salary increases, which involves both quality of work and financial performance metrics;
- The manager's annual salary review reflects whether they have completed their team's performance review process; and
- Annual bonuses are also directly linked to performance and are not payable to any employee who is undergoing formal disciplinary process.

#### **Annual fitness and proprietary checks**

An annual fitness and propriety self-declaration form is required to be completed by all Senior Managers and Certified Personnel.

Upon joining the Company Senior Managers and Certified Personnel are notified of their duty to inform Omnilife of any changes in circumstances that differ from any original answers provided in either the annual self-declaration forms or Controlled Function application forms.

Any issues identified following the above checks will be presented by the HR function to the relevant manager(s) to determine the extent of the issues and decide what action, if any, should be taken.

#### **Corporate governance effectiveness reviews**

The Company's Governance Framework is subject to periodic corporate governance effectiveness reviews as described in Section B.9. The reviews consider the continuing suitability of the Governance Framework, including annual reviews of the ongoing effectiveness of the Board and its sub-committees.

Any other reviews (e.g. reviews conducted by Internal Audit or other external third party experts) are considered when determining the ongoing managerial and technical competence of Senior Managers and Certified Personnel.

#### **Internal transfers**

In the event that an existing employee is to become a Senior Manager or Certified Person (e.g. as a result of a promotion), he or she will be subject to the same fitness and propriety checks as those applied to a newly employed Senior Manager or Certified Person.

## B.3. Risk Management System

### B.3.1. Overview of Risk Management System

Omnilife has a Risk Management System that is designed to assess, control, and monitor risks from all sources for the purpose of increasing short and long-term value to Omnilife's stakeholders. Following the change in Omnilife's business strategy, the Company initiated a detailed review of its risk policies, appetite and limits. Omnilife ensures that there is strong alignment between the risk appetite, risk register and other management information.

### B.3.2. Business Strategy and Plan

Omnilife's Business Strategy provides the basis for articulating Omnilife's Risk Appetite Statement, which defines a clear mandate for the amount and type of risks to accept and manage, along with the types of risks to avoid.

Each year, Omnilife prepares a Business Plan covering a three-year period, which is considered the optimal planning period for the business, recognising the inherent uncertainty of the markets in which the Company operates. The current Business Plan covers the period 2021 to 2023. The Business Plan is developed with reference to, and is consistent with, Omnilife's risk appetite and provides a forward looking view of the Omnilife risk profile. It reflects any planned changes to business mix, maximum limits for individual underwriting risks, financial performance targets, the use of risk reduction strategies, such as reinsurance and any important business development activities.

The Plan sets out the expected business to be written in any one calendar year and forecasts the expected profits and solvency position over the plan period.

### B.3.3. Risk Strategy

Omnilife has formally documented policies that define the strategies, framework and tools for the management of all material risk categories.

Risk management is a continuous process that is used in the implementation of the Business Strategy and allows for an appropriate understanding of the nature and significance of the risks to which the business is exposed, including sensitivity to those risks and its ability to mitigate them.

Omnilife recognises that a successful Enterprise Risk Management (ERM) framework involves an integrated and iterative approach, with a commitment to continuous improvement. The objectives of Omnilife's risk strategy are to grow a risk culture throughout the company and manage risks through control processes that provide appropriate assurance to the Board.

The risk strategy sets out to:

- identify potential risks;
- quantify the risks, where possible;
- manage those risks within the Company's risk appetite;
- report on risk management; and
- utilise insights gained from the risk management process to improve our risk management capability.



## B.3.4. Risk Governance

### Three Lines of Defence

The Board utilises a 'Three Lines of Defence' model for risk governance, as set out below.

OMNILIFE BOARD 'TONE FROM THE TOP' – 'RISK CULTURE' 'PERFORMANCE & RISK OVERSIGHT' 'RISK ACCEPTANCE'		
FIRST LINE OF DEFENCE 'ACTIVE RISK MANAGEMENT'	SECOND LINE OF DEFENCE 'RISK ASSURANCE'	THIRD LINE OF DEFENCE 'INDEPENDENT ASSURANCE'
THOSE INDIVIDUALS UNDERTAKING ANY ACTIVITY OR MAKING DECISIONS ON BEHALF OF OMNILIFE ARE RESPONSIBLE FOR MANAGING THE RISK THAT IS ATTACHED TO THAT ACTIVITY	THOSE FUNCTIONS RESPONSIBLE FOR THE PROVISION OF THE POLICIES AND STANDARDS WITHIN WHICH THE FIRST LINE OF DEFENCE IS EXPECTED TO OPERATE	THOSE FUNCTIONS AND COMMITTEES RESPONSIBLE FOR PROVIDING INDEPENDENT ASSURANCE TO THE BOARD
RISK-TAKING UNITS E.G. IT, INVESTMENT MANAGEMENT, FINANCE, RGA UK OPERATIONS, ETC.	RISK MANAGEMENT FUNCTION ACTUARIAL FUNCTION COMPLIANCE & FINANCIAL CRIME FUNCTION DATA PROTECTION FUNCTION	AUDIT & RISK COMMITTEE NOMINATION AND REMUNERATION COMMITTEE INTERNAL AUDIT EXTERNAL AUDIT

### Risk Owners

The Risk Owner is the individual with the responsibility and the authority to manage a given risk. All risks identified in the Company's Risk Register (see Section B.3.7) are assigned to Risk Owners, who collectively ensure that the impact and likelihood of occurrence of any adverse risks are minimised. Risk Owners may also arrange for another suitably qualified member of staff (a 'Control Owner') with relevant expertise to undertake the task of managing the risk through implementation and operation of the identified risk mitigation activities and controls. The Risk Owners' responsibilities include:

- identification and evaluation of the adequacy of controls and other risk management activities for managing the risk;
- identification and endorsement of the requirements and resources to implement risk mitigation activities and controls;
- where controls are evaluated as "ineffective or inadequate", the Risk Owner will institute suitable treatments to ensure the effectiveness of the control is corrected; and
- updating risk information and escalating changes in likelihood, impact or control effectiveness to the relevant committee and the Risk Management Function.

The CEO has Board-level responsibility for firm-wide risk management activities and is supported by the Risk Management Function. The role of the CEO in relation to risk management is to:

- increase Board awareness of the relationship between risk and reward;
- support the Board in the articulation and setting of risk appetite and risk tolerance limits, based on target returns over the short and long-term and minimum regulatory capital requirements;
- provide a clear vision as to where risks lie, setting a framework and policies for how these will be managed;
- ensure that the Risk Management System is communicated throughout the Company, so that employees understand and support it;
- oversee the development of the Risk Appetite Statement and the risk elements of the Business Plan; and
- ensure provision of suitable risk management tools and risk reporting systems to support the effective management of risks.

### Risk Management Function

In the Second Line of Defence, the Risk Management Function is headed by CRO, who reports to the CEO and the Audit and Risk Committee (ARC). The Risk Management Function is responsible for development,

maintenance and operation of the risk management system (RMS). This is documented in the company's Target Operating Model.

The Risk Management Function works with Omnilife's operational functions to assist them in identifying, assessing and managing their risks. To achieve this, the Risk Management Function communicates regularly with the operational functions in order to understand, challenge and monitor their risks and controls, including interaction with the appropriate owners.

The interaction between the Risk Management Function and the operational functions includes a regular risk assessment process which requires individual Risk and Control Owners to report on the status of their risks and controls. The assessment process uses the Risk Register, which is updated to reflect any changes to the impact or probability of individual risks or the design and performance of controls. All changes to the Risk Register are reviewed by the CRO and significant changes are approved by the ARC before they take effect.

To supplement the assessment process, the CRO also holds regular meetings with each relevant individual to discuss and challenge in detail the status of their risks, controls and / or issues. This ensures a greater understanding of Omnilife's risk and controls by both the Company's operational functions and the CRO, as well as helping with the early identification of any potential issues.

The Risk Management Function liaises with and provides risk-related reports and information to the Compliance and Internal Audit Functions with a view to assisting in the development of risk-based assurance and monitoring plans. The Risk Management Function also liaises with the Compliance and Internal Audit Functions for the purposes of understanding any new emerging risks or control failures / inadequacies identified through monitoring and assurance reviews.

The Risk Management Function provides regular risk management reports to the ARC, which are subsequently reported to the Omnilife Board. The Risk Management Function includes information in its reporting that enables the Board and senior management to:

- monitor the Company's overall risk profile against the Risk Appetite Statement;
- monitor the ongoing impact of the Company's risk and control environment on its Business Strategy. A system of Key Performance Indicators and Risk Control Assessments for each of the operational functional areas is being introduced;
- apply risk-based considerations to decision making processes;
- monitor the ongoing performance and suitability of mitigating controls;
- monitor emerging issues and their impact on the business;
- understand progress and business commitment to addressing identified weakness and issues;
- understand operational and strategic activities to be undertaken by the Risk Management Function;
- monitor the ongoing effectiveness of the Risk Management Function; and
- understand changes in regulatory or legislative requirements in relation to risk management.

A review of the Risk Management Function's effectiveness is conducted on a regular basis by the Internal Audit Function, as determined by the ARC and Board as appropriate. The most recent review was conducted during 2018 and received a 'Substantial Assurance' rating.

### **The Board and risk management**

The Board sets the risk culture for the Company and its role in relation to risk management includes:

- approval and effective oversight of the risk management system including all current and future risk exposures, risk appetite, risk metrics and risk tolerance limits;
- proactive response to risks and issues;
- promotion of a risk aware culture;
- approval of key guidelines and policies;

- review and approval of the Business Plan;
- review and approval of technical provisions and assumptions; and
- review of capital adequacy, management and planning.

### B.3.5. Risk Appetite

#### Overview

The Omnilife Risk Appetite Statement is formally documented and approved by the Board. The Risk Appetite Statement sets out Omnilife's policy and process in relation to risk appetite, tolerances, monitoring and reporting. The Risk Management Function support the Board in the creation and embedding of an effective risk appetite and tolerance framework. Omnilife's Risk Appetite is set by the Board, driven by its key stakeholders, including shareholder and regulators, with both qualitative and quantitative statements reflecting:

- Key organisational objectives and stakeholder expectations,
- Skills, resources and technology required to manage and monitor risk exposures, and
- Tolerance for loss (risk tolerances) or negative events that can be easily quantified.

The Risk Appetite Statement is a key component of the Omnilife RMS and it defines the amount of risk that the Board is prepared to take in pursuit of its strategic objectives. The Risk Appetite covers the impact of all material risk categories (Insurance, Credit, Investment, Liquidity and Operational Risk) operating together.

Risk tolerances are the most granular level used for the business operations and translate the risk appetite for each risk category into risk monitoring measures. Omnilife has quantitative and qualitative risk tolerances for each risk category, which are considered when setting strategic objectives.

Omnilife's risk appetite is supported by the Recovery and Resolution Plan ('RRP') which sets out in detail the steps the Company would take to restore its solvency and operational capabilities in response to a major event involving the failure of a reinsurer.

The ORSA and RRP are intended to play a key role in helping to understand the current risk appetite implied within the Business Plan. The Risk Management Function assesses the risk exposures against approved risk appetites, and these are reported to the ARC and the Board.

The status against each approved risk tolerance is monitored by the Risk Management Function. The results of this monitoring are reported to the ARC.

All breaches of the approved risk appetite are reviewed by the ARC in the first instance and escalated to the Board with recommended resolution actions.

### B.3.6. Risk Policy

Omnilife's Risk Policy is intended to provide an overview of the risk management system for employees and the Board. Specifically it:

- details the key components of the risk management system, with references to other risk management documents that form part of the risk management system;
- sets out clear roles and responsibilities for the day-to-day operation of the risk management system; and
- provides a high-level view of the material risks facing the Company and how these are effectively identified, assessed, managed and reported (see Section C for further details).

### B.3.7. Risk Register and Risk Assessments

#### Content of the Risk Register

All staff are responsible for the timely identification and escalation of risks to the Risk Management Function to ensure risks are captured within the Risk Register. The Risk Register records Omnilife's identified risks and also includes information on their probability and impact, the controls in place to mitigate them, and how they are monitored. The Risk Register is divided into sections covering functional areas of the business and the following types of risks:

- Insurance;
- Investment;
- Credit;
- Operational;
- People;
- Financial;
- Legal / Regulatory; and
- Other (e.g. reputational).

#### Risk assessments

The Risk Management Function is responsible for the maintenance of the Omnilife Risk Register and Key Risk Indicators, and provides independent challenge on the nature, scope and appropriateness of control activities.

The ARC reviews the Risk Register at each meeting to ensure its ongoing appropriateness and completeness.

The risk assessment process involves:

- assessment of inherent and residual risk;
- assessment of control design and operational effectiveness; and
- overall risk assessment.

#### Mapping to capital requirements

The Risk Management Function is responsible for ensuring that the Standard Formula used for capital assessment is appropriate, and that all material quantifiable risks identified are addressed. This mapping is performed on an annual basis to ensure that Omnilife's risk profile is appropriately modelled and reflected in the capital calculation. The risk mapping is subject to review and approval by the ARC and is part of Omnilife's ORSA process. As part of the ORSA (see Section B.4), Omnilife also considers a broader range of risks, as recorded in the Company's Risk Register.

## B.4. Own Risk and Solvency Assessment

### B.4.1. Performance of the ORSA

#### Overview of the ORSA process

Omnilife's ORSA process is developed and approved by the Board and is set out in detail in the ORSA Policy document. The ORSA Policy document is reviewed and challenged annually by the ARC, which is responsible for recommending the Policy to the Board for its approval.

The ORSA process connects the Company's Risk Management System with its risk exposures and its related economic capital needs. It also incorporates:

- the Board's forward looking plans for the business;
- the actions management would take under the RRP in response to a serious event, such as the failure of a reinsurer;
- a consideration of the appropriateness of the Standard Formula assumptions; and
- continuing compliance with Solvency II regulatory requirements.

#### ORSA timelines and records

The ORSA is performed yearly or more frequently following a trigger event. A trigger event is something that significantly changes the financial strength of the Company or the outlook, such as a change in Business Strategy or risk appetite, a serious loss event or some regulatory factor.

A record of each ORSA is maintained.

#### ORSA governance

Omnilife governs the ORSA process using the 'Three Lines of Defence' model, as set out above in Section B.3.74.

#### ORSA Report

The ORSA Report is the output from the ORSA process and is produced with the following aims:

- The ORSA Report is used to manage the business and monitor progress against the business plan.
- The ORSA Report is also used as the basis for communication to all relevant staff once the results and conclusions from the ORSA have been approved by the Board.
- The ORSA Report describes the purpose of the ORSA, how it has been produced and what its meaning and utility is for all concerned with the running of the business.

The CRO is responsible for producing the ORSA Report, a draft of which is prepared annually by the Risk Management Function. The Report is presented first to the ARC for review and challenge and, once a draft meets the satisfaction of the Committee, the Report is presented to the Board for review, challenge and final approval.

The Report is submitted to the PRA and is used by the Board to inform its decision making. The Report is also distributed to managers to ensure they, and all their staff, understand the strategy, risks and tolerances affecting their areas.

#### Board involvement and challenge

The minutes of the ARC and the Board record the discussions that were held on the ORSA Policy and Report. Any written feedback received directly from Board members is also retained.

## B.4.2. Use of the ORSA

### **Business Strategy and Business Plan**

The Business Strategy of the Company (see Section A.1.3) reflects the requirements of the key stakeholders, such as the shareholders and regulators, and is approved by the Board. The Board decides on the Company's risk appetite and risk tolerance limits so that it can properly manage the Business Strategy within safe financial parameters and provide a clear mandate for the type and amount of risk that the Company can accept. The ORSA results are used to inform on the ongoing appropriateness of Omnilife's Business Strategy.

Omnilife prepares a Business Plan each year and, in the ORSA, this forms the base case for the forward-looking assessment of own risks, which considers the Company's risk profile in the context of its risk appetite. The ORSA results then influence the following year's Business Plan, in a cyclical relationship. The Company monitors its experience against its Business Plan on an ongoing basis.

### **Risk and capital management**

The ORSA process is used day-to-day in considering risks within the Company's operating processes, including recording the risks to which it is exposed in its Risk Register and managing and monitoring these by a variety of means appropriate to each risk. The CRO is responsible for managing the ORSA process and plays an important role in communicating and embodying the process and the wider risk culture within the Company. The CRO will continuously assess and challenge the status quo from a risk management perspective.

As part of the ORSA, Omnilife calculates the Standard Formula SCR as at the valuation date and projects it forward for three years, allowing for growth in its Group Risk business and the gradual run-off of the closed book of IDA contracts.

Omnilife also projects the capital requirement over the business planning horizon as part of the annual ORSA cycle, which might lead to the Company holding additional capital above the risk appetite. The ORSA will also consider a broader range of risks, as recorded in the Company's Risk Register and other Key Risk Indicators, than allowed for in the Standard. The capital requirement is also tested under single stresses and multi-faceted scenarios. The results are used to assess the impact of stressed conditions on the Company's future financial strength and could lead to the Company refining its Business Plan and taking further measures to mitigate particular risks.

## B.5. Internal Control System

### B.5.1. Overview of the Internal Control Framework

The Internal Control Framework is a key element of the management of risks that threaten Omnilife's objectives. It helps to facilitate and provide reasonable assurance over:

- the effectiveness and efficiency of operations;
- the reliability of financial reporting; and
- compliance with laws and regulations.

Ultimate accountability for ensuring that Omnilife has an adequate Internal Control Framework rests with the Board. Whilst the Board maintains oversight of the Internal Control Framework, it has delegated to its committees the responsibility for the day-to-day and operational management of the key elements, functions and processes that make up this system. The Board, Committees and Key Internal Control Functions manage the key elements of Omnilife's Internal Control Framework through the:

- Governance Framework (see Section B.1);
- Corporate policies;
- Operating procedures;
- Risk governance structure (see Section B.3.1); and
- Risk Register (see Section B.3.7).

## B.5.2. Key Internal Control Functions

Omnilife has established the following Key Internal Control Functions, each of which reports to the ARC:

- Compliance & Financial Crime Function;
- Risk Management Function;
- Finance Function;
- Actuarial Function;
- Data Protection Function;
- External Audit Function; and
- Internal Audit Function.

The structure of these Internal Control Functions, including their position within the wider Governance Framework, has been designed to provide Omnilife with a robust Internal Control Framework that enables it to monitor on an ongoing basis the appropriateness of its systems and controls, ensuring that they:

- support Omnilife's Business Strategy and objectives, and enable the Company to deliver value to stakeholders;
- enable Omnilife to operate successfully within its risk environment and in accordance with its risk appetite; and
- remain adequate to enable Omnilife to adhere to applicable regulatory and legislative requirements.

The structure of the Internal Control Framework enables each of the Internal Control Functions to provide support to, interact with and monitor, as appropriate, the Company's operational activities and systems and controls. This structure aims to embed the Internal Control Functions throughout the Company, and to also promote ownership and accountability of internal control measures and issues within the business itself.

Whilst each of the Internal Control Functions will interact with each other, they are considered as individually distinct functions in their own right, thus ensuring that they are provided with adequate focus and resources to undertake effectively their intended roles. Each of the Internal Control Functions has unrestricted access to all individuals and records throughout the business so as to ensure that they are able to investigate and understand fully Omnilife's activities and performance.

Details of the Risk Management Function are provided in Section B.3.1 above. Further information on Omnilife's Compliance & Financial Crime, Finance and Data Protection Functions is provided below, while the Internal Audit and Actuarial Functions are described in Sections B.6 and B.7 respectively.

### **Compliance & Financial Crime Function**

Responsibility for overseeing the company's compliance with its regulatory requirements and its financial crime deterrence rests with the Compliance and Financial Crime function. The function is led by the Head of Compliance, who reports jointly to the CEO and the ARC. This is a dedicated part-time role which is fulfilled by an experienced RGA compliance professional.

The Compliance and Financial Crime function creates a risk-based Compliance Monitoring Plan annually which is approved by the ARC. Progress on implementing the Plan and key findings are reported to ARC and the senior managers of the company regularly and areas of weakness requiring remediation are the responsibility of the relevant senior management to resolve with the concurrence of the Compliance and Financial Crime function. The Plan is reviewed quarterly and updated where risks or business changes warrant.

To ensure that a compliance and financial crime culture is embedded throughout the firm, day to day responsibility and accountability for complying with all regulatory requirements rests with the relevant operational functions. The Compliance & Financial Crime function's responsibility is to interact with and oversee the operational functions to ensure that they:

- are aware of applicable regulatory, legislative and financial crime requirements;



- understand fully how regulatory, legislative requirements apply to the business;
- have incorporated accurately and effectively regulatory, legislative requirements into company standards, policies and procedures; and
- have included the Compliance & Financial Crime function as a key stakeholder within certain policies and procedures.

The Compliance & Financial Crime function is responsible, together with the Chief Executive Officer, for maintaining the relationship between the firm and the relevant regulatory, supervisory and legislative bodies.

A review of the Compliance & Financial Crime Function's effectiveness is conducted on a regular basis by the Internal Audit Function, as determined by the ARC and the Board. The last such audit took place in 2019.

### **Finance Function**

Omnilife's accounting policies and procedures reside within the Finance Function. The Finance Function is the responsibility of the Chief Financial Officer. Under the new operating model, this is a dedicated, part-time role which is fulfilled by an experienced RGA finance officer.

The Board has delegated to the ARC the responsibility for ensuring that the firm has adequate financial systems and controls, for monitoring Omnilife's financial health, and to provide it with accurate and up to date financial performance information. It will also provide advice and commentary to the Board on all relevant material financial matters.

The Finance Function is responsible for developing its own systems and controls to ensure the adequate management of the firm's financial risks and affairs, as well as ensuring the accurate reporting of financial information. However, the firm's other internal control functions will be responsible for undertaking independent monitoring and assurance reviews to ensure the on-going suitability and effectiveness of the firm's financial systems and controls, as well contributing, both directly and indirectly, to determining the accuracy and reliability of the financial and non-financial information received by the Finance Function and the information subsequently disseminated internally and externally.

### **Data Protection Function**

Omnilife's data policies and procedures are the responsibility of the Group Privacy and Security Office (GSPO). GSPO, along with Risk, Compliance and the RGA DPO (EMEA) share responsibility for developing and monitoring the firm's systems and controls to ensure the adequate management of the firm's data. The DPO advises the organisation to ensure all policies and procedures relating to data comply with the legislative and regulatory requirements, including the General Data Protection Regulation (GDPR). The RGA DPO (EMEA) is a full time staff member who is experienced and qualified for the role.

The DPO monitors the regulatory environment and updates management and staff (and provides training) where necessary. The DPO also provides a quarterly report to the ARC. Should a data protection breach occur, GSPO will ensure that the breach is managed and logged in the breach log and include the DPO in the response as appropriate. The DPO will report to the ARC on the data breach, including details of any reports made to the Information Commissioners Office (ICO). As required the internal control functions will be responsible for undertaking independent monitoring and assurance reviews to ensure the on-going suitability and effectiveness of the firm's data protection systems and controls.

## B.6. Internal Audit Function

### B.6.1. Overview of the Internal Audit Function

The Internal Audit Function reports directly to the ARC, the membership of which consists only of NEDs. On this basis, the Internal Audit Function is considered independent from all other business functions and, therefore, is able to provide objective opinions on the adequacy and effectiveness of Omnilife's Risk Management System and Internal Control Framework over the approximately three-year audit cycle. The ARC oversees and provides challenge to the Internal Audit Function to satisfy itself that the Risk Management System and Internal Control Framework are adequate and operating effectively.

The Internal Audit Function is internally outsourced to its parent group, RGA Inc. The Internal Audit Function is responsible for conducting all Internal Audit reviews and, in conjunction with the ARC, developing a rolling Internal Audit Plan.

The areas to be reviewed under the Internal Audit Plan are determined based on the risks to the business, based on those detailed within the Risk Register together with Internal Audit's own judgement, with every activity of Omnilife within the scope of Internal Audit reviews. The Internal Audit Plan is reviewed and approved by the ARC at least annually. The Internal Audit Function is required to provide the ARC with quarterly updates against the plan and submit an individual report (including agreed action points to address each issue) on completion of each Internal Audit review. The Internal Audit Function and / or the ARC may, at its discretion, amend the Internal Audit Plan, where there have been significant changes to Omnilife's risk profile.

The ARC reviews all agreed actions and challenges the suitability of these as necessary. The Internal Audit Function monitors and reports to the ARC on management's progress with implementing agreed recommendations on a timely basis and in line with the agreed due dates. Any agreed actions are highlighted to the ARC.

The CEO, the Compliance Function Holder and the CRO normally attend ARC meetings, so that they may understand and assist to address any identified issues, weaknesses and failures. They may also be invited to contribute to (although not determine) the Internal Audit Plan development process.

The ARC provides to the Board, on a regular basis, reports outlining its progress against the Internal Audit Plan and also the key findings, risks and issues identified as a result of both Internal Audit reviews and reviews carried out by the external auditor.

## B.7. Actuarial Function

### B.7.1. Composition of the Actuarial Function

The Actuarial Function comprises:

- the Chief Actuary role, held by Stephen Grigg;
- the valuation actuary; and
- RGA Enterprise Services and RGA UK Services.

The outsourced actuarial services provided by RGA Enterprise Services and RGA UK Services form part of the Actuarial Function of Omnilife.

Reviews of the effectiveness of the Actuarial Function are conducted by the Internal Audit Function.

### B.7.2. Actuarial Department

The duties and responsibilities of the Actuarial Department include but extend beyond the duties and responsibilities of the Actuarial Function as defined in the relevant legislation.

The Actuarial Department is referred to as an Internal Control Function to the extent that it undertakes many activities that strengthen Omnilife's Risk Management and Internal Control Systems and enable management to undertake informed and risk-based decision-making processes (e.g. financial and non-financial data analysis and assessment, capital monitoring etc.).

The Actuarial Department is primarily responsible for the following:

- performing quarterly reserve reviews to ensure adequate provisions are established for future claims activity;
- monitoring actual vs. expected claim experience;
- production, communication and embedding of Solvency Capital Requirement (SCR) under the Standard Formula;
- input to Omnilife's Business Plan;
- providing support to the Board, in conjunction with the ARC, in setting Omnilife's risk appetite and ensuring that it complements the business plans and objectives.

### B.7.3. Chief Actuary

The specific responsibilities relating to the Chief Actuary role are as follows.

- co-ordinating the calculation of Technical Provisions;
- ensuring appropriate methodologies and assumptions are used in Technical Provisions;
- assessing the sufficiency and quality of data used in Technical Provisions;
- comparing the best estimates against experience;
- reporting on the reliability and adequacy of Technical Provisions;
- overseeing Technical Provisions in cases where approximations might be required or a case-by-case approach needed;
- expressing an opinion on the pricing strategy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the Risk Management System, in particular with respect to risk modelling for capital calculations for both SCR and ORSA purposes.

At least annually, the Chief Actuary co-ordinates production of a report to the Omnilife Board, setting out how the duties of the Actuarial Function, as defined in the relevant legislation, have been discharged and ensuring that any issues are escalated to the Board as necessary.

## B.8. Outsourcing

Omnilife remains ultimately responsible for any activity that is outsourced. The Outsourcing & Related Party Transactions Policy, which has been approved by the Board, describes the principles and policies the Company follows in making a decision to outsource an activity and in subsequently monitoring it. In making a business case for outsourcing, the Company uses a risk-based approach and conducts due diligence before agreeing a contract. The arrangements include suitable monitoring and reporting requirements, details of the provider's business continuity planning and an exit strategy.

The Company outsources:

- investment management to RGA Capital Limited and RGA Enterprises Services Company;
- IT support to RGA UK Services Limited and RGA Enterprises Services Company;
- the provision non-IT corporate services to RGA UK Services Limited and RGA Enterprises Services Company, including HR, Finance, Policy Administration and Facilities; and
- the Policy Administration to RGA UK Services Limited who perform the servicing of the legacy protection business and outsource the administration of the in-payment annuities to EQ (formerly Equiniti)

RGA Enterprises Services Company is US-based and the other outsourced service providers are UK-based.

## B.9. Assessment of Governance

### B.9.1. Assessment of System of Governance

Assessments of the effectiveness of the overall System of Governance, including the Risk Management and Internal Control Systems, are carried out to identify and appropriately remediate any material weaknesses in the:

- overall Organisational Structure;
- reporting of information and escalation of issues;
- management of risks; and
- operation of internal controls.

Over the course of the last 18 months, the Board has carried out a thorough review of Omnilife's system of governance to align it to the Company's new strategy.

### B.9.2. Board and Committee Performance and Effectiveness Reviews

Comprehensive Board and Committee performance and effectiveness reviews are conducted regularly. That involves members of the Board and each committee being asked to provide evaluations and feedback through the use of detailed questionnaires or similar methods covering, at a minimum:

- size and composition of the Board or committee;
- the frequency of meetings;
- effectiveness of the meetings;
- effectiveness of the Chair;
- the adequacy of risk reporting, monitoring and other management information received by the Board or committee;
- adequacy of support provided by business functions;
- adequacy of existing Board and committee TORs;
- schedule of matters reserved for the Board; and
- recommended changes

Following completion of a detailed Board performance evaluation questionnaire by each Director, the facilitator is responsible for compiling and reporting the results to the Board. The Board reviews the results and implements any agreed changes.

Results and recommendations arising from annual reviews of Committee performance and effectiveness against their Terms of Reference are reported to the Board through each Committee Chair, with any agreed changes implemented by the Committee.

Where deemed appropriate by the Board, ad hoc Board and/or governance reviews may be undertaken. Co-ordination and oversight of the reviews is the responsibility of the ARC and will normally be undertaken by the Internal Audit Function. All reports are to be reviewed by the ARC prior to issuance to the Board.

The latest review of Board Effectiveness was carried out in Q3 2019 and facilitated by the RGA Group Deputy General Counsel. An independent review of Board Effectiveness is scheduled for 2021.

### B.9.3. Review of the Risk Management System

The ARC formally considers any material weaknesses within the Risk Management System on an annual basis and reviews the appropriateness of risk appetite and risk tolerance limits each year as part of the ORSA process. Results of all reviews are reported to the Board via Committee minutes and by the Committee Chair.

A comprehensive review of the design and operational effectiveness of the Risk Management Function is undertaken by the Internal Audit Function on a periodic basis. The most recent review was completed in October 2018. The next review is planned for 2022 in accordance with the latest rolling Internal Audit Plan established following the restructuring of the business.

#### B.9.4. Review of the Internal Control Framework

The Internal Control Framework is assessed through regular Internal Audit reviews. Internal Audit reviews examine the design and operational effectiveness of processes and controls in place to manage any associated risks.

The ARC and Internal Audit Function ensure that the key internal controls across the firm are audited over a three-year timeframe.

#### B.9.5. Internal Audit Reviews

The Internal Audit Function is a Key Internal Control Function, independent from the influence of other business functions and Omnilife's management. Details of its roles, responsibilities and reporting requirements are included under Sections B.1.3 and B.6.

In line with the annually approved Internal Audit Plan, the Internal Audit Function undertakes periodic assessments with regards to the suitability and effectiveness of the Internal Control Framework and overall System of Governance. Any weaknesses identified by the Internal Audit Function are reported to the ARC together with proposed actions to remedy the issues identified.

The effectiveness of the Internal Audit Function is reviewed by the ARC on an annual basis.

## C. Risk Profile

### C.1. Insurance Risk

#### C.1.1. Description of Insurance Risk

Insurance risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of Omnilife at the time of underwriting. It is a material component of the risk profile for Omnilife's business and is driven by:

- Longevity risk;
- mortality / morbidity risk;
- catastrophe risk; and
- persistency / lapse risk.

Longevity risk is specific to the annuity business that Omnilife has recently taken on and is the most material insurance risk. With the Group Risk business in run-off, the mortality and catastrophe risks have reduced in size.

#### C.1.2. Mitigation of Insurance Risk

Reinsurance is an important risk mitigation tool employed by Omnilife to reduce its exposure to insurance risk. Reinsurance strategy is developed as part of the three-year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of Omnilife, historical and projected future reinsurance costs, and potential sources of capital alternatives. This approach ensures the level of net underwriting exposure in the Business Plan is acceptable, appropriate, and the risk being assumed can reasonably be expected to produce a return. The reinsurance strategy is approved by the Omnilife Board and implemented by the CEO.

Omnilife's reinsurers for the annuity business are RGA Americas, RGA Atlantic and Assured Guaranty Overseas Limited.

Omnilife's reinsurer for Group Risk has historically been Gen Re. A small number of UK Group Risk policies no longer covered under the Gen Re arrangements, for example those passing the end of their rate guarantee period, are being reinsured 100% with RGA International Reinsurance Company dac.

#### C.1.3. Assessment and Management of Insurance Risk

##### Assessment

The overall exposure to insurance risk is assessed by the Risk Management Function using a range of qualitative measures and outputs to assess the Company's status against its risk appetite for insurance risk. These include:

- producing forecasts of Omnilife's balance sheet over the business planning period and testing the business under single stresses and multi-faceted scenarios, as part of the ORSA process; and
- monitoring experience by comparing the actual performance against expected.

As part of the ORSA process, Omnilife considers whether the Standard Formula SCR adequately captures the material quantifiable risks to which the business is exposed. For the 2020 ORSA, it was concluded that the Standard Formula is appropriate. No additional capital amounts are being held.

##### Management

The main element of insurance risk management is to ensure the adequacy of premium income to cover expected claims and expenses. Pricing adequacy is controlled through the underwriting process prior to taking on new business, including business transfers and monitored by analyses of surplus and experience investigations.

#### C.1.4. Insurance Risk Reporting

Insurance risk is compared against Business Plan in reports that include:

- income versus budget;
- claims report; and
- actual versus expected experience report.

### C.1.5. Material Insurance Risks

Details of Omnilife's material insurance risks are set out in the table below.

INSURANCE RISKS						
RISK	DESCRIPTION	SOURCE	PROBABILITY	IMPACT	MITIGATION	MONITORING
LONGEVITY	ANNUITANTS LIVE LONGER THAN ANTICIPATED IN THE PRICING OF THOSE ANNUITIES.	ANNUITY PORTFOLIOS WITHIN BULK ACQUISITIONS	MEDIUM	HIGH	- REINSURANCE PROTECTION IN PLACE TO LIMIT THE EXPOSURE.	- MONITORING OF ACTUAL V EXPECTED EXPERIENCE.
CATASTROPHE	A ONE-OFF EVENT OUTSIDE OF ANY NORMAL EXPECTATIONS ALLOWED FOR IN THE PRICING OF GROUP RISK POLICIES THAT LEADS TO A BIG SPIKE IN CLAIMS	A PARTICULAR ASPECT OF OMNILIFE'S GROUP RISK BUSINESS IS THAT IT IS COMMON TO INSURE A GROUP OF PEOPLE WORKING AT THE SAME LOCATION, INCREASING THE RISK OF MULTIPLE CLAIMS FROM A DISASTER OR PANDEMIC	LOW	MEDIUM	- ENSURE GOOD GEOGRAPHICAL SPREAD - FOCUS ON SMALL /MEDIUM SCHEMES TO INCREASE DIVERSITY - EVENT LIMITS APPLIED TO GROUP LIFE SCHEMES TO LIMIT THE PAYOUT IN RESPECT OF A VERY LARGE LOSS EVENT - POTENTIALLY COULD BUY CATASTROPHE/XL REINSURANCE	- GEOGRAPHICAL SPREAD INVESTIGATED ANNUALLY AND MONITORED USING AN IN-HOUSE TOOL DEVELOPED BY THE UNDERWRITING MANAGER - GEOGRAPHICAL SPREAD IS ALSO MONITORED BY GEN RE - PERIODIC REVIEW OF MAXIMUM PAYOUT LIMITS - PERIODIC REVIEW OF NEED FOR ADDITIONAL CATASTROPHE REINSURANCE
MORTALITY/ MORBIDITY	CURRENT EXPERIENCE DIFFERS TO THAT EXPECTED OR IS DISTORTED BY A FEW LARGE CLAIMS	OMNILIFE CANNOT BE CERTAIN OF FUTURE EXPERIENCE - THE SMALL SIZE OF THE COMPANY INCREASE VARIABILITY	MEDIUM	LOW	- QUOTA SHARE AND SURPLUS REINSURANCE USED TO SHARE THE RISK - CAREFUL UNDERWRITING WITH ADEQUATE MARGINS - SHORT-TERM GUARANTEES FOR GROUP RISK BUSINESS - TERM ASSURANCE BOOK IS SMALL AND REINSURED	- HALF-YEARLY VALUATIONS AND ANALYSES OF SURPLUS - ANNUAL MORTALITY/MORBIDITY EXPERIENCE INVESTIGATION BY THE ACTUARIAL DEPARTMENT - GEN RE ALSO ANALYSES CLAIMS EXPERIENCE

### C.1.6. Changes in Insurance Risks

There has been a large increase in Insurance risk over 2020, associated with the transfer of annuity policies. There have been reductions in catastrophe and mortality/morbidity risk due to the reduction in the Group Risk business since the Company closed to new business and the expectation that the remaining portfolio will largely run off over the year.



## C.2. Market Risk

### C.2.1. Description of Market Risk

Market risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of Omnilife's basic Own Funds changes unfavourably, due to economic factors such as variations in interest rates or changes in corporate bond spreads.

The credit spread is the additional yield on corporate bonds relative to risk-free rates and represents the compensation for the risk of default together with an illiquidity premium. The credit spread element of the SCR reflects the risk of a corporate bond downgrading to a lower rating (and reducing in value) or defaulting.

Asset liability management ('ALM'), a key component of the overall market risk management, is the management of the business in such a way that decisions on assets and liabilities are co-ordinated in order to manage the exposure to the risk associated with the variation of their economic values.

The Omnilife Investment Policy is approved by the Board and provides details of how it identifies, measures, monitors and controls market risk with related roles and responsibilities.

### C.2.2. Assessment and Management of Market Risk

#### Assessment

The Risk Management Function regularly assesses market risk exposure against the investment risk appetite. Market risk exposure can also be assessed through the SCR for market risk.

#### Management

Omnilife's investment assets, principally bonds and cash, are managed for Omnilife by RGA Capital Limited and RGA Enterprise Services.

The Board has approved Investment Guidelines that define the appetites and tolerances within which the investment managers must operate.

### C.2.3. Market Risk Reporting

RGA Capital Limited and RGA Enterprise Services provide regular investment reports to the Board.

Adherence to the investment guidelines is monitored by the Risk Function and reported regularly. In addition, the matching position of assets against liabilities, are monitored and reported quarterly.

Sensitivity analysis is produced and included within the ORSA to improve the understanding of key market risks on the solvency position of Omnilife.

Significant deviation or underperformance against the Business Plan is escalated to the Board by the Audit & Risk Committee.

### C.2.4. Material Market Risks

Details of Omnilife's material market risks are set out in the table below.

MARKET RISKS						
RISK	DESCRIPTION	SOURCE	PROB-ABILITY	IMPACT	MITIGATION	MONITORING
SPREAD RISK	SENSITIVITY OF THE VALUES OF ASSETS TO CHANGES IN THE CORPORATE BOND SPREADS	OMNILIFE INVESTS IN BONDS	MEDIUM	HIGH	SOME SPREAD RISK IS REASSURED THROUGH THE STOP-LOSS OMNILIFE WILL SEEK APPROVAL FOR A VA	REGULAR MONITORING AND QUARTERLY REPORTING
INTEREST RISK	SENSITIVITY OF THE VALUES OF ASSETS AND LIABILITIES TO CHANGES IN THE TERM STRUCTURE	- AN INCREASE IN THE TERM STRUCTURE OF INTEREST RATES WILL REDUCE THE VALUE OF BONDS BUT WILL ALSO REDUCE THE VALUE OF LIABILITIES.	MEDIUM	MEDIUM	- WHILST THE INTEREST RATE CAPITAL REQUIREMENT IS HIGH THE TOTAL	REGULAR REVIEW OF ALM

	OF INTEREST RATES, OR IN THE VOLATILITY OF INTEREST RATES	- DUE TO SURPLUS ASSETS THE REDUCTION IN ASSET VALUES EXCEEDS THE MOVEMENT IN THE LIABILITIES			BALANCE SHEET IS BETTER MATCHED REDUCING BALANCE SHEET VOLATILITY.	
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### C.2.5. Changes in Market Risks

Due to the transfer of the annuity business Omnilife has a much larger balance sheet (both assets and liabilities) and hence there has been an increase in the market risk largely due to credit spread risk and interest rate risk.

### C.3. Counterparty Credit Risk

#### C.3.1. Description of Counterparty Credit Risk

Counterparty credit risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in Omnilife's financial position, resulting from reinsurance counterparties and any debtors to which Omnilife is exposed defaulting. The main sources of counterparty risk for Omnilife are related to premiums due from brokers and policyholders and exposure to reinsurers.

#### C.3.2. Mitigation of Counterparty Credit Risk

The Reinsurance Policy and Outsourcing Policy are approved by the Board and include details of identifying and monitoring permitted counterparties. In addition, Omnilife has a detailed Recovery and Resolution Plan that sets out the steps the Company would take were a reinsurer or outsourcer to fail to fulfil their obligations.

Omnilife has an active credit control process co-ordinated between the administration team and the Finance Function to chase up overdue premiums and resolve payment issues.

#### C.3.3. Assessment and Management of Counterparty Credit Risk

The recovery and resolution plan considers the extreme event of the RGA group, our main reinsurers, failing completely. In this extremely unlikely event Omnilife would recapture collateral assets, move some of the bond portfolio to higher rated assets, draw on available Letters of Credit and seek alternative external reinsurance (e.g. longevity swaps).

The credit risk arising from the late payment of premiums is mitigated by the terms and conditions of Omnilife's policies. The policies stipulate that insurance cover is provided only for the period for which premiums have been paid. Under Solvency II, Omnilife is required to hold capital related to the late payment of premiums, especially if overdue more than 90 days.

#### C.3.4. Counterparty Credit Risk Reporting

The exposure to reinsurance counterparties is monitored regularly, with the capital requirement included in regular reporting to the ARC. The status of overdue premiums is monitored in the monthly Business Performance statistics.

#### C.3.5. Material Counterparty Credit Risks

Details of Omnilife's material counterparty credit risks are set out in the table below.

CREDIT RISKS						
RISK	DESCRIPTION	SOURCE	PROB-ABILITY	IMPACT	MITIGATION	MONITORING
REINSURER DEFAULT	REINSURER FAILS TO MEET ITS REINSURANCE OBLIGATIONS	OMNILIFE REINSURES THE MAJOR PORTION OF ITS RISKS	LOW	HIGH	- QUALITY REINSURERS - RECOVERY AND RESOLUTION PLAN	CREDIT RATING AND FINANCIAL CONDITION REPORTS
LATE PAYMENT OF PREMIUMS	POLICYHOLDERS DELAY IN PAYING PREMIUMS WHICH INCREASES OMNILIFE'S CAPITAL REQUIREMENT	DELAY IN POLICYHOLDERS PAYING PREMIUMS	HIGH	LOW	- "NO PREMIUM, NO COVER" - ACTIVELY CHASING OVERDUE PREMIUMS	MONTHLY REPORTING OF OVER DUE PREMIUMS

#### C.3.6. Changes in Counterparty Credit Risks

The counterparty credit risk has increased during 2020 largely due to the additional reinsurance arrangements put in place on the transfer in of annuity business.

## C.4. Liquidity risk

### C.4.1. Description of Liquidity Risk

Liquidity risk is defined as the risk of loss or inability to realise investments and other assets in order to settle financial obligations when they fall due. Omnilife underwrites a mix of short and long-tail business and it ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash-flow requirements (including meeting statutory and regulatory liquidity ratios). This objective does not mean simply that assets must be readily realisable, but rather that assets should be capable of being liquidated swiftly and with any loss of value limited to still being able to cover technical provisions plus the Solvency Capital Requirement.

Omnilife's liquidity policy is detailed in the Risk Policy and approved by the Board. It details how liquidity risk is identified, measured, monitored and controlled, with related roles and responsibilities.

#### Mitigation of Liquidity Risk

The IPS puts in place restrictions in respect of the investment classes, duration and concentration.

Omnilife undertakes regular ALM, as detailed in the IPS, to ensure its liquidity needs are appropriately managed. Omnilife tests its liquidity requirements to ensure that it has sufficient funds available to meet obligations as they fall due.

As blocks of business are transferred in under the new strategy, Omnilife will test the liquidity aspects of the proposed investment strategy for that new block and quarterly thereafter.

The arrangements include a liquidity contingency plan that identifies other financing options for any liquidity shortfalls.

### C.4.2. Assessment and Management of Liquidity Risk

The Audit and Risk Committee reviews available liquid funds regularly. Rolling 12-month cash-flow projections are prepared quarterly and reviewed against available liquid funds.

Annual stress tests are conducted as part of the 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.

### C.4.3. Liquidity Risk Reporting

Liquidity monitoring is carried out by the CFO and issues are escalated to the CRO and CEO, as required.

## C.5. Operational risk

### C.5.1. Definition of Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events impacting Omnilife's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

### C.5.2. Assessment and Management for Operational Risk

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. As such the identification, management and monitoring of operational risk is the responsibility of all Omnilife staff.

For this purpose, Omnilife has defined control activities in respect of all risk categories and wider business operations. These control activities are included in the Omnilife Risk Register with designated Risk and Control Owners responsible for ensuring that they remain appropriate on an ongoing basis.

### C.5.3. Operational Risk Reporting

All issues related to operational risk are reported to the Risk Management Function and reviewed by the ARC, which agrees detailed management actions to be implemented to address the issue. Omnilife monitors its status against its operational risk appetite and this is reported to the ARC on a quarterly basis by the Risk Management Function.

### C.5.4. Changes to Operational Risk

Omnilife's IT systems are on the RGA IT platform providing greater security and business continuity protection than would be available on a stand-alone basis. Omnilife also attained the Cyber Essentials Kitemark in 2019.

Under its new strategy, Omnilife is making greater use of outsourcing providers, in particular using specialist services within the RGA Group, which in turn may utilise external outsourcers, such as EQ (previously known as Equiniti) which provides administration services in respect of the annuity portfolio transferred from Generali at the end of 2020. To ensure the standard and reliability of services provided, the Board have approved an Outsourcing & Related Party Transactions Policy and a Vendor Risk Management Policy. These policies set out how outsourcing providers are selected and monitored. The Recovery and Resolution Plan describes steps that would be taken by Omnilife if a provider failed to fulfil its obligations.

### C.5.5. Material Operational Risks

Details of Omnilife's material operational risks are set out in the table below, including the inherent probabilities and impacts prior to mitigation activities.

OPERATIONAL RISKS						
RISK	DESCRIPTION	SOURCE	PROB-ABILITY	IMPACT	MITIGATION	MONITORING
<b>CYBER SECURITY</b>	HACKER STEALS PERSONAL DATA OR DISRUPTS SYSTEMS	- LOSS OF REPUTATION, BLACKMAIL AND POTENTIAL PENALTIES	HIGH	MEDIUM	- RGA IT SYSTEMS PROVIDE HIGH LEVEL OF SECURITY - MAINTAIN CYBER ESSENTIALS KITEMARK	FOLLOWING RGA PROTOCOLS
<b>OUTSOURCING</b>	FAILURE OR SUB-STANDARD WORK BY PROVIDERS	- OUTSOURCING MANY VITAL FUNCTIONS, MAINLY TO RGA GROUP	HIGH	MEDIUM	- QA THROUGH OUTSOURCED SERVICE OWNERS - CAREFULLY DRAFTED SERVICE LEVEL AGREEMENTS - RECOVERY AND RESOLUTION PLAN	ANNUAL REVIEW OF ARRANGEMENTS

EXPENSES	EXPENSES MORE THAN ANTICIPATED	- MAINLY FIXED COSTS	HIGH	MEDIUM	- CAREFUL BUDGETTING	MONTHLY COMPARISON TO PLAN
<b>PREPARATIONS FOR BULK TRANSFERS</b>	DELAY IN TRANSFER OR INCREASED COSTS	- DETAILED REINSURANCE AND OUTSOURCING ARRANGEMENTS	HIGH	MEDIUM	- DETAILED PROJECT PLAN - PROJECT MEETINGS - JOINT MANAGEMENT COMMITTEE WITH TRANSFEROR	REGULAR MANAGEMENT AND BOARD OVERSIGHT

The list of the material operational risks changes as the business is developing.

## C.6. Strategic Risk

### C.6.1. Definition of Strategic Risk

Strategic risk is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between Omnilife's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and the appropriateness of responses to changing business conditions. This includes group and reputational risk as a by-product of inappropriate/inadequate management and the mitigation of other risk categories.

### C.6.2. Mitigation and Management for Strategic Risk

Strategic risk is primarily mitigated through review and approval of the Business Strategy and Business Plan by the Board. The Omnilife Business Strategy and Business Plan are regularly appraised in light of internal and external developments by the Board and its sub-committees. Performance against the Business Plan is subject to ongoing management review and is used to initiate actions to manage strategic risks as well as other risks.

Stress and scenario testing is also used at the strategic and business planning stages to identify possible events and future changes in economic conditions that could have unfavourable effects on the Business Strategy and/or Business Plan and the Company's financial standing. This includes consideration and assessment of stresses that will threaten the viability of the Business Plan and Business Strategy (i.e. reverse stress testing).

## C.7. Other Risks

### C.7.1. Reputational Risk

Omnilife recognises reputational risk as a by-product of inappropriate/inadequate management and mitigation of all other risk categories. As such, the identification of reputational risk is the combined responsibility of all Risk Owners. Identified reputational risks are addressed through the management/mitigation of strategic risk which is owned by the CEO.

## D. Valuation for Solvency Purposes

### D.1. Assets

#### D.1.1. Financial Assets

The following table sets out the value, valuation approach and assumptions for each of Omnilife's main financial asset classes as at 31 December 2020.

ASSET CLASS	2020		2019		VALUATION METHODOLOGY	MAIN ASSUMPTIONS
	VALUE £'MILLION	% ASSETS	VALUE £'MILLION	% ASSETS		
GOVERNMENT BONDS	39.5	8.4%	1.6	6.3%	QUOTED MARKET PRICE	MARKET PRICES AVAILABLE FROM ACTIVE MARKETS
CORPORATE BONDS – NON-STRUCTURED PRODUCTS	409.4	86.6%	7.8	30.5%	QUOTED MARKET PRICE	MARKET PRICES AVAILABLE FROM ACTIVE MARKETS
CORPORATE BONDS – STRUCTURED PRODUCTS *	-	-	4.2	16.4%	MARKET PRICE USING SECONDARY MARKETS <sup>4</sup> , OR MARK-TO-MODEL <sup>5</sup> VALUATION, PROVIDED BY BROKER	MARKET PRICES (WHERE AVAILABLE) FROM SECONDARY MARKETS
CASH, DEPOSITS **	19.2	4.1%	5.8	22.7%	ACCOUNT VALUE	-
OTHER ASSETS	4.7	1.0%	6.2	24.2%		-
TOTAL ***	472.8		25.6			

\* A structured note is a debt obligation which typically has two underlying parts: a bond component and a derivative component; and combines payoffs from those components. The amount of both regular payoffs (during the term of the note) and payoff at maturity is usually linked to the performance of market indices/rates/commodities, e.g. LIBOR, with caps and floors applied but with the payoff at maturity floored at the principal amount (provided by the bond component). As at 31 December 2019, the structured notes held by Omnilife all had exposure to the LIBOR index.

\*\* The majority of the cash and short-term deposits are in institutions with a credit standing of A or above (at 31 December 2020 there was £79k held at the Bank of Cyprus which has a B rating).

\*\*\* Excluding £231.2m of reinsurance recoverables and reinsurer's share of outstanding claims at 31 December 2020.

#### D.1.2. Comparison of Solvency II Assets with Annual Report and Accounts

There are no differences between the bases, methods or assumptions used for the Solvency II Pillar 1 valuation of Omnilife's main asset classes and those used in the asset valuation for the Annual Report and Accounts.

#### D.1.3. Reinsurance Asset

As at 31 December 2020, the value of Omnilife's Reinsurance Asset was £230 million.

The Company treats the value of the reinsurance arrangements as an asset. The value of the Reinsurance Asset is determined in a manner consistent with that used to calculate the Best Estimate Liabilities, using the same model, and includes an adjustment for reinsurer counterparty default risk.

#### D.1.4. Intangible Assets

As at 31 December 2020, Omnilife did not attach any value to goodwill or any other intangible assets.

#### D.1.5. Other Assets

Other assets include the following types of assets:

- Debtors (excluding reinsurance operations);

<sup>4</sup> For corporate bonds which are traded over the counter, rather than via an exchange e.g. the London Stock Exchange, secondary markets are financial markets in which previously issued financial instruments such as stock, bonds, options, and futures are bought and sold.

<sup>5</sup> Valuation based on internal assumptions, or financial models, rather than using market prices to calculate values.



- Debtors arising out of reinsurance operations;
- Policy loans; and
- Fixed assets.

The other assets as at 31 December 2020 break down as follows:

OTHER ASSETS VALUE	2020 (£ MILLION)	2019 (£ MILLION)
DEBTORS (EXCLUDING REINSURANCE OPERATIONS)	1.1	3.1
DEBTORS ARISING OUT OF REINSURANCE OPERATIONS	2.6	1.9
POLICYHOLDER LOANS	0.1	0.2
PREPAYMENTS	0.9	1.0
TAXATION CREDIT	0.0	1.0
TOTAL	4.7	6.2

#### **Debtors (excluding reinsurance operations)**

Debtors (excluding reinsurance operations) amount to £1.9 million. This relates to premiums due on direct insurance business and reinsurance accepted. They have been calculated at face value as they are expected to be settled in the short-term, i.e. less than 24 months, after the valuation date.

#### **Debtors arising out of reinsurance operations**

This is the balance due from RGA International and Gen Re as a result of the reinsurance business ceded to them.

#### **Policy loans**

Policy loans amount to £0.1 million. These are secured on IDA policies, and are valued at face value as they can be repaid to Omnilife at any time.

#### **Prepayments**

The prepayments of £0.9m are payments made in advance of the year-end in respect January annuity payments.

## D.2. Technical Provisions

The Technical Provisions are equal to the sum of the Best Estimate Liabilities and the Risk Margin.

### D.2.1. Material Lines of Business

The table below sets out the segmentation of Omnilife's business into lines of business, consistent with those described in Section A.1.3. No products span more than one line of business, so no unbundling of contracts is necessary in the calculation of Technical Provisions.

LINE OF BUSINESS	TYPE OF PRODUCTS	COVER	COVER TERM	PREMIUM	BENEFIT PAYABLE	OTHER
UK ANNUITY BUSINESS	INCOME	INDIVIDUAL (OR JOINT LIFE)	LIFE	SINGLE	INCOME PAYABLE FOR LIFE – CAN BE JOINT LIFE, WITH/WITHOUT GUARANTEED PERIOD, WITH/WITHOUT INCREASES IN PAYMENT	
UK GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	MAINLY SHORT-TERM SOME LONGER TERM BUSINESS (CREDIT LIFE)	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS INDIVIDUAL	SAVINGS (IDA) AND PROTECTION (TERM ASSURANCE)	POLICY COVERS AN INDIVIDUAL LIFE	MEDIUM (IDA) TO LONG-TERM (TERM ASSURANCE)	REGULAR PREMIUM OR PAID-UP (IDA ONLY)	<p><u>IDA</u>: BENEFIT PAYABLE ON DEATH, SURRENDER OR MATURITY.</p> <p>GUARANTEED MINIMUM ON DEATH AND GUARANTEED MINIMUM MATURITY BENEFIT FOR PREMIUM-PAYING POLICIES</p> <p><u>TERM ASSURANCE</u>: LUMP SUM BENEFIT, PAYABLE ON DEATH WITHIN POLICY TERM</p>	

### D.2.2. Technical Provisions as at 31 December 2020

The table below sets out the Technical Provisions as at 31 December 2020 for each of Omnilife's main lines of business.

CATEGORY	COMPONENT	VALUE 2020 (£ MILLION)	VALUE 2019 (£ MILLION)
ANNUITY BUSINESS	BEST ESTIMATE LIABILITIES	585.3	-
	RISK MARGIN*	13.4	-
GROUP RISK BUSINESS – OTHER THAN CREDIT LIFE	BEST ESTIMATE LIABILITIES	0.7	4.4
	RISK MARGIN	0.0	0.1
GROUP RISK BUSINESS – CREDIT LIFE	BEST ESTIMATE LIABILITIES	0.3	2.0
	RISK MARGIN	0.0	0.0
OVERSEAS INDIVIDUAL BUSINESS	BEST ESTIMATE LIABILITIES	1.6	1.8
	RISK MARGIN	0.0	0.1
EXPENSE PROVISION		11.1	4.0

TOTAL	BEST ESTIMATE LIABILITIES	599.0	12.2
	RISK MARGIN	13.4	0.2
	TECHNICAL PROVISIONS	612.4	12.4

\* The risk margin for the annuity business incorporates the risk margin associated with the additional expense provision.

There has been a significant increase in the Best Estimate Liabilities due to the transfer of annuity business. The other business classes are in run-off, hence the reduction in the Best Estimate Liabilities for these lines of business. The individual business includes the overseas individual deposit administration saving business which has a longer term and hence will be slower to run-off.

### D.2.3. Valuation Basis

#### Best Estimate Liabilities

Appendix 1 summarises the basis and assumptions used to determine Omnilife's Best Estimate Liabilities as at 31 December 2020.

#### Risk Margin

The assumptions used to in the calculation of the Risk Margin as at 31 December 2020 are set out in Section D.2.4 below.

### D.2.4. Valuation Methodology

The Best Estimate Liabilities (BEL), for all lines of business, have been valued either at a scheme or policy level (as appropriate), except for the Best Estimate Liabilities in respect of overhead expenses which are calculated at company level.

Under Solvency II requirements, the BEL's should typically be derived by discounting future expected liability cash-flows that are calculated using realistic, best estimate assumptions. For the majority of Omnilife's in-force business, a full cash-flow projection has been adopted. The approach adopted for each line of business is described in the following sub-sections.

#### Individual Annuities

The BEL for individual annuity business (both in payment and deferred) is determined by discounting the expected futures cash flows using the EIOPA risk free curve appropriate for the currency of the benefit. The expected cash flows allow for the expectation of future deaths of policyholders with the mortality assumptions derived from experience analysis together with allowance for future mortality improvements.

#### Group Risk business - excluding claims in payment

For Group Risk business the best estimate liability is calculated as the sum of:

- the expected cost of claims up to the next premium due date;
- the expected expenses up to the next premium due date;
- an Incurred But Not Reported ('IBNR') reserve to allow for delays in reporting claims;
- an additional reserve, expressed as a multiple of annual premium, in respect of extra premiums on sub-standard lives (applied to UK Group Risk business only); less
- an allowance for expected profits included in future premiums (EPIFP).

The expected cost of claims is calculated as the unearned portion<sup>6</sup> of the gross risk premiums paid (where risk premiums are equal to the gross premium less commission and the expense loadings in those premiums, which vary at a scheme level), reduced by an assumed profit margin (currently set at 2.5%).

<sup>6</sup> The gross risk premium is assumed to decrease linearly over the time between the premium payment being made and the next premium date. In this way, the gross risk premium is said to be 'earned' over this period. The unearned portion is the premium that will be earned between the valuation date and the next premium date.

Similarly the expected expenses are calculated as the unearned portion of the expense loadings in the gross risk premiums paid. There was no reduction for an assumed profit margin at 31 December 2020.

For UK group income protection business, an adjustment is made so that the earning of risk premium and expense margins (net of commission paid) is deferred to the extent of the deferred periods on the underlying contracts.

The IBNR reserve is determined by applying the IBNR period (expressed as a fraction of a year) to the gross annual risk premiums. An IBNR reserve is calculated for in force policies and policies that have recently terminated and are still within their IBNR period. No interest earnings are allowed for in the calculation, as for the majority of the business the average period to the expected date of payment of claims and expenses is very short.

For some of Omnilife's Group Risk business, a guaranteed period exists which does not coincide with its on-risk period. An allowance is made within the calculation of the BEL for EPIFP, for the period from the next premium due date until the earlier of the end of the guaranteed period or an assumed exit date. At 31 December 2020 it has been assumed that every scheme will exit at its next anniversary, even if that is before the end of its guaranteed period. This assumption reflects the fact that, following Omnilife's closure to new business, the portfolio is quickly running-off. If profit margins in risk premiums and expense loadings are positive, this component is expected to reduce the BEL.

In the event that data for certain business is unavailable at the Valuation Date, it has been assumed the unexpired premiums at the previous quarter-end are run down during the quarter and if the renewal date falls in the quarter, the scheme renewed on its existing terms. For consistency, provisional figures for the quarter are booked in the accounts of premiums for an assumed renewal in the quarter and claims of 25% of annual risk premiums at the previous quarter-end.

#### **Group Risk business - claims in payment**

For current group income protection claims (UK and overseas), BEL's are calculated using a cashflow approach, whereby the projected, monthly benefit payments are discounted to the valuation date. Allowances are made for escalating benefit amounts, where relevant, expenses and claims terminating.

The discount rate used to calculate the BEL is the EIOPA risk-free curve appropriate to the currency of the benefit.

The administration of the overseas claims is carried out by resources external to Omnilife, at no extra charge to Omnilife. The administration of the UK claims is carried out internally by Omnilife but with claims underwriting support provided externally, again at no extra charge. This, together with the currently small number of income protection claims, indicates that the level of claims expenses associated with this business that is met by Omnilife is expected to be low. An allowance for expenses is approximated by increasing the benefits in payment by a fixed percentage.

#### **IDA business**

For IDA business, the BEL are calculated as the sum of the following:

- The amount of the investment account, ignoring any surrender penalties.
- An unearned premium reserve, equal to the amount of the risk premium deducted at the time of the last premium payment prior to the valuation date that will cover the period between the last premium due date and the payment date of the next premium, reduced for the 'earned' period between the last premium due date and the valuation date.
- A reserve for the guarantee that underpins the maturity benefit.<sup>7</sup>

The reserve for the guarantee is a deterministic reserve calculated by rolling forward, at a risk-free interest rate specified by EIOPA, the current investment accounts and future premiums, allowing for future mortality, disability and expense deductions. Any shortfall between the maturity value so calculated and the guaranteed maturity value is then discounted to the valuation date at the risk-free interest rate.

The method assumes a constant lapse rate for all durations, irrespective of the interest rate scenario.

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<sup>7</sup> Given the current low interest rate environment and that the business is in run-off, on the grounds of proportionality and materiality a simplified approach is adopted as at 31 December 2019.

### **Individual term assurance business**

A best estimate cash-flow projection model is used to value these policies. The Reinsurance Asset is then calculated by pro-rating in line with the reinsured amount (at a policy level).

The method assumes a constant lapse rate for all durations.

### **Expense Provisions**

The Expense provision is calculated by looking at the shortfall, over a three year-period between:

- The expense loadings projected on the existing business, consistent with the valuations of each line of business; and
- The forecast monthly expenses.

### **Risk Margin**

Omnilife assumes that all market risks are hedgeable, and therefore excludes market risk capital from the Risk Margin calculation. Whilst the asset default risk is deemed to be hedgeable, the reinsurer's default risk is included in the risk margin calculations as at 31 December 2020.

For the Risk Margin calculation, the business is split into four categories so that within each category the duration of liabilities is similar. The Risk Margin is determined by projecting, over the lifetime of each category, the part of each category's SCR that relates to non-hedgeable risks.

Omnilife has adopted the use of a simplified method, for all categories except the annuity business, when calculating the projected non-hedgeable SCR for use in the Risk Margin calculation. This simplification is based on the following simplifying assumptions:

- The composition and the proportions of the risks and sub-risks do not change over time (which is relevant to the Basic SCR component of the SCR);
- The duration is the same net and gross of reinsurance (which is relevant to the operational risk component of the SCR)
- the non-hedgeable component of the SCR runs off in line with the year-by-year movement in the policyholder liabilities (net of reinsurance).

## **D.2.5. Uncertainty in the Technical Provisions**

### **Data**

For overseas Group Risk business, Omnilife has a number of reinsurance (or coinsurance) treaties/arrangements in place where it accepts business directly written through another insurance provider, i.e. its previous parent company Medgulf and other Medgulf Group companies. In such circumstances, Omnilife does not perform any data administration and so is reliant upon the accuracy and completeness of the data provided by Medgulf. Omnilife does not accept overseas Group Risk business from Medgulf if data for this business cannot be provided in a timely manner.

For group income protection claims in payment, the administration and management of these claims falls to resources external to Omnilife and so Omnilife is reliant upon the accuracy and completeness of the data it is provided with. In particular, Omnilife is currently unable to independently verify the current claim status of any claimant.

### **Assumptions**

Best estimate assumptions have been set using information and analysis available as at 31 December 2020. For example:

- Economic assumptions are derived using market data as at the valuation date.
- IBNR assumptions, for UK Group Risk business and overseas group life business, are determined based on internal experience analyses.
- Overhead expenses are set using the forecast level of expenses.

- Profit margins are determined based on high-level experience analyses.

These assumptions are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, legislation, and economic conditions.

Any items of experience where it is expected that the actual emergence of experience may vary, perhaps materially, from the best estimate assumption (set out in Appendix 1) are discussed in further detail below.

It is worth noting that the aim of the assumption setting process is to derive true best estimates, with no bias towards conservatism or optimism. Whilst subject to an inevitable degree of uncertainty, these assumptions are expected to reflect future emerging experience without bias.

#### *Mortality – individual annuity business*

The mortality assumption and the allowance for future improvements have been set with reference to experience and expert judgement, however there will inevitably be some uncertainty relating to these assumptions.

#### *Mortality – individual term assurance business*

Given the small volume of individual term assurances in-force, an analysis of recent experience has not been carried out and the mortality assumption has been set equal to 100% of the standard mortality tables for Temporary Assurances from the '00 Series tables. This lack of statistically credible internal experience leads to some uncertainty as to whether the assumed mortality curve accurately reflects the underlying mortality risk of the business.

#### *Claim termination – Group Risk claims in payment*

Given the small number of UK group income protection claims in payment, an analysis of recent experience has not been carried out and the claim termination rates are based on 100% of CMIR-12, which is a standard table for UK group income protection business. This lack of statistically credible internal experience leads to some uncertainty as to whether the assumed termination rates accurately reflect the underlying risk of non-recovery of the claims.

Similarly, given the small number of overseas group income protection claims in payment, an analysis of recent experience has not been carried out and, the claim termination rates are based on 85% of CMIR-12, to reflect that experience on non-UK based claims may be less favourable than that for claimants located in the UK, from which the CMIR-12 table is derived. This lack of statistically credible internal experience leads to some uncertainty as to whether the assumed termination rates accurately reflect the underlying risk of persistence of the claims.

The BEL for this business amount to £0.3 million.

#### *Persistency – overseas individual business*

Given the small number of overseas individual policies, and lack of any clear pattern from recent experience, there is some uncertainty as to whether the actual emergence of future experience will be in-line with the assumed lapse rate of 5% p.a.

### **Modelling**

The simplifications adopted in calculating the BEL, as discussed in Section D.2.4 above and in particular using an alternative method to full cash-flow projection for the less material lines of business, will necessarily lead to some uncertainty in the Technical Provisions. However, the Company does not believe that the simplifications adopted lead to materially different Technical Provisions than would result from implementing the full calculations.

#### **D.2.6. Comparison of Solvency II Technical Provisions with Annual Report and Accounts**

The Technical Provisions shown in the Annual Report and Accounts at 31 December 2020 include the same Risk Margin and Best Estimate Liabilities that make up the Solvency II Technical Provisions.

#### **D.2.7. Regulatory Approvals**

##### **Matching adjustment**

Omnilife has not sought permission from the PRA to make use of the Matching Adjustment. Therefore, no Matching Adjustment is used when determining Omnilife's Technical Provisions.

**Volatility adjustment**

Omnilife has not yet sought permission from the PRA to make use of the Volatility Adjustment. Therefore, no Volatility Adjustment is used when determining Omnilife's Technical Provisions.

**Transitional measures***Transitional measure on the risk-free interest rate*

Omnilife does not apply the transitional measure on the risk-free interest rate when calculating its Technical Provisions.

*Transitional measure on Technical Provisions*

Omnilife does not apply a transitional measure on Technical Provisions.

### D.3. Other Liabilities

Other liabilities on the balance sheet, as at 31 December 2020, comprise of:

- claims outstanding, net of reinsurance;
- insurance and intermediaries payables (brokers and policyholders);
- accruals and deferred income;
- amounts due to related parties;
- a deferred tax liability; and
- taxation.

The other liabilities as at 31 December break down as follows:

OTHER LIABILITIES	VALUE 2020 (£ MILLION)	VALUE 2019 (£ MILLION)
CLAIMS OUTSTANDING – NET OF REINSURANCE	1.9	0.4
INSURANCE AND INTERMEDIARIES PAYABLES	0.7	1.3
ACCRUALS AND DEFERRED INCOME	0.8	1.9
AMOUNTS DUE TO RELATED PARTIES	3.3	0.2
TAXATION <sup>8</sup>	0.0	0.0
TOTAL	6.7	3.8

#### Claims outstanding, net of reinsurance

This is the amount of gross outstanding claims due, less any amounts recoverable from the reinsurer for these outstanding claims. It is held at face value given these amounts are expected to be settled shortly, i.e. less than 12 months, after the valuation date.

#### Insurance and intermediaries payables

This is the amount owing either from brokers or policyholders (mainly arising from Group Risk business) at the end of the year, and is held at face value given it is expected to be settled shortly, i.e. less than 12 months, after the valuation date.

#### Amounts due to related parties

This is mainly comprised of amounts owed to other members of the Group, arising from the reinsurance established on the transfer of the annuity business. The balance is held at face value given it is expected to be settled shortly, i.e. less than 12 months, after the valuation date.

#### Accruals and deferred income

This is mainly comprised of accruals in respect of audit fees, and amounts due to suppliers, which are held at face value given they are expected to be settled shortly, i.e. less than 12 months, after the valuation date.

#### Taxation

This is the amount of corporation tax payable on profits at the end of the year.

#### D.3.1. Comparison of Solvency II Other Liabilities with the Annual Report and Accounts

There are no material differences between the valuation bases, methods and assumptions used for the Solvency II Pillar 1 valuation of Omnilife's other liabilities and those used in the Annual Report and Accounts.

<sup>8</sup> Tax credit for 2019 is included in Other Assets D.1.5.



#### D.4. Alternative Methods for Valuation

Omnilife does not use any alternative methods for valuation.

## E. Capital Management

### E.1. Own Funds

#### E.1.1. Objectives, Policies and Processes Employed for Managing Own Funds

The Company's risk management system incorporates a Risk Appetite Statement relating to Own Funds. The Risk Appetite Statement ensures that there are sufficient own funds to cover the SCR, with an appropriate buffer.

The Company's Business Plan and Business Strategy are subject to an annual review process and approval by the Board. This annual review incorporates a projection of expected SCR coverage over a three-year planning horizon, which also forms a key part of the ORSA process and the ORSA Report. The Company also produces a recovery and resolution plan on an annual basis to demonstrate that the Company has sufficient funds to recover following an extreme scenario, involving a default of a reinsurer, or run-off the business in an orderly manner. The Company aims to remain within its risk appetite for solvency over the length of the business planning horizon.

The Company has no intention to issue, redeem or restructure Own Funds.

As at 31 December 2020 the ratio of eligible Own Funds to SCR was 251%, compared to 337% at the previous year-end.

#### E.1.2. Description of Own Funds

Omnilife's Own Funds are allocated to the following tiers set out in the Solvency II regulations:

- Ordinary share capital and the related share premium account (Tier 1)
- Reconciliation reserve (Tier 1)

Omnilife currently has no Ancillary Own Funds items.

#### Ordinary share capital and the related share premium account

The ordinary share capital is fully paid up and therefore is classified as Tier 1 capital.

#### Reconciliation reserve

The reconciliation reserve is a balancing item which ensures that the total Own Funds equal the excess of assets, which are available to absorb unexpected losses, over liabilities. For Omnilife, it is comprised solely of retained earnings. Omnilife currently does not have any deductions to basic Own Funds, which would be reported as separate items and not within the reconciliation reserve.

#### Restrictions

There are no restrictions on Omnilife's Own Funds.

Below is the table which sets out the value of Own Funds, split by categories, as at 31 December 2020:

COMPONENTS	VALUE 2020 (£ MILLION)	VALUE 2019 (£ MILLION)
ORDINARY SHARE CAPITAL AND THE RELATED SHARE PREMIUM ACCOUNT (TIER 1)	154.6	14.9
RECONCILIATION RESERVE (TIER 1)	(70.4)	(1.6)
<b>OWN FUNDS</b>	<b>84.1</b>	<b>13.3</b>

Own Funds increased by approximately £70.8 million over the year. The increase was due to the issue of 6.2m new £1 ordinary shares at an aggregate premium of £133.5m, less an initial loss on the received transfer of annuity business.

#### E.1.3. Comparison of Solvency II Own Funds with the Annual Report and Accounts

The equity in the Annual Report and Accounts is the same as basic Own Funds under Solvency II at 31 December 2020.

## E.2. Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR as at 31 December 2020 amount to £33.5 million and £8.4 million respectively.

The amount of the SCR split by risk module, before any diversification benefit is applied, is shown in Section E.2.1 below.

### E.2.1. SCR split by Risk Module

SCR COMPONENT	31 DEC 2020 (£ MILLION)	31 DEC 2019 (£ MILLION)
LIFE MORTALITY	0.0	0.2
LIFE LONGEVITY	11.1	0.0
LIFE DISABILITY-MORBIDITY	0.0	0.0
LIFE EXPENSE	1.8	0.5
LIFE LAPSE	0.0	0.0
LIFE CATASTROPHE	0.1	0.9
<i>DIVERSIFICATION WITHIN LIFE UNDERWRITING RISK</i>	<i>-1.3</i>	<i>-0.4</i>
<b>SCR<sub>LIFE</sub></b>	<b>11.7</b>	<b>1.2</b>
SLT HEALTH	0.0	0.0
HEALTH CATASTROPHE	0.2	0.2
<i>DIVERSIFICATION WITHIN HEALTH UNDERWRITING RISK</i>	<i>-0.0</i>	<i>-0.0</i>
<b>SCR<sub>HEALTH</sub></b>	<b>0.2</b>	<b>0.2</b>
INTEREST RATE	10.9	0.4
EQUITY	0.0	0.0
SPREAD	21.3	0.5
CONCENTRATION	5.5	0.8
CURRENCY	0.3	0.2
<i>DIVERSIFICATION WITHIN MARKET RISK</i>	<i>-13.4</i>	<i>-0.8</i>
<b>SCR<sub>MARKET</sub></b>	<b>24.7</b>	<b>1.1</b>
COUNTERPARTY DEFAULT RISK – TYPE 1	1.1	0.5
COUNTERPARTY DEFAULT RISK – TYPE 2	1.6	1.6
<i>DIVERSIFICATION WITHIN COUNTERPARTY DEFAULT RISK</i>	<i>-0.2</i>	<i>-0.1</i>
<b>SCR<sub>DEFAULT</sub></b>	<b>2.5</b>	<b>2.0</b>
<i>DIVERSIFICATION (ACROSS ALL RISK CATEGORIES)</i>	<i>-8.3</i>	<i>-1.3</i>
<b>BASIC SCR</b>	<b>30.8</b>	<b>3.2</b>
OPERATIONAL	2.7	0.7
DEFERRED TAX LOSS ABSORBENCY	0.0	0.0
<b>TOTAL SCR</b>	<b>33.5</b>	<b>3.9</b>

Omnilife uses the Standard Formula approach to determine its SCR and does not make use of any undertaking specific parameters. The Standard Formula approach involves applying a series of prescribed stress tests and factor-based calculations.

The PRA did not require Omnilife to apply a capital add-on as at 31 December 2020.

The SCR at 31 December 2020 is higher than at the previous year-end, mainly due to the transfer in of annuity business and the assets backing this business.

The MCR at 31 December 2020 is £8.4m and has increased due to the transfer in of annuity business. At last year-end the MCR was at £3.8m the absolute floor of the MCR due to the low volume of business.

### E.2.2. Simplifications Adopted for the SCR Calculation

There are a number of simplifications adopted when calculating the Company's SCR. The most material SCR module in which simplifications are used is the health underwriting risk module.

The following simplifications are used in the calculations when determining the health underwriting risk SCR:

- For the calculation of the accident concentration risk capital it was assumed that all schemes cover single sites and consequently are subject to concentration risk, and all insured individuals under any one Group Risk scheme inhabit the same country.
- Where the territory in which the business is written is unknown, it was assumed that the territory coincides with the currency denomination of the cover provided.
- An annuity factor used in the estimation of the maximum benefits arising from the risk event is calculated at the UK group income protection portfolio level. The same factor is used for the overseas group income protection portfolio.

### E.3. Duration-Based Equity Risk Sub-Module

Omnilife does not make use of the duration-based equity risk sub-module in the calculation of the SCR.

### E.4. Internal Model Information

Omnilife does not use an internal model for determining its SCR.

### E.5. Non-Compliance with the MCR or SCR

Omnilife has had no incidences of non-compliance with either the MCR or the SCR.

## Appendix 1 – Pillar 1 Valuation Basis

A summary of the best estimate assumptions used to determine Omnilife's Solvency II Technical Provisions as at 31 December 2020 is set out below.

ITEM OF EXPERIENCE	31 DECEMBER 2020	31 DECEMBER 2019
<b>Economic</b>		
US\$ INTEREST RATE	EIOPA's risk-free curves, as at the valuation date, which vary by currency	EIOPA's risk-free curves, as at the valuation date, which vary by currency
GBP£ INTEREST RATE		
EUR€ INTEREST RATE		
ANNUITIES	As above	n/a
<b>Mortality / Morbidity</b>		
ANNUITIES (IN PAYMENT & DEFERRED) <ul style="list-style-type: none"> <li>• BASE MORTALITY <ul style="list-style-type: none"> <li>○ MALES – ANNUITY &lt; £6,802 PA</li> <li>○ MALES – ANNUITY &gt; £6,802 PA</li> <li>○ FEMALES</li> </ul> </li> </ul>	87.1% PNMA00 86.9% PNMA00 99.4% PNFA00 CMI 2017 with RGA adj	n/a
IMPROVEMENTS		
TERM ASSURANCE BUSINESS MORTALITY	100% TXC00	100% TXC00
UK GROUP RISK BUSINESS EXC. INVESTMENT SCHEME WITH EQUITY EXPOSURE IBNR	2.0 months	1.5 months
OVERSEAS GROUP LIFE BUSINESS IBNR	2.5 months	2.5 months
<b>Claim Termination</b>		
UK GROUP INCOME PROTECTION – CLAIMS IN PAYMENT	100% CMIR-12	100% CMIR-12
OVERSEAS GROUP INCOME PROTECTION – CLAIMS IN PAYMENT	85% CMIR-12	85% CMIR-12
<b>Persistence</b>		
UK GROUP RISK BUSINESS – RENEWAL RATE FOR SCHEMES ON GUARANTEED RATE PERIOD	0%	0%
TERM ASSURANCE BUSINESS – LAPSE RATE	5% p.a.	5% p.a.
INDIVIDUAL DEPOSIT ADMINISTRATION – LAPSE RATE <sup>9</sup>	5% p.a.	5% p.a.
<b>Expenses</b>		
INDIVIDUAL ANNUITIES	£45 p.a.	n/a
GROUP RISK BUSINESS	Set at a scheme level	Set at a scheme level
GROUP RISK BUSINESS – CLAIMS IN PAYMENT	5% p.a. of benefits to be paid	5% p.a. of benefits to be paid
EXPENSE OVERRUN	£11.1 million <sup>10</sup>	£4.0 million

<sup>9</sup> Mortality and morbidity assumptions are not applied to Individual Deposit Administration business.

<sup>10</sup> The calculation of the Expense Overrun Provision is explained in section D.2.4.

<b>Profit margins</b>		
GROUP RISK BUSINESS – RISK PREMIUM	2.5%	2.5%
GROUP RISK BUSINESS – EXPENSE LOADING	0%	0%
<b>Probability of reinsurer (counterparty) default</b>		
AA CREDIT RATING	0.02%	0.02%
<b>Average duration used for counterparty default adjustment</b>		
ALL BUSINESS (EXCLUDING ANNUITIES)	1 YEAR	1 YEAR
ANNUITIES	Treaty Specific	n/a
<b>Expected level of non-recovery (used for counterparty default adjustment)</b>		
EXPECTED LEVEL OF NON-RECOVERY	50%	100%

## Appendix 2 – Quantitative Reporting Templates (QRTs)

The following pages contain QRTs for Omnilife as at 31 December 2020.

All figures are presented in pounds with the exception of ratios that are in decimal. Please note that totals may differ from the component parts due to rounding. All items disclosed are consistent with the information provided to the regulators privately.

The following Solo QRTs are provided:

- S.02.01, balance sheet information
- S.05.01, information on premiums, claims and expenses, using the valuation and recognition principles used in the financial statements
- S.12.01, information on the technical provisions relating to life insurance and health insurance
- S.23.01, information on Own Funds, including basic Own Funds
- S.25.01, information on the SCR, calculated using the standard formula
- S.28.01, specifying the MCR for insurance



## S.02.01.02

### Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	448,919,403
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	448,919,403
R0140	<i>Government Bonds</i>	39,512,709
R0150	<i>Corporate Bonds</i>	409,406,694
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	82,328
R0240	<i>Loans on policies</i>	82,328
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	230,463,242
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	230,463,242
R0320	<i>Health similar to life</i>	160,100
R0330	<i>Life excluding health and index-linked and unit-linked</i>	230,303,142
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	1,089,577
R0370	Reinsurance receivables	3,379,319
R0380	Receivables (trade, not insurance)	855,810
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	19,163,004
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>703,952,683</b>

		<b>Solvency II value</b>
		C0010
	<b>Liabilities</b>	
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	
R0550	<i>Risk margin</i>	
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	612,371,234
R0610	<i>Technical provisions - health (similar to life)</i>	318,153
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	316,460
R0640	<i>Risk margin</i>	1,693
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	612,053,081
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	598,681,326
R0680	<i>Risk margin</i>	13,371,755
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0730	Other technical provisions	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	2,670,033
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	712,754
R0830	Reinsurance payables	3,299,842
R0840	Payables (trade, not insurance)	772,970
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	<b>Total liabilities</b>	619,826,833
R1000	<b>Excess of assets over liabilities</b>	84,125,850

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations			Life reinsurance obligations		
		Health insurance	Index-linked and unit-linked insurance	Other life insurance	Health reinsurance	Life reinsurance	Total
		C0210	C0230	C0240	C0270	C0280	C0300
<b>Premiums written</b>							
R1410	Gross	50,862	0	1,534,387		890	1,586,139
R1420	Reinsurers' share	-11,849	0	236,631,671		-98,947	236,520,875
R1500	Net	62,711	0	-235,097,284	0	99,837	-234,934,736
<b>Premiums earned</b>							
R1510	Gross	134,920	0	3,875,053	0	1,689,352	5,699,325
R1520	Reinsurers' share	47,339	0	238,151,577	0	691,704	238,890,620
R1600	Net	87,581	0	-234,276,524	0	997,649	-233,191,295
<b>Claims incurred</b>							
R1610	Gross	95,889	0	7,215,852	0	-127,583	7,184,158
R1620	Reinsurers' share	67,449	0	4,178,241	0	-69,708	4,175,981
R1700	Net	28,440	0	3,037,611	0	-57,874	3,008,177
<b>Changes in other technical provisions</b>							
R1710	Gross						0
R1720	Reinsurers' share						0
R1800	Net	0	0	0	0	0	0
R1900	Expenses incurred	-20,270	0	5,317,171	0	652	5,297,553
R2500	Other expenses						0
R2600	Total expenses						5,297,553

S.12.01.02

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Total (Health similar to life insurance)
	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees		
	C0030	C0040	C0050	C0060	C0070	C0080	C0100	C0150	C0160	C0170	C0180	C0210
<b>R0010 Technical provisions calculated as a whole</b>								0				0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0				0
<b>Technical provisions calculated as a sum of BE and RM</b>												
<b>Best estimate</b>												
<b>R0030 Gross Best Estimate</b>		0	0		596,736,756	1,616,953	327,617	598,681,326		316,460	0	316,460
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0		230,093,332	0	209,809	230,303,142		160,100	0	160,100
Best estimate minus recoverables from reinsurance/SPV and Finite Re		0	0		366,643,423	1,616,953	117,808	368,378,185		156,359	0	156,359
<b>R0100 Risk margin</b>				13,366,159			5,595	13,371,755	1,693			1,693
<b>Amount of the transitional on Technical Provisions</b>												
<b>R0110 Technical Provisions calculated as a whole</b>								0				0
<b>R0120 Best estimate</b>								0				0
<b>R0130 Risk margin</b>								0				0
<b>R0200 Technical provisions - total</b>				611,719,868			333,212	612,053,081	318,153			318,153

### S.23.01.01

#### Own Funds

#### Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010 Ordinary share capital (gross of own shares)	20,000,000	20,000,000			
R0030 Share premium account related to ordinary share capital	134,553,349	134,553,349			
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0				
R0050 Subordinated mutual member accounts	0				
R0070 Surplus funds	0				
R0090 Preference shares	0				
R0110 Share premium account related to preference shares	0				
R0130 Reconciliation reserve	-70,427,498	-70,427,498			
R0140 Subordinated liabilities	0				
R0160 An amount equal to the value of net deferred tax assets	0				
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0				
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
R0230 Deductions for participations in financial and credit institutions	0				
<b>R0290 Total basic own funds after deductions</b>	<b>84,125,850</b>	<b>84,125,850</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ancillary own funds</b>					
<b>R0400 Total ancillary own funds</b>	<b>0</b>			<b>0</b>	<b>0</b>
<b>Available and eligible own funds</b>					
R0500 Total available own funds to meet the SCR	84,125,850	84,125,850	0	0	0
R0510 Total available own funds to meet the MCR	84,125,850	84,125,850	0	0	
R0540 Total eligible own funds to meet the SCR	84,125,850	84,125,850	0	0	0
R0550 Total eligible own funds to meet the MCR	84,125,850	84,125,850	0	0	
R0580 <b>SCR</b>	33,473,446				
R0600 <b>MCR</b>	8,368,361				
R0620 <b>Ratio of Eligible own funds to SCR</b>	251%				
R0640 <b>Ratio of Eligible own funds to MCR</b>	1005%				
<b>Reconciliation reserve</b>					
	C0060				
R0700 Excess of assets over liabilities	84,125,850				
R0710 Own shares (held directly and indirectly)					
R0720 Foreseeable dividends, distributions and charges					
R0730 Other basic own fund items	154,553,349				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
R0760 <b>Reconciliation reserve</b>	<b>-70,427,498</b>				
<b>Expected profits</b>					
R0770 Expected profits included in future premiums (EPIFP) - Life business	802				
R0780 Expected profits included in future premiums (EPIFP) - Non- life business					
R0790 <b>Total Expected profits included in future premiums (EPIFP)</b>	<b>802</b>				

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

		<b>Gross solvency capital requirement</b>	<b>USP</b>	<b>Simplifications</b>
		C0040	C0090	C0120
R0010	Market risk	24,692,613		
R0020	Counterparty default risk	2,508,857		
R0030	Life underwriting risk	11,722,439		
R0040	Health underwriting risk	175,105		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-8,321,059		
R0070	Intangible asset risk	0		
R0100	<b>Basic Solvency Capital Requirement</b>	<b>30,777,956</b>		
<b>Calculation of Solvency Capital Requirement</b>		C0100		
R0120	Adjustment due to RFF/MAP nSCR aggregation			
R0130	Operational risk	2,695,490		
R0140	Loss-absorbing capacity of technical provisions	0		
R0150	Loss-absorbing capacity of deferred taxes	0		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
R0200	<b>Solvency Capital Requirement excluding capital add-on</b>	<b>33,473,446</b>		
R0210	Capital add-ons already set			
R0220	<b>Solvency capital requirement</b>	<b>33,473,446</b>		
<b>Other information on SCR</b>				
R0400	Capital requirement for duration-based equity risk sub-module			
R0410	Total amount of Notional Solvency Capital Requirements for remaining part			
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds			
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
R0440	Diversification effects due to RFF nSCR aggregation for article 304			

**S.28.01.01**

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**Linear formula component for life insurance and reinsurance obligations**

C0040

R0200 MCR<sub>L</sub> Result 7,798,207

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210 Obligations with profit participation - guaranteed benefits  
 R0220 Obligations with profit participation - future discretionary benefits  
 R0230 Index-linked and unit-linked insurance obligations  
 R0240 Other life (re)insurance and health (re)insurance obligations  
 R0250 Total capital at risk for all life (re)insurance obligations

368,534,544	
	84,258,789

**Overall MCR calculation**

C0070

R0300 Linear MCR 7,798,207  
 R0310 SCR 33,473,446  
 R0320 MCR cap 15,063,051  
 R0330 MCR floor 8,368,361  
 R0340 Combined MCR 8,368,361  
 R0350 Absolute floor of the MCR 3,337,696  
  
 R0400 **Minimum Capital Requirement** 8,368,361