Omnilife Insurance Company Limited
Annual Report and Accounts

Year ended 31 December 2021

Registered Number 2294080

Contents

CHAIRMAN'S STATEMENT

I am pleased to introduce Omnilife's Annual Report & Accounts for 2021, a year in which we made further progress towards our strategic aim of becoming established in the annuity market as a respected consolidator of closed UK blocks of business.

The focus for the year has been embedding our first annuity transaction which completed at the end of 2020. It involved the transfer of a £500m closed book from the UK branch of Assicurazioni Generali.

In July 2021, the RGA Group completed the acquisition of Hodge Life Assurance Company Limited (HLAC), a company of similar size to Omnilife, also focused on annuity business. RGA has sought to derive synergy benefits from the two operations and senior staff now serve both companies.

The orderly run-off of our closed group risk and other lines of business continues to progress well with liabilities before reinsurance falling to £2.1m at the end of 2021 (2020: £4.0m).

In 2021, the absence of the preliminary costs associated with a new annuity acquisition meant that the Company returned to profit, reporting a post-tax surplus of £5.0m (2020: loss of £21.0m).

The Solvency Coverage Ratio at 31 December 2021 was 244% (2020: 251%), providing a substantial buffer over the statutory minimum of 100%. During the year, the Company obtained regulatory approval to apply the Volatility Adjustment in determining our capital requirements. This change had little impact on our 2021 reported capital position but going forward it should prove valuable in certain market conditions.

During 2021 we have continued to utilise the new working arrangements established in 2020 to deal with the Covid-19 pandemic. By utilising the IT facilities of our parent RGA Group, these arrangements have proved highly effective and have not adversely affected our cost base. Nevertheless, the Board and Executive teams have taken advantage of periods of reduced Covid restrictions to conduct meetings face to face, an important element in maintaining the cohesiveness of the team.

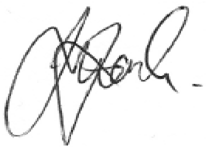
During 2021, we have also responded to regulatory developments with increased focus on operational resilience and the potential impacts of climate change risk. Both aspects will be areas of ongoing development in our plans for 2022. In response to the conflict in Ukraine we have also confirmed that Omnilife has no direct underwriting or investment exposure to Ukraine or Russia.

Our first external Board Effectiveness Review was completed in the middle of the year. The results provided a positive and fair assessment following a period of significant change and highlighted some recommendations around succession planning, shared roles, and ongoing commitment to developing our culture. In these areas we have already started implementing development plans.

Our CEO, Jonathan Plumtree, retired at the beginning of December after just over four years with Omnilife. During that time Jonathan played a major part in transforming Omnilife from a relatively small writer of group life business to a substantial participant in the annuity closed book market. I would like to thank Jonathan for his contribution to Omnilife, in particular for his work on our sale to the RGA Group in 2019 and his efforts in putting in place the rigorous systems and controls required by an annuity writer before we completed our first deal in 2020.

Jonathan was succeeded by Deian Jones, the Managing Director of Hodge Life who has joined the Omnilife Board. Deian has wide experience of annuity business, and we look forward to working with him as we grow Omnilife into a substantial participant in the closed book market.

Finally, I would like to thank the Executive team for all they achieved in 2021, despite having to work from home for much of the year. I would also like to thank my Board colleagues for their continuing guidance and support during 2021.



Jim Jack

Chairman

STRATEGIC REPORT

The Strategic report on pages 5 to 11 contains information about Omnilife, our strategy, our 2021 business performance, our key performance indicators, our principal risks and uncertainties and the short-term outlook for the Company. The Strategic report was approved by the Board on 29 March 2022 and signed on its behalf by Deian Jones, CEO and Jim Jack, Chairman.

Strategy

The Company's strategic objective is to become a consolidator of closed UK life insurance blocks. In 2019 the Company withdrew from the UK group risk market through a managed run-off and renewal rights agreement.

Under this strategy, Omnilife intends to leverage the relationships, experience and expertise of RGA to actively pursue block acquisition opportunities in the UK market, generating sustainable profitability, whilst delivering excellent customer service for incoming policyholders. 2021 has been a year of consolidation and ongoing transformation as the Company successfully sets itself up to pursue this strategy.

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

Business performance

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

No new acquisitions of longevity business were completed during 2021. The year has therefore been one of embedding the existing business and orderly run-off activity. On 31 December 2020 the Company completed its first transfer of a closed block of annuities from Generali which followed a previous reinsurance agreement between Generali and RGA International Reinsurance Company dac – UK Branch (RGAI UK Branch). On completion of the transfer the reinsurance arrangements were restructured to meet the Company's requirements.

The gross long term technical provision is £504.2 million (2020: £612.4 million) whilst the reinsurer's share of the long term technical provision was £177.6 million (2020: £230.5 million). The majority of the decrease in the long term technical provision for annuity business related to changes in interest rates, the run-down of liabilities as the business matures and a refinement in the data used to value inflation linked annuities. The latter change resulted in a £17.0m reduction in the gross long term technical provision.

Total expenses were £5.2 million (2020: £5.3 million). The 2021 expenses included a one-off payment to Generali after it was agreed the Company would not take on a unit linked tranche of business that had been expected to occur as part of the original transfer agreement. Underlying expenses have reduced as 2020 costs included one-off expenses related to the transitioning of the Company to its new strategy.

The 2021 income after tax of £5.0 million (2020: £21.0 million loss) was generated from favourable experience on the annuity business, the orderly run off of the group life business and taking credit for actual and likely corporation tax credits from off-setting prior period losses against actual and future years income.

The Company's financial position remained strong on a Solvency II basis, with Shareholders' funds being £91.8 million (2020 £84.1 million); this represents 244% (2020: 251%) coverage of the minimum solvency capital requirement.

Key Performance Indicators

Management uses a balanced scorecard to report Key Performance Indicators ("KPIs") to the Board and to manage business performance. The balanced scorecard covers wider areas of business performance in addition to financial indicators and is developed as necessary to support ongoing changes to the business. A summarised balanced scorecard at 31 December 2021 is shown below.

Financial (£m)	2021	2020	Customers and growth	2021	2020
Expenses (Note 5)	4.2	4.5	Annuity policy numbers	5,136	5,303
Profit/(Loss) after tax	5.0	(21.0)	New deal pipeline	1	1
Solvency (%)	244%	251%			
Organisation & development	**2021**	**2020**	**Operating excellence**	**2021**	**2020**
Headcount (dedicated FTEs)	10[1]	9[1]	Service delivery	100%	100%
Project status	On track	On track			

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

Financial – Omnilife returned a £5.0m profit after tax, compared to the £21.0m loss in 2020 which was driven from one-off items relating to the Generali transfer. An increase in interest rates reduced the value of the Company's surplus assets, suppressing profitability in 2021. The solvency ratio has reduced slightly but remains significantly higher than the Company's solvency risk appetite target.

Customers & Growth – The Company successfully completed its first closed book transfer of annuity business on 31 December 2020. No further transfers completed in 2021 and annuity policy numbers reduced in line with the expected long-term run-off. The deal pipeline relates to the completed acquisition of Hodge Life Assurance Company by RGA where future integration into Omnilife is being considered. At the end of 2021, there were only 2 Group Risk schemes remaining from our previous business.

Organisation & Development – The Company's operating model continued to evolve in 2021, as we embed our Target Operating Model (TOM) to support the annuity portfolio, as well as set ourselves up to be able to successfully onboard and manage future closed books.

Operating Excellence – The Company remains committed to high quality service to its customers and monitors the effectiveness of its communications with its customers through service delivery KPIs. These service delivery KPIs cover our handling of payments within satisfactory timescales and quality. The TOM acts to ensure a safe and consistent financial structure, operating model and governance framework, which places the fair treatment of customers and customer service at its heart. With the benefit of RGA's client focus and service expertise, and with the oversight of Omnilife's Board and Management team, we will ensure that this continues.

Principal risks & uncertainties

During 2021, the Company's principal business focus was to embed processes for the transferred portfolio of annuity policies and progress its exit from the UK group risk market.

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

- Operating model and third party risks – Operational processes, governance, frameworks and policies support the risk management system in line with its new business model. A primary focus of the framework is to deliver consistent policyholder service and protection while complying with all regulatory requirements as a firm regulated by both the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA');

- People and change risks – Omnilife is going through a period of significant change and a transition of senior management responsibilities with executives holding responsibilities for Hodge Life as well as Omnilife. Future resourcing requirements have been carefully planned and the relevant SMFs have confirmed that their areas were expected to have sufficient resources to meet their needs;

- Reinsurance – we use highly rated reinsurance providers to share our insurance and investment risks. The longevity business is reinsured with RGA Americas, RGA Atlantic, and Assured Guaranty Re Overseas Ltd (AGRO), a Bermuda domiciled company. The remaining group risk business is largely reinsured through Gen Re. RGA Americas is rated AA- (Stable) by S&P, RGA Atlantic is rated A+ (Superior) by AM Best and AGRO is rated AA (Stable) by S&P. We will only use highly rated reinsurers and continually monitor the risk of reinsurance default and;

- Investments – how we invest determines the risk and returns in this area and since the Company has low appetite for market risk, our investment approach has been conservative with a diversified portfolio of mainly high quality bonds. The Company monitors liquidity risk, to ensure it can meet its obligations when due, by forecasting and manging cashflow and by liquidity stress testing. The investment risk on the longevity business is limited to the retained portfolio as the related reinsurance arrangements transfer both longevity and investment risks.

Climate change

The Chief Risk Officer is responsible for ensuring climate-related risks are identified, measured, monitored and managed through the Company's risk management framework and in line with its risk appetite and the requirements of policy statement PS11/19 and Supervisory Statement SS3/19, for managing the financial risks relating to climate change.

For each risk in the risk register we consider if the risk has the potential to be affected by physical risks from climate change or from the transition effects associated with adjustment towards a low-carbon economy.

Climate change is considered within ORSA scenarios and stress tests. The most recent ORSA considered how transition to a low-carbon economy could lead to improvements in longevity and how the spread on bonds on the balance sheet may be affected by transition effects.

The investment team consider potential climate change effects, along with broader environmental, social and governance assessments, in the decision-making process for selecting new bonds and reviewing current holdings.

The Audit and Risk Committee oversees the management of the climate-related risks and opportunities.

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.

As restrictions continue to ease the Company expects to see a return to a more normal operational and risk environment.

Conflict in Ukraine

Management have reviewed the investment portfolios for exposure to assets that might be impacted by the ongoing war in Ukraine.

For the Omnilife investment portfolio we do not have direct exposure to any Russian or Ukrainian issuers.

Engaging with our stakeholders

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

Who are our key stakeholders?	Why are these stakeholders important to Omnilife?	How do we engage them?
Policyholders Our policyholders are those stakeholders who use our products and rely on Omnilife to pay their annuities or insurance claims at times of need	Our policyholders are central to our business without whom we would not exist	We monitor KPIs on service levels, product performance and complaints to monitor our policyholder outcomes.
Third party administrators Our third-party administration partners are fundamental in delivering our strategy	Our operating model is to use experienced third-party administrators with an excellent track record to support the core team in meeting our service objectives	We engage on a daily basis with our third-party administrators to ensure both they and our annuitants receive the value and service they expect
Employees Our employees drive our business, embody our culture and provide excellent service to our other stakeholders	Our employees are central to our business and will always be critical to our success	Employee engagement takes many forms such as weekly informal updates, one-to-ones, surveys and various employee wellbeing groups
Regulators Omnilife is regulated by both the PRA and the FCA who set the standards by which we operate and look after the interests of policyholders	Omnilife operates in a regulated market and is authorised to do so by the PRA. The FCA monitors our business conduct	Omnilife adopts an open and proactive approach, keeping our regulators up to date with our plans for the future, any significant changes and other important matters
Shareholders Our sole shareholder throughout 2021 was RGA	Our sole shareholder provides the capital which sustains our business and the RGA group is also the key outsourced service provider to Omnilife.	There are two RGA group nominated non-executive Directors on the Board to ensure the shareholder's interests are reflected in our decision making. The shareholder nominated Directors also provide a wealth of experience and technical expertise

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

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

Section 172(1) statement

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

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

b) the interests of the Company's employees;

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

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

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

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

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

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

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

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

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

Outlook and business development

2021 has been a year of consolidation as we embed our strategy and operating model. Following the successful completion of the first closed block acquisition we have continued to enhance our reporting and risk monitoring processes. This places the Company in a strong position to accept further blocks.

The principal source of growth will be through the acquisition of closed blocks of life insurance business, sourced and executed in partnership with RGA. Following the completion on 1 July 2021 of RGA's acquisition of Hodge Life Assurance Ltd, the Company is also now considering how to derive synergy benefits from the two operations.

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

Approved and authorised for issue by the Board.

Deian Jones	Jim Jack
Chief Executive Officer	Chairman
Date: 29 March 2022	

DIRECTORS and ADVISORS

Jim Jack - Chairman

Jim was appointed Chairman in 2017, having served as chair of the Audit and Risk Committee and been a non-executive director since 2015. After qualifying as a Chartered Accountant, he has spent his whole career in the insurance and reinsurance industry. Jim spent over 25 years with the Prudential Group where he held a number of senior financial positions before leaving to help launch a new annuity business. He was a member of the FRC Case Management Committee until the end of 2020.

Deian Jones – CEO (appointed 24 January 2022)

Deian is a Chartered Accountant with over 20 years' experience in the insurance industry including 15 years at Hodge Life where he held the role of Managing Director, responsible for all aspects of developing the business, focusing on product design, customer outcomes and strategy. He previously worked as a Senior Manager at KPMG specialising in the retail financial services and life assurance sectors. Deian was appointed CEO in January 2022 and is responsible for developing and growing the business.

Caroline Instance

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

Paul Whitlock

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

Mark Laidlaw

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

Patricia Kavanagh

Patricia is a Certified Accountant with 30 years' experience in the (re)insurance industry. Since January 2022, Patricia is the EMEA Governance and Business Alignment Manager with RGA. Prior to this she was Managing Director of RGA International Reinsurance Company dac. Prior to joining RGA in 2008 Patricia spent over 18 years with the Great West Life Group where she held a number of senior financial positions.

Hamish Galloway

Hamish is Senior Vice President, Lines of Business and Innovation, GFS for RGA globally. Hamish was an integral member of the team that took RGA's UK operations from a start-up to its current status as one of the market's leading life reinsurance providers. Hamish graduated from Cambridge University's Sidney Sussex College, and qualified as an actuary in 1993. He is a Fellow of the Institute of Actuaries (FIA).

Company Secretary

Waterstone Company Secretaries Ltd
Suite Lg03 Bridge House
181 Queen Victoria Street
London
EC4V 4EG

Statutory auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ

CORPORATE GOVERNANCE

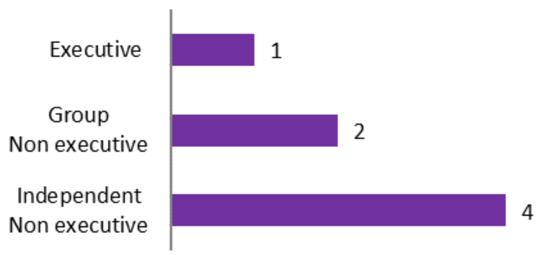
The Omnilife Board

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

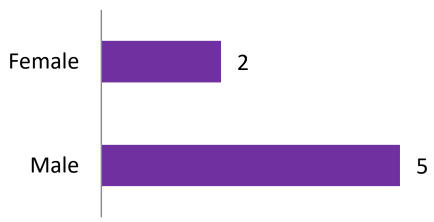
The Board is comprised of the chair, Jim Jack, and the other Company directors, as detailed on pages 12-13. It has an experienced and diverse membership which is effective at governing the Company's insurance business. During the year the Board met 9 times.

The Board is supported by 2 sub-committees (2020: 2) which each meet separately and make recommendations to the Board for approval.

Composition of Board



Board member balance



Audit and risk committee

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for external audit, Omnilife's risk management, its financial and regulatory reporting, policyholder security, capital strength, reinsurance arrangements, the internal control framework, internal audit and compliance matters. The Committee reviews, challenges, evaluates and then reports its findings, with recommendations, to the Board.

During 2021, the Committee continued its emphasis on risk management and the embedding of controls and oversight as well as regulatory developments.

At 31 December 2021, the committee was comprised of the chair, Paul Whitlock, as well as non-executive directors, Hamish Galloway, Patricia Kavanagh, Caroline Instance and Mark Laidlaw. The committee met 6 times during the year.

Nomination and remuneration committee

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

During 2021 the Nomination and Remuneration Committee oversaw the transition plans for the new CEO, as well as succession plans for its Group Directors, NEDs and senior management function holders; plans for resourcing and integration to support future deal and growth plans; assessments of Board composition, skills, diversity and effectiveness; individual director assessments; recommended an appropriate Board training programme for 2022; and maintained its oversight over staff remuneration matters, in the context of the wider RGA group, including periodic assessment against Solvency II requirements.

At 31st December 2021, the committee was comprised of the chair, Caroline Instance, as well as non-executive directors Jim Jack and Patricia Kavanagh. During the year the committee met 6 times.

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of Omnilife Insurance Company Limited, registered number 2294080, ("the Company") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company during the year under review was the acquisition and administration of closed life insurance business and the administration of Group Life insurance business in the United Kingdom. Since 1 July 2019 no new Group Life business has been written.

Financial performance and future prospects

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

Principal risks and uncertainties

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

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors and Secretary

The Directors and Secretary of the Company at 31 December 2021 are listed on pages 12-13.

Jonathan Plumtree resigned as a Director on 1 December 2021. Effective 24 January 2022, Deian Jones was appointed as Director.

Directors' liabilities

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

Going Concern

The Company's business activities, strategy and financial position are set out in the Strategic Report on pages 5 to 11. In addition, notes 2.1 to 2.8 to the financial statements includes details of the Company's exposure to certain risks including insurance risk, market risk, liquidity risk, credit risk and operational risk.

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

Post balance sheet events

Following an internal restructuring of the RGA Group, on 24 January 2022 there was a change in control of Omnilife from RGA Americas Reinsurance Company Limited to RGA Americas Investment LLC. RGA Americas Investment LLC is a wholly owned subsidiary of RGA Americas Reinsurance Company Limited. The ultimate controlling party remains unchanged.

Disclosure of information to auditors

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

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

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

Approved and authorised for issue by the Board

Deian Jones
Chief Executive Officer
Date: 29 March 2022

Jim Jack
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25, excluding the capital adequacy disclosures calculated in accordance with the Solvency II regime in note 2.8 which are marked as unaudited.

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

2. Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year is: • Valuation of the long term business provision Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was £2.75m which was determined on the basis of 3% of Shareholder's equity as at 31 December 2021
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach	We have removed the key audit matter relating to accounting and disclosure for the series of transactions to achieve the business transfer in response to the conclusions drawn through the procedures performed in the prior year and based on our current year risk assessment.

4. Conclusions relating to going concern

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

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

- challenging management's judgement paper by evaluating the relevance and reliability of the underlying data with comparison to current year business performance and utilising our knowledge of the business model for the Company;
- evaluating management's stress and scenario testing within the Companies Own Risk and Solvency Assessment ("ORSA"). We gained an understanding of the governance over, and the production of, solvency monitoring information, and considered its consistency with other available information and our understanding of the business;
- assessing the capital and liquidity position of the Company, including understanding the Company's ability to meet short term obligations highlighting a net asset position of £91.7m, including a cash balance of £16.1m;
- considering the Company's ability to pursue further acquisitions; and
- reviewing the minutes of various governance committee meetings in advance of reporting.

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

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

5. Key audit matters

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

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

5.1. Valuation of the long term business provision

Key audit matter description	The long-term business provisions are the most significant liabilities on the Company's balance sheet, totalling £504.2m at 31 December 2021 (2020; £612.4m). The valuation of these liabilities is dependent on certain of management's judgements on the assumptions, its view of the likely level of future cash flows, and the models used to calculate the liabilities. Based on our risk assessment of the components of the technical provisions, we have pinpointed the key audit matter in the Generali annuity book portfolio, to the base mortality and mortality improvement assumptions. We have also deemed there to be a risk of fraud, due to the inherent risk of management overriding internal controls around the setting of assumptions used within the calculation of technical provisions. The accounting policy adopted by the Company is documented within note 1(g) to the financial statements. Further details relating to technical provisions are provided through note 22.

How the scope of our audit responded to the key audit matter	With the involvement of our internal actuarial specialists we have performed the following procedures: • gained an understanding of and tested the relevant controls around the technical provisioning process, with specific reference to the determination the base mortality and mortality improvement assumptions. • evaluated the approach used by management to segregate the experience into separate cohorts and set assumptions for these groups. We have performed testing to evaluate whether the historic data used in setting the base mortality assumption is reflective of the behaviours of the cohort through the current period; • replicated the summary calculations used to set the base mortality rates; • performed tests of the data underpinning the assumptions by reconciling to audited sources or source documentation, and testing other data used within the technical provisioning process, such as experience studies, to source documentation; • assessed whether the calculated and approved assumptions relating to base mortality and mortality improvement are accurately reflected within the technical provision model; • challenged management around the adjustments and allowances made to the base mortality, and mortality improvement assumptions. We have done this with reference to the results of experience studies and industry standards, with focus given to the impact of COVID-19 on such assumptions; and • for a sample of policyholders, we benchmarked the life expectations against comparable annuity portfolios.
Key observations	We have determined that the base mortality and mortality improvement assumptions used within the valuation of the long term business provision are appropriate.

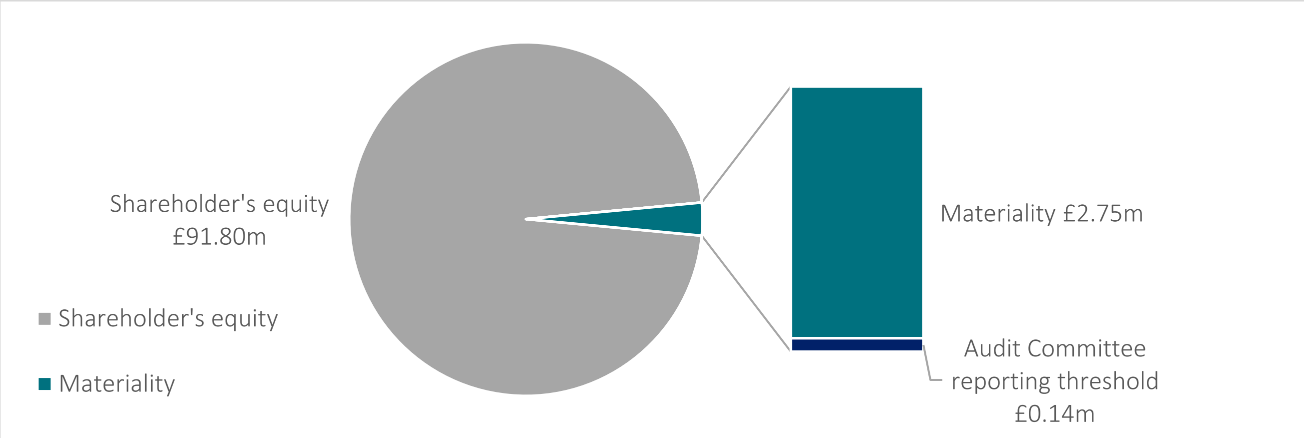
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£2.75m (2020: £2.50m)
Basis for determining materiality	Materiality was determined on 3% of Shareholder's equity (2020: 3% of Shareholder's equity) There has been no change in the basis of determining materiality. Consistent in our approach to last year, we have applied 3% of Shareholder's equity.
Rationale for the benchmark applied	As a life insurer, Shareholder's equity is an appropriate measure to give the clearest indication of the financial position of the Company, and represents a stable long-term measure of value. This is the case in 2021, as the shareholders equity balance reflects the changes in the business.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £137,500 (2020: £125,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

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

7.2 Our consideration of climate-related risks

- We obtained and evaluated the climate change assessment included within the Company's Own Risk and Solvency Assessment (ORSA), and the Risk Appetite statement for 2021 as part of our own risk assessment related to climate change.
- The Chief Risk Officer is responsible for ensuring climate-related risks are identified, measured, monitored and managed through the Company's risk management framework and in line with its risk appetite. The Audit and Risk Committee oversees the management of the climate-related risks and opportunities, as outlined on page 8.
- We considered climate change in our risk assessment procedures; key areas considered in our assessment were long-term insurance reserves, and investments held at fair value.
- We have also read the climate-related disclosures in the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, in-house legal counsel, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, tax, valuations, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the long-term business provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the board on 10 September 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 December 2019 to 31 December 2021.

14.2. Consistency of the audit report with the additional report to the Audit Committee

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

15. Use of our report

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

Adam Addis (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2022

Profit and loss account

Technical account - long term business

For the year ended 31 December 2021

		2021		2020	
	Notes	£millions	£millions	£millions	£millions
Earned premiums, net of reinsurance					
Gross premiums written	3	0.5		1.6	
Outward reinsurance premiums	3	(0.3)		(239.3)	
			0.2		(237.7)
Investment return	4		(13.5)		0.4
Other income			0.0		0.3
Claims incurred, net of reinsurance					
Claims incurred:					
Gross amount	3	(43.5)		(5.8)	
Reinsurers' share	3	5.1		4.3	
		(38.4)		(1.5)	
Change in provision for claims					
Gross amount	3	2.3		(1.3)	
Reinsurers' share	3	0.2		(0.2)	
		2.5		(1.5)	
Net claims incurred			(35.9)		(3.0)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	18, 20, 21	108.2		(50.8)	
Reinsurers' share	20, 21	(52.9)		275.2	
	20		55.3		224.4
Net operating expenses	5		(3.9)		(4.2)
Other expenses			(1.0)		(0.8)
Foreign exchange gain/(loss)	19		0.0		0.1
Profit/(loss) on the technical account before tax			1.2		(20.5)
Tax (charge)/credit	8		4.1		(0.2)
Balance on the technical account - Long term business			**5.3**		**(20.7)**

All the above amounts are derived from continuing activities.

The notes on pages 29 – 44 form part of these financial statements.

Profit and loss account

Non - technical account

For the year ended 31 December 2021

	Notes	2021 £millions	2020 £millions
Balance on the long-term business technical account		5.3	(20.7)
Tax (credit)/charge attributable to technical account		(4.1)	0.2
Other expenses	5	(0.3)	(0.3)
Profit/(loss) on ordinary activities before tax		0.9	(20.8)
Tax credit/(charge) on profit on ordinary activities	8	4.1	(0.2)
Profit/(loss) for the financial year		**5.0**	**(21.0)**

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2020: Nil)

The notes on pages 29 – 44 form part of these financial statements.

Balance sheet at 31 December 2021

ASSETS	Notes	2021 £millions	2020 £millions
Investments:			
Financial investments	12	393.9	443.4
Reinsurers' share of technical provision:			
Long term business provision	20	177.6	230.5
Claims outstanding		0.9	0.7
		178.5	231.2
Debtors:			
Debtors arising out of direct insurance operations	9	0.5	1.1
Debtors arising out of reinsurance operations through related parties	11	0.0	0.3
Debtors arising out of reinsurance operations		0.6	2.3
Amounts due from related parties	11	0.0	0.1
Other debtors		5.0	6.4
Deferred Tax	8	2.0	0.0
Taxation		2.6	0.0
		10.7	10.2
Other assets:			
Cash at bank and in hand		16.1	19.2
		16.1	19.2
Total ASSETS		**599.2**	**704.0**
LIABILITIES			
Capital and reserves:			
Called up share capital	13,14	20.0	20.0
Share premium	14	135.6	134.6
Profit and loss account	14, 21	(63.8)	(70.5)
Shareholders' funds-equity interest		91.8	84.1
Technical Provisions:			
Long term business provision	18, 20	504.2	612.4
Claims outstanding - gross amount		0.4	2.7
Gross Technical Provisions		504.6	615.1
Creditors:			
Creditors arising out of direct insurance operations		0.7	0.7
Creditors arising out of reinsurance operations		0.0	0.0
Creditors arising out of reinsurance operations through related parties	11	1.0	3.3
Accruals and provisions	10	0.6	0.8
Amounts due to related parties	11	0.5	0.0
Taxation		0.0	0.0
		2.8	4.8
Total LIABILITIES		**599.2**	**704.0**

The notes on pages 29 – 44 form part of these financial statements.

Approved and authorised for issue by the Board

Deian Jones
Chief Executive Officer

Jim Jack
Chairman

Date: 29 March 2022

Statement of Changes in Equity
For the year ended 31 December 2021

	Share Capital £millions	Share Premium £millions	Profit and Loss account £millions	Total £millions
As at 1 January 2020	**13.8**	**1.1**	**(1.6)**	**13.3**
New share issuance	6.2	133.5		139.7
Comprehensive loss			(21.0)	(21.0)
Shortfall on cancellation of reinsurance treaty (Note 21)			(47.9)	(47.9)
As at 31 December 2020	**20.0**	**134.6**	**(70.5)**	**84.1**
New share issuance	0.0	1.0		1.0
Comprehensive profit			5.0	5.0
Adjustment to cost of cancellation of reinsurance treaty (Note 21)			1.7	1.7
As at 31 December 2021	**20.0**	**135.6**	**(63.8)**	**91.8**

All shareholders' funds are attributable to equity shareholders.

The notes on pages 29 – 44 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. PRINCIPAL ACCOUNTING POLICIES

Omnilife Insurance Company Limited is a private company limited by shares and is incorporated and domiciled in England. The Registered Office is 45th Floor, 22 Bishopsgate, London, United Kingdom, EC2N 4BQ. The financial statements were approved for issue by the Board of Directors on 29 March 2022.

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

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

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

The Company's principal business is administering closed books of life insurance.

a) Basis of accounting

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

- Projections of the Company's financial position covering the period up to 31 December 2024. These projections show that based on the Directors' assumptions regarding, inter-alia, new business, longevity experience, mortality and morbidity experience and expense levels, the Company will meet its regulatory capital requirements;
- The balance sheet at 31 December 2021 which demonstrates a strong financial position with shareholders' funds of £91.8 million and a regulatory solvency margin of 244%; and
- The credit rating from S&P Global of A+.

The Financial Statements are prepared on the going concern basis.

b) Translation and conversion of foreign currencies

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

c) Premiums

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

d) Reinsurance

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

e) Investments

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

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

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

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

f) Investment return

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

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

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

g) Long term business provision

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

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

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

h) Claims and annuity benefits

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

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

i) Acquisition costs

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

j) Taxation

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

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

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

The standard rate of tax applied to the reported profit is 19% (2020: 19%).

On 10 June 2021 the UK Government gave royal assent to the Finance Act 2021. The Finance Act 2021 included a change to the corporation tax rate from 19% to 25% for Companies with profits in excess of £250,000 and is effective April 2023.

k) Operating Leases

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

Judgements and key sources of estimation uncertainty

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

Significant Estimates

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

- Valuation of the long term business provision - The long term business provision is valued using best estimate assumptions as detailed in note 1g. Due to the complexity of the valuation and the underlying assumptions, such estimates are subject to significant uncertainty. Note 20 details the underlying assumptions, including sensitivity analysis.

Critical Judgements

Management considers the judgement made in the preparation of the prior 2020 financial statements for the treatment of the business transfer and subsequent cancellation of a reinsurance agreement and implementation of new reinsurance arrangements to be a critical judgement. Details of the transfer made in the previous financial period can be found in note 21 of these financial statements.

2. RISK MANAGEMENT

2.1 Risk Management Overview

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

The Company operates in a manner that focuses on risk and allocates responsibilities to specific individuals. Management maintains an on-going Risk Register which records each significant risk, alongside an assessment of its likelihood and impact, and the steps the Company is taking to mitigate each risk. The Audit and Risk Committee reviews quarterly updates of the Risk Register.

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

2.2 Insurance Risks

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

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

- For the annuity business, which is the most material insurance risk to the Company, reinsurance is the primary means of mitigating risk, using quota share and stop loss arrangements and the monitoring of actual versus expected longevity experience.
- For the group risk business reinsurance is the primary means of mitigating risk, using quota-share arrangements to limit the Company's exposure, especially to large sums assured.

As the group risk business continues to run-off the mortality and catastrophe risks associated with this business have significantly reduced and no longer have a material impact on the Company's solvency ratio. At 31 December 2021 the Company still provided insurance coverage for 2 schemes (2020: 67) with 458 lives (2020: 6,083).

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For annuity business, a 5% change in the best estimate mortality would result in an increase in net reserves of around £4,600,000 (2020: £4,000,000). For group business, increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £24,000 (2020: £37,000).

2.3 Market Risk

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

The Company follows an investment strategy approved by the Board and implemented through its Investment Policy Statement. The Investment Policy Statement details the permitted securities, including limits, minimum credit ratings and maximum concentrations and reflects the Company's low appetite for market risk.

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

The Company manages the risk of credit spread volatility through the use of reinsurance stop loss arrangements and the ongoing review of investment risk and limits. The Company has approval for the Solvency II Volatility Adjustment that provides some mitigation of the exposure to credit spread movements.

If interest rates increase by 1% it would result in a reduction in the Company's own funds by £8.1m (2020: £8.4m), whilst a 1% increase in credit spreads would result in a £16.2m (2020: £16.2m) reduction.

The Company's exposure to exchange rate fluctuations has reduced significantly following the acquisition of the closed block annuities. Less than 1% of the Company's assets and liabilities are held in currencies other than sterling. Assuming assets in currencies other than GBP that are not backing technical provisions and remain at existing levels, a 10% rise in those currencies would increase losses before tax by around £0.1m (2020: £0.1m).

2.4 Liquidity Risk

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

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

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

2.5 Credit Risk

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

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

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

Investments bearing credit risk

	As at 31 December 2021						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	10.1	33.5	139.3	194.2	16.8	0.0	**393.9**
Cash	0.0	9.4	6.7	0.0	0.0	0.0	**16.1**
	10.1	42.9	146.0	194.2	16.8	0.0	**410.0**
	As at 31 December 2020						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	7.0	44.8	178.6	207.4	5.6	0.0	**443.4**
Cash	0.0	0.0	19.1	0.0	0.0	0.1	**19.2**
	7.0	44.8	197.7	207.4	5.6	0.1	**462.6**

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

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

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

2.6 Operational Risk

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

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

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

2.7 Emerging Risks

The Company's strategy is the acquisition of closed blocks of life insurance, particularly annuities, which will be largely reinsured to companies with the RGA group. The Company manages the risks associated with new business acquisition by performing appropriate due diligence and updating relevant internal processes, frameworks and policies taking into consideration the impact of any new acquisition. A primary focus of this approach is to deliver consistent policyholder service and protection while complying with all regulatory requirements as a firm regulated by both the FCA and the PRA.

2.8 Capital adequacy - unaudited

Under the rules prescribed by the PRA, the Company must at all times maintain assets sufficient to meet its liabilities together with sufficient capital to meets its Solvency Capital Requirement (SCR) under the Solvency II regulatory rules. Capital is represented on the Balance Sheet by Shareholders' funds-equity interest, amounting to £91.8 million (2020: £84.1 million). Throughout the year the Company's capital remained substantially above the SCR and at 31 December 2021 represented 244% (2020: 251%) of the SCR.

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

3. PREMIUMS AND CLAIMS

a) Written premiums

	2021 £millions	2020 £millions
Gross written premiums:		
UK Group Life	0.4	1.3
UK Critical Illness	(0.1)	0.1
Overseas Group	0.2	0.1
Overseas Individual	0.0	0.1
Total gross written premiums	**0.5**	**1.6**
Reinsurance		
Longevity	0.0	238.4
UK Group Life	0.2	0.8
Overseas Group	0.1	0.0
Overseas Individual	0.0	0.1
Total reinsurance	**0.3**	**239.3**
Total net written premiums	**0.2**	**(237.7)**

b) Net claims incurred

	2021 £millions	2020 £millions
Gross claims incurred		
Longevity	40.9	0.0
UK Group Life	(0.2)	6.8
UK Critical Illness	0.0	0.1
Overseas Group	0.2	0.1
Overseas Individual	0.3	0.1
Total gross claims incurred	**41.2**	**7.1**
Reinsurance		
Longevity	5.1	0.0
UK Group Life	0.1	4.0
Overseas Group	0.1	0.1
Total reinsurance	**5.3**	**4.1**
Total net claims incurred	**35.9**	**3.0**

4. INVESTMENT RETURN

	2021 £millions	2020 £millions
Technical account:		
Investment Income – Investments measured at fair value through profit or loss	9.3	0.3
Unrealised gain/(loss) – Investments measured at fair value through profit or loss	(22.8)	0.1
Total Investment Return	**(13.5)**	**0.4**

5. NET OPERATING EXPENSES

	2021 £millions	2020 £millions
Technical account:		
Administrative expenses	3.9	4.2
Net operating expenses	**3.9**	**4.2**
Non-technical account:		
Other expenses	0.3	0.3
Total expenses	**4.2**	**4.5**

The total commission accounted for during the year in respect of direct insurance was £63,000 (2020: £262,000).

Net operating expenses include the following:

	2021 £millions	2020 £millions
Directors' emoluments (note 7)	0.5	0.5
Auditors remuneration:		
- Audit of the financial statements	0.2	0.2
- Audit fees relating to prior year	0.0	0.1
Operating lease payments	0.5	0.5

Other expenses comprise:

	2021 £millions	2020 £millions
Professional fees	0.1	0.1
Professional fees (restructuring)	0.0	0.1
Other smaller amounts	0.1	0.1
	0.2	0.3

6. EMPLOYEE INFORMATION

The Company has no direct employees (2020:2), employees are employed by RGA UK Services Limited and costs are recharged to the Company.

7. DIRECTORS' EMOLUMENTS

	2021 £millions	2020 £millions
Aggregate emoluments	0.5	0.5
	0.5	**0.5**

The emoluments of the highest paid Director were £360,000 (2020: £383,000). The Company made no payments to the pension scheme of any Director (2020: Nil). No Director has any options in shares of the Company however, 2 Directors employed by other group companies hold shares in RGA Inc or any other group company at 31 December 2021. Each of their aggregate interests do not represent more than 1% of the nominal value of the issued shares of, or debentures or loan stock of the company or any other company within the consolidated holdings of Reinsurance Group of America, Incorporated ("RGA Inc."). All interests were beneficially held. During the year the Company paid no loss of office compensation (2020: Nil).

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

8. TAXATION

	2021 £millions	2020 £millions
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	0.0	0.0
Adjustments in respect of prior years	(2.1)	0.2
Current tax (credit)/charge	(2.1)	0.2
Deferred Tax:		
The origination of timing differences	(2.0)	0.0
(Credit)/charge on loss on ordinary activities	**(4.1)**	**0.2**
The tax (credit)/charge arises from:		
Long term business technical account	(4.1)	0.2
The non-technical account	0.0	0.0
	(4.1)	**0.2**
b) Factors affecting current tax charge for the year		
Profit/(loss) on ordinary activities before tax	0.9	(20.8)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2020 at 19.0%)	0.2	(4.0)
Other timing differences	(2.2)	4.0
Adjustments in respect of prior years	(2.1)	0.2
Current tax (credit)/charge	**(4.1)**	**0.2**

c) Deferred tax asset

The deferred tax included in the balance sheet is £2.0m (2020: Nil).

The amount of the net reversal of deferred tax expected to occur next year is £1.2m relating to the reversal of existing timing differences on depreciable assets, transitional adjustments, and net operating loss utilisation.

d) Tax Asset

At 31 December 2021 the Company held a tax asset of £2.0m (2020: Nil) in respect of tax losses incurred in prior years.

On 10 June 2021 the UK Government gave royal assent to the Finance Act 2021. The Finance Act 2021 included a change to the corporation tax rate from 19% to 25% for companies with profits in excess of £250,000 and is effective April 2023.

9. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021	2020
	£millions	£millions
Debtors arising out of direct insurance operations		
Premium debtors over 90 days old	0.0	0.7
Premium debtors under 90 days old	0.5	0.4
	0.5	**1.1**

Debtors arising out of direct insurance operations relate to premiums due from policy holders, analysed as premium debtors that are past due for less than 90 days and premium debtors that are past due for more than 90 days. Debtors over 90 days old are followed up with the intermediaries and management review these balances on a monthly basis for indications of impairment. At 31 December 2021 the provision for bad and doubtful debts is £35,000 (2020: £121,000).

10. ACCRUALS AND PROVISIONS

	2021	2020
	£millions	£millions
Accruals and provisions		
Accruals	0.5	0.5
Provisions	0.1	0.3
	0.6	**0.8**

11. AMOUNTS DUE FROM / (TO) RELATED PARTIES

	2021	2020
Amounts due from related parties	£millions	£millions
Arising out of reinsurance operations		
RGA Atlantic	0.0	0.2
RGA International	0.0	0.1
Total due from related parties	0.0	0.3
Amounts due to related parties		
Arising out of reinsurance operations		
RGA International	(0.8)	(0.6)
RGA Americas	(0.2)	(2.7)
Total due to related parties	(1.0)	(3.3)
Arising from other operations		
RGA UK Services Ltd	0.0	0.1
RGA International	(0.4)	0.0
RGA Enterprise Services Company	(0.1)	0.0
Total due (to) / from related parties	(0.5)	0.1
Net due from / (to) related parties		
RGA UK Services Ltd	0.0	0.1
RGA International	(1.2)	(0.5)
RGA Americas	(0.2)	(2.7)
RGA Enterprise	(0.1)	0.0
RGA Atlantic	0.0	0.2
Total net due (to) / from related parties	**(1.5)**	**(2.9)**

11. AMOUNTS DUE FROM / (TO) RELATED PARTIES continued

The terms of all outstanding balances with related parties are market-standard and on an arms-length basis. Transactions with related parties and subsidiary during 2021 are detailed as follows:

	RGA UK Services £millions	RGA Int £millions	RGA Atlantic £millions	RGA Americas £millions	RGA Capital £millions	RGA Enterprise £millions	Total £millions
Opening Balance	0.1	(0.5)	0.2	(2.7)	0.0	0.0	(2.9)
Premiums due (to)/from related parties	0.0	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Adjustment to the consideration for transfer due (to)/from related parties	0.0	1.7	0.0	0.0	0.0	0.0	1.7
Outstanding claims due (to)/from related parties	0.0	0.0	0.0	5.1	0.0	0.0	5.1
Other due (to)/from related parties	(2.6)	(0.6)	0.0	0.0	(0.2)	(0.4)	(3.8)
Amounts settled with related parties	2.5	(1.4)	(0.2)	(2.6)	0.2	0.3	(1.2)
Closing Balance	**0.0**	**(1.2)**	**0.0**	**(0.2)**	**0.0**	**(0.1)**	**(1.5)**

12. FINANCIAL INVESTMENTS

	2021 Market value £millions	2021 Cost £millions	2020 Market value £millions	2020 Cost £millions
Policy and Other Loans				
Policy loans	0.1	0.1	0.1	0.1
Total measured at cost less impairment	**0.1**	**0.1**	**0.1**	**0.1**
Corporate Bonds/Listed				
UK Government Bonds	6.8	7.4	17.8	17.7
Corporates	346.3	366.0	388.0	388.0
Government – non UK	20.4	21.5	17.9	17.9
Hybrids	16.2	17.2	15.2	15.2
Supranationals	4.1	4.4	4.4	4.4
Total measured at fair value through profit or loss	**393.8**	**416.5**	**443.3**	**443.2**
Total Financial Investments	**393.9**	**416.6**	**443.4**	**443.3**

13. SHARE CAPITAL

	2021 £millions	2020 £millions
Authorised:		
20,000,001 (2020: 20,000,000) Ordinary shares of £1 each	20.0	20.0
Allotted and fully paid:		
20,000,001 (2020: 20,000,000) Ordinary shares of £1 each	20.0	20.0
	20.0	**20.0**

On 1 December 2021 the Board approved a resolution to increase the authorised share capital of the Company by 1 ordinary share of £1. One new share was issued and the Company received a premium of £999,999.

14. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £millions	Share Premium £millions	Profit & Loss Account £millions
At 1st January 2021	20.0	134.6	(70.5)
New share issuance	0.0	1.0	0.0
Adjustment to the cost of cancellation of reinsurance treaty	0.0	0.0	1.7
Comprehensive profit	0.0	0.0	5.0
At 31st December 2021	20.0	135.6	(63.8)

15. ASSETS IN THE LONG-TERM BUSINESS FUND

At 31 December 2021, the total amount of assets representing the long-term fund is £504.2m (2020: £612.4m).

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

	Closing Balance 2019 £millions	Cash movement £millions	Unrealised gain/(loss) £millions	Closing Balance 2020 £millions	Cash movement £millions	Unrealised gain £millions	Closing Balance 2021 £millions
Cash at bank	5.8	13.3	0.0	19.2	(3.0)	0.0	16.1
Financial Investments	13.8	429.5	0.1	443.4	(26.7)	(22.8)	393.9
	19.6	**442.8**	**0.1**	**462.6**	**(29.7)**	**(22.8)**	**410.0**

17. OTHER FINANCIAL COMMITMENTS

At 31 December 2021 the Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2021 £millions	2020 £millions
Not later than one year	0.3	0.3
Later than one year and not later than five years	0.7	1.0
Later than five years	0.0	0.0
	1.0	**1.3**

18. MOVEMENT IN TECHNICAL PROVISONS

	2021 £millions	2020 £millions
Technical Provisions at 01 January	612.4	12.5
Change in technical provisions (excluding foreign exchange)	(108.2)	50.8
Fair value of the annuity reserves related to the Generali transfer	0.0	550.9
Release following recapture of group business	0.0	(1.7)
Foreign exchange gain on technical provisions (Note 19)	0.0	(0.1)
Technical Provisions at 31 December	**504.2**	**612.4**

19. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2021 £millions	2020 £millions
Technical account		
Foreign exchange loss on assets	0.0	0.0
Foreign exchange gain on technical provisions	0.0	0.1
Total gain	0.0	0.1
Net foreign exchange gain	**0.0**	**0.1**

20. TECHNICAL PROVISIONS

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

Class of business	Mortality / Disability termination 2021	Mortality / Disability termination 2020	Interest rate % pa 2021	Interest rate % pa 2020	Lapses p.a. 2021	Lapses p.a. 2020
Annuities (base mortality)						
Males – annuity <£6,802 p.a.	87.1% PNMA00	87.1% PNMA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Males – annuity >£6,802 p.a.	86.9% PNMA00	86.9% PNMA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Females	99.4% PNFA00	99.4% PNFA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Term assurances	100% TXC00 ult	100% TXC00 ult	Risk-free	Risk-free	5%	5%
PHI Claims in payment - UK	100% CMIR-12	100% CMIR-12	Risk-free	Risk-free	-	-
PHI Claims in payment – Overseas	85% CMIR-12	85% CMIR-12	Risk-free	Risk-free	-	-
Deterministic guaranteed maturity reserve on Investment contracts	N/A	N/A	Risk-free	Risk-free	5%	5%

20. TECHNICAL PROVISIONS continued

	Mortality improvement	
	2021	2020
Annuities		
Males – annuity <£6,802 p.a.	CMI2017 with RGA adj.	CMI2017 with RGA adj.
Males – annuity >£6,802 p.a.	CMI2017 with RGA adj.	CMI2017 with RGA adj.
Females	CMI2017 with RGA adj.	CMI2017 with RGA adj.

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

The risk-free interest rates and volatility adjustment at the valuation date come from the risk-free yield curve for each currency published by BOE. Interest Rates used for discounting annuity payments denominated in GBP includes a volatility adjustment.

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

Incurred but not reported	Period in months	
	2021	2020
UK group business	At least 2 months	At least 2 months
Overseas life business	2.5 months	2.5 months
Overseas PHI business	5 months	5 months

Under the Solvency II regime which was introduced on 1 January 2016, the assumptions are now best estimates but include a risk margin.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For annuity business, a 5% change in the best estimate mortality would result in an increase in net reserves of around £4,600,000 (2020: £4,000,000). For group business, increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £24,000 (2020: £37,000).

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2020 to 31 December 2021 are set out in the table below.

Long Term Business Provisions (£millions)	Gross	Reins	Net
At 31 December 2020	**612.4**	**230.5**	**381.9**
Change in annuity	(102.5)	(52.6)	(49.9)
Change in group risk	(0.4)	(0.3)	(0.1)
Change in individual including term assurance	(0.2)	0.0	(0.2)
Change in expense reserve	(3.6)	0.0	(3.6)
Change in risk margin	(1.5)	0.0	(1.5)
At 31 December 2021	**504.2**	**177.6**	**326.6**

21. TRANSFER OF ANNUITY BUSINESS

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

31 December 2020	£millions	£millions
Balance Sheet		
Cash and investments		
Net cash and bonds, including accrued interest		549.6
Cash and bonds paid to reinsurers		(235.8)
Amounts due to related parties		(2.5)
Net inflow of assets		**311.3**
Technical provisions		
Gross technical provision		609.8
Reinsurance technical provision		(229.9)
Net technical provision		**379.9**
Retained earnings		
Shortfall on cancellation of reinsurance treaty		(47.9)
Movement in retained earnings		**(47.9)**
Technical account		
Reinsurance premium		(238.5)
Recapture fee		(1.1)
Change in gross technical provision (difference between the fair value and the Solvency II reserve)	(59.0)	
Change in reinsurance technical provision	277.8	218.8
Loss before tax		**(20.8)**

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

In 2021 there was an amendment of £1.7m cash received as part of the cancellation of the reinsurance treaty, this was treated as a transaction with equity holders and recorded directly in the statement of changes in equity. This was in line with the treatment of the shortfall in 2020.

22. LETTER OF CREDIT

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

23. CONTROLLING PARTY

As at the balance sheet date, the immediate controlling party was RGA Americas Reinsurance Company Ltd, a company incorporated in Bermuda. The immediate parent's financial statements can be obtained from the registered office of the company which is:

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

Post balance sheet event

With effect from 24th January 2022, the immediate controlling party is RGA Americas Investments LLC, a company incorporated in the US. The immediate parent's financial statements can be obtained from the registered office of the company which is:

120 South Central Avenue, Clayton, 63105, MO, US.

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

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