The proposed Scheme under Part VII of the Financial Services and Markets Act 2000 for the Transfer of the long-term business of Hodge Life Assurance Company Limited to Omnilife Insurance Company Limited

The Report of the Chief Actuary of Omnilife Insurance Company Limited on the impact of the Scheme

27 October 2022

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Contents

1. Introduction and Purpose

1.1 The purpose of this report is to consider the effects of the proposed insurance business transfer Scheme (the "Scheme") under Part VII of the Financial Services and Markets Act 2000 ("FSMA"), known as a "Part VII Transfer". The Scheme is intended to transfer the long-term insurance business of Hodge Life Assurance Company Limited ("HLAC") to Omnilife Insurance Company Limited ("Omnilife").

1.2 The business will be transferred according to the terms of the Scheme.

1.3 The business to be transferred under the Scheme is referred to as the "Transferring Business".

1.4 If approved the Scheme is expected to take effect at 23:59 GMT on 30 April 2023 (the "Effective Date").

1.5 This report is written to advise the Board of Directors of Omnilife on the Scheme in my capacity of Chief Actuary of Omnilife. This report will also be made available to the High Court of England and Wales ("the Court"), the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA"), the Independent Expert ("IE") and the policyholders of Omnilife and HLAC.

1.6 Under the Actuarial Professional Standards "APS L1: Duties and Responsibilities of Life Assurance Actuaries", when a significant change, such as the Scheme, is planned, the Chief Actuary must take all reasonable steps to ensure that the firm appreciates the implications for fairness and the reasonable expectations of its policyholders which need to be taken into account in assessing the liabilities and capital requirements. This report is intended to satisfy this requirement.

1.7 This report will address the financial implications of the Scheme and its potential impact on both the existing policyholders of Omnilife and those transferring from HLAC. This report also considers the fair treatment of policyholders and any changes to administration and policyholder benefits affecting transferring policyholders.

1.8 This report has been prepared by Stephen Grigg. I have been a fellow of the Institute of Actuaries since 1993 and the Chief Actuary of Omnilife since July 2020.

1.9 I am not a policyholder of either Omnilife or HLAC. I am employed by RGA UK Services Limited (a group company) and therefore indirectly employed by both Omnilife and HLAC. I am also the Chief Actuary of HLAC. I do not consider there to be a conflict of interest in reaching the conclusions detailed in this report.

1.10 This report has been prepared taking into account the applicable standards as determined by the actuarial professional standards 'APS X1: Applying Standards to Actuarial Work' issued by the Institute and Faculty of Actuaries, in particular taking into account the Technical Actuarial Standards for actuarial work issued by the Financial Reporting Council, namely TAS 100: Principles for technical Actuarial Work and TAS 200: Insurance. In my opinion I have made no material departures from these standards.

1.11 This report has been subject to appropriate peer review in accordance with the actuarial professional standard "APS X2: Review of Actuarial Work" issued by the Institute and Faculty of Actuaries. This review was conducted by Stephen Pearce.

1.12 Stephen Makin has been appointed as the IE to provide an independent report on the Scheme as required under Section 109 of the FSMA. I have read and considered an advanced draft of his report.

2. Overview of Omnilife Insurance Company Limited

Introduction and company history

2.1 Omnilife was founded in 1988 as a specialist insurer and moved its business operations to the UK in 1994 to provide life assurance protection for UK business employees, commonly known as 'Group Risk Insurance'. The business soon established a track record as a specialist expert in its own field, both in the UK and overseas markets.

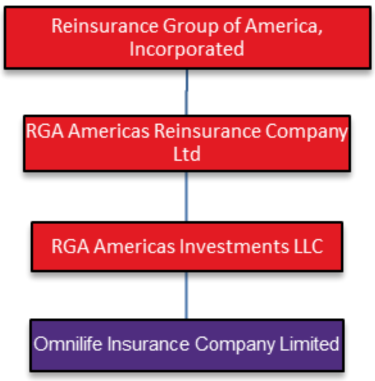
2.2 In February 2019, the business was acquired by RGA Americas Reinsurance Company Ltd ("RGA Americas") which is part of Reinsurance Group of America ("RGA"). The ultimate parent company in the Group is Reinsurance Group of America, Incorporated ("RGA Inc"), whose corporate headquarters is located St. Louis, Missouri and is listed on the New York Stock Exchange (NYSE: RGA).

2.3 RGA is a global reinsurance group with operations in 26 different countries, serving multinational and domestic clients in more than 80 countries. As at 31 December 2021 RGA had consolidated assets of over $92 billion and in 2021 consolidated net premiums were $12.5 billion.

2.4 Omnilife closed its legacy business in July 2019 which is in run-off. With the backing of RGA, Omnilife is now focused on acquiring and managing the liabilities of closed life insurance portfolios with a focus on annuities.

2.5 On 31 December 2020 Omnilife completed the transfer of approximately £600 million of annuity business from the UK branch of Generali which is a representative office of Assicurazioni Generali S.p.A., which is authorised and regulated in Italy by IVASS (the Italian Institute for the Supervision of Insurance).

2.6 In January 2022 there was a change in the RGA group structure with Omnilife now owned by RGA Americas Investments LLC which is a subsidiary of RGA Americas. The simplified organisational structure is as follows:



The business of Omnilife

2.7 Since the transfer in to Omnilife of the Generali UK branch business, the principal business of Omnilife is in-payment and deferred annuities. The annuities are all UK business although a small proportion of c£1.0m or 0.3% of the gross in-payment annuity BEL are US dollar denominated. All of the US dollar denominated annuities are reinsured through the quota share (see Sections 2.12 to 2.16 below).

2.8 The annuities in payment include level annuities (with no escalation), those that escalate at a fixed percentage each year (for example 3% per annum) and those that escalate in line with an index (for example escalation in line with RPI).

2.9 For joint life annuities there may be a reduction in the amount payable on death of the first life.

2.10 The legacy Omnilife business is in run-off and in aggregate represents less than 1% of the company's gross Best Estimate Liability ("BEL"). The legacy products are:

- Overseas Individual Deposit Administration – individual savings policies with a minimum sum assured and a guaranteed maturity value. The policies provide a death benefit with optional disability and an aircrew loss-of-licence cover. The majority of this business is US dollar denominated.

- Overseas Term Assurance – individual term assurance with the sum assured payable on death together with optional disability benefits. This business is denominated in sterling, euros or US dollars.
- Overseas Credit Life – this is reinsurance accepted from Mediterranean and Gulf Insurance and Reinsurance Company ("Medgulf") and is long-tailed business. There are 3 single premium arrangements and 2 annual premium arrangements. The annual premiums are fixed over the term of the loan. This business is denominated in US dollars.
- Income Protection Claims in payment – the claims in payment from both UK and overseas income protection on group life business. The overseas payment is denominated in US dollars.

2.11 The policy administration of Omnilife is outsourced to RGA UK Services Limited, who sub-outsource the policy administration of the annuities to Equiniti Paymaster (1836) Limited ("Equiniti") with service level agreements in place. Omnilife monitor the adherence to the service standards and complaints to ensure that the quality of service is appropriate.

2.12 Omnilife has utilised both quota share and portfolio Stop Loss reinsurance structures for the annuity business. There are two separate Stop Loss arrangements in place, one with RGA Atlantic Reinsurance company Limited ("RGA ATL") and one with Assured Guaranty Overseas Limited ("AGRO"). The single quota share reinsurance is with RGA Americas.

2.13 The main purpose of the reinsurance arrangements is to manage Omnilife's risk exposures. The overall effect of the reinsurance strategy, when established in December 2020, was to retain approximately 10% of the demographic and market risks arising from the annuity liabilities within Omnilife.

2.14 An individual annuity policy has only been allocated to one of the reinsurance treaties and therefore, annuity liabilities can be stratified based upon the reinsurance treaty they are covered by, with no overlap between these groups:

- Liabilities covered by the quota share arrangement;
- Liabilities covered by the RGA ATL Portfolio Stop Loss arrangement;
- Liabilities covered by the AGRO Portfolio Stop Loss arrangement; and
- Liabilities not covered by reinsurance.

2.15 Approximately 50% of liabilities are subject to one of the Portfolio Stop Loss Treaties (30% with AGRO and 20% with RGA ATL) which provides full demographic and market risk protection, supported by a retained but protected reference fund, and approximately 40% of liabilities are subject to a full risk quota share reinsurance, supported by a collateralised trust.

2.16 As at 30 June 2022, the BEL for Omnilife, as determined in accordance with the Solvency II regulations is detailed below.

Omnilife in-force business 30 June 2022 £000's	Gross BEL	Reinsurance Asset	Net of reinsurance BEL
In-Payment Annuities			
Retained (incl expense reserves)	55,941	-	55,941
Covered by quota share	140,224	140,224	-
Covered by AGRO stop-loss	123,687	(8,215)	131,901
Covered by RGA Atlantic stop-loss	77,205	(914)	78,120
Total In-Payment Annuities	**397,057**	**131,096**	**265,962**
Deferred Annuities covered by quota share	4,562	4,562	-
Overseas Individual Deposit Admin	1,565	3	1,562
Overseas Individual Term Assurance	(13)	(11)	(2)
Overseas Credit Life	318	201	117
Income Protection Claims in payment	252	141	111
Total	**403,742**	**135,992**	**267,750**

2.17 The BELs are calculated on a policy-by-policy basis using the values of the expected future cash flows, allowing for premiums, claims (including annuity payments), expenses and lapses.

2.18 The assets of Omnilife mainly consist of fixed interest government or corporate bonds and cash as shown below.

Omnilife invested assets 30 June 2022	Value £000's	Proportion
Government Bonds	11,954	3.6%
Corporate Bonds	313,591	90.3%
Cash	24,195	7.0%
Other Assets	(2,330)	(0.7%)
Total	**347,410**	**100.0%**

Risk Management Framework

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

- Active risk management - the first line of defence has responsibility for the implementation of Omnilife's strategy and for the management of risks across the organisation.
- Risk assurance - the second line is responsible for providing independent oversight and challenge of the decisions taken by the first line. The second line also provide guidance on risks relevant to the strategy.
- Independent assurance - the third line of the internal and external audit functions, provides independent and objective assurance to the Board regarding the risk management activity of the business.

2.20 Omnilife has formally documented policies that define the strategies, framework and tools for the management of all material risk categories. Risk management is a continuous process that is used in the implementation of the Business Strategy and allows for an appropriate understanding of the nature and significance of the risks to which the business is exposed, including sensitivity to those risks and its ability to mitigate them.

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

2.22 The Risk Appetite Statement is a key component of the Omnilife risk management system, defining the amount of risk that the Board is prepared to take in pursuit of its strategic objectives. Omnilife's risk appetite is supported by the Capital Management policy.

2.23 The Omnilife and HLAC risk management frameworks are already well aligned and are run with a common team under the respective independent Chief Risk Officer's and reporting separately to each firms' Audit and Risk Committee ("ARC").

Risk Profile Summary

2.24 The most significant risks to Omnilife are credit spread risk and longevity risk. The next most material is interest rate risk. This assessment of materiality has been made in relation to the Solvency Capital Requirement ('SCR') which is the regulatory capital required to ensure that the company can withstand an adverse event or combination of events, equivalent to which might occur once in every 200 years.

2.25 Omnilife uses the Standard Formula approach to determining the SCR as prescribed by the Solvency II regulations.

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

2.27 The longevity risk arises from the annuity policies and represents the risk that annuitants live longer than expected resulting in the annuities being paid for longer and the associated cost of administering the policies for longer.

2.28 The SCR as at 30 June 2022 split by risk category is shown in the following table.

Solvency Capital Requirement 30 June 2022 £m's	
Longevity	11.7
Expense	1.5
Diversification within Life underwriting risk	*(1.1)*
Total Life Insurance Risk	12.1
Interest Rate	7.3
Spread	18.5
Concentration	3.8
Currency	0.0
Diversification within Market risk	*(9.4)*
Total Market Risk	20.2
Total Counterparty Risk	2.0
Diversification across all risk categories	*(7.6)*
Basic Solvency Capital Requirement	26.8
Operational Risk	1.8
Adjustment for Deferred tax loss absorbency (H)	-
Solvency Capital Requirement	28.6

Available Capital

2.29 Omnilife's 'Own Funds' are defined as the excess value of its assets over the value of its liabilities. Own Fund items are classified into tiers in accordance with the Solvency II regulations. The tiers are based on their ability to absorb losses with Tier 1 being the highest quality.

2.30 As at 30 June 2022 Omnilife's Own Funds consisted of

30 June 2022	£m's
Tier 1 – unrestricted	
Issued Share Capital	20.0
Share premium account	135.6
Reconciliation reserve	(84.6)
Tier 3	
Deferred tax asset	2.0
Own Funds	**73.0**

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

2.32 On an annual basis Omnilife produces a business plan which is also used to forecast the solvency position of the company over the projection period.

2.33 New business is only acquired through transactions with other business counterparties (e.g. portfolio acquisitions or reinsurance transactions), rather than direct from the consumer. A transaction will only be accepted if the revised excess capital after the proposed transaction exceeds the lower limit of the risk appetite.

2.34 The Volatility Adjustment ("VA") is a Solvency II Long Term Guarantee measure which give insurers credit for holding certain long-term assets which are suitable for matching the cash flows of long-term liabilities.

2.35 Omnilife has regulatory approval to apply a VA to the basic risk-free rate to discount the sterling denominated annuity liabilities. The VA allows Omnilife to take some credit for the illiquidity premium within the assets which reduces the liabilities and provides Omnilife's balance sheet some improved resilience from the impact of credit spread movements

2.36 Omnilife does not have approval to use any other Long Term Guarantee measures.

2.37 As part of Omnilife's ongoing risk management strategy, Omnilife has ceded a portion of the market and demographic risks arising on its annuity business. For the annuity liabilities, Omnilife has utilised two reinsurance structures, quota share and portfolio stop loss, with two separate stop loss arrangements in place, one with RGA Atlantic and One with AGRO. The quota share is with RGA Americas.

2.38 The main purpose of the reinsurance arrangements is to manage Omnilife's risk exposures. The overall effect of the reinsurance strategy to transfer the majority of the longevity and market risk associated with the annuities. Omnilife currently retains approximately 10% of the longevity and market risks arising from the annuity liabilities on its balance sheet.

2.39 Each individual annuity policy has only been allocated to one of the reinsurance treaties and therefore, annuity liabilities can be stratified based upon the reinsurance treaty they are covered by, with no overlap between these. This is illustrated with respect to the BEL in section 2.16 above.

2.40 Omnilife's solvency coverage ratio at 30 June 2022 was 255%, as shown below:

Solvency II 30 June 2022	**£m's**
Own Funds	73.0
Solvency Capital Requirement (SCR)	28.6
Excess Own Funds over SCR	44.4
Solvency Coverage Ratio	**255%**

2.41 Further details of the Omnilife balance sheet are included in Section 5 of this report.

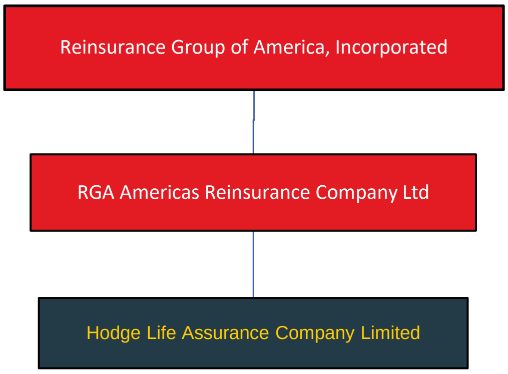
3. Overview of Hodge Life Assurance Company Limited

Introduction and company history

3.1 HLAC was established in 1965 and has been dedicated to the retirement market. Originally established to provide retirement lending through home reversion plans, the product range was expanded to include Lifetime Mortgages (“LTMs”) and annuities.

3.2 HLAC was previously owned by Hodge Limited until it was purchased by RGA Americas with the sale completing on 1 July 2021 following regulatory approval.

3.3 A simplified organisation structure for HLAC is as follows:



3.4 Note that the parent of Omnilife, RGA Americas Investments LLC is not present in the HLAC structure, with HLAC directly owned by RGA Americas.

3.5 Whilst HLAC has its own Board and Board committees, and different Independent Non-Executive Directors, following the purchase by RGA Americas it does now share a broadly common management team with Omnilife. This is discussed further and illustrated in section 4.4.

The business of HLAC

3.6 HLAC stopped marketing new business in February 2021, with the last new policy written in July 2021. HLAC was formally closed to new business in March 2022 and is in run-off.

3.7 The long-term business of HLAC is pension and purchased life annuities. All the annuities are sterling denominated. All of the annuities are level, that is they do not escalate at either a fixed percentage or in line with any index. For joint life annuities there may be a reduction to the benefit payable on death of the main life.

3.8 The policy administration of the HLAC annuities is outsourced to Equiniti with service level agreements in place. HLAC monitor the adherence to the service standards and complaints to ensure that the quality of service is appropriate.

3.9 As at 30 June 2022 the BEL for HLAC as determined in accordance with the Solvency II regulations are detailed below.

Annuities by product:

HLAC in-force business By Product 30 June 2022 £000’s	Gross BEL
In-Payment Annuities	
Pension Annuities	425,068
Purchased Life Annuities (PLA’s)	19,504
Annuities certain	457
Total	**445,029**

The BELs are calculated on a policy-by-policy basis using the values of the expected future cash flows, allowing for premiums, claims (including annuity payments) and expenses.

3.10 HLAC has three reinsurance treaties in place:

- A longevity swap with Hannover Re which mitigates the longevity risk,
- A quota share treaty with RGA Americas which mitigates both market and demographic risks,
- A portfolio stop loss with RGA Americas which also mitigates both market and demographic risks.

3.11 The portfolio stop loss reinsurance is characterised by a reference fund which holds assets to pay for claims. As it holds assets with market value (discounted at a yield with a full spread above the risk-free rate), the reference fund holds assets that are expected to generate cash flows in excess of the liability cash flows (i.e. a surplus is expected to arise).

3.12 The portfolio stop loss treaty requires the reinsurer to top-up the reference fund if this falls below a lower limit (relative to liabilities). This top up is required irrespective of the underlying cause be this a fall in the market value of the assets or higher than expected annuity payments.

3.13 Each individual annuity policy has only been allocated to one of the two reinsurance treaties with RGA Americas (or not reinsured to RGA Americas at all) although there can be overlap with the longevity swap. This is illustrated with respect to the BEL below.

Annuities by reinsurance treaty:

HLAC in-force business 30 June 2022 £000's	Gross BEL	Reinsurance Asset RGA	Reinsurance Asset Hannover	Net of reinsurance BEL
In-Payment Annuities				
Retained	68,236	-	(134)	68,370
Covered by quota share	203,940	206,286	(2,346)	-
Covered by stop-loss	172,853	(889)	(2,577)	176,319
Total	**445,029**	**205,397**	**(5,057)**	**244,689**

Where the reinsurance asset is negative this indicates that HLAC has a liability to pay the reinsurer either due to mortality experience or fees.

3.14 The assets of HLAC mainly consist of fixed interest government or corporate bonds, LTMs and cash as shown below.

HLAC invested assets 30 June 2022	Value £000's	Proportion
Government Bonds	48,267	14.8%
Corporate Bonds	123,351	37.8%
Lifetime Mortgages (LTMs)	130,861	40.1%
Cash	26,061	8.0%
Other Assets (incl NCA)	(2,201)	(0.7%)
Total	**326,339**	**100.00%**

3.15 For the LTMs the customer has a mortgage contract with Pure Retirement Limited ("Pure Retirement"). HLAC holds the beneficial interest in the LTMs, whilst the administration is performed by Pure Retirement.

Risk Management Framework

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

- Active risk management - the first line of defence has responsibility for the implementation of HLAC's strategy and for the management of risks across the organisation.
- Risk assurance - the second line is responsible for providing independent oversight and challenge of the decisions taken by the first line. The second line also provide guidance on risks relevant to the strategy.
- Independent assurance - the third line of the internal and external audit functions, provides independent and objective assurance to the Board regarding the risk management activity of the business.

3.17 HLAC has formally documented policies that define the strategies, framework and tools for the management of all material risk categories. Risk management is a continuous process that is used in the implementation of the Business Strategy and allows for an appropriate understanding of the nature and significance of the risks to which the business is exposed, including sensitivity to those risks and its ability to mitigate them.

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

3.19 The Risk Appetite Statement is a key component of the HLAC risk management system, defining the amount of risk that the Board is prepared to take in pursuit of its strategic objectives. This is supported by the Capital Management Policy.

3.20 The HLAC and Omnilife risk management frameworks are already well aligned and are run with a common team under the respective independent Chief Risk Officer's and reporting separately to each firms ARC. The HLAC framework will continue to be updated alongside the Omnilife framework during 2022.

Risk Profile Summary

3.21 The most significant risks to HLAC are credit spread risk, longevity risk and expense risk. The next most material is interest rate risk. This has been assessed in relation to the SCR which is the regulatory capital required to ensure that the company can withstand an adverse event or combination of events, equivalent to which might occur once in every 200 years.

3.22 HLAC uses the Standard Formula approach to determining the SCR as prescribed by the Solvency II regulations.

3.23 Credit spread risk arises from the risk of movements in the market price of investments as a result of a change in the perceived or actual credit quality of the asset. The exposure to credit risk is through the corporate bonds and LTMs which are held to support the annuity business.

3.24 The longevity risk arises from the annuity policies and represents the risk that annuitants live longer than expected resulting in the annuities being paid for longer and the associated cost of administering the policies for longer.

3.25 The expense risk is due to the risk that the costs of administering the business are higher than expected or increase faster than expected due to higher inflation.

3.26 The SCR as at 30 June 2022 split by risk category is shown in the following table.

Solvency Capital Requirement 30 June 2022 £m's	
Longevity	5.3
Expense	6.4
Diversification within Life underwriting risk	*(2.4)*
Total Life Insurance Risk	**9.3**
Property	0.1
Interest Rate	4.6
Spread	10.9
Concentration	0.5
Diversification within Market risk	*(4.3)*
Total Market Risk	**11.9**
Total Counterparty Risk	**1.0**
Diversification across all risk categories	*(5.0)*
Basic Solvency Capital Requirement	**17.1**
Operational Risk	**1.9**
Adjustment for Deferred tax loss absorbency (H)	**-**
Solvency Capital Requirement	**19.0**

Available Capital

3.27 HLAC's 'Own Funds' are defined as the excess value of its assets over the value of its liabilities. Own Fund items are classified into tiers in accordance with the Solvency II regulations. The tiers are based on their ability to absorb losses with Tier 1 being the highest quality.

3.28 As at 30 June 2022 HLAC's Own Funds consisted of:

30 June 2022	£m's
Tier 1 – unrestricted	
Issued Share Capital	6.8
Share premium account	-
Reconciliation reserve	98.4
Tier 3	
Deferred tax asset	3.8
Own Funds	**109.0**

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

3.30 As HLAC has closed to new business and is in run-off it has a Scheme of operations that forecasts the solvency position of the company over the projection period.

3.31 The Transitional Measure on Technical Provisions ("TMTP") is a Solvency II Long Term Guarantee measure which give insurers credit for the difference between the technical provisions on a Solvency I (used prior to the introduction of Solvency II on 1 January 2016) and Solvency II basis. The TMTP applies to business in force at the time that Solvency II was introduced and runs off over a 16 year period, giving insurers time to adjust to the Solvency II regime.

3.32 HLAC has regulatory approval to apply a TMTP and at 30 June 2022 this acts to reduce the technical provisions by £31.0 million.

3.33 HLAC does not have approval to use any other Long Term Guarantee measures.

3.34 As part of HLAC's ongoing risk management strategy, HLAC has three reinsurance treaties in place as described in 3.10 above.

3.35 The main purpose of the reinsurance arrangements is to manage HLAC's risk exposures. The overall effect of the reinsurance strategy is to retain approximately 5% of the demographic and 10% of the market risks arising for the annuity liabilities within HLAC.

3.36 HLAC's solvency coverage ratio at 30 June 2022 was 568%, as shown below:

Solvency II 30 June 2022	£m's
Own Funds	109.0
Eligible Own Funds	108.1
Solvency Capital Requirement (SCR)	19.0
Solvency Coverage Ratio	**568%**

3.37 For the purposes of covering the SCR Tier 3 capital is restricted to 15% of the SCR. The restriction applies to the deferred tax asset and reduces the eligible own funds by £982k.

3.38 As at 30 June 2022 HLAC has available capital (or Own Funds) in excess of its risk appetite. It is assumed that HLAC will pay a dividend of c£22m prior to the Effective Date. The impact of paying the dividend at 30 June 2022 would be to reduce the HLAC Own Funds to £87.0m and reduce the solvency coverage ratio to 453%.

4. Summary of the Scheme

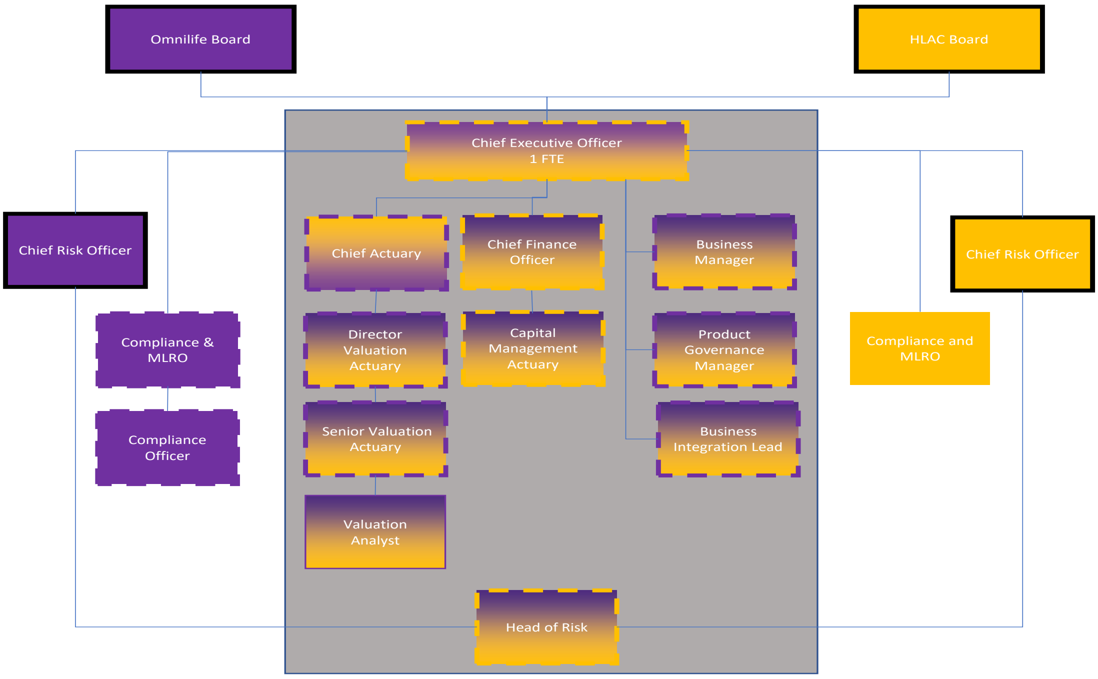
Rationale for the Scheme

4.1 On 1 July 2021, RGA Americas completed the purchase of HLAC. The HLAC acquisition brought in a further block of annuity business which is within the target size range for Omnilife as part of the Omnilife and RGA group's strategy for Omnilife to seek to steadily grow this business. In its Change of Control Business Plan for the purchase of the HLAC business, RGA Americas confirmed its ultimate intention for HLAC to transfer the HLAC business into Omnilife under a Part VII Transfer.

4.2 The purchase of HLAC's business and the proposed transfer to Omnilife further strengthens Omnilife's and RGA's position in the UK closed block market.

4.3 On acquiring HLAC, RGA indicated that its ultimate intention for HLAC was to transfer the HLAC business into Omnilife under a Part VII Transfer. This strategy has been considered and approved by the HLAC and Omnilife Boards.

4.4 HLAC and Omnilife are currently administered as separate UK Life Insurance companies, both are authorised by the PRA and regulated by the PRA and the FCA. Whilst HLAC and Omnilife have separate Board and Board committees, and different Independent Non-Executive Directors, they do share a broadly common management team.



4.5 The main reason for the business transfer is to rationalise two similar businesses into a single insurance company. The transfer is expected to achieve operational efficiencies and economies of scale through lower running costs and reduced management time. The simpler company structure, single set of financial reports, and key personnel fulfilling fewer Senior Manager and Certification Regime responsibilities will reduce operational risk, improve management efficiency and unify regulatory oversight.

4.6 The transfer would combine the businesses of RGA's two sub-scale regulated insurance entities, both of which already have similar operating models and as shown above, a broadly common management team. The transfer to Omnilife further strengthens its position in the UK closed block market.

4.7 Knock-on improvements in management efficiency will be achieved by leaving the team to focus on the management and control of one, larger regulated entity. There are expected to be ongoing savings in management, regulatory and administration costs.

4.8 From a customer perspective, their rights and obligations under the policies will be transferred without alteration and they will benefit from improvements in process efficiency. Preserving the security of contractual benefits and rights, benefit expectations and service levels is of paramount importance for both businesses.

Summary of the Scheme

4.9 HLAC is proposing to transfer all of its long-term insurance liabilities encompassing approximately 13,300 policies (as at 30 June 2022) and the associated assets to Omnilife.

4.10 All of the assets of HLAC will transfer to Omnilife except

- £7m which will be retained by HLAC following the Part VII Transfer, representing the share capital and providing sufficient capital to cover the minimum capital requirements (currently £3.1m). This will be paid to the parent, RGA Americas at the point the company is wound-up.
- £22m which will be paid to RGA Americas as a dividend following the 30 September 2022 annual valuation. It is anticipated that this will be paid prior to the Effective Date.

4.11 The transferring liabilities consists of non-profit pension and purchased life annuity business.

4.12 The broad effect of the Scheme is to transfer to Omnilife all the insurance policies remaining in force as at the Effective Date, without affecting the policy benefits.

4.13 On the Effective Date:

- Omnilife will become responsible for all liabilities and risks associated with the transferring policies.
- All existing reinsurance agreements will be transferred to Omnilife as part of the Scheme.
- The administration contract between HLAC and Equiniti will transfer across to Omnilife.

Transferring Liabilities

4.14 The transferring liabilities will be 100% of HLAC's long-term insurance business and consists of the following policyholder liabilities (the Solvency II BEL) as at 30 June 2022.

HLAC in-force business 30 June 2022 £000's	Gross BEL	Reinsurance Asset	Net of reinsurance BEL
In-Payment Annuities			
Pension Annuities	425,068	200,340	224,728
Purchased Life Annuities (PLA's)	19,504	0	19,504
Annuities certain	457	0	457
Total	**445,029**	**200,340**	**244,689**

4.15 The Scheme also makes provision for "Residual Policies" and "Residual Assets" which are not able to be transferred at the Effective Date. In practice, it is not expected that there will be any Residual Policies or Residual Assets.

4.16 If the situation arises that there are Residual Policies, these policies will be reinsured by HLAC to Omnilife under the Scheme.

4.17 If there were any Residual Policies, Residual Assets or Residual Liabilities, once any obstacle which prevented the transfer of the assets and liabilities on the Effective Date of the Scheme has been removed, the Residual Policies, Residual Assets and Residual Liabilities will transfer to Omnilife.

4.18 Whilst the beneficial interest in the LTMs are held by HLAC are being transferred as part of the Scheme, the contracts between the borrowers under the LTMs and Pure Retirement are not included in the Scheme and these customers are not directly affected.

Operational considerations

4.19 Omnilife will become responsible for the administration of the transferring policies on the Effective Date. The policy administration is currently outsourced to Equiniti and it is intended that Equiniti continue to administer the policies post the Part VII transfer, to ensure that there is a continuation of the same operational standards.

4.20 Where we look to harmonise the service standards on the existing and transferring policies we will use the 'best of both' ensuring the service standard for the existing and transferring policyholders is the same or better than currently used.

4.21 The external costs incurred in preparing and bringing into effect the Scheme will be borne equally by Omnilife and HLAC. This includes the IE, legal, court fees and policyholder communication.

4.22 As noted earlier, it is currently envisaged that the Scheme will become effective on 30 April 2023.

Investment considerations

4.23 The two existing Omnilife stop loss portfolios are managed as separate portfolios by the investment team. Similarly, HLAC has a separately managed portfolio for its stop loss reference fund. On implementation of the Scheme the HLAC stop loss portfolio will transfer to Omnilife ownership but will continue to be managed separately. The HLAC retained portfolio will also transfer to Omnilife ownership and will be merged with the existing Omnilife retained portfolio to increase operational efficiency.

4.24 Omnilife does not currently hold LTMs as an asset on its balance sheet although it does have some indirect exposure to LTMs through the collateral assets backing the quota share. Whilst risk from the LTMs is treated as spread risk under the Solvency II standard formula, ultimately the LTMs introduce property risk through the no-negative equity guarantee as well as lapse risk. The introduction of the LTMs will introduce some additional diversification into the overall asset portfolio.

4.25 The Omnilife Board have been provided with additional training to understand the risks associated with the LTMs. The Omnilife management team is largely shared with HLAC and therefore the management team are already familiar with and are managing the risks associated with the LTMs.

4.26 The Omnilife Investment Policy Statement will also need to be updated to allow investment in LTMs before the Effective Date.

5. Financial position of Omnilife before and after the Scheme

Pro forma balance sheet

5.1 The table below shows the Solvency II balance sheet of Omnilife as at 30 June 2022 and an estimated pro forma balance sheet had the Scheme been effected at that date. This estimate assumes that £29 million of cash and short dated gilts within HLAC at 30 June 2022 are not included in the transfer. These represent a combination of an anticipated dividend of £22m expected to be declared and paid prior to the Effective Date and cash or liquid assets of £7m left behind in HLAC representing the share capital and covering the minimum capital requirement until the point that HLAC is de-authorised and the expenses of HLAC until it is wound up.

5.2 Note that the actual impact will be affected by the run-off of the business and the economic conditions as at the Effective Date, but it is expected to be materially similar to that shown below.

Omnilife Solvency II balance sheet 30 June 2022 £m's	Actual Pre Scheme	Pro forma Post Scheme	Impact of Scheme
Bonds / fixed interest assets	325.5	472.2	146.6
Mortgages	0.0	130.9	130.9
Cash	24.2	46.3	22.1
Net current assets	(2.3)	(4.5)	(2.2)
Total invested assets	**347.4**	**644.7**	**297.3**
Reinsurance recoverable	136.0	336.3	200.3
Deferred tax asset	2.0	5.8	3.8
Total Assets	**485.4**	**986.9**	**501.5**
Best Estimate Liabilities (BEL)			
Annuities	401.6	843.7	442.1
Legacy Business	2.1	2.1	0.0
Risk Margin	8.7	16.2	7.5
TMTP	0	(31.0)	(31.0)
Total Liabilities	**412.4**	**830.9**	**418.5**
Own Funds	**73.0**	**156.0**	**83.0**
Solvency Capital requirement (SCR)	**28.6**	**46.8**	**18.2**
Excess Own Funds	**44.4**	**109.2**	**64.8**
Solvency Coverage	**255%**	**333%**	**78%**

5.3 Under the terms of the Scheme, HLAC will transfer all of its assets less an excluded amount of £7m together with all of the liabilities in respect of the transferring policies. Whilst the Scheme does allow for the possibility of some policies to be retained within HLAC, this is for exceptional circumstance and no polices are expected to be retained within HLAC. Omnilife will take on all of the liabilities in respect of the transferring policies.

5.4 The pro forma balance sheet assumes that Omnilife is able to receive the deferred tax asset that is currently within HLAC. In addition, it has been assumed that no tax is paid by Omnilife on the profit realised within Omnilife on transfer. Omnilife have received tax advice from KPMG which indicates that tax would only be payable on profits resulting from a change in valuation basis. There is expected to be a small profit of c£2.9m which may result in a tax charge of c£0.6m.

5.5 The aggregate HLAC policy loadings are expected to exceed the incremental costs associated with this business. This should result in a contribution to the Omnilife overheads (albeit fairly small), however for the purposes of the post transfer balance sheet I have assumed that there is no increase in the Omnilife expense overrun reserve.

5.6 The pro forma balance sheet allows for the impact of improved diversification in the SCR, however no allowance has been made for diversification within the risk margin which is expected to be small.

5.7 Omnilife and HLAC use the standard formula approach to calculating the SCR. I would expect the standard formula to remain appropriate for Omnilife following the transfer and have produced the post Scheme figures on this basis.

5.8 The pro forma balance sheet assumes that Omnilife retains the VA on its sterling annuity business but does not apply the VA to the HLAC annuities. At 30 June 2022 the impact of the VA on the Omnilife balance sheet is a £2.1m increase in own funds and a £1.3m increase in the SCR. The increase in the SCR is due to the VA increasing the surplus in the stop-loss reference portfolios resulting in an increase in the SCR. The impact on own funds in excess of the SCR is £0.9m.

5.9 The financial impact on the HLAC business of having a VA is likely to be smaller. For the pre 2016 business where HLAC has the TMTP, a reduction in the BEL due to the VA would also result in a reduction in the TMTP which would partially offset this. Omnilife is not intending to apply for approval to use the VA on the HLAC business prior to the Effective Date.

5.10 Following the Part VII Transfer Omnilife has a healthy solvency coverage with the excess own funds exceeding the company's risk appetite. In the absence of further new business, I would expect the excess own funds to increase from this point as the existing business runs off and the SCR reduces. In addition, any new business acquisitions will only be taken on if Omnilife is able to meet its risk appetite post the acquisition.

5.11 Within its Own Risk and Solvency Assessment ("ORSA") Omnilife has considered the post transfer balance sheet under a number of sensitivities to both market conditions and changes to the demographic assumptions. The solvency position remains robust to a range of adverse scenarios, with Omnilife continuing to cover the SCR which in itself provides protection against extreme (1 in 200 year) events.

5.12 The impact of the Solvency Capital Requirement is shown in the following table.

Omnilife Solvency Capital Requirement 30 June 2022 £m's	Actual Pre Scheme	Pro forma Post Scheme	Impact of Scheme
Longevity	11.7	17.0	5.3
Expense	1.5	7.9	6.4
Diversification within Life underwriting risk	*(1.1)*	*(4.4)*	*(3.4)*
Total Life Insurance Risk	**12.1**	**20.4**	**8.3**
Property	0.0	0.1	0.1
Interest Rate	7.3	11.9	4.6
Spread	18.5	29.3	10.9
Concentration	3.8	4.4	0.5
Currency	0.0	0.0	0.0
Diversification within Market risk	*(9.4)*	*(13.7)*	*(4.4)*
Total Market Risk	**20.2**	**32.0**	**11.8**
Total Counterparty Risk	**2.0**	**3.1**	**1.0**
Diversification across all risk categories	*(7.6)*	*(12.4)*	*(4.8)*
Basic Solvency Capital Requirement	**26.8**	**43.1**	**16.4**
Operational Risk	**1.8**	**3.7**	**1.9**
Adjustment for Deferred tax loss absorbency (H)	**0.0**	**0.0**	**0.0**
Solvency Capital Requirement	**28.6**	**46.8**	**18.2**

5.13 The pro forma balance sheet assumes that Omnilife applies and receives approval to apply a TMTP on the HLAC business following the Part VII Transfer. Given the size of the TMTP it is worth exploring the impact on the combined balance sheet should Omnilife's application fail. The following table shows the balance sheet with and without the TMTP.

Omnilife Solvency II balance sheet 30 June 2022 £m's	Pro forma Post Scheme	Pro forma Post Scheme Without TMTP	Impact of losing TMTP
Total invested assets	**644.7**	**644.7**	**-**
Reinsurance recoverable	336.3	357.3	21.0
Deferred tax asset	5.8	5.8	-
Total Assets	**986.9**	**1,007.9**	**21.0**
Best Estimate Liabilities (BEL)			
Annuities	843.7	843.7	-
Legacy Business	2.1	2.1	-
Risk Margin	16.2	16.2	-
TMTP	-31.0	0.0	31.0
Total Liabilities	**830.9**	**862.0**	**31.0**
Own Funds	**156.0**	**145.9**	**-10.1**
Solvency Capital requirement (SCR)	**46.8**	**46.7**	**-0.1**
Excess Own Funds	**109.2**	**99.2**	**-10.0**
Solvency Coverage	**333%**	**312%**	**-21%**

5.14 Around 70% of the TMTP is attributed to liabilities within the HLAC stop-loss treaty. The treaty has been written such that the loss of the TMTP would increase the liabilities and the deficit within the stop-loss reference fund would fall to RGA Americas as reinsurer. Omnilife would lose the current 30% share of surplus in the stop-loss reference fund plus the balance of the TMTP.

5.15 Without the TMTP the stop-loss would no longer be in surplus and as a result the longevity and spread SCR would reduce marginally as would the risk margin. Overall, it is estimated that there would be a c£10.1m reduction in Own Funds and a c£10.0m reduction in excess Own Funds.

5.16 The deficit under the stop loss treaty would be c£20.1m and under the terms of the treaty the maximum quarterly payment by RGA Americas is £6m. It would therefore take a year for the deficit to be covered and during this time Omnilife would have an increased counterparty exposure to RGA Americas.

Risk Profile

5.17 The following table shows the risk profile of Omnilife pre and post transfer as shown by the undiversified SCR components as at 30 June 2022.

Risk Profile – SCR Components 30 June 2022	Omnilife Pre Scheme Value £m's	Omnilife Pre Scheme Proportion	Omnilife Post Scheme Value £m's	Omnilife Post Scheme Proportion	Change
Life: Longevity risk	11.7	25%	17.0	22%	(3%)
Life: Expense risk	1.5	3%	7.9	10%	7%
Market: Spread risk	18.5	40%	29.3	38%	(2%)
Market: Interest rate risk	7.3	16%	11.9	15%	-
Market: Other risks	3.8	8%	4.5	6%	(2%)
Counterparty default risk	2.0	4%	3.1	4%	-
Operational risk	1.8	4%	3.7	5%	(1%)

5.18 Whilst there is a change in the Omnilife risk profile post the proposed Part VII, this does not appear to be material. The expense risk is higher for HLAC than Omnilife as it largely relates to the per policy expenses which are higher in HLAC together with more policies (c13,000 in HLAC and c4,000 in Omnilife) and the HLAC policies have a longer expected duration.

5.19 The standard formula spread risk module covers the LTMs as well as the corporate bonds. Given that the LTMs are a new asset class for Omnilife, at least directly on the balance sheet, it is worth considering these further.

5.20 HLAC consider their own "Pillar 2" capital assessment basis within the ORSA which for the LTMs looks at the underlying risk drivers namely:

- Property level – a reduction in house prices
- Property volatility – an increase in the volatility of house prices
- Property inflation – a reduction in the assumed property growth rate
- Property underperformance – an increase in assumed underperformance of the LTM portfolio due to for example poor maintenance.
- Mortality – an increase in assumed mortality
- Mortality trend – a reduction in improvement rates resulting in higher mortality
- Expenses – an increase in expenses and the expense inflation
- Lapse – an assumed mass lapse
- Illiquidity – an increase to the LTM illiquidity premium (which also results in an increase to the annuity discount rate.

5.21 Whilst the LTM's will introduce additional risks on to the Omnilife balance sheet the management team are already familiar with these assets and will continue to have the support of the RGA private markets team through the investment outsourcing.

5.22 Within HLAC the LTMs represent c40% of the invested assets, whilst following the Part VII Transfer this will be c20% within Omnilife. This gives Omnilife some limited exposure to an illiquid asset whilst also providing some diversification from the corporate bond portfolio.

5.23 The HLAC Pillar 2 capital for the LTM's exceeds the equivalent spread risk for the mortgages on the standard formula basis by c£3m. However, the HLAC Pillar 2 basis has higher individual stresses than the standard formula together with a greater allowance for diversification between risks. The difference is not considered to be material and the standard formula is considered appropriate.

Market movements since 30 June 2022

5.24 The analysis shown in this section is based on data and market conditions as at 30 June 2022. Since this date there have been significant movements in financial markets, particularly in relation to the yield on fixed interest assets. For example, the 10-year UK risk free spot rate used to discount liabilities increased from 2.36% on 30 June 2022 to 4.36% on 30 September 2022.

5.25 For Omnilife and HLAC, draft regulatory balance sheets as at 30 September 2022 indicate that there has been a modest reduction in excess own funds as a result of these market movements. However, there has also been a reduction in the Capital Target such that there has been an increase in the surplus capital above the target between 30 June and 30 September.

6. Effect of the Scheme on existing policyholders

Introduction

6.1 In this section I consider the impact of the Scheme on the existing Omnilife policyholders, in particular, the security of their benefits, their benefit expectations and the administration of their policies.

6.2 The existing policyholders are non-profit, non-linked annuity, savings and protection business.

Security

6.3 The Scheme is expected to have a positive effect on Omnilife's solvency coverage ratio increasing it from 255% to 333% if the Scheme had been implemented at 30 June 2022.

6.4 The Omnilife risk appetite is underpinned by the ability to recover from the default of the RGA group in stressed market conditions. Following the transfer, the available capital within Omnilife will exceed the risk appetite which provides significant security to the Omnilife (and transferring HLAC) policyholders.

6.5 If required, Omnilife would expect to be supported by RGA Americas and our ultimate parent RGA Inc both of which are AA- rated by S&P Global ratings.

6.6 In my view the security of the existing policyholders is not adversely affected by the Scheme and is potentially enhanced by the Scheme.

Policyholder benefit expectations

6.7 The benefits payable under the Omnilife policies are set out in the policy terms and conditions. There will be no change to the contractual terms of any of the policies under the terms of the Scheme.

Administration

6.8 The administration of the Omnilife policies is outsourced to RGA UK Services. For the annuity policies, which form the majority of the existing business, RGA UK Services sub-outsource the administration to Equiniti with service level agreements in place to ensure an acceptable quality of service is provided.

6.9 The HLAC annuity business is also administered by Equiniti and will continue to be so following the Part VII transfer. To ensure there is no disruption to the Omnilife policyholders the portfolios will continue to be separate, however it is expected that there will still be some operational efficiencies in having two portfolios with the same outsource provider.

6.10 With the increase in the total number of annuity policies, it is possible to envisage future improvements to the administration of the business that will benefit both sets of policyholders.

Policyholder communications

6.11 The FSMA requires appropriate notice to be sent to all policyholders of both parties involved in a business transfer. However, waivers can be sought from the court and taking into consideration the principles governing the application of waivers the intention is to apply for waivers with further detail given below.

6.12 It is intended that all of the primary policyholders of Omnilife will be notified of the Scheme. It is worth noting that for the overseas credit life business, which is reinsurance accepted from Medgulf, the primary policyholder is Medgulf.

6.13 I have read the considered the latest version of the witness statement, which contains the details of the waivers being requested.

6.14 Similar waivers are being requested for both Omnilife and HLAC policies.

6.15 Policyholders are entitled to register their objections to the Scheme and appear in Court in person. However, help desk arrangements will be put in place to answer policyholder questions received by phone, by mail or by e-mail. A summary of calls and correspondence will be provided to the Court along with an outline of the substance of any objections raised by the policyholders.

6.16 HLAC and Omnilife intend to share the query log with the IE and the regulators on a regular basis through the period between the directions and sanctions hearing.

6.17 Frequently the receiving company, in this instance Omnilife, would seek a waiver from communicating with their policyholders. In this instance, given that HLAC is of a similar size to Omnilife the decision has been made to not seek a waiver and to communicate to the Omnilife policyholders a decision I agree with.

6.18 I have reviewed the communication strategy and draft documents that will be distributed or available to policyholders and other interested parties and in my opinion the communication strategy is appropriate.

7. Conclusions

7.1 In light of the considerations set out in this report, it is my opinion that:

- The Scheme will not have an adverse impact on the security of benefits of the existing Omnilife policyholders.
- I do not expect the reasonable benefit expectations of Omnilife's policyholders to be adversely affected by the Scheme.
- There is no reason to expect that the service standards for the existing Omnilife policyholders will be adversely affected by the Scheme.
- There are no features of the Scheme that appear to me likely to prejudice Court approval of the Scheme.

7.2 I support the application for the waivers highlighted in this report.

7.3 I have reviewed a draft of the Scheme (version 9 dated 23/10/2022) and recommend the adoption of the Scheme by the Board.

Stephen Grigg FIA
Chief Actuary, Omnilife Insurance Company Limited
27 October 2022

Appendix A: Glossary of Terms

AGRO	Assured Guaranty Re Overseas Limited – a wholly owned subsidiary of Assured Guaranty Re Limited
ARC	Audit and Risk Committee
BEL	Best Estimate Liabilities – Solvency II value of liabilities determined using best estimate assumptions
Court	HM High Court of Justice in England and Wales – responsible for sanctioning a Part VII transfer
Effective Date	The date on which the **Scheme** will take effect, which is expected to be 30 April 2023. Any change to the date of the Transfer will be announced on the HLAC and Omnilife websites.
Equiniti	Equiniti Paymaster (1836) Limited
FCA	The Financial Conduct Authority – which is the UK regulatory body which oversees the way financial firms conduct business and protects customers.
FSMA	Financial Services and Markets Act 2000 – the statute that, amongst other matters, provides the statutory basis for insurance business transfers
HLAC	Hodge Life Assurance Company Limited – the company that is transferring its business
IE	Independent Expert – Stephen Makin FFA CERA who is a partner of Hymans Robertson LLP and a Fellow of the Institute and Faculty of Actuaries ("IFoA"), having qualified in 1999. Stephen Makin has been appointed, with the approval of the **PRA**, in consultation with the **FCA**, to independently consider the effect of the **Scheme** on **policyholders**.
IFRS	International Financial Reporting Standards
Legacy business	The business written by Omnilife prior to the transfer of annuities from Generali. The legacy business comprises group risk business together with individual savings and term assurance policies.
LTMs	Lifetime Mortgages
Omnilife	Omnilife Insurance Company Limited – the company receiving the transferring business
ORSA	Own Risk and Solvency Assessment
Part VII Transfer	An insurance business transfer pursuant to Part VII of the FSMA
Policyholder(s)	The person(s) who is/are the legal owner(s) of the policy(ies), including any person(s) to whom, under the policy(ies), a sum is due, a periodic payment is payable, or any other benefit is to be provided.
PRA	The Prudential Regulation Authority, which is responsible for overseeing the safety and soundness of **HLAC** and **Omnilife** as insurers in the UK.
Pure Retirement	Pure Retirement Limited
Residual	Residual Policies, liabilities or assets are policies, liabilities or assets which are intended to transfer under the **Scheme** but which cannot be transferred at the Effective Date for any reason.
RGA	Refers to the whole of the Reinsurance Group of America

RGA Americas	RGA Americas Reinsurance Company Limited – incorporated in Bermuda, the parent of HLAC and owner of Omnilife's parent.
RGA Atlantic	RGA Atlantic Reinsurance Company Limited
RGA Inc	Reinsurance Group of America, Incorporated – the ultimate parent of both **HLAC** and **Omnilife**.
Scheme	The legal document under which the proposed **Part VII Transfer** will take effect, in its original form or with any modifications, additions or conditions which may be approved or imposed.
SCR	Solvency Capital Requirement – the regulatory capital requirement.
TMTP	Transitional Measure on Technical Provisions – a long term guarantee measure introduced by Solvency II. For business in force at the inception of Solvency II (1st January 2016) credit can be taken for the difference between the previous solvency regime and Solvency II. The TMTP is run-off over a sixteen year period.
Transferring Business	The Scheme refers to the Transferring Assets, Transferring Liabilities, Transferring Policies, Outward Reinsurance Agreements and Transferring Third Party Contracts collectively as the "Transferring Business".
Transferring Policyholders	Policyholders who hold one or more of the policies included in the **Transferring Business**.
VA	Volatility Adjustment – a long-term guarantee measure introduced by Solvency II which allows insurers to take some credit for the illiquidity premium present in assets used to back long-term liabilities. It acts to reduce the **BEL**.