

## Independent Expert summary report for policyholders

### Introduction

1. Hodge Life Assurance Company Limited, which I refer to as Hodge Life, and Omnilife Insurance Company Limited, which I refer to as Omnilife, are both part of the same group of companies which is ultimately owned by Reinsurance Group of America Incorporated. Hodge Life and Omnilife share a largely common management team.
2. Hodge Life and Omnilife wish to transfer all of the insurance policies sold by Hodge Life to Omnilife. To do this, they must make an application to the High Court of Justice in England & Wales. The application must include a report by an Independent Expert on the terms of the transfer. I have been instructed jointly by Hodge Life and Omnilife to fulfil this role, and my appointment has been approved by the UK's insurance regulators. I am a Fellow of the Institute and Faculty of Actuaries, having qualified in 1999, and a partner of Hymans Robertson LLP, an actuarial consultancy firm.
3. This is my report for the policyholders of Hodge Life and Omnilife. It is a summary of my full report to the court, which is available on both firms' websites or from either firm on request. That report sets out the detailed scope of my work, the standards applying to it, and the information I have used in preparing it. Nothing in either report is or should be viewed as being investment, accounting, legal or tax advice, including to Hodge Life or Omnilife or their policyholders.
4. The main focus of my work is to consider whether the proposed transfer is expected to affect the benefits paid to any group of policyholders, or to significantly reduce either the security of those benefits or the standards of services provided to policyholders. I have considered the expected impact of the proposed transfer on both Hodge Life's current policyholders whose policies will be transferred to Omnilife, and Omnilife's existing policyholders.

### The impact of the transfer on benefits expected to be paid to policyholders

#### *Policyholders transferring from Hodge Life to Omnilife*

5. I do not expect the transfer to result in a reduction in the benefits paid to any of Hodge Life's current policyholders whose policies are to be transferred to Omnilife. The terms and conditions of Hodge Life's policies do not permit any discretion from the insurer on the benefits paid to policyholders, and these conditions will not be amended by the transfer except to refer to Omnilife rather than Hodge Life.

#### *Omnilife's existing policyholders*

6. I do not expect the transfer to result in a reduction in the benefits paid to any of Omnilife's existing policyholders. For the vast majority of these policies, the terms and conditions do not permit any discretion from the insurer on the benefits paid to policyholders. For a small proportion of the policies, the terms and conditions do provide Omnilife with the ability to increase premiums or charges, but there is no precedent for this being used in practice and, as I expect the transfer to make Omnilife relatively cheaper to run, I do not expect it to result in an increase in premiums or charges.
7. Some of Omnilife's existing policies may provide the policyholder with certain options, for example the option to transfer a pension to another provider. I have considered the terms on which these options are offered, and do not expect there to be any changes as a result of the transfer.

### The security of policyholder benefits

#### *Policyholders transferring from Hodge Life to Omnilife*

8. I do not expect the transfer to significantly reduce the security of benefits for policyholders transferring from Hodge Life to Omnilife.
9. Both Hodge Life and Omnilife maintain internal policies which ultimately govern the financial resources that are retained within each firm rather than being paid to shareholders in the form of dividends. These policies require Hodge Life and Omnilife to hold financial resources beyond those required by the regulations. The policies are essentially the same for both companies, so I regard both as having the same financial strength

provided that they comply with their policies. Omnilife currently holds a level of financial resources that complies with its policy, and I am satisfied that the level of financial resources that it expects to have following the transfer will also comply with its policy.

10. I have also considered how Omnilife's financial position is expected to change in the years following the transfer, taking into account the company's business plans which include taking on further contracts of insurance. I am satisfied that the company's financial position is not expected to materially worsen over that business planning period.

#### ***Omnilife's existing policyholders***

11. I do not expect the transfer to significantly reduce the security of benefits for Omnilife's existing policyholders.
12. Omnilife has confirmed that the transfer will not result in any changes to its internal policy which governs the level of financial resources that it holds. As noted in paragraph 9, I am satisfied that the level of financial resources that Omnilife expects to hold following the transfer will comply with its policy.
13. The transfer will involve Omnilife taking on a new class of assets from Hodge Life which it has not directly owned before. However, these assets will make up a relatively small proportion of Omnilife's total assets and, noting that broadly the same team is currently responsible for managing Hodge Life, Omnilife's management team is well-placed to manage the risks arising from them. I am also satisfied that the level of financial resources that Omnilife will be required to hold following the transfer appropriately reflects the risks that it will be exposed to.
14. I note that Hodge Life is somewhat more exposed to certain risks arising from climate change than is currently the case for Omnilife, meaning that the transfer will increase Omnilife's exposure to climate-related risks. I asked Omnilife to analyse how its financial position would deteriorate in a particular climate change scenario that I regard as being severe. This showed that its financial resources would continue to exceed the amount needed to comply with regulatory requirements.

#### **Service standards**

##### ***Policyholders transferring from Hodge Life to Omnilife***

15. The administration of Hodge Life's policies is currently carried out on Hodge Life's behalf by Equiniti Paymaster (1836) Limited, which I refer to as Equiniti. The outsourced contract will transfer from Hodge Life to Omnilife at the same time as the policies are transferred, meaning that Equiniti will continue to provide the same services after the transfer. I therefore do not expect there to be a reduction in the standard of service received by Hodge Life's current policyholders as a result of the transfer to Omnilife.

#### ***Omnilife's existing policyholders***

16. The administration arrangements for Omnilife's existing policies will be unaffected by the transfer of additional policies from Hodge Life. I therefore do not expect the transfer to result in a reduction in the standard of service received by Omnilife's existing policyholders.

#### **Conclusion**

17. Based on the information provided to me by Hodge Life and Omnilife, I conclude that the proposed transfer is not expected to affect the benefits expected to be paid to any group of policyholders, or to significantly reduce the security of those benefits, or the standards of service received by policyholders.
18. Before the final hearing at which the court will decide whether or not the transfer may proceed, I will prepare a supplementary report discussing any significant developments that have occurred since my full report was finalised, commenting on whether these cause me to revise my conclusions.



**Stephen Makin FFA CERA**  
**Independent Actuary**

**27 October 2022**

**For and on behalf of Hymans Robertson LLP**

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