Omnilife

Omnilife Insurance Company Limited

Solvency and Financial Condition Report - 2018

11 April 2019

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A. Summary

A.1. THE OMNILIFE BUSINESS

A.1.1. Company Overview

Omnilife Insurance Company Limited ('Omnilife' or 'the Company') is a privately owned, UK life insurance company.

At 31st December 2018, the Company was 91% owned by the Bahrain based Mediterranean and Gulf Insurance and Reinsurance Company B.S.C. ('MedGulf'), and the remaining 9% was owned by individual shareholders. On 1st February 2019, 100% of the Company's shares were purchased by Reinsurance Group of America ('RGA') which became the ultimate controlling party.

A.1.2. Lines of Business

Omnilife is a specialist life insurer which primarily sells Group Risk business, that is, it offers insurance cover on a group basis rather than to individual customers. Omnilife writes business in both the UK and overseas with its UK business accounting for over 90% of annual premium income.

Group policies are typically written on an annually renewable basis with premium rates typically fixed for a period of two to three years.

In the UK, Omnilife underwrites group life, group income protection and group critical illness contracts which are sold through intermediaries.

In markets outside of the UK, Omnilife underwrites group life, group disability and individual term assurance business through intermediaries and accepts inward reinsurance. Omnilife also has a portfolio of overseas individual deposit administration business. Aside from inward reinsurance, the overseas business lines are closed to new business and in run off.

There were no material changes in the business underwritten by Omnilife during 2018.

A.1.3. 2018 Performance

Gross premium income grew to £19.1[1] million during 2018 (2017: £14.3 million), and Own Funds[2] increased by £0.1 million (2017: £0.2 million) to £18.0 million. Following an increase in the Solvency Capital Requirement (SCR) during 2018 from £4.6 million to £6.7 million, the ratio of Own Funds to the SCR at 31 December 2018 was 270% (2017: 393%). Premium income and positive investment performance were largely offset by claims payments and expense outgo over the year.

Claim payments increased compared with 2017; however, relative to the growth in premium income, the experience was broadly in line. Omnilife's insurance portfolio remains relatively small, and therefore claims experience can be volatile. Omnilife manages this volatility by reinsuring a significant proportion of its insurance risks.

Operating expenses increased compared to 2017 due to a planned increase in staff costs to support the growth of premium income in the current and future years. Additional expenses, above those associated with regular renewal and acquisition activity, were incurred during 2018, mainly in relation to the implementation of the new administration system and also legal and compliance costs associated with the sale of the Company and ensuring the Company was GDPR compliant.

Growth in the Group Risk business contributed to an increase in Technical Provisions over the year. This was only partly offset by Individual investment business surrenders.

[1] Net of a profit share payment in respect of reinsurance accepted of £0.15 million.
[2] The term 'Own Funds' is used to describe the excess of the company's assets over its Technical Provisions on a Solvency II basis.

A.2. SYSTEM OF GOVERNANCE

A.2.1. Governance Overview

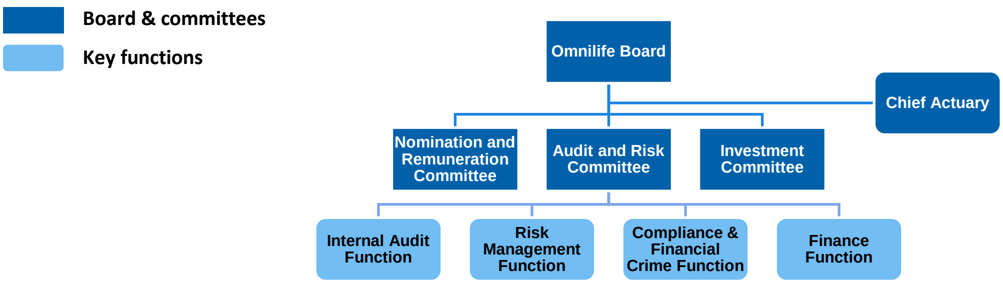
Omnilife's System of Governance is characterised by:

- an organisational structure with a clear allocation and segregation of responsibilities;
- corporate policies that define key principles and rules for operation;
- operating procedures that detail the activities and controls key individuals are expected to perform; and
- a regular governance effectiveness review.

There were no material changes to Omnilife's existing governance framework during 2018.

A.2.2. Organisational Structure

Omnilife's high level organisational structure is set out in the diagram below, which includes the Board, the sub-committees of the Board, and the key functions of the business.



The appropriateness of Board members, senior management, and any individual overseeing key functions is assessed on an initial and ongoing basis via a robust 'fit and proper' framework.

The Internal Audit Function is outsourced to an external company.

A.2.3. Risk Management

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

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

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

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

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

A.3. RISK PROFILE

The table below sets out the categories of risk to which Omnilife is exposed.

Risk Category	Primary Risk Exposures
Insurance	Omnilife is exposed to the risk that its overall claims experience is worse than expected. The nature of Omnilife's main lines of business (i.e. group risk) means that the Company is also exposed to 'catastrophe risk', which is the risk of a single severe event triggering multiple claims.
Market	Omnilife's primary market risks are: - currency risk which arises as a result of investing assets across a number of different currencies; to the extent that Omnilife holds more assets in a particular currency than is necessary to match its liabilities it will be exposed to movements in exchange rates; and - interest rate risk which arises because the value of certain assets that it holds (e.g. bonds) and the value of its insurance liabilities will change following a movement in interest rates.
Credit	Omnilife is exposed to the risk that one (or more) of the issuers of the non-government bonds that it holds or the banks in which it places money on deposit defaults and Omnilife is unable to fully recover the value of its investments. This risk increases where a substantial proportion of investments are held with a single counter-party. Similarly, Omnilife is exposed to the risk that its reinsurance counterparties do not or cannot pay their agreed share of the Company's insurance claims. There is also the risk of brokers or policyholders failing to pay premiums that are due and, to a negligible extent, from other outsourced activities.
Liquidity	The risk of not having enough liquidity to fund its everyday operations is not a significant risk for Omnilife, as it has a large amount of short-term deposit and cash holdings.
Operational	Omnilife is exposed to a variety of operational risks which arise as a natural consequence of writing and managing insurance business, including: - the risk that the Company does not implement new regulatory requirements in time, such as the introduction of GDPR; and - the risk to data security and operational capabilities from cyber hacking and failures of IT hardware or software; and - the risk that expenses incurred in administering the business are higher than expected.
Strategic	Omnilife's earnings or capital position may be affected by adverse business decisions or the improper or ineffective implementation of those decisions.
Other	Other risks to which Omnilife is exposed include: - the risk that Group's focus is diverted to other opportunities at Omnilife's expense; and - the risk of suffering reputational damage which makes it more difficult for Omnilife to write new business.

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

There were no material changes in Omnilife's risk profile during 2018.

A.4. CURRENT SOLVENCY POSITION

Omnilife had financial assets after netting off current liabilities of £25.3 million at 31 December 2018 (2017: £24.9 million), mainly comprised of bonds (both government and corporate holdings), short-term deposits and cash. The value of the Reinsurance Asset contributed a further £5.7 million to the assets (2017: £4.4 million), which brings the total amount available to cover the Company's Technical Provisions and capital requirements to £31.0 million (2017: £29.3 million).

As at 31 December 2018, Omnilife's Technical Provisions were £13.0 million (2017: £11.4 million) and its Own Funds therefore amounted to £18.0 million (2017: £17.9 million). The Company's Solvency Capital Requirement, which represents the additional capital it must hold above Technical Provisions under EU insurance regulations, was £6.7 million (2016: £4.6 million).

The ratio of Own Funds to SCR at 31 December was 270% (2017: 393%). The decrease in the solvency ratio during 2018 is due to the higher amount of SCR needed to support the substantial growth in the business during 2018. Omnilife continues to have a significant margin over its target minimum solvency ratio of 150% (which is set out in its risk appetite statement).

A.5. STATEMENT OF DIRECTORS' APPROVAL

Omnilife Insurance Company Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report
Financial period ended 31 December 2018

We certify that:

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

we are satisfied that:

(a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

By order of the Board

Jonathan Plumtree
Chief Executive Officer

Date: 11 April 2019

A.6. BUSINESS AND EXTERNAL ENVIRONMENT

A.6.1. Summary Information

NAME	OMNILIFE INSURANCE COMPANY LIMITED ('OMNILIFE' OR 'THE COMPANY')
LEGAL FORM	UK LIFE INSURANCE COMPANY
SUPERVISORY AUTHORITY	PRUDENTIAL REGULATION AUTHORITY BANK OF ENGLAND 20 MOORGATE LONDON EC2R 8AH SMALLER INSURERS SUPERVISORY GROUP FINANCIAL CONDUCT AUTHORITY 12 ENDEAVOUR SQUARE LONDON E20 1JN
EXTERNAL AUDITOR	BDO LLP 150 ALDERSGATE STREET LONDON EC1A 4AB RUPERT LIVINGSTONE (SENIOR STATUTORY AUDITOR)

The Omnilife Board of Directors has reviewed and approved the contents of the 2018 Solvency & Financial Condition Report.

A.6.2. Group Structure

Omnilife is a privately owned, UK life insurance company.

At 31st December 2018, Omnilife's main shareholder was the Mediterranean and Gulf Insurance and Reinsurance Company B.S.C. ('Medgulf'), a company based in Bahrain. Medgulf owned 91% of Omnilife, and the remaining 9% was owned by individuals. Shareholder voting rights for Omnilife are defined by one vote per share.

In addition to Omnilife, Medgulf owned a small UK brokerage company (Addison Bradley & Co Ltd) and had insurance interests across the Middle East. Medgulf is owned: 58% by SLH Holdings (the El Zein family holding company); 17% by International Finance Corporation (a member of the World Bank Group); and the remaining 25% by Orix Corporation of Japan.

The relative size of Omnilife compared to the Medgulf Group as a whole (measured by premium income) is shown in the table below.

GROSS WRITTEN PREMIUM	
	2016[3]
OMNILIFE	$15 MILLION
MEDGULF	$1,043 MILLION

Effective 1st February 2019, 100% of the share capital was purchased by RGA Americas Reinsurance Company Ltd, a company incorporated in Bermuda and part of Reinsurance Group of America ('RGA'). The ultimate controlling party became Reinsurance Group of America Incorporated, a company incorporated in the State of Missouri.

RGA is a global reinsurance group with operations in 26 different countries, serving multinational and domestic clients in more than 80 countries.

[3] 2016 is the most recent year for which financial information is publically available for Medgulf.

The relative size of Omnilife compared to RGA as a whole (measured by premium income) is shown in the table below.

GROSS WRITTEN PREMIUM	
	2018
OMNILIFE	$24,3 MILLION
RGA	$12,9 BILLION

A.6.3. Lines of Business

Omnilife is a specialist life insurer which primarily sells Group Risk business; that is, it offers insurance on a group basis rather than to individual customers. It provides policies to businesses in the UK and overseas, with the UK business accounting for over 90% of premium income. The policies are typically annually renewable with premium rates on renewal guaranteed, subject to certain conditions, for up to two or three years.

In the UK marketplace, Omnilife underwrites standard group life and group critical illness contracts and has a small book of group income protection.

In markets outside of the UK, Omnilife is now only accepting reinsurance of group life, including credit life schemes for banks, and group disability business. Business that had been written directly in those markets is not being renewed.

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

The following table summarises Omnilife's lines of business as at 31 December 2018.

LINE OF BUSINESS	TYPE OF PRODUCTS	COVER	COVER TERM	PREMIUM	BENEFIT PAYABLE	OTHER
UK GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE
UK GROUP DISABILITY	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	INCOME PROTECTION: RECURRING BENEFITS. PAYABLE ON INABILITY TO WORK, DUE TO ILLNESS OR DISABILITY, UNTIL RETURN TO WORK OR EARLIER RETIREMENT CRITICAL ILLNESS: LUMP SUM BENEFIT, PAYABLE ON INCIDENCE OF DEFINED CRITICAL ILLNESS[4]	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	MAINLY SHORT-TERM SOME LONGER TERM BUSINESS (CREDIT LIFE)	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS GROUP DISABILITY	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON PERMANENT OR TEMPORARY TOTAL DISABILITY RECURRING BENEFITS. PAYABLE ON INABILITY TO WORK, DUE TO ILLNESS OR DISABILITY, UNTIL RETURN TO WORK OR EARLIER RETIREMENT	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS INDIVIDUAL SAVINGS	SAVINGS	POLICY COVERS AN INDIVIDUAL LIFE	MEDIUM TO LONG-TERM	REGULAR PREMIUM OR PAID-UP	BENEFIT PAYABLE ON SURRENDER OR MATURITY GUARANTEED MINIIMUM MATURITY BENEFIT FOR PREMIUM–PAYING POLICIES	
OVERSEAS INDIVIDUAL TERM ASSURANCE	PROTECTION	POLICY COVERS AN INDIVIDUAL LIFE	MEDIUM TO LONG-TERM	REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH WITHIN POLICY TERM	

[4] The specific critical illnesses covered under a contract are set out in each scheme's terms and conditions.

The table below illustrates the relative size of each of Omnilife's lines of business, in terms of Best Estimate Liabilities as at 31 December 2018 and written premium in 2018, with a comparison to the prior year.

LINE OF BUSINESS	BEST ESTIMATE LIABILITIES (£ MILLION)[5]				WRITTEN PREMIUM (£ MILLION)[6]			
	2018 GROSS	2018 NET	2017 GROSS	2017 NET	2018 GROSS	2018 NET	2017 GROSS	2017 NET
UK GROUP LIFE	5.8	1.6	4.2	1.4	17.0	6.9	11.8	5.4
UK GROUP DISABILITY	0.4	0.1	0.9	0.2	0.6	0.3	0.6	0.3
OVERSEAS GROUP LIFE	2.4	1.2	2.3	1.2	1.2	0.7	1.4	0.9
OVERSEAS GROUP DISABILITY	0.3	0.1	0.2	0.1	0.2	0.1	0.1	0.1
OVERSEAS INDIVIDUAL SAVINGS	3.8	3.8	3.7	3.7	0.1	0.1	0.2	0.1
OVERSEAS INDIVIDUAL TERM ASSURANCE	-0.2	-0.0	-0.3	-0.0	0.2	0.0	0.2	0.0
TOTAL	12.5	6.8	11.0	6.6	19.3	8.1	14.3	6.8

The premium income from UK Group Life portfolio grew over 40% during 2018, which led to higher Best Estimate Liabilities at year-end. The decrease in UK Group Disability liabilities was mainly due to the termination of some disability annuity claims. The small increase in the Overseas Individual Savings liabilities was caused by the strengthening of US dollar against UK sterling over 2018, partly offset by some surrenders and maturities.

The insurance liabilities of Omnilife are primarily US dollar and UK sterling denominated, together with some smaller liability amounts in other currencies. The following table shows Omnilife's Best Estimate Liabilities as at 31 December 2018 split by currency.

CURRENCIES	BEST ESTIMATE LIABILITIES (£ MILLION)			
	2018 GROSS	2018 NET	2017 GROSS	2017 NET
UK STERLING	7.4	3.0	6.2	2.8
US DOLLAR	2.9	2.7	2.8	2.8
BAHRAINI DINAR	1.6	0.8	1.4	0.7
LEBANESE POUND	0.4	0.2	0.3	0.2
SAUDI RIYAL	0.2	0.1	0.2	0.1
OTHER	0.0	0.0	0.1	0.0
TOTAL	12.5	6.8	11.0	6.6

A.6.4. Significant Business and External Events

New ownership and directors

On 1st February 2019, 100% of the Company's share capital was purchased by RGA. On the same date, the two Medgulf representative non-executive directors and one independent non-executive director resigned. Also on 1st February 2019, two RGA representative non-executive directors and a new executive director were appointed subject to PRA approval. The Board now has a strong mix of skills and relevant experience which will help Omnilife to continue executing its existing strategy and also support the wider strategy of RGA.

Credit rating

Throughout 2018 Omnilife maintained its credit rating from S&P of BB+ and improved the outlook from stable to positive. In 2019, the credit rating was upgraded to A+ with a stable outlook to reflect the financial strength of the

5 Omnilife does not calculate the Solvency II Risk Margin at the level of individual lines of business, Best Estimate Liabilities have therefore been used above to compare the relative materiality of the different lines of business. The Risk Margin accounted for approximately 34% of the overall Solvency II Technical Provisions as at 31 December 2018 year-end.

6 Written premiums before reinsurance profit share rebates.

new parent, RGA. Omnilife's credit rating is a factor in determining whether some intermediaries place business with the firm.

Reinsurance

Throughout 2018, all of Omnilife's outward reinsurance arrangements were with Gen Re. From 1 January 2018, reinsurance administration for the UK Group Risk business moved to the London office of Gen Re, while administration of the overseas business remains with the Cologne office.

UK economy

The ongoing low interest rate environment in the UK has adversely affected Omnilife's financial position in the following ways:

- increased the size of Omnilife's Technical Provisions in respect of maturity guarantees for IDA policies; and
- reduced the scope for Omnilife to earn profits from investments backing shorter-term Group Risk liabilities.

Currency movements

The Company's financial performance in previous years has been significantly impacted by foreign exchange movements due to its previous policy of holding a substantial proportion of Shareholders' funds in US dollars. During the year the Company reduced the excess US dollar balance to £0.6million (2017: £3.0 million) and this resulted in a negligible foreign exchange impact during the year.

Business Developments

During 2018 Omnilife completed the implementation of a new administration and premium accounting system which will improve data processes, particularly by reducing the number of data interface points.

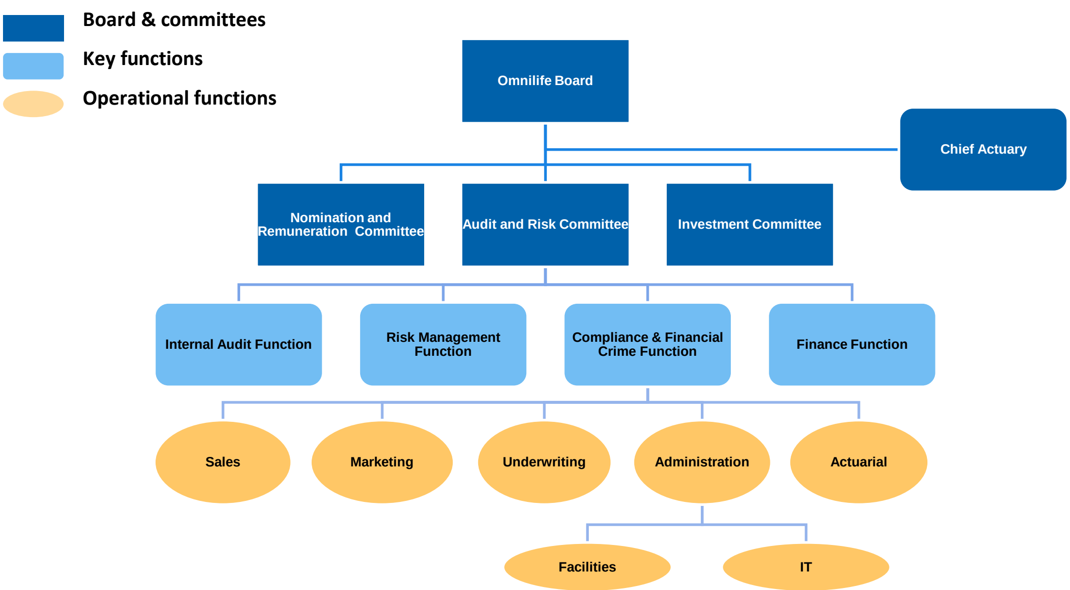
Omnilife also ran successful projects to ensure compliance with the new GDPR regulations by 25th May 2018 and SM&CR by 10th December 2018.

Brexit

Omnilife has considered the impact of the United Kingdom's proposed exit from the European Union and concluded that there is a low risk of either operational disruption or material financial impact. Omnilife has a small number of policies issued to companies in the European Union but in line with the Company's strategy to focus on the UK market, renewal terms are not being offered on these contracts. The Company has discussed the exit from the European Union with its main suppliers and customers in the UK and is comfortable that business will continue as usual once the United Kingdom exits.

A.6.5. Organisational Structure

Omnilife currently has over thirty full time employees and its Organisational Structure is shown below.



- The Chair of the Board, Jim Jack, was appointed on 8 December 2017. Jim has been an independent Non-Executive Director ('NED') since 23 September 2014.
- Michelle Cracknell, an independent NED since 18th June 2015, was Chair of the Investment Committee throughout 2018 and was appointed Chair of the Audit and Risk Committee on 17 September 2018.
- Caroline Instance, an independent NED since 1st April 2015 was chair of the Nomination and Remuneration Committee throughout 2018.
- The Chief Executive Officer ('CEO'), Jonathan Plumtree, was appointed on 17 November 2017. As CEO he reports to the Board.
- Mark Hutchins is the Chief Risk Officer ('CRO') and reports to the Chair of the Audit and Risk Committee in this role.
- Nathan Beverley was appointed as the Chief Financial Officer ('CFO') on 21st September 2018 and reports to the Chair of the Audit and Risk Committee. He also currently manages Omnilife's investment portfolio, in line with the guidelines set by the Investment Committee and agreed by the Board.
- Dan Martin was appointed as the Chief Compliance Officer ('CCO') and the Money Laundering Reporting Officer ('MLRO') on 1 July 2018, reporting into the Chair of the Audit and Risk Committee for both of these roles.
- The Chief Actuary role is outsourced to Nick Dumbreck at Milliman LLP ('Milliman'), who reports to the CEO and the Board.
- The Internal Audit Function is outsourced to Mazars LLP ('Mazars') and reports to the Chair of the Audit and Risk Committee.
- The Company Secretary is Richard Batey, who was appointed on 13 December 2017.
- The managers of the operational functions (i.e. sales, marketing, underwriting, administration and risk-taking actuarial activities) report directly to the CEO.

A.7. UNDERWRITING PERFORMANCE

A.7.1. Overall Underwriting Performance

The following table sets out Omnilife's underwriting performance for 2018 and 2017. The Underwriting Profit removes the impact of market and foreign exchange movements.

COMPONENT OF UNDERWRITING PERFORMANCE	2018 RESULT (£ MILLION)	2017 RESULT (£ MILLION)
GROSS WRITTEN PREMIUM	19.1	14.3
REINSURANCE WRITTEN PREMIUM	(10.7)	(7.3)
NET WRITTEN PREMIUM	**8.4**	**7.0**
GROSS CLAIMS	(11.0)	(8.7)
REINSURANCE RECOVERIES	8.5	5.8
NET CLAIMS	**(2.5)**	**(2.8)**
COMMISSION	(1.3)	(1.0)
MANAGEMENT EXPENSES	(4.5)	(3.2)
TOTAL EXPENSES *	**(5.8)**	**(4.2)**
MOVEMENT IN GROSS TECHNICAL PROVISIONS	(1.3)	0.2
MOVEMENT IN REINSURANCE ASSET	1.2	0.7
MOVEMENT IN NET TECHNICAL PROVISIONS **	**(0.1)**	**0.9**
UNDERWRITING PROFIT	**0.0**	**0.9**

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

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

Omnilife made an underwriting profit of approximately £0.0 million over 2018 (2017: £0.5 million), the main components of this result are as follows:

- Net premium income increased £1.4 million to £8.4 million during 2017 (2017: £7.0 million).
- Claim payments decreased in 2018, with net claims decreasing from £2.8 million to £2.5 million. There was also a decrease in the loss ratio[7] relative to 2017. The insurance portfolio remains relatively small, and therefore claims experience will be volatile. Omnilife attempts to manage this volatility through the use of reinsurance.
- Total expenses increased £1.6 million from £4.2 million in 2017 to £5.8 million in 2018. The increase was driven by higher management expenses due to investment in people in compliance activities during the year that will position Omnilife well for future growth. There was also higher commission as a result of writing more premiums.
- Net Technical provisions increased £0.1 million in 2018 and this was due to an increase in best estimate liabilities for UK Group business as a result of the increased amount of policies in force. The increase was mostly offset by surrenders of Individual Savings policies during the year.

A.7.2. Underwriting Performance by Line of Business

The following table sets out Omnilife's underwriting performance for 2018 split out by line of business.

LINE OF BUSINESS	2018 RESULT (£ MILLION)	2017 RESULT (£ MILLION)
UK GROUP LIFE	4.4	3.4
UK GROUP DISABILITY	0.6	0.3
OVERSEAS GROUP LIFE	0.5	0.7
OVERSEAS GROUP DISABILITY	0.2	0.3
OVERSEAS INDIVIDUAL	(0.1)	0.5

[7] The loss ratio is claims divided by written premium in the year.

TOTAL EXPENSES	(5.8)	(4.2)
TOTAL NON-SEGMENTAL MOVEMENT IN PROVISIONS	0.2	(0.4)
TOTAL UNDERWRITING PROFIT	0.0	0.5

The 2018 underwriting result for each line of business in the above table does not include expenses and some smaller movements in technical provisions, which have been included at an aggregate level, consistent with the level at which these are monitored by the Company.

UK group life

The UK group life portfolio has grown over 2018, with gross premium income of £17.0 million versus £11.8 million in the previous year. This was the net result of new schemes joining and exits over the year and an increase in the amount of premiums recorded as being in-force for existing schemes.

The net loss ratio for 2018 (33%) was higher than the previous year (30%) due to large volumes of claims in the second half of the year.

Technical Provisions increased by £0.2 million in 2018, primarily as a result of the growth in the business.

UK group disability

The size of the UK group disability portfolio has remained broadly in line with 2017 with gross premium income of £0.6 million in both years. Net premiums of £0.6 million are £0.3 million higher than 2017 as a result of higher profit commission receivable from the reinsurer.

Net claims of £0.1 million were also in line with 2017.

Overall, there was a £0.1 million decrease in the value of Net Technical Provisions over the year due to the termination of some income protection claims in payment.

Overseas group life

The overseas group life portfolio has decreased over 2018, with gross premium income of £1.1 million versus £1.4 million in the previous year. This was due to higher lapses over the year, partly offset by new schemes joining and an increase in premiums for existing schemes.

There were £0.0 million net claims in 2018, representing an improvement compared to £0.2 million in 2017. The improvement was due to the write back of some old claims payable which largely offset the claims received in the period.

Overall, there was little change in the value of Net Technical Provisions over the year.

Overseas group disability

The underwriting performance for overseas group disability portfolio in 2018 remains largely unchanged since the previous year.

Overseas individual savings

The gradual run-off of the closed book of overseas individual savings (IDA) has reduced the number of policies over 2018 from 74 to 69 and Net Written Premium decreased from £0.3 million to £0.2 million.

Claims payments of £0.2 million in 2018 (2017: £0.9 million) arose from maturities, surrenders and lapses. There were no death or disability claims.

Net Technical Provisions did not change in 2018, due to an offset between:

- a reduction in Technical Provisions to due exits and maturities over the year; and
- an increase in the value of deposit accounts for both in-force and paid-up policies

Overseas individual term assurance

The number of policies reduced from 31 to 23 due to policy lapses and the decision to stop writing new individual term assurance business.

There were no claims in 2018 and the technical provisions for this line of business are heavily reinsured and so there were no material impacts to the Net Technical Provisions in the year.

A.8. INVESTMENT PERFORMANCE

A.8.1. Overall Investment Performance

COMPONENT OF INVESTMENT PERFORMANCE	2018 RESULT (£ MILLION)	2017 RESULT (£ MILLION)
INVESTMENT INCOME	0.2	0.2
INTEREST ON POLICY LOANS	0.0	0.0
UNREALISED GAINS / LOSSES	(0.0)	(0.1)
FOREIGN EXCHANGE GAINS / LOSSES	(0.0)	(0.4)
INVESTMENT EXPENSES *	0.0	0.0
NET INVESTMENT GAINS	**0.2**	**(0.3)**

* Omnilife currently handles investment decisions and record-keeping in-house, without employing advisors. The Company views the bank charges and time spent managing its investment portfolio as not sufficiently material to be categorised separately from other overheads. Therefore investment expenses are set at zero in the table above.

Omnilife earned investment income during the year from:

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

Some of Omnilife's Own Funds (i.e. assets in excess of Technical Provisions) are held as US dollar deposits, the sterling value of which is subject to movements in the UK sterling / US dollar exchange rate. The losses arising in 2017 were primarily due to foreign exchange losses on these Own Funds, as UK sterling appreciated against the US dollar.

Omnilife significantly reduced the amount of Own Funds held in US dollar during 2018 and as a result there were £0.0 million foreign exchange gains / losses in the year.

A.8.2. Investment Performance by Asset Class

Omnilife's Investment Guidelines prohibits investment in equities and property and it does not use any hedging vehicles. Investments are therefore currently limited to high-quality fixed-term bonds, short-term deposits, cash accounts and policy loans.

The investment performance for 2018 has been analysed below across each asset class.

ASSET CLASS	NET INVESTMENT GAIN 2018 (£ MILLION)	NET INVESTMENT GAIN 2017 (£ MILLION)
BONDS	0.0	(0.2)
DEPOSITS	0.2	(0.2)
CASH ACCOUNTS	0.0	(0.3)
POLICY LOANS	0.0	(0.0)
TOTAL	**0.2**	**(0.7)**

The £0.2 million investment income earned in 2018 came predominantly from interest on cash deposits held. The interest received on bonds held was partly offset by unrealised losses.

The small investment gains during 2017 were more than offset by foreign exchange losses resulting in a net investment loss.

A.9. PERFORMANCE OF OTHER ACTIVITIES

A.9.1. Other Activities

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

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

B. System of Governance

B.1. GENERAL INFORMATION

B.1.1. Overview of Governance Framework

The Omnilife System of Governance includes:

- an Organisational Structure (see Section A.6.5) , with clear allocation and segregation of responsibilities;
- corporate policies defining key principles and rules for operation;
- operating procedures detailing the activities and controls individuals are expected to perform; and
- a regular effectiveness review of the System of Governance, the most recent of which was conducted by the Internal Audit function in December 2017.

There have been no material changes in Omnilife's Governance Framework during the reporting period but, following the acquisition of the Company by RGA on 1 February 2019, there have been changes to Board and Committee membership. Three existing Directors resigned from the Board and, subject to regulatory approval, will be replaced by three new shareholder-nominated Directors who are employed by RGA. As the Company completes its integration within the RGA group, the Board will consider and, if appropriate, approve changes to the governance framework and the adoption of new or revised governance documentation and corporate policies.

B.1.2. Board and Sub-Committees

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

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

Board of Directors

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

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

The Board is composed of the CEO and three non-executive Directors ('NEDs'). Subject to regulatory approval, a Chief Operating Officer and two further NEDs will join the Board as a result of the acquisition by RGA.

Muhammad El Zein, Houda Momtaz and Edward Garrett resigned as Directors on 1 February 2019 following completion of the acquisition by RGA.

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

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

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

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

Audit and Risk Committee

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

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

In conjunction with the Internal Audit Function, the Audit and Risk Committee annually approves a risk-based, rolling three-year Internal Audit Plan. The Internal Audit Plan is reviewed and approved by the Committee on an annual basis. The Committee also oversees Omnilife's relationship with its external auditor, as provided in the Committee TOR.

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

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

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

Nomination and Remuneration Committee

The purpose of the Nomination and Remuneration Committee is to:

- assist the Board with regular reviews of the structure, size and composition (including the skills knowledge and experience) of the Board;
- lead the process of identifying candidates for election and appointment to the Board, as necessary;
- recommend and agree with the CEO and the Board the framework and broad policy for the remuneration of the Executive Directors and other senior managers as deemed appropriate, as well as overall levels of remuneration for all other Omnilife staff;
- approve the design of any performance-related pay schemes operated by the Company;
- review and approve the total individual remuneration package of the Chief Executive Officer, and for any other Executive Director as proposed by the CEO, including basic salary, annual bonus, long-term incentive payments and, were they to be introduced, any share or share option awards;

- be aware of and oversee pension arrangements;
- be aware of and oversee any major changes in employee benefit structures throughout the Company; and
- review the ongoing appropriateness and relevance of the Remuneration Policy, in particular to ensure that it provides a fair reward for individual employees.

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

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

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

Investment Committee

The main purposes of the Investment Committee are to manage the Investment Guidelines and strategy for the Company's investment portfolio and to ensure that the portfolio is being managed in accordance with the agreed risk appetite. In doing so, the Committee ensures that Omnilife has sound liquidity management practices which cover both short-term and long-term considerations.

The Investment Committee comprises three members, appointed by the Board. Executives of the Company and advisers are invited by the Committee to attend all or part of any meeting as and when appropriate.

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

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

B.1.3. Delegation of Responsibility and Reporting Lines

Senior Managers

The Company operates under the PRA / FCA Senior Management and Certification Regime (SMCR), which became effective on 10 December 2018. The Company's Senior Managers, who hold key governance roles requiring regulatory approval, and their Prescribed Responsibilities under SMCR and reporting lines are set out below.

TITLE	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
CEO	JONATHAN PLUMTREE	• ENSURING THAT THE FIRM HAS COMPLIED WITH ITS OBLIGATIONS IN INSURANCE - FITNESS AND PROPRIETY IN THE PRA RULEBOOK TO: ○ ENSURE THAT EVERY PERSON WHO PERFORMS A KEY FUNCTION BUT DOES NOT ALSO PERFORM A PRA SENIOR MANAGEMENT FUNCTION OR A CERTIFICATION FUNCTION IS A FIT AND PROPER PERSON; AND ○ PROVIDE AND OBTAIN REGULATORY REFERENCES. • OVERSEEING THE ADOPTION OF OMNILIFE'S CULTURE IN DAY-TO-DAY MANAGEMENT • DEVELOPMENT AND MAINTENANCE OF OMNILIFE'S BUSINESS MODEL BY THE BOARD • IMPLEMENTING POLICIES AND PROCEDURES FOR THE INDUCTION, TRAINING AND PROFESSIONAL DEVELOPMENT OF ALL OF OMNILIFE'S KEY FUNCTION HOLDERS (OTHER THAN MEMBERS OF THE BOARD) • THE FIRM'S PERFORMANCE OF ITS OBLIGATIONS IN RESPECT OF OUTSOURCED OPERATIONAL FUNCTIONS AND TECHNOLOGY UNDER CONDITIONS GOVERNING BUSINESS 7.	BOARD
COO	HORTENSE FRISBY	• THE FIRM'S PERFORMANCE OF ITS OBLIGATIONS IN RESPECT OF OUTSOURCED OPERATIONAL FUNCTIONS AND TECHNOLOGY UNDER CONDITIONS GOVERNING BUSINESS 7	CEO BOARD
CFO	NATHAN BEVERLEY	• MANAGEMENT OF THE ALLOCATION AND MAINTENANCE OF OMNILIFE'S CAPITAL AND LIQUIDITY • PRODUCTION AND INTEGRITY OF THE FIRM'S FINANCIAL INFORMATION AND ITS REGULATORY REPORTING	CEO AUDIT AND RISK COMMITTEE

TITLE	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
CRO	MARK HUTCHINS	• COMPLIANCE WITH THE REQUIREMENTS OF THE REGULATORY SYSTEM ABOUT THE MANAGEMENT RESPONSIBILITIES MAP • PERFORMANCE OF THE FIRM'S OWN RISK AND SOLVENCY ASSESSMENT (ORSA)	CEO AUDIT AND RISK COMMITTEE
GROUP ENTITY SENIOR MANAGER	PATRICIA KAVANAGH (NED) HAMISH GALLOWAY (NED) SIMON WAINWRIGHT (SUBJECT TO REGULATORY APPROVAL)	• ASSIST THE BOARD IN DEVELOPING ITS STRATEGIC BUSINESS MODEL FROM THE FIRM'S OVERSEAS PARENT COMPANY	RGA BOARD
CHAIR OF THE BOARD	JIM JACK (NED)	• INDUCTION, TRAINING AND PROFESSIONAL DEVELOPMENT OF ALL MEMBERS OF THE FIRM'S GOVERNING BODY • CHAIRING THE BOARD AND LEADING THE DEVELOPMENT OF OMNILIFE'S CULTURE BY THE BOARD AS A WHOLE	BOARD
CHAIR OF THE AUDIT AND RISK COMMITTEE	MICHELLE CRACKNELL (NED)	• OVERSIGHT OF INTERNAL AUDIT (IA) AT FIRMS THAT OUTSOURCE THEIR IA TO A THIRD PARTY SERVICE PROVIDER (OUTSIDE THE FIRM'S GROUP).	BOARD
CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE	CAROLINE INSTANCE (NED)	• OVERSEEING THE DEVELOPMENT AND IMPLEMENTATION OF OMNILIFE'S REMUNERATION POLICIES AND PRACTICES • OVERSEEING THE INDEPENDENCE, AUTONOMY AND EFFECTIVENESS OF OMNILIFE'S POLICIES AND PROCEDURES ON WHISTLEBLOWING INCLUDING THE PROCEDURES FOR PROTECTION OF STAFF WHO RAISE CONCERNS FROM DETRIMENTAL TREATMENT.	BOARD
CHIEF ACTUARY	OUTSOURCED TO NICK DUMBRECK (MILLIMAN)	• MANAGEMENT OF THE ALLOCATION AND MAINTENANCE OF THE FIRM'S CAPITAL AND LIQUIDITY.	BOARD
COMPLIANCE OFFICER AND MLRO	DAN MARTIN	• PERFORMANCE BY THE FIRM OF ITS OBLIGATIONS UNDER THE SENIOR MANAGERS REGIME, INCLUDING IMPLEMENTATION AND OVERSIGHT • PERFORMANCE BY THE FIRM OF ITS OBLIGATIONS UNDER THE CERTIFICATION REGIME • THE FIRM'S POLICIES AND PROCEDURES FOR COUNTERING THE RISK THAT THE FIRM MIGHT BE USED TO FURTHER FINANCIAL CRIME • THE FIRM'S PERFORMANCE OF ITS OBLIGATIONS UNDER THE CODE OF CONDUCT (COCON) FOR TRAINING AND REGULATORY REPORTING	CEO AUDIT COMMITTEE

Certified Functions

In addition to the approved Senior Management Functions, the Company has also certified two further functions under the SMCR, the associated responsibilities and reporting lines of which, are set out below.

KEY FUNCTION	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
OPERATIONS AND CLAIMS FUNCTIONS	DAN HIGH	• MANAGEMENT OF ADMINISTRATION TEAM TO DELIVER OPERATIONAL OUTCOMES FOR CUSTOMERS IN LINE WITH CONTRACTUAL AND TCF OBLIGATIONS • MANAGEMENT OF CLAIMS FUNCTION TO FULFIL OBLIGATIONS TO POLICYHOLDERS AND THEIR BENEFICIARIES	CEO
SCHEME UNDERWRITING FUNCTION	PAUL BALLARD	• APPLICATION OF SCHEME UNDERWRITING PHILOSOPHY TO ENSURE PRICING OF NEW AND EXISTING BUSINESS IN LINE WITH RISK APPETITE	CEO

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

External audit

The external auditor, BDO LLP, is responsible for undertaking Omnilife's statutory audits and reporting its findings to the Audit and Risk Committee. During 2017, Moore Stephens (now merged into BDO) was reappointed following an external audit tender process undertaken by the Audit & Risk Committee. For the 2018 audit there was a rotation of the partner in charge of the audit, with the new partner not having worked on Omnilife audits previously. Following the acquisition of Omnilife by RGA, the Audit & Risk Committee will be reviewing external audit provision during 2019.

Reporting

Omnilife's reporting structure is set out in the tables above and in the Organisational Structure in Section A.6.5. This Governance Framework ensures that the relevant financial and non-financial information from each business function is provided to the appropriate individuals and / or committees to enable the monitoring of Omnilife's performance and an informed and risk-based approach to business decision processes.

The key internal control functions are responsible for undertaking monitoring activities and reviews to determine the accuracy and reliability of both financial and non-financial information being reported throughout the Company. During 2017 Mazars performed an internal audit of governance processes, the actions arising from which were completed during 2018 with oversight by the Audit & Risk Committee.

B.1.4. Remuneration

Remuneration policy

The Remuneration policy is regularly reviewed by the Nomination and Remuneration Committee and approved by the Board. The policy sets out the principles and framework for Omnilife employee remuneration, which is transparent to all staff, with clear communication of the reward structure and the processes used for decision-making; is applied consistently to all employees, with no 'special arrangements' inconsistent with this policy; and provides employees with total compensation that is competitive within the London Insurance Market and meets the requirement for accreditation as a London Living Wage employer. Since February 2018, Omnilife has been accredited as a London Living Wage Employer.

CEO and management

The Nomination and Remuneration Committee recommends and agrees with the CEO and the Board the framework and broad policy for the remuneration of the Executive Directors of the Company and such other senior managers as the Committee deems appropriate.

The objective of the Remuneration Policy is to provide key staff with appropriate incentives to remain in the employment of the Company and to reward individual contributions to the success of the Company.

The CEO and management are remunerated as follows:

- Basic salary: Salaries are reviewed on 1 January each year and increases may be granted, though not automatically implemented, based on comparable market rates for each job and individual performance.
- Pension contributions: All Executive Directors and managers are automatically enrolled into the Company's grouped personal pension arrangement, to which the Company contributes. Employees can also make additional contributions.
- Life cover
- Income protection insurance
- Medical insurance
- Annual bonus: A revised discretionary annual bonus was introduced in 2018 which rewards employees based on the performance of the Company against profitability, growth and business development targets. A common structure is in place for employees, managers and the CEO in order to ensure alignment of this incentive throughout the Company. The award is based on Company performance versus business plan targets, and is subject to approval by the Board based on the recommendation of the Nomination and Remuneration Committee. There is some management discretion available to adjust for exceptional individual performance.

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

Non-Executive Directors

The remuneration of NEDs is a matter for the Board but advice about appropriate payments is provided by the Nomination and Remuneration Committee. All NEDs are paid a fixed fee, with Board and Committee Chairs receiving an additional fee for their extra work.

Other employees

The Nomination and Remuneration Committee recommends and agrees with the CEO and the Board the overall levels of remuneration for all other staff employed by the Company. However, the Board retains ultimate accountability for remuneration of Omnilife staff.

Other members of staff are remunerated as follows:

- Basic salary: Salaries are reviewed on 1 January each year and increases may be granted, though not automatically implemented, based on comparable market rates for each job and individual performance.
- Pension contributions: All staff are automatically enrolled into the Company's grouped personal pension arrangement. Everyone is encouraged to contribute and the Company also matches these contributions, subject to a maximum of 5%.
- Life cover
- Income protection insurance
- Medical insurance
- Annual bonus: A revised discretionary annual bonus was introduced in 2018 which rewards employees based on the performance of the Company against profitability, growth and business development targets. A common structure is in place for employees, managers and the CEO in order to ensure alignment of this incentive throughout the Company.
- Sales bonus: This is a quarterly incentive scheme for the Sales Manager and members of the sales team, with an on target bonus payable on achievement of new business targets. The scheme was introduced in January 2018 to replace the previous commission arrangement.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. Skill, Knowledge and Expertise Requirements

Overview of requirements

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

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

Senior Managers and Certified Personnel

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

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

B.2.2. Fit and Proper Policy

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

- Recruitment process;

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

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

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

B.2.3. Assessment Process

Recruitment

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

- The duties of the HR function have previously been split between the CEO and another employee, who now work together with the RGA HR function on all HR matters. A Recruitment and Compensation Governance Policy exists to ensure appropriate control and oversight of remuneration and appointment of staff.
- The HR function works closely with the relevant manager(s) to understand fully the position to be filled, therefore enabling a clear role profile to be developed.
- All recruitment candidates are required to submit to the Company a curriculum vitae. Suitable candidates are invited for interviews. Depending on the nature of the role to be filled, candidates may participate in a number of interviews with various Omnilife representatives.
- Employment offers are subject to satisfactory references, right to work checks and evidence of qualifications. All Senior Managers and Certified Personnel are subject to pre-employment criminal, credit and regulatory background checks.
- In addition to the above, for any individual that will become a PRA / FCA Controlled Function holder, the following activities will be undertaken:
    - Submission of the 'Controlled Function' application to the PRA / FCA; and
    - Completion of a self-assessment by the individual.
- The HR function is responsible for maintaining records to demonstrate that a robust recruitment process was followed.

Initial training and supervision

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

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

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

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

Ongoing training and competence management

All employees are subject to annual performance reviews.

The Compliance Officer is responsible for coordinating and monitoring a training and development programme appropriate to each Senior Manager and Certified Person, as part of a Company-wide training and development programme.

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

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

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

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

Annual fitness and proprietary checks

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

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

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

Corporate governance effectiveness reviews

The Company's Governance Framework is subject to regular corporate governance effectiveness reviews as described in Section B.9. The reviews consider the continuing suitability of the Governance Framework, as well as the ongoing effectiveness of the Board and its sub-committees. The reviews also consider the suitability of the members of the Board and its sub-committees, their ongoing collective managerial and technical competence, and their individual contributions.

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

Internal transfers

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

B.3. RISK MANAGEMENT SYSTEM

B.3.1. Overview of Risk Management System

Omnilife has a Risk Management System that is designed to assess, control, and monitor risks from all sources for the purpose of increasing short and long-term value to Omnilife's stakeholders. During 2018, a detailed review of the Company's risk appetite was completed, together with further improvements to ensure strong alignment between the risk appetite, risk register and other management information.

B.3.2. Business Strategy and Plan

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

Each year, Omnilife prepares a Business Plan covering a three-year period, which is probably the optimal planning period for the business, recognising the inherent uncertainty of the markets in which the Company operates. The current Business Plan covers the period 2019 to 2021. The Business Plan is developed with reference to, and is consistent with, Omnilife's risk appetite and provides a forward looking view of the Omnilife risk profile. It reflects any planned changes to business mix, maximum limits for individual underwriting risks, financial performance targets, the use of risk reduction strategies, such as reinsurance and any important business development activities.

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

B.3.3. Risk Strategy

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

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

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

The risk strategy sets out to:

- identify potential risks;
- quantify the risks, where possible; and
- manage those risks within the Company's risk appetite.

B.3.4. Risk Governance

Three Lines of Defence

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

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

Risk Owners

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

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

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

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

Risk Management Function

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

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

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

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

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

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

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

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

The Board and risk management

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

- approval and effective oversight of the Risk Management System including all current and future risk exposures, risk appetite, risk metrics and risk tolerance limits;
- proactive response to risks and issues;
- promotion of a risk aware culture;
- approval of key guidelines and policies;
- review and approval of the Business Plan;
- review and approval of technical provisions and assumptions; and
- review of capital adequacy, management and planning.

B.3.5. Risk Appetite

Overview

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

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

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

- Profit and loss (volatility)
- Balance Sheet (capital levels)
- Cash flow (liquidity)
- Regulatory compliance
- Omnilife reputation (brand)

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

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

The status against each approved risk tolerance is monitored by the risk management function. The results of this monitoring are reported to the ARC and, where applicable, to the relevant committee and are included in the monthly Business Performance Report.

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

B.3.6. Risk Policy

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

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

B.3.7. Risk Register and Risk Assessments

Content of the Risk Register

All staff are responsible for the timely identification and escalation of risks to the Risk Management Function to ensure risks are captured within the Risk Register. The Risk Register is a key document within Omnilife's Risk Management System. It not only records Omnilife's identified risks but also includes information on their probability and impact, the controls in place to mitigate them, and how they are monitored. The Risk Register is divided into sections covering the following types of risks:

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

Risk assessments

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

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

The risk assessment process involves:

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

Mapping to capital requirements

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

B.4. OWN RISK AND SOLVENCY ASSESSMENT

B.4.1. Performance of the ORSA

Overview of the ORSA process

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

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

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

ORSA timelines and records

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

A record of each ORSA is maintained.

ORSA governance

Omnilife governs the ORSA process using the 'Three Lines of Defence' model, as set out below in Section B.3.7.

ORSA Report

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

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

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

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

Board involvement and challenge

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

B.4.2. Use of the ORSA

Business Strategy and Business Plan

The Business Strategy of the Company (see Section A.6.3) reflects the requirements of the key stakeholders, such as the shareholders and regulators, and is approved by the Board. The Board decides on the Company's risk appetite and risk tolerance limits so that it can properly manage the Business Strategy within safe financial parameters and provide a clear mandate for the type and amount of risk that the Company can accept. The ORSA results are used to inform on the ongoing appropriateness of Omnilife's Business Strategy.

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

Risk and capital management

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

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

Omnilife also calculates and projects an Economic Capital Requirement (ECR) as part of the annual ORSA cycle, which might lead to the Company holding additional capital above the SCR. The ECR takes account of a broader range of risks, as recorded in the Company's Risk Register, than allowed for in the Standard Formula and is based a longer time horizon than one year. The ECR is derived by testing the business under single stresses and multi-faceted scenarios. The results are used to assess the impact of stressed conditions on the Company's future financial strength and, as well as informing the ECR, could lead to the Company refining its Business Plan and taking further measures to mitigate particular risks.

B.5. INTERNAL CONTROL SYSTEM

B.5.1. Overview of the Internal Control Framework

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

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

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

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

B.5.2. Key Internal Control Functions

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

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

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

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

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

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

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

Compliance & Financial Crime Function

The Compliance & Financial Crime Function is headed by the Compliance Manager who reports to the Chief Executive Officer and to the ARC.

The Compliance Manager, is responsible for oversight of the Compliance & Financial Crime Function and bears Board-level responsibility for implementation of an effective Compliance & Financial Crime Function. The Compliance & Financial Crime Function's primary role is to act in an advisory, oversight and assurance capacity to ensure that the business has the necessary systems and controls to enable it to adhere, on an ongoing basis, to all regulatory and legislative requirements.

To ensure that the firm has an adequate compliance control framework, the Compliance & Financial Crime Function is responsible for developing company-wide compliance and financial crime policies and procedures, as well as undertaking regular and ad hoc monitoring activities. Details of the Compliance policies and key functional responsibilities and procedures are described in the Compliance Framework. Details of the financial crime policies and procedures are described in the Financial Crime Handbook

The annual business planning process includes the development of plans for key compliance objectives to ensure the Compliance & Financial Crime Function can prioritise its activities and ensure it has adequate resources. This Compliance & Financial Crime Plan sets out the compliance and financial crime activities to be undertaken by the Compliance & Financial Crime Function as well as the compliance and financial crime activities to be undertaken by the business under the oversight and guidance of the Compliance & Financial Crime Function.

The Compliance & Financial Crime Plan includes consideration of forthcoming changes to regulatory requirements and indicates how and when they will be addressed. Examples of activities included in the Compliance & Financial Crime Plan will include, regulatory reporting, training and workshops, compliance monitoring and business monitoring reviews, as well as financial crime monitoring and reviews. The Compliance & Financial Crime Plan is approved by the Board as part of the business plan and progress is reported on a regular basis to the ARC and Board.

To ensure that a compliance and financial crime culture is embedded throughout the firm, day to day responsibility and accountability for complying with regulatory, including anti money laundering, anti-bribery and corruption and anti-terrorism requirements rests with the relevant operational functions, particularly those that interact regularly with the firm's clients and business counterparties (e.g. administration, claims, finance and underwriting departments). The Compliance & Financial Crime Function's responsibility is to interact with and oversee the operational functions to ensure that they:

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

In order to achieve the above, the Compliance & Financial Crime Function will:

- provide training and workshop sessions to staff in relation to regulatory, and legislative requirements;
- assist the business in the development of their day to day operational policies and procedures, and challenge these on an on-going basis; and
- provide updates, as required, on any changes to regulatory and legislative requirements.
- provide regular updates to the ARC on compliance and financial crime, including annual Money Laundering Reporting Officer's annual report and any interim reports.

The Compliance & Financial Crime Function will also interact with the business for the purposes of undertaking monitoring as appropriate.

Where issues or breaches are identified (both on an individual and systemic basis) the Compliance & Financial Crime Function's report will demonstrate the severity of any issues, whether they have been addressed and how, and where they have not been addressed, what remedial action plans will be required.

Where any regulatory breaches are identified, the Compliance & Financial Crime Function will notify the Risk Management Function (to record in the Breaches log) and report to the ARC.

The Compliance & Financial Crime Function is responsible, together with the Chief Executive Officer, for maintaining the relationship between the firm and the relevant regulatory, supervisory and legislative bodies. It will also be responsible for coordinating the firm's regulatory reporting activities.

A review of the Compliance & Financial Crime Function's effectiveness is conducted on a regular basis by the Internal Audit Function, as determined by the ARC and Board.

Finance Function

Omnilife's accounting policies and procedures reside within the Finance Function. The Finance Function is the responsibility of the Chief Financial Officer.

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

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

Data Protection Function

Omnilife's data policies and procedures are the responsibility of the Data Protection Officer (DPO). The DPO is responsible for developing and monitoring the firm's systems and controls to ensure the adequate management of the firm's data. The DPO will ensure all policies and procedures relating to data comply with the legislative and regulatory requirements, including General Data Protection Regulations (GDPR).

Regular monitoring will take place by the DPO in keeping up to date with data protection. As necessary the DPO will update the management and staff and provide training where necessary. Should a data protection breach occur, the DPO will update the Risk Management Function and ensure that the breach is logged in the breach log. Where appropriate, the DPO will report to the ARC on the data breach, including details of any reports made to the Information Commissioners Office (ICO).

As required the internal control functions will be responsible for undertaking independent monitoring and assurance reviews to ensure the on-going suitability and effectiveness of the firm's data protection systems and controls.

B.6. INTERNAL AUDIT FUNCTION

B.6.1. Overview of the Internal Audit Function

The Internal Audit Function reports directly to the ARC, the membership of which consists only of NEDs. On this basis, the Internal Audit Function is considered independent from all other business functions and, therefore, is able to provide an objective opinion as to the adequacy of Omnilife's Risk Management System and Internal Control Framework. The ARC oversees and provides challenge to the Internal Audit Function to satisfy itself that adequate Risk Management System and Internal Control Framework are in place and operating effectively.

The Internal Audit Function is currently outsourced fully to an external third party service provider, Mazars. Under the outsourced agreement, Mazars is responsible for conducting all Internal Audit reviews and, in conjunction with the ARC, developing a rolling three-year Internal Audit Plan.

The areas to be reviewed under the Internal Audit Plan are determined based on the risks to the business, consistent with those detailed within the Risk Register, with every activity of Omnilife within the scope of Internal Audit reviews. The Internal Audit Plan is reviewed and approved by the ARC on an annual basis. The Internal Audit Function is required to provide the ARC with quarterly updates against the plan and submit detailed reports on completion of each Internal Audit review. The Internal Audit Function and / or the ARC may, at its discretion, amend the Internal Audit Plan, where there have been significant changes to Omnilife's risk profile.

To develop each Internal Audit review report the Internal Audit Function discusses and agrees, with the relevant business areas, action points to address each issue, weakness or failure identified. The ARC reviews all agreed actions and challenges the suitability of these as necessary. Going forwards, the Internal Audit Function works with management to ensure that all recommendations raised within its reports are followed up on a timely basis and in line with the due dates agreed by management for each issue. Regular updates are provided to the ARC to ensure management are closing the issues as expected and on this timely basis.

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

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

B.7. ACTUARIAL FUNCTION

B.7.1. Composition of the Actuarial Function

The Actuarial Function comprises:

- the Actuarial Department headed by the Actuarial Manager; and
- the outsourced Chief Actuary role, held by Nick Dumbreck at Milliman.

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

B.7.2. Actuarial Department

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

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

The Actuarial Department is primarily responsible for the following:

- performing quarterly reserve reviews to ensure adequate provisions are established for future claims activity;
- monitoring actual vs. expected claim experience;

- production, communication and embedding of Solvency Capital Requirement (SCR) under the Standard Formula;
- input to Omnilife's Business Plan, including determining initial expected loss ratios;
- production of pricing models and analysis of prices achieved versus benchmarks;
- providing support to the Board, in conjunction with the ARC, in setting Omnilife's risk appetite and ensuring that it complements the business plans and objectives.

B.7.3. Chief Actuary

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

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

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

B.8. OUTSOURCING

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

The Company outsources:

- the Chief Actuary role to Milliman LLP;
- the provision of IT support to IIJ Europe; and
- the Internal Audit Function to Mazars LLP.

All of the above outsourced service providers are UK-based.

Following a review by the Investment Committee in 2018, a decision was made by the Board to outsource investment management to a professional investment manager and it is expected that this will take place during 2019, with RGA becoming the outsourced investment manager. Other activities are also expected to be outsourced to RGA to utilise certain of its central services.

B.9. ASSESSMENT OF GOVERNANCE

B.9.1. Assessment of System of Governance

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

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

B.9.2. Board and Committee Performance and Effectiveness Reviews

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

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

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

Results and recommendations arising from committee performance and effectiveness reviews are reported to the Board through each committee Chair, with any agreed changes implemented by the Board.

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

B.9.3. Review of Governance Effectiveness

The Internal Audit Function undertakes a full and detailed periodic review of the Governance Framework, as determined by the ARC. The most recent review was carried out in December 2017.

B.9.4. Review of the Risk Management System

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

A comprehensive review of the design and operational effectiveness of the Risk Management Function is undertaken by the Internal Audit Function on a regular basis, as can be seen from the three-year rolling Internal Audit Plan.

B.9.5. Review of the Internal Control Framework

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

The ARC and Internal Audit Function ensure that internal controls across the firm are fully tested over a reasonable timeframe.

B.9.6. Internal Audit Reviews

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

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

The effective and appropriate provision of the Internal Audit Function is reviewed by the ARC on an annual basis.

C. Risk Profile

C.1. INSURANCE RISK

C.1.1. Description of Insurance Risk

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

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

The Underwriting Policy and related documents set out the details of the underwriting methodology and processes in relation to the identification, assessment, mitigation, management and reporting of the insurance risk.

C.1.2. Mitigation of Insurance Risk

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

Omnilife's reinsurer since inception has been Gen Re. The arrangement is kept under review.

C.1.3. Assessment and Management of Insurance Risk

Assessment

The overall exposure to insurance risk is assessed by the Risk Management Function through the Technical Provisions. A range of other qualitative measures and outputs are also used to assess the Company's status against its risk appetite for insurance risk. These include:

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

As part of the ORSA process, Omnilife considers whether the Standard Formula SCR adequately captures the material quantifiable risks to which the business is exposed. For the 2018 ORSA, it was concluded that the Standard Formula is appropriate. No additional capital amounts are being held.

For the 2018 ORSA, Omnilife also considered how severe a catastrophe would need to be, relative to the 1-in-200 year event allowed for in the Standard Formula, to jeopardise its available capital over the business planning period. It found that Omnilife could meet the claims from an extreme catastrophe of a magnitude twice that of a 1-in-200 year event, but its solvency ratio would drop below 150%.

Management

The main element of insurance risk management is to ensure the adequacy of premium income to cover expected claims and expenses. Pricing adequacy is controlled and monitored through the underwriting process and analyses of surplus. A range of other measures are used to manage insurance risk and are detailed in the Underwriting Policy.

During 2019 Omnilife will be deciding on an approach for reducing the extreme, although remote, risk posed by catastrophes.

C.1.4. Insurance Risk Reporting

The Underwriting Policy includes the details of the reporting requirements in respect of the insurance risk against Business Plan. These reports include:

- income versus budget;

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

C.1.5. Material Insurance Risks

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

INSURANCE RISKS						
RISK	**DESCRIPTION**	**SOURCE**	**PROBABILITY**	**IMPACT**	**MITIGATION**	**MONITORING**
CATASTROPHE	A ONE-OFF EVENT OUTSIDE OF ANY NORMAL EXPECTATIONS ALLOWED FOR IN THE PRICING OF GROUP RISK POLICIES THAT LEADS TO A BIG SPIKE IN CLAIMS	A PARTICULAR ASPECT OF OMNILIFE'S GROUP RISK BUSINESS IS THAT IT IS COMMON TO INSURE A GROUP OF PEOPLE WORKING AT THE SAME LOCATION, INCREASING THE RISK OF MULTIPLE CLAIMS FROM A DISASTER OR PANDEMIC	LOW	HIGH	- ENSURE GOOD GEOGRAPHICAL SPREAD - FOCUS ON SMALL /MEDIUM SCHEMES TO INCREASE DIVERSITY - EVENT LIMITS APPLIED TO GROUP LIFE SCHEMES TO LIMIT THE PAYOUT IN RESPECT OF A VERY LARGE LOSS EVENT - POTENTIALLY COULD BUY CATASTROPHE/XL REINSURANCE	- GEOGRAPHICAL SPREAD INVESTIGATED ANNUALLY AND MONITORED USING AN IN-HOUSE TOOL DEVELOPED BY THE UNDERWRITING MANAGER - GEOGRAPHICAL SPREAD IS ALSO MONITORED BY GEN RE - PERIODIC REVIEW OF MAXIMUM PAYOUT LIMITS - PERIODIC REVIEW OF NEED FOR ADDITIONAL CATASTROPHE REINSURANCE
MORTALITY/ MORBIDITY	CURRENT EXPERIENCE DIFFERS TO THAT EXPECTED OR IS DISTORTED BY A FEW LARGE CLAIMS	OMNILIFE CANNOT BE CERTAIN OF FUTURE EXPERIENCE - THE SMALL SIZE OF THE COMPANY INCREASE VARIABILITY - COMPETITIVE PRESSURES MAY LEAD TO LOWER REVENUE OR LOWER MARGINS IN PRICING	MEDIUM	HIGH	- QUOTA SHARE AND SURPLUS REINSURANCE USED TO SHARE THE RISK - CAREFUL UNDERWRITING WITH ADEQUATE MARGINS - SHORT-TERM GUARANTEES FOR GROUP RISK BUSINESS - TERM ASSURANCE BOOK IS SMALL AND REINSURED	- HALF-YEARLY VALUATIONS AND ANALYSES OF SURPLUS BY MILLIMAN - ANNUAL MORTALITY/MORBIDITY EXPERIENCE INVESTIGATION BY THE ACTUARIAL DEPARTMENT - PERIODIC REVIEW OF RETENTION LEVELS - GEN RE ALSO ANALYSES CLAIMS EXPERIENCE
REINSURER WITHDRAWS CAPACITY	SOLE REINSURER, GEN RE, COULD WITHDRAW CAPACITY	UNTIL OMNILIFE FINDS ANOTHER REINSURER, IT WOULD CARRY ALL RISKS ITSELF AND BE EXPOSED TO MORE VOLATILE EXPERIENCE, WHICH WOULD LEAD TO A SIGNIFICANTLY HIGHER CAPITAL REQUIREMENT	MEDIUM	HIGH	- GEN RE CONTINUES TO SHOW A COMMITMENT TO THE RELATIONSHIP - OMNILIFE COULD FIND ANOTHER REINSURER OR RGA COULD STEP INTO THE BREACH	REGULAR REVIEW OF RELATIONSHIP

C.1.6. Changes in Insurance Risks

Mortality/morbidity risk has increased by 45% over the year, most of which is the increase in catastrophe risk, reflecting the scale of growth in Omnilife's insurance business.

C.2. MARKET RISK

C.2.1. Description of Market Risk

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

Asset liability management ('ALM'), a key component of the overall market risk management, is the management of the business in such a way that decisions on assets and liabilities are coordinated in order to manage the exposure to the risk associated with the variation of their economic values. There is some inherent mismatch of assets/liabilities within Omnilife, whereby the functional currency is UK sterling but the business receives premiums and holds reserves in several different settlement currencies.

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

C.2.2. Assessment and Management of Market Risk

Assessment

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

Management

Omnilife's investment assets, principally short-term deposits, have been managed internally to date, under the oversight of the CEO with external advice on investment opportunities. The Investment Committee has approved predefined individual standing authorities for day-to-day activities undertaken by the CEO. Any decision outside these limits requires approval from the Investment Committee.

In February 2019 the Board gave its approval for Omnilife to outsource its investment management to 'RGA Investments'. The Board will approve Investment Guidelines that define the appetites and tolerances within which the investment managers must operate.

C.2.3. Market Risk Reporting

Through 2018 investment management reports were prepared by Omnilife's CEO for circulation at each Investment Committee meeting. In future, RGA Investments will be providing regular investment reports to the Board.

The matching position of assets against liabilities, including by currency, and any concentrations of assets are reported quarterly.

Significant deviation or underperformance against the Business Plan is escalated to the Board by the Investment Committee and/or the CEO and, in future, by RGA Investments' regular reports.

C.2.4. Material Market Risks

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

MARKET RISKS						
RISK	**DESCRIPTION**	**SOURCE**	**PROB-ABILITY**	**IMPACT**	**MITIGATION**	**MONITORING**
INTEREST RISK	SENSITIVITY OF THE VALUES OF ASSETS AND LIABILITIES TO CHANGES IN THE TERM STRUCTURE OF INTEREST RATES, OR IN THE VOLATILITY OF INTEREST RATES	- THE VALUE OF OMNILIFE'S LONGER-TERM INVESTMENT CONTRACTS, PARTICULARLY MATURITY GUARANTEES, WILL INCREASE WITH DOWNWARDS MOVEMENTS IN INTEREST RATES - LOWER YIELD CURVE MAKES ALM MORE DIFFICULT - LOWER INTEREST RATES REDUCE RETURN FROM INVESTMENTS USED TO BACK GROUP RISK LIABILITIES	MEDIUM	MEDIUM	- COULD PARTIALLY IMMUNISE FROM FUTURE MOVEMENTS USING ALM BY DURATION, BUT THIS IS DIFFICULT FOR A SMALL PORTFOLIO IN THE CURRENT LOW-YIELD CLIMATE - OUTSOURCING TO RGA INVESTMENTS SHOULD IMPROVE RETURNS AND VOLATILITY	ANNUAL REVIEW OF ALM BY DURATION
CURRENCY RISK	SENSITIVITY OF THE VALUES OF ASSETS AND LIABILITIES TO CHANGES IN THE LEVEL, OR IN THE VOLATILITY OF, FOREIGN EXCHANGE RATES	WHERE OVERSEAS LIABILITIES ARE NOT MATCHED BY SUFFICIENT ASSETS IN THE SAME CURRENCY, IF THE LIABILITY CURRENCY GOES UP OMNILIFE WILL NEED TO ALLOCATE MORE ASSETS TO THE LIABILITIES IN THAT CURRENCY	MEDIUM	MEDIUM	- SUFFICIENT ASSETS HELD IN EACH NON-GBP CURRENCY TO COVER LIABILITIES IN THAT CURRENCY	INVESTMENT COMMITTEE CONSIDERS ALM BY CURRENCY EACH QUARTER
EXCESS US DOLLAR ASSETS	FOREIGN EXCHANGE MOVEMENTS CREATE GAINS OR LOSSES FROM NON-GBP EXCESS ASSETS	- OMNILIFE HOLDS MORE US DOLLAR DEPOSITS THAN ARE REQUIRED TO MATCH THE LIABILITIES, LEAVING THE COMPANY EXPOSED TO FLUCTUATIONS IN THE US DOLLAR EXCHANGE RATE - RECENT FLUCTUATIONS IN US DOLLAR EXCHANGE RATE	MEDIUM	MEDIUM	- INVESTMENT COMMITTEE DECIDES MAXIMUM LEVEL OF SPECULATIVE CURRENCY INVESTMENT FOR OWN FUNDS	INVESTMENT COMMITTEE REVIEWS CURRENCY MATCHING EACH QUARTER

C.2.5. Changes in Market Risks

Market risks were largely unchanged over 2018.

C.3. CREDIT RISK

C.3.1. Description of Credit Risk

Credit risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in Omnilife's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Omnilife is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations. The main source of credit risk for Omnilife is related to recoveries from reinsurers and default by investment asset counterparties.

There is also exposure to credit risk in respect of premiums due from brokers and policyholders and, to a negligible extent, from other outsourced activities.

The Omnilife Investment Guidelines provide details of how credit risk is identified, measured, monitored and controlled, with related roles and responsibilities.

C.3.2. Mitigation of Credit Risk

Omnilife's Investment Guidelines are approved by the Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, in order to mitigate credit and counterparty default risk exposures in respect of the investment portfolio.

Omnilife deals only with brokers that are FCA approved. Omnilife has signed terms of business agreements with over 90% of currently active broker relationships. The Finance Function actively chases up overdue premiums.

C.3.3. Assessment and Management of Credit Risk

Assessment

As mentioned previously, Omnilife's investments are in bonds, short-term deposits and cash accounts. As part of the ORSA process, the concentrations of these investments in different counterparties are examined to see if a complete default by a single counterparty could lead to insolvency. For the 2018 ORSA, it was found that there would be sufficient Own Funds during 2019 to cover the SCR following a total loss at two counterparties holding the maximum concentrations allowed by Omnilife's Investment Guidelines.

The ORSA also considers an extreme event where the reinsurer fails completely. That would immediately increase Omnilife's SCR by over 200%. In such an, albeit unlikely, event Omnilife would need to take immediate action to protect its solvency. Most likely that action would be RGA stepping in to provide reinsurance or a capital injection.

Management

Once the investment management is outsourced, the risk from investment counterparties defaulting will reduce as the portfolio is diversified over more counterparties.

The credit risk arising from the late payment of premiums is mitigated by the terms and conditions of Omnilife's policies. The policies stipulate that insurance cover is provided only for the period for which premiums have been paid. Nevertheless, under Solvency II, Omnilife is required to hold capital related to the late payment of premiums, especially if overdue more than 90 days. At the end of 2018, this made a significant contribution to Omnilife's total capital requirement.

C.3.4. Credit Risk Reporting

The concentrations and credit ratings of counterparties are reported to the Investment Committee in the regular investment reports. The status of overdue premiums is monitored in the monthly Business Performance statistics.

C.3.5. Material Credit Risks

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

CREDIT RISKS						
RISK	**DESCRIPTION**	**SOURCE**	**PROB-ABILITY**	**IMPACT**	**MITIGATION**	**MONITORING**
BANK DEFAULT	BANK CANNOT REPAY DEPOSIT. OMNILIFE LOSES SOME/ALL OF ITS MONEY AND/OR THERE IS A TIME DELAY IN GETTING ITS MONEY BACK	OMNILIFE INVESTS IN BANK DEPOSITS	MEDIUM	HIGH	- BOARD ENSURES A SPREAD OF GOOD QUALITY BANKS ARE USED	INVESTMENT COMMITTEE REGULARLY REVIEWS CREDIT RATINGS
REINSURER DEFAULT	GEN RE FAILS TO MEET ITS REINSURANCE OBLIGATIONS	GIVEN THERE IS ONLY ONE REINSURER, GEN RE, THERE IS A CONCENTRATION OF RISK	LOW	HIGH	- GEN RE IS AA+ RATED - IN THE EVENT OF DEFAULT, GEN RE COULD PROBABLY MEET SOME OF ITS OBLIGATIONS - IN TIME, OMNILIFE MAY REINSURE SOME BUSINESS WITH ANOTHER REINSURER	GEN RE'S CREDIT RATING
BOND CREDIT SPREADS AND DEFAULT	A FALL IN THE CREDIT RATING OF A BOND COUNTERPARTY LEADS TO A FALL IN ASSET VALUE	OMNILIFE INVESTS IN BONDS	LOW	LOW	- BOARD DECIDES APPETITE FOR COUNTERPARTY RISK	INVESTMENT COMMITTEE REGULARLY REVIEWS CREDIT RATINGS
LATE PAYMENT OF PREMIUMS	POLICYHOLDERS DELAY IN PAYING PREMIUMS WHICH INCREASES OMNILIFE'S CAPITAL REQUIREMENT	DELAY IN POLICYHOLDERS PAYING PREMIUMS	HIGH	MEDIUM	- "NO PREMIUM, NO COVER" - ACTIVELY CHASING OVERDUE PREMIUMS	MONTHLY REPORTING OF OVER DUE PREMIUMS

C.3.6. Changes in Credit Risks

Even though the risk of default in cash accounts and the Reinsurance Asset reduced slightly, the counterparty risk in overdue premiums increased, reflecting growth in the insurance business.

C.3.7. Policy Loans

Omnilife holds policy loans worth £0.5 million as at 31 December 2018, which are assumed to back the deposit accounts of the IDA policies from which they are taken. Interest is charged on these loans and the IDA policies provide security for the loans. The experience of Omnilife is that policy loans are seldom redeemed. Benefit payments for the IDA policies will be paid net of any policy loans.

C.4. LIQUIDITY RISK

C.4.1. Description of Liquidity Risk

Liquidity risk is defined as the risk of loss or inability to realise investments and other assets in order to settle financial obligations when they fall due. Omnilife underwrites a mix of short and long-tail business and it ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash-flow requirements (including meeting statutory and regulatory liquidity ratios). This objective does not mean simply that assets must be readily realisable, but rather that assets should be capable of being liquidated swiftly and without loss of value. Liquidity risk for Omnilife is very low because a significant proportion of its assets is held as cash and short-term deposits, which can generally be liquidated instantly subject to a loss of interest penalty.

The Omnilife liquidity guidelines are approved by the Investment Committee and provide details of how liquidity risk is identified, measured, monitored and controlled, with related roles and responsibilities.

C.4.2. Mitigation of Liquidity Risk

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

Omnilife undertakes regular ALM, as detailed in the Investment Guidelines, to ensure its liquidity needs are appropriately managed in respect of different currencies. Omnilife stress tests its liquidity requirements to ensure that it has sufficient funds available to meet obligations as they fall due.

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

C.4.3. Assessment and Management of Liquidity Risk

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

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

C.4.4. Liquidity Risk Reporting

Liquidity monitoring is carried out by the Chief Financial Officer and issues are escalated to the CEO, as required.

C.4.5. Expected Profits in Future Premiums (‘EPIFP’)

Under some of Omnilife’s group risk business, a guaranteed period exists that does not coincide with its on-risk period, e.g. a scheme might have a one-year risk period, after which it comes up for renewal, but a premium rate that is guaranteed for two years. Under this circumstance, an allowance for EPIFP needs to be made for the period from the next premium due date to the end of the guaranteed period. This component is expected to reduce the Best Estimate Liabilities (provided profit margins in risk premiums and expense loadings are positive).

For the purposes of calculating the EPIFP for the Solvency II valuation as at 31 December 2018, group risk profit margins are assumed to be 2.5% for the risk premium profit margin and 10% for the expense loadings profit margin. It is also assumed that, for Omnilife’s group risk business which is due to renew within its guaranteed rate period, 100% of such schemes will be renewed. These assumptions are unchanged from the 31 December 2017 valuation.

The results of the EPIFP calculation as at 31 December 2018 are set out below:

EPIFP	2018		2017	
	GROSS £’000	NET £’000	GROSS £’000	NET £’000
UK GROUP LIFE	532.0	314.2	320.2	213.6
UK GROUP DISABILITY	15.7	9.9	10.1	6.8
OVERSEAS GROUP LIFE	0.5	0.4	0.6	0.6
OVERSEAS GROUP DISABILITY	0.2	0.2	0.6	-1.2
OVERSEAS INDIVIDUAL BUSINESS	0.0	0.0	0.0	0.0
TOTAL	548.4	324.7	331.5	219.8

C.5. OPERATIONAL RISK

C.5.1. Definition of Operational Risk

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

C.5.2. Assessment and Management for Operational Risk

Omnilife has formally documented policies and procedures for all aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. As such the identification, management and monitoring of operational risk is the responsibility of all Omnilife staff.

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

C.5.3. Operational Risk Reporting

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

C.5.4. Material Operational Risks

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

OPERATIONAL RISKS						
RISK	**DESCRIPTION**	**SOURCE**	**PROB-ABILITY**	**IMPACT**	**MITIGATION**	**MONITORING**
IT FAILURE	IT SYSTEMS UNAVAILABLE DUE TO HARDWARE / SOFTWARE FAILURE OR VIRUS	- UNABLE TO SERVICE THE BUSINESS LEADING TO FINANCIAL OR REPUTATIONAL LOSSES - LOSS OF DATA	MEDIUM	HIGH	- MANUAL WORKAROUNDS AVAILABLE - DATA BACKED UP NIGHTLY - INTEGRATION INTO RGA IT SYSTEMS WILL GIVE GREATER RELIABILITY	REGULAR MONITORING AND TESTING OF IT RELIABILITY AND DISASTER RECOVERY PLAN
CYBER SECURITY	HACKER STEALS PERSONAL DATA OR DISRUPTS SYSTEMS	- LOSS OF REPUTATION, BLACKMAIL AND POTENTIAL PENALTIES	HIGH	MEDIUM	- FIREWALL AND ANNUAL PENTRATION TESTING - RGA IT SYSTEMS WILL PROVIDE GREATER SECURITY - PLAN TO ATTAIN CYBER ESSENTIALS KITEMARK	FOLLOWING RGA PROTOCOLS
DATA SECURITY	UNWITTINGLY OR ACCIDENTALLY DISCLOSE PERSONAL DETAILS	- LOSS OF REPUTATION AND POTENTIAL PENALTIES	MEDIUM	HIGH	- OVERSEEN BY DPO - TIGHT CONTROLS EMBEDDED FOR GDPR	DPO MONITORS COMPLIANCE WITH GDPR
LOSS OF SERVICE REPUTATION	LOSE CURRENT REPUTATION FOR SERVICE AMONG GROUP RISK BROKERS	A LOSS OF OMNILIFE'S REPUTATION FOR GOOD SERVICE WILL LEAD TO: - LOWER VOLUMES OF NEW BUSINESS - INCREASED LAPSES - A FALL IN STAFF MORALE - A DOWNWARD SPIRAL IN PROFITABILITY AND SERVICE STANDARDS	MEDIUM	HIGH	- CURRENTLY GOOD SERVICE STANDARDS AND GOOD STAFF MORALE - PROFITABLE COMPANY WITH GOOD PLANS FOR THE FUTURE - BOARD AWARENESS OF IMPORTANCE OF MAINTAINING SERVICE STANDARDS AND MORALE	PERFORMANCE AGAINST SERVICE TARGETS COMPLAINTS ROOT CAUSE ANALYSIS

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

C.6. STRATEGIC RISK

C.6.1. Definition of Strategic Risk

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

C.6.2. Mitigation and Management for Strategic Risk

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

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

C.7. OTHER RISKS

C.7.1. Group Risk

Omnilife was part of the Medgulf Group up to 1 February 2019, when it was acquired by RGA. Omnilife will have a highly strategic role within the RGA group through utilising Omnilife's direct insurance licence to support RGA in closed book transactions. Following the acquisition, Omnilife's S&P Global credit rating has been upgraded from BB+ to A+.

C.7.2. Reputational Risk

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

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. Financial Assets

The following table sets out the value, valuation approach and assumptions for each of Omnilife's main financial asset classes as at 31 December 2018.

ASSET CLASS	2018 VALUE £'MILLION	2018 % ASSETS	2017 VALUE £'MILLION	2017 % ASSETS	VALUATION METHODOLOGY	MAIN ASSUMPTIONS
GOVERNMENT BONDS	0.1	0.4%	0.1	0.4%	QUOTED MARKET PRICE	MARKET PRICES AVAILABLE FROM ACTIVE MARKETS
CORPORATE BONDS – NON STRUCTURED PRODUCTS	0.0	0%	0.0	0%	QUOTED MARKET PRICE	MARKET PRICES AVAILABLE FROM ACTIVE MARKETS
CORPORATE BONDS –STRUCTURED PRODUCTS *	4.3	14.5%	4.3	15.8%	MARKET PRICE USING SECONDARY MARKETS[8], OR MARK-TO-MODEL[9] VALUATION, PROVIDED BY BROKER	MARKET PRICES (WHERE AVAILABLE) FROM SECONDARY MARKETS
CASH, DEPOSITS, AND CASH EQUIVALENTS **	20.0	67.5%	18.9	69.5%	ACCOUNT VALUE	-
OTHER ASSETS	5.2	17.6%	3.9	14.3%		-
TOTAL ***	29.6		27.2			

* A structured note is a debt obligation which typically has two underlying parts: a bond component and a derivative component; and combines payoffs from those components. The amount of both regular payoffs (during the term of the note) and payoff at maturity is usually linked to the performance of market indices/rates/commodities, e.g. LIBOR, with caps and floors applied but with the payoff at maturity floored at the principal amount (provided by the bond component). As at 31 December 2018, the structured notes held by Omnilife all have exposure to the LIBOR index.

** Omnilife restricts holdings of short-term deposits, cash accounts and equivalents to institutions that have an acceptably high credit standing, with a minimum rating of A, and ensures a spread of banks. The risk of default is estimated to be small.

*** Excluding £7.2m of reinsurance recoverables and reinsurer's share of outstanding claims at 31 December 2018.

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

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

D.1.3. Reinsurance Asset

As at 31 December 2018, the value of Omnilife's Reinsurance Asset was £5.7 million.

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

D.1.4. Intangible Assets

As at 31 December 2018, Omnilife did not attach any value to goodwill or any other intangible assets.

D.1.5. Other Assets

Other assets include the following types of assets:

- Debtors (excluding reinsurance operations);
- Debtors arising out of reinsurance operations;

[8] For corporate bonds which are traded over the counter, rather than via an exchange e.g. the London Stock Exchange, secondary markets are financial markets in which previously issued financial instruments such as stock, bonds, options, and futures are bought and sold.
[9] Valuation based on internal assumptions, or financial models, rather than using market prices to calculate values.

- Policy loans; and
- Fixed assets.

The other assets as at 31 December 2018 break down as follows:

OTHER ASSETS VALUE	2018 (£ MILLION)	2017 (£ MILLION)
DEBTORS (EXCLUDING REINSURANCE OPERATIONS)	4.2	3.0
DEBTORS ARISING OUT OF REINSURANCE OPERATIONS	0.0	0.0
POLICYHOLDER LOANS	0.5	0.5
FIXED ASSETS	0.5	0.4
TOTAL	**5.2**	**3.9**

Debtors (excluding reinsurance operations)

Debtors form the largest component of other assets, and amount to £4.2 million. This includes:

- premiums due on business reinsurance accepted from Medgulf subsidiaries amounting to £0.8 million;
- premiums due in respect of direct insurance operations, amounting to £3.3 million; and
- non-premium amounts due from Medgulf subsidiaries of less than £0.1 million.

They have been calculated at face value as they are expected to be settled in the short-term, i.e. less than 24 months, after the valuation date.

Debtors arising out of reinsurance operations

There is none at 31 December 2018.

Policy loans

Policy loans amount to £0.5 million. These are secured on IDA policies, and are valued at face value as they can be repaid to Omnilife at any time.

Fixed assets

The fixed assets of Omnilife, e.g. office equipment, are valued at net book value[10]. Given the immaterial level of fixed assets, i.e. approximately £0.5 million, Omnilife has adopted an approach that is consistent with the Annual Report and Accounts.

[10] The net book value of an asset is essentially equal to the original cost of the asset minus accumulated depreciation.

D.2. TECHNICAL PROVISIONS

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

D.2.1. Material Lines of Business

The table below sets out the segmentation of Omnilife's business into lines of business, consistent with those described in Section A.6.3. No products span more than one line of business, so no unbundling of contracts is necessary in the calculation of Technical Provisions.

LINE OF BUSINESS	TYPE OF PRODUCTS	COVER	COVER TERM	PREMIUM	BENEFIT PAYABLE	OTHER
UK GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE
UK GROUP DISABILITY	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	INCOME PROTECTION: RECURRING BENEFITS. PAYABLE ON INABILITY TO WORK, DUE TO ILLNESS OR DISABILITY, UNTIL RETURN TO WORK OR EARLIER RETIREMENT. CRITICAL ILLNESS: LUMP SUM BENEFIT, PAYABLE ON INCIDENCE OF DEFINED CRITICAL ILLNESS[11]	TYPICALLY ANNUALLY RENEWABLE
OVERSEAS GROUP LIFE	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	MAINLY SHORT-TERM SOME LONGER TERM BUSINESS (CREDIT LIFE)	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON DEATH	TYPICALLY ANNUALLY RENEWABLE,
OVERSEAS GROUP DISABILITY	PROTECTION	SCHEME COVERS A DEFINED COLLECTION OF LIVES	SHORT-TERM	MOSTLY SINGLE PREMIUM SOME REGULAR PREMIUM	LUMP SUM BENEFIT, PAYABLE ON PERMANENT OR TEMPORARY TOTAL DISABILITY A RESERVE IS ALSO HELD FOR GROUP INCOME PROTECTION CLAIMS IN PAYMENT, THOUGH THIS BUSINESS IS NO LONGER WRITTEN	TYPICALLY ANNUALLY RENEWABLE,
OVERSEAS INDIVIDUAL	SAVINGS (IDA) AND PROTECTION (TERM ASSURANCE)	POLICY COVERS AN INDIVIDUAL LIFE	MEDIUM (IDA) TO LONG-TERM (TERM ASSURANCE)	REGULAR PREMIUM OR PAID-UP (IDA ONLY)	IDA: BENEFIT PAYABLE ON SURRENDER OR MATURITY. GUARANTEED MINIIMUM MATURITY BENEFIT FOR PREMIUM–PAYING POLICIES TERM ASSURANCE: LUMP SUM BENEFIT, PAYABLE ON DEATH WITHIN POLICY TERM	

11 The critical illnesses covered under a contract will be set out in a scheme's terms and conditions.

D.2.2. Technical Provisions as at 31 December 2018

The table below sets out the Technical Provisions as at 31 December 2018 for each of Omnilife's separate lines of business.

CATEGORY*	COMPONENT	LINE OF BUSINESS	VALUE 2018 (£ MILLION)	VALUE 2017 (£ MILLION)
GROUP RISK BUSINESS – OTHER THAN CREDIT LIFE	BEST ESTIMATE LIABILITIES	UK GROUP LIFE	5.8	4.2
		UK GROUP DISABILITY	0.4	0.8
		OVERSEAS GROUP LIFE	0.5	0.6
		OVERSEAS GROUP DISABILITY	0.3	0.2
	RISK MARGIN		0.2	0.2
GROUP RISK BUSINESS – CREDIT LIFE	BEST ESTIMATE LIABILITIES	OVERSEAS GROUP LIFE – CREDIT LIFE	1.9	1.7
	RISK MARGIN		0.1	0.1
INDIVIDUAL BUSINESS	BEST ESTIMATE LIABILITIES	OVERSEAS INDIVIDUAL	3.6	3.4
	RISK MARGIN		0.2	0.1
TOTAL	**BEST ESTIMATE LIABILITIES**	**ALL**	**12.5**	**11.0**
	RISK MARGIN		**0.5**	**0.4**
	TECHNICAL PROVISIONS		**13.0**	**11.4**

* Omnilife does not calculate the Solvency II Risk Margin at the level of individual lines of business. For the Risk Margin calculation the business is instead split into three categories, based on average duration of the liabilities.

The Best Estimate Liabilities for UK group life are higher at 31 December 2018 than the previous year-end due to an increase in premiums during 2018. The individual business Best Estimate Liabilities increased over 2018, mainly due to movements in the USD exchange rate partly offset by surrenders and maturities in the year.

D.2.3. Valuation Basis

Best Estimate Liabilities

Appendix 1 summarises the basis and assumptions used to determine Omnilife's Best Estimate Liabilities as at 31 December 2018.

Risk Margin

The assumptions used to in the calculation of the Risk Margin as at 31 December 2018 are set out in Section D.2.4 below.

D.2.4. Valuation Methodology

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

Under Solvency II requirements, Best Estimate Liabilities should typically be derived by discounting future expected liability cash-flows that are calculated using realistic, best estimate assumptions. For the majority of Omnilife's in-force business, a full cash-flow projection has not been adopted. The alternative approach adopted for each line of business is described in the following sub-sections.

Group risk business - excluding claims in payment

For group risk business the best estimate liability is calculated as the sum of:

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

The expected cost of claims is calculated as the unearned portion[12] of the gross risk premiums paid (where risk premiums are equal to the gross premium less commission and the expense loadings in those premiums, which vary at a scheme level), reduced by an assumed profit margin (currently set at 2.5%).

Similarly the expected expenses are calculated as the unearned portion of the expense loadings in the gross risk premiums paid, reduced by an assumed profit margin (currently set at 10%).

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

The IBNR reserve is determined by applying the IBNR period (expressed as a fraction of a year) to the gross annual risk premiums. No interest earnings are allowed for in the calculation, as for the majority of the business the average period to the expected date of payment of claims and expenses is very short.

As mentioned in Section C.4.5, for some of Omnilife's group risk business, a guaranteed period exists which does not coincide with its on-risk period. If the guaranteed period exceeds a scheme's on-risk period at the valuation date, an allowance within the calculation of the Best Estimate Liabilities is made for EPIFP, for the period from the next premium due date until the end of the guaranteed period. If profit margins in risk premiums and expense loadings are positive, this component is expected to reduce the Best Estimate Liabilities.

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

Group risk business - claims in payment

For current group income protection claims (UK and overseas), Best Estimate Liabilities are calculated using an inception-annuity approach based on the individual claimant and the amount of future income protection benefits payable. However, for claimants who are not expected to recover before normal retirement age, Best Estimate Liabilities are calculated as an annuity certain.

The administration of the overseas claims is carried out by resources external to Omnilife, at no extra charge to Omnilife. The administration of the UK claims is carried out internally by Omnilife but with claims underwriting support provided externally, again at no extra charge. This, together with the currently small number of income protection claims, indicates that the level of claims expenses associated with this business that is met by Omnilife

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

is expected to be low. An allowance for expenses is approximated by increasing the benefits in payment by a fixed percentage.

IDA business

For IDA business, the Best Estimate Liabilities are calculated as the sum of the following:

- The amount of the investment account, ignoring any surrender penalties.
- An unearned premium reserve, equal to the amount of the risk premium deducted at the time of the last premium payment prior to the valuation date that will cover the period between the last premium date and the payment date of the next premium. The risk premium is not reduced for the 'earned' period between the last premium date and the valuation date on the grounds of materiality[13].
- A reserve for the guarantee that underpins the maturity benefit. This is calculated as the greater of the deterministic reserve and the stochastic reserve in aggregate.

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

The stochastic reserve is calculated as the average of a number of deterministic reserves derived under a variety of interest rate scenarios. In calculating the average, interest rates are assumed to have a lognormal distribution. The mean of the distribution is taken to be the interest rate assumed for the deterministic reserve (the risk-free rate at a mean duration of liabilities). The standard deviation of the distribution is derived by having regard to the volatility of one year into five year swaps. This has been chosen as a reasonable measure of the underlying volatility after having considered the average term of the fixed-term assets which have notionally been allocated to back these liabilities. The deterministic reserves are calculated over a range of scenarios, with step changes in probability of occurrence of 5%.

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

Individual term assurance business

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

The method assumes a constant lapse rate for all durations.

Risk Margin

Omnilife assumes that all market risks are hedgeable, and therefore excludes market risk capital from the Risk Margin calculation. The counterparty default risk to which Omnilife is exposed relates mainly to asset default risk rather than reinsurer's default risk, and as such counterparty default risk capital is also excluded from the Risk Margin calculations on the grounds of materiality[14].

The quantifiable non-hedgeable risks included within the SCR for Omnilife are considered to be the following:

- Insurance risks - Life:
  - Mortality risk
  - Expense risk
  - Lapse risk
  - Catastrophe risk
- Insurance risks - Health:
  - Disability-morbidity risk
  - Expense risk
  - Revision risk

[13] The unearned premium reserve contributed less than £0.01 million to the Best Estimate Liabilities as at 31 December 2018.

[14] Excluding asset default risk (i.e. only retaining an allowance for reinsurer default risk) would lead to a stand-alone capital requirement for counterparty default risk of around £150k as at 31 December 2018. If this were included in the Risk Margin calculation, it would serve to increase the RM by about 1%.

- Catastrophe risk

- Operational risk

The Risk Margin is determined by projecting, over the lifetime of the business, the part of the SCR that relates to non-hedgeable risks, as set out above.

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

- The composition and the proportions of the risks and sub-risks do not change over time (which is relevant to the Basic SCR component of the SCR);
- The duration is the same net and gross of reinsurance (which is relevant to the operational risk component of the SCR).

For the Risk Margin calculation the business is split into three categories so that within each category the duration of liabilities is similar. The table below sets out the categories and the corresponding duration assumption used in the calculation.

CATEGORY	AVERAGE DURATION ASSUMPTION
GROUP RISK BUSINESS – CREDIT LIFE	10 YEARS
GROUP RISK BUSINESS – OTHER THAN CREDIT LIFE	1 YEAR
INDIVIDUAL BUSINESS	5 YEARS

D.2.5. Uncertainty in the Technical Provisions

Data

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

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

Assumptions

Best estimate assumptions have been set using information and analysis available as at 31 December 2018. For example:

- Economic assumptions are derived using market data as at the valuation date.
- IBNR assumptions, for UK group risk business and overseas group life business, are determined based on internal experience analyses.
- Overhead expenses are set using the current level of expenses with the inflation rate set using market data as at the valuation date.
- Profit margins are determined based on high-level experience analyses.

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

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

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

Mortality – individual term assurance business

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

Claim termination – group risk claims in payment

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

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

The Best Estimate Liabilities for this business amount to £0.3 million.

Persistency – overseas individual business

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

Modelling

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

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

The Technical Provisions shown in the Annual Report and Accounts at 31 December 2018 include the same Risk Margin and Best Estimate Liabilities that make up the Solvency II Technical Provisions.

D.2.7. Regulatory Approvals

Matching adjustment

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

Volatility adjustment

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

Transitional measures

Transitional measure on the risk-free interest rate

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

Transitional measure on Technical Provisions

Omnilife does not apply a transitional measure on Technical Provisions.

D.3. OTHER LIABILITIES

Other liabilities on the balance sheet, as at 31 December 2018, comprise of:

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

The other liabilities as at 31 December 2018 break down as follows:

OTHER LIABILITIES	VALUE 2018 (£ MILLION)	VALUE 2017 (£ MILLION)
CLAIMS OUTSTANDING – NET OF REINSURANCE	0.7	0.5
INSURANCE AND INTERMEDIARIES PAYABLES	2.4	1.2
ACCRUALS AND DEFERRED INCOME	0.9	0.5
AMOUNTS DUE TO RELATED PARTIES	0.2	0.0
DEFERRED TAX	0.1	0.1
TAXATION	0.0	0.0
TOTAL	**4.3**	**2.3**

Claims outstanding, net of reinsurance

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

Insurance and intermediaries payables

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

Amounts due to related parties

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

Accruals and deferred income

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

Deferred tax liability

A deferred tax liability has been calculated based on the contribution from fixed assets.

Taxation

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

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

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

D.4. ALTERNATIVE METHODS FOR VALUATION

Omnilife does not use any alternative methods for valuation.

E. Capital Management

E.1. OWN FUNDS

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

The Company's Risk Management System incorporates a Risk Appetite Statement relating to Own Funds. The Risk Appetite Statement specifies a risk tolerance limit for the ratio of eligible Own Funds to SCR of 150%.

The Company's Business Plan and Business Strategy are subject to an annual review process and approval by the Board. This annual review incorporates a projection of expected SCR coverage over a three-year planning horizon, which also forms a key part of the ORSA process and the ORSA Report. The Company aims to remain within its risk appetite for solvency over the length of the business planning horizon.

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

As at 31 December 2018 the ratio of eligible Own Funds to SCR was 270%, compared to 393% at the previous year-end.

E.1.2. Description of Own Funds

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

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

Omnilife currently has no Ancillary Own Funds items.

Ordinary share capital and the related share premium account

The ordinary share capital is fully paid up and therefore is classified as Tier 1 capital. In August 2013, £5,330,310 of retained profits was converted into called-up share capital through the issue of bonus shares to existing shareholders.

Reconciliation reserve

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

Restrictions

There are no restrictions on Omnilife's Own Funds.

Below is the table which sets out the value of Own Funds, split by categories, as at 31 December 2018:

COMPONENTS	VALUE 2018 (£ MILLION)	VALUE 2017 (£ MILLION)
ORDINARY SHARE CAPITAL AND THE RELATED SHARE PREMIUM ACCOUNT (TIER 1)	14.9	14.9
RECONCILIATION RESERVE (TIER 1)	3.1	3.0
OWN FUNDS	**18.0**	**17.9**

There has not been any significant movement in the value of Own Funds over the year.

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

The equity in the Annual Report and Accounts is the same as basic Own Funds under Solvency II at 31 December 2018.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR as at 31 December 2018 amount to £6.7 million and £3.3 million respectively.

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

E.2.1. SCR split by Risk Module

SCR COMPONENT	31 DEC 2018 (£ MILLION)	31 DEC 2017 (£ MILLION)
LIFE MORTALITY	0.6	0.4
LIFE EXPENSE	0.3	0.3
LIFE LAPSE	0.0	0.0
LIFE CATASTROPHE	3.9	2.7
DIVERSIFICATION WITHIN LIFE UNDERWRITING RISK	*-0.6*	*-0.5*
SCR_{LIFE}	**4.2**	**2.9**
SLT HEALTH	0.0	0.0
HEALTH CATASTROPHE	0.3	0.3
DIVERSIFICATION WITHIN HEALTH UNDERWRITING RISK	*-0.0*	*-0.0*
SCR_{HEALTH}	**0.3**	**0.3**
INTEREST RATE	0.1	0.1
EQUITY	0.0	0.0
SPREAD	0.3	0.4
CONCENTRATION	1.5	1.3
CURRENCY	0.6	0.8
DIVERSIFICATION WITHIN MARKET RISK	*-0.8*	*-0.9*
SCR_{MARKET}	**1.7**	**1.6**
COUNTERPARTY DEFAULT RISK – TYPE 1	0.3	0.4
COUNTERPARTY DEFAULT RISK – TYPE 2	1.8	0.5
DIVERSIFICATION WITHIN COUNTERPARTY DEFAULT RISK	*-0.1*	*-0.1*
$SCR_{DEFAULT}$	**2.0**	**0.8**
DIVERSIFICATION (ACROSS ALL RISK CATEGORIES)	***-2.3***	***-1.6***
BASIC SCR	**5.9**	**4.1**
OPERATIONAL	0.8	0.5
DEFERRED TAX LOSS ABSORBENCY	0.0	0.0
TOTAL SCR	**6.7**	**4.6**

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

The PRA did not require Omnilife to apply a capital add-on as at 31 December 2018.

The SCR at 31 December 2018 is higher than at the previous year-end, mainly due to increased mortality and life catastrophe risks, plus an increased counterparty risk on premium debtors, which reflect the growth in the insurance business.

There has not been any significant movement in the MCR over the year.

E.2.2. Simplifications Adopted for the SCR Calculation

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

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

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

E.3. DURATION-BASED EQUITY RISK SUB-MODULE

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

E.4. INTERNAL MODEL INFORMATION

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

E.5. NON-COMPLIANCE WITH THE MCR OR SCR

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

Appendix 1 – Pillar 1 Valuation Basis

A summary of the best estimate assumptions used to determine Omnilife's Solvency II Technical Provisions as at 31 December 2018 is set out below.

ITEM OF EXPERIENCE	31 DECEMBER 2018	31 DECEMBER 2017
Economic		
US$ INTEREST RATE (MEAN)	EIOPA's risk-free curves, as at the valuation date, which vary by currency[15]	EIOPA's risk-free curves, as at the valuation date, which vary by currency[15]
GBP£ INTEREST RATE (MEAN)		
EUR€ INTEREST RATE (MEAN)		
TERM ASSURANCES INTEREST RATE	As above	As above
US$ 1-INTO-5 YR. INTEREST VOLATILITY	58bp	62bp
GBP£ 1-INTO-5 YR. INTEREST VOLATILITY	57bp	51bp
EUR€ 1-INTO-5 YR. INTEREST VOLATILITY	31bp	32bp
Mortality / Morbidity		
TERM ASSURANCE BUSINESS MORTALITY	100% TXC00	100% TXC00
UK GROUP RISK BUSINESS EXC. INVESTMENT SCHEME WITH EQUITY EXPOSURE IBNR	1.5 months	1.5 months
UK GROUP RISK BUSINESS – INVESTMENT SCHEME WITH EQUITY EXPOSURE IBNR	19 months	19 months
OVERSEAS GROUP LIFE BUSINESS IBNR	2.5 months	2.5 months
OVERSEAS GROUP DISABILITY BUSINESS IBNR	5 months	5 months
Claim Termination		
UK GROUP INCOME PROTECTION – CLAIMS IN PAYMENT	100% CMIR-12	100% CMIR-12
OVERSEAS GROUP INCOME PROTECTION – CLAIMS IN PAYMENT[16]	85% CMIR-12	85% CMIR-12
Persistency		
UK GROUP RISK BUSINESS – RENEWAL RATE FOR SCHEMES ON GUARANTEED RATE PERIOD	100%	100%
TERM ASSURANCE BUSINESS	5% p.a.	5% p.a.
IDA BUSINESS	5% p.a.	5% p.a.
Expenses		
INDIVIDUAL BUSINESS – OVERHEADS FROM CYPRUS ADMIN OFFICE	£66,752 p.a.	£62,310 p.a.
INDIVIDUAL BUSINESS – OVERHEADS INFLATION RATE	3.9% p.a.	3.8% p.a.
GROUP RISK BUSINESS – CLAIMS IN PAYMENT	5% p.a. of benefits to be paid	5% p.a. of benefits to be paid
Profit margins		
GROUP RISK BUSINESS – RISK PREMIUM	2.5%	2.5%
GROUP RISK BUSINESS – EXPENSE LOADING	10%	10%
Probability of reinsurer (counterparty) default		
AA CREDIT RATING	0.02%	0.02%
Average duration (used for counterparty default adjustment)		
GROUP RISK BUSINESS – CREDIT LIFE	10 YEARS	10 YEARS

15 The mean interest rates, which are needed in order to derive the stochastic liability, are determined as the risk-free rate at the term equal to the average duration of liabilities using EIOPA's risk-free curves.

16 One claimant at 31 December 2018 is not expected to recover before normal retirement age. The methodology adopted for this claim in payment is that the liability is calculated as an annuity certain (with no allowance for mortality).

GROUP RISK BUSINESS – OTHER THAN CREDIT LIFE	1 YEAR	1 YEAR
TERM ASSURANCE BUSINESS	5 YEARS	7 YEARS
UK GROUP PHI – CLAIMS IN PAYMENT	6 YEARS	6 YEARS

Appendix 2 – Quantitative Reporting Templates (QRTs)

The following pages contain QRTs for Omnilife as at 31 December 2018.

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

The following Solo QRTs are provided:

- S.02.01, balance sheet information
- S.05.01, information on premiums, claims and expenses, using the valuation and recognition principles used in the financial statements
- S.05.02, information on premiums, claims and expenses by country
- S.12.01, information on the technical provisions relating to life insurance and health insurance
- S.23.01, information on Own Funds, including basic Own Funds
- S.25.01, information on the SCR, calculated using the standard formula
- S.28.01, specifying the MCR for insurance

S.02.01.01

Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	437
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,421
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	
R0130	*Bonds*	4,421
R0140	*Government Bonds*	122
R0150	*Corporate Bonds*	
R0160	*Structured notes*	4,299
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	531
R0240	*Loans on policies*	531
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	5,658
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	5,658
R0320	*Health similar to life*	418
R0330	*Life excluding health and index-linked and unit-linked*	5,240
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	4,113
R0370	Reinsurance receivables	1,584
R0380	Receivables (trade, not insurance)	123
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	19,956
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	36,823

		Solvency II value
	Liabilities	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	12,962
R0610	*Technical provisions - health (similar to life)*	709
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	684
R0640	*Risk margin*	25
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	12,253
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	11,818
R0680	*Risk margin*	435
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	2,251
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	89
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,594
R0830	Reinsurance payables	833
R0840	Payables (trade, not insurance)	1,078
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	18,808
R1000	**Excess of assets over liabilities**	18,014

S.05.01.01

Premiums, claims and expenses by line of business

	Life	**Line of Business for: life insurance obligations**		**Life reinsurance obligations**		**Total**
		Health insurance	**Other life insurance**	**Health reinsurance**	**Life reinsurance**	
		C0210	C0240	C0270	C0280	C0300
	Premiums written					
R1410	*Gross*	747	17,813		703	19,263
R1420	*Reinsurers' share*	392	10,548		262	11,202
R1500	*Net*	355	7,265	0	441	8,061
	Premiums earned					
R1510	*Gross*	697	16,468		498	17,662
R1520	*Reinsurers' share*	353	9,496		141	9,990
R1600	*Net*	344	6,971	0	357	7,673
	Claims incurred					
R1610	*Gross*	119	10,837		9	10,965
R1620	*Reinsurers' share*	56	8,333		77	8,466
R1700	*Net*	63	2,504	0	-68	2,499
	Changes in other technical provisions					
R1710	*Gross*					
R1720	*Reinsurers' share*					
R1800	*Net*					
R1900	**Expenses incurred**	226	5,375	0	212	5,813
R2500	**Other expenses**					
R2600	**Total expenses**					5,813

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country
	Life					
R1400			LB	SA	BH	
		C0220	C0230	C0240	C0250	C0280
	Premiums written					
R1410	*Gross*	18,295	462	376	131	19,263
R1420	*Reinsurers' share*	10,806	180	150	67	11,202
R1500	*Net*	7,489	282	226	65	8,061
	Premiums earned					
R1510	*Gross*	16,852	476	396	-62	17,662
R1520	*Reinsurers' share*	9,697	183	157	-47	9,990
R1600	*Net*	7,155	294	238	-14	7,673
	Claims incurred					
R1610	*Gross*	10,866	93	90	-85	10,965
R1620	*Reinsurers' share*	8,334	55	128	-51	8,466
R1700	*Net*	2,532	38	-38	-34	2,499
	Changes in other technical provisions					
R1710	*Gross*					
R1720	*Reinsurers' share*					
R1800	*Net*					
R1900	**Expenses incurred**	5,813				5,813
R2500	**Other expenses**					
R2600	**Total expenses**					5,813

S.12.01.01

Life and Health SLT Technical Provisions

		Other life insurance			Accepted rein-surance	Total (Life other than health insurance, incl Unit-linked)	Health insurance (direct business)			Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees	
		C0060	C0070	C0080	C0100	C0150	C0160	C0170	C0180	C0210
	Technical provisions calculated as a sum of BE and RM									
R0030	**Gross Best Estimate**		5,793	3,777	2,248	11,818		684		684
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		4,130	6	0	4,136		418	0	418
R0050	*Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses*		4,130	6		4,136		418		418
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		4,129	6	1,106	5,240		418		418
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		1,665	3,771	1,142	6,578		266	0	266
R0100	**Risk margin**	352			83	435	25			25
R0200	**Technical provisions - total**	9,922			2,331	12,253	709			709
R0210	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	5,788			1,225	7,013	292			292
R0220	**Best estimate of products with a surrender option**	3,777				3,777				0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	13,834	13,834			
R0030	Share premium account related to ordinary share capital	1,058	1,058			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	3,123	3,123			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets					
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0230	Deductions for participations in financial and credit institutions					
R0290	**Total basic own funds after deductions**	18,014	18,014			
	Ancillary own funds					
R0400	**Total ancillary own funds**					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	18,014	18,014			
R0510	Total available own funds to meet the MCR	18,014	18,014			
R0540	Total eligible own funds to meet the SCR	18,014	18,014			
R0550	Total eligible own funds to meet the MCR	18,014	18,014			
R0580	**SCR**	6,663				
R0600	**MCR**	3,288				
R0620	**Ratio of Eligible own funds to SCR**	270%				
R0640	**Ratio of Eligible own funds to MCR**	548%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	18,014
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	14,891

R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	3,123

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	315
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	10
R0790	**Total Expected profits included in future premiums (EPIFP)**	325

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010	**Article 112**	Regular reporting	

		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
R0010	Market risk	1,673	1,673
R0020	Counterparty default risk	2,076	2,076
R0030	Life underwriting risk	4,189	4,189
R0040	Health underwriting risk	351	351
R0050	Non-life underwriting risk		0
R0060	Diversification	-2,309	-2,309
R0070	Intangible asset risk		
R0100	**Basic Solvency Capital Requirement**	5,980	5,980

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	772
R0140	Loss-absorbing capacity of technical provisions	
R0150	Loss-absorbing capacity of deferred taxes	-89
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	6,663
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	6,663

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations

R0200	MCR_L Result	2,435

		Net (of reinsurance & SPV) best estimate and TP calculated as a whole	Net (of reinsurance & SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	6,844	
R0250	Total capital at risk for all life (re)insurance obligations		3,273,585

	Overall MCR calculation	C0070
R0300	Linear MCR	2,435
R0310	SCR	6,663
R0320	MCR cap	2,999
R0330	MCR floor	1,666
R0340	Combined MCR	2,435
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	3,288