Omnilife

Omnilife Insurance Company Limited
Solvency and Financial Condition Report

Year ended 31 December 2021

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Summary

Company Overview

Omnilife Insurance Company Limited ('Omnilife' or 'the Company') is a privately owned, UK life insurance company. At 31 December 2021 the Company was a wholly owned by RGA Americas Reinsurance Company Ltd ('RGAA') which is part of Reinsurance Group of America ('RGA'). Since the year-end there has been a change in the immediate parent as described in A.1.2. The ultimate parent company in the Group is Reinsurance Group of America, Incorporated ('RGA Inc'), whose corporate headquarters is located St. Louis, Missouri and is listed on the New York Stock Exchange (NYSE: RGA).

Purpose of the Solvency and Financial Condition Report

The Solvency and Financial Condition Report ("SFCR") is an annual report that the company is required to produce as part of the Solvency II regime. The SFCR is a public document and Omnilife is required to disclose this document on its website. The Company must also provide a copy to the UK supervisory authority, the Prudential Regulation Authority ("PRA").

This report will assist the Company's customers in understanding the Company's regulatory position and financial strength. This SFCR has been prepared in accordance with the PRA rulebook and the Solvency II Regulations.

Business and Performance Summary

Omnilife's strategic objective is to become a consolidator of closed UK life insurance blocks, working in conjunction with RGA.

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

The Company's financial performance resulted in a profit for the 2021 financial year, after taxation, of £5.0m. The profit was due to favourable experience over the year together with credit for 2020 taxable losses utilised by the RGA group plus the establishment of a deferred tax asset.

The Company's financial performance is discussed in more detail in Section A of this report.

Governance Overview

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

The Omnilife System of Governance includes:

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

Risk Management

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

1. Active risk management - the risk-taking business units such as business development, marketing, and administration. All individuals that carry out a 'first line' activity or make decisions on behalf of Omnilife are responsible for managing the risks in relation to that activity or decision.
2. Risk assurance - the second line functions of risk management 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 internal and external audit functions, provide independent assurance to the Board regarding the risk management activity of the business.

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

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

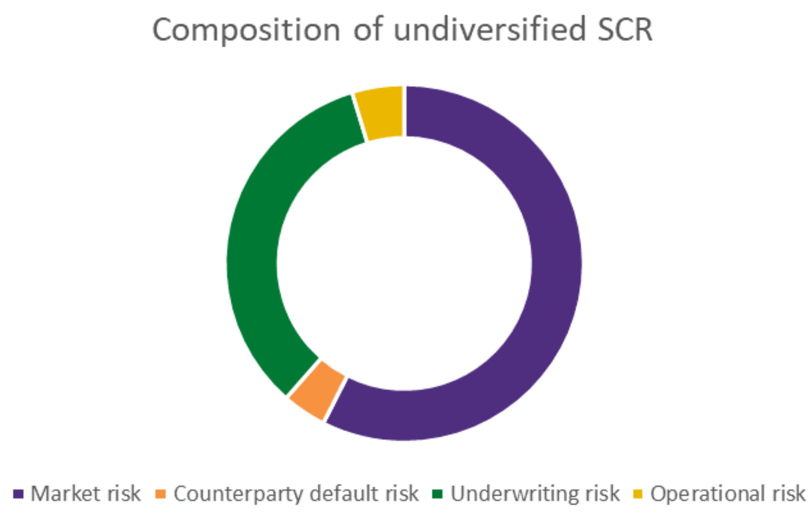
The Company's overall strategy and its 3-year business plan are set with reference to Omnilife's risk appetite, to ensure that the type and amount of risks to which Omnilife is exposed can be adequately managed and are in line with agreed preferences.

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

Risk Profile

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

The chart below shows the component risks which make up the Company's total Solvency Capital Requirement ("SCR"). This is the amount of capital that Omnilife must hold to protect it from extreme risk events.



The chart shows that the Company's greatest exposure is to market risk which arises through its investment in corporate bonds. Underwriting risk arises from the annuity business where the Company is exposed to the risk that annuitants live longer than estimated, increasing the overall payments made to our policyholders.

The composition of the risks is largely unchanged over the year.

Capital Management

The Company's risk management framework incorporates explicit risk appetite statements relating to capital. The SCR coverage ratio is a key risk indicator which is regularly reported to the Audit and Risk Committee and to the Board.

The Company's own funds are mainly comprised of ordinary share capital and reconciliation reserves (retained earnings). These items are treated as Tier 1 unrestricted capital items. There is £2.0m of deferred tax asset which is treated as Tier 3 capital and the entirety of the own funds is eligible to cover the SCR. The Tier 3 capital is not eligible to cover the Minimum Capital Requirement ("MCR").

The table below summarises the Company's capital position as at 31 December 2021.

Solvency Position (£000's)	31 December 2021	31 December 2020
Own Funds	91,767	84,126
Solvency Capital Requirement	37,557	33,473
SCR Coverage Ratio	244%	251%
Minimum Capital Requirement	9,389	8,368
MCR Coverage Ratio	956%	1005%

Whilst there has been an increase in Omnilife's own funds there has been a reduction in the Company's solvency ratio to 244% (2020: 251%), due to the increase in the solvency capital requirement. Omnilife continues to have a significant margin over its target minimum solvency ratio.

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

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

The 2021 ORSA was approved by the Board on 13 December 2021.

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 2021

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

Deian Jones

Date: 29 March 2022

A. Business and Performance

A.1. Business and External Environment

A.1.1. Summary Information

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

Omnilife Insurance Company Limited
45th Floor
22 Bishopsgate
London
EC2N 4BQ

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

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

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

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

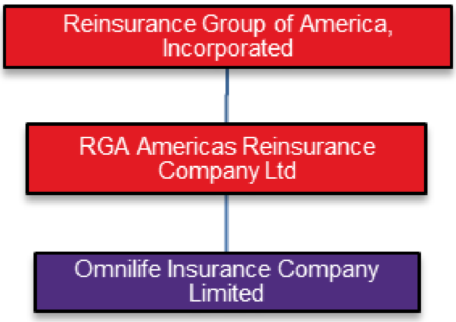
The Omnilife Board of Directors has reviewed and approved the contents of the 2021 Solvency & Financial Condition Report.

A.1.2. Group Structure

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

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

A simplified RGA Group structure is set out below.



Following the year-end, there has been a change in the group structure with RGA Investments LLC set up as a subsidiary of RGA Americas and the immediate parent of Omnilife.

A.1.3. Business and Strategy

Omnilife's strategy is to pursue acquisition opportunities of closed blocks of life business with an emphasis on RGA's core capabilities of biometric and investment risks.

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

Prior to July 2019, Omnilife primarily sold group risk business both in the UK and overseas which following the decision to withdraw from these markets, is in run-off.

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

The table below illustrates the relative size of each of Omnilife's lines of business, in terms of Best Estimate Liabilities as at 31 December 2021, with a comparison to the prior year.

LINE OF BUSINESS	BEST ESTIMATE LIABILITIES (£ MILLION)[1]			
	2021		2020	
	Gross	Net	Gross	Net
UK Annuities	490.3	313.0	596.4	366.6
UK Group Life	0.2	0.0	0.5	0.1
Overseas Individual and Group Risk	0.4	0.2	0.5	0.3
Overseas Individual Savings	1.5	1.5	1.6	1.6
Total	492.2	314.7	599.0	368.5

The annual premium for both the UK and Overseas protection business reduced during 2021, with the business in run-off. The reduction in the Overseas Individual Savings liabilities was caused primarily by surrenders and maturities during 2021.

The insurance liabilities of Omnilife are primarily UK sterling denominated, together with some US dollar denominated (less than 1% of the total).

[1] Omnilife does not calculate the Solvency II Risk Margin at the level of individual lines of business, Best Estimate Liabilities have therefore been used above to compare the relative materiality of the different lines of business. The Risk Margin accounted for approximately 2% of the overall Solvency II Technical Provisions as at 31 December 2021.

A.1.4. Significant Business and External Events

Chief Executive Officer

Jonathan Plumtree retired from Omnilife in November and has been replaced by Deian Jones who was formally approved by the PRA on 24 January 2022. Deian is also the Chief Executive of Hodge Life Assurance Company Limited ("HLAC").

Hodge Life Assurance Company Limited

On 1 July 2021, RGA completed the acquisition of Hodge Life Assurance Company Limited, which is now a sister company to Omnilife of similar size, and with an equivalent focus on annuity liabilities. The group is currently considering its options to derive synergy benefits from these two operations. The acquisition of Hodge Life provided an opportunity implement a strong executive succession plan, with a combination of Omnilife and Hodge Life executives now holding responsibilities in respect of both entities.

Credit rating

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

Brexit

Omnilife currently has a number of policyholders in the European Union, however with no new business being written this number will gradually reduce. The Company has been in correspondence with relevant EU regulators and affected customers regarding its approach to EU resident policyholders post the end of the Brexit transition period.

Covid-19

The Covid-19 pandemic has caused continued disruption and financial strain throughout the world. When the pandemic struck in 2020 Omnilife swiftly implemented its business continuity plans and, with the help of its 3rd party providers, successfully managed the operational challenges of having staff work from home for a prolonged period. Appropriate changes were also made to manage the impact of Covid-19 on policyholders.

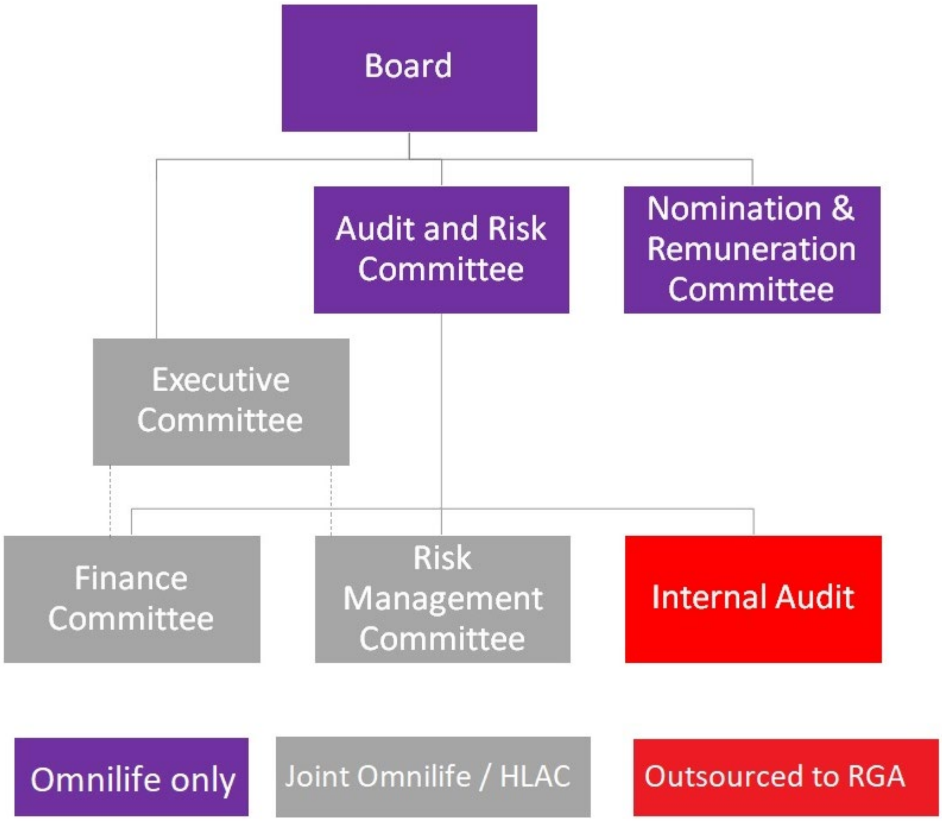
Whilst the UK has experienced several 'waves' of infections, restrictions are starting to ease and the Company expects to see a return to a more normal operational and risk environment.

A.1.5. Organisational Structure

Omnilife's current organisational structure is shown below. The structure has evolved over the year to reflect the impact of the HLAC acquisition by RGA and the combination of the management teams. Both entities operate similar organisation and governance structures. Both Omnilife and HLAC have independent Boards. The operating model continues to focus on the efficient utilisation of existing, proven RGA resources and selected outsourced services as the business grows.

Below the Board (and its committees) which only consider Omnilife matters, the executive committees now consider issues relating to Omnilife and HLAC.

At the end of 2021 all Omnilife staff were employed by RGA's service company with appropriate cross charges made for their costs (shared with HLAC).



- 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.
- The Chair of the Audit and Risk Committee, Paul Whitlock was approved on 17 September 2020. Paul has been an independent NED since 1 July 2020.
- Caroline Instance, an independent NED since 1 April 2015 was chair of the Nomination and Remuneration Committee throughout 2021.
- The Chief Executive Officer ('CEO'), Deian Jones was appointed on the retirement of Jonathan Plumtree in November 2021. As CEO he reports to the Board and to the RGA EMEA Head of Global Financial Solutions. The Executive Committee assists the CEO in running the company.
- Gary Finkelstein held the role of Chief Risk Officer ('CRO') until December 2021 and reported to the CEO and the Chair of the Audit and Risk Committee. At the time of writing Omnilife are seeking an interim CRO.
- Nigel Ennis has been the Chief Compliance Officer ('CCO') and the Money Laundering Reporting Officer ('MLRO') since he received regulatory approval on 3 July 2020. Nigel reports into the CEO and the Chair of the Audit and Risk Committee for both of these roles.
- The Risk Management Committee assists the CRO and CCO in discharging their duties.
- Samuel Gunter is acting Chief Financial Officer ('CFO') awaiting regulatory approval at which point he will succeed Stephen Turner who has been the CFO since 13 August 2020.
- Stephen Grigg has been the Chief Actuary since 10 July 2020, reporting to the CEO and the Board.
- The Finance Committee assists the CFO and Chief Actuary in discharging their duties.

- The Internal Audit Function is outsourced internally to Omnilife's parent group, RGA Inc. Paul Smith is the Head of the Internal Audit function and reports to the Chair of the Audit and Risk Committee.
- The role of Company Secretary has been held by Waterstone Company Secretaries Ltd since 1 January 2020.
- The managers of the operational functions report directly to the CEO and attend the Executive Committee.

A.2. Underwriting Performance

A.2.1. Overall Underwriting Performance

The following table sets out Omnilife's performance in the technical account for long-term business and the total profit / (loss) as shown in the financial statements for the year.

Profit & Loss £m	2021	2020
Net written premium*	0.2	(237.7)
Investment return	(13.5)	0.4
Other income	0.0	0.3
Net claims	(35.9)	(3.0)
Movement in net technical provisions *	55.3	224.4
Net operating expenses	(3.9)	(4.2)
Other expenses & foreign exchange losses	(1.0)	(0.7)
Profit / (loss) on technical account before tax	1.2	(20.5)
Tax (charge) / credit	4.1	(0.2)
Profit / (loss) on technical account	**5.3**	**(20.7)**
Profit / (loss) on non-technical account	(0.3)	(0.3)
Total Profit / (loss)	**5.0**	**(21.0)**

* The business transfer completed in 2020 did not contribute to written premiums on the technical account, however the reinsurance put in place at the effective date had a premium of £238.4m and the reinsurance asset as at the year-end was £229.9m.

Omnilife made a technical profit of approximately £5.3 million over 2021 (2020: loss of £20.7 million), the main components of this profit are as follows:

- Claim payments were higher in 2021, with net claims increasing from £3.0 million to £35.9 million due to the annuity business transferred in at 31 December 2020. Whilst claims were higher than 2020, they were lower than expected due to favourable experience.
- The release of technical provisions in 2021 were due to the run-off of the annuity business together with the impact of an increase in the discount rate used to determine the technical provisions.
- The investment loss of £13.5 million in 2021 (2020: £0.4 million profit) was due to the increase in interest rates and corporate bond spreads reducing the value of the assets.
- The tax credit of £4.1m is largely in respect of the 2020 losses.

A.3. Investment Performance

A.3.1. Holdings by Asset Class

Omnilife's Investment Policy Statement (IPS) prohibits investment in equities and property and it does not use any hedging vehicles. The IPS was last updated in May 2021 in preparation for future bulk transfers into Omnilife.

The investments held as at 31 December 2021 are shown in the table below.

Asset class at 31 December (£ million)	2021	2020
Bonds	398.7	448.9
Reinsurance asset	178.5	231.2
Cash accounts	16.1	19.2
Policy loans	0.1	0.1
Other assets	5.8	4.6
Total assets	599.2	704.0

The run-off of the annuity business together with the increase in interest rates and corporate bond spreads over 2021 have resulted in a reduction in the market value of bonds and the reduction in the value of the reinsurance asset.

A.3.2. Overall Investment Performance

Component of Investment Performance (£ Million)	2021	2020
Investment income	2.7	0.3
Unrealised gains / losses	(16.2)	0.1
Interest on policy loans	0.0	0.0
Foreign exchange gains / losses	0.0	0.0
Net investment gains / losses	(13.5)	0.4

Omnilife earned investment income during the year from bond coupons and interest on short-term deposits and cash accounts. The unrealised losses in 2021 are due to the increase in interest rates and corporate bond spreads.

Omnilife maintained a low amount of Own Funds in US dollar during 2021. The foreign exchange gains / losses in the year were negligible.

A.4. Performance of Other Activities

A.4.1. Other Activities

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

B. System of Governance

B.1. General Information

B.1.1. Overview of Governance Framework

The Omnilife System of Governance includes:

- an Organisational Structure (see Section A.1.5), with clear allocation and segregation of responsibilities;
- corporate policies defining key principles and rules for operation;
- operating procedures detailing the activities and controls individuals are expected to perform; and
- a regular effectiveness review of the System of Governance. A Board effectiveness review was carried out in March 2021.

In July 2021, the RGA group purchased Hodge Life Assurance Company in line with its strategy of seeking closed-book annuity companies.

To strengthen governance and efficiently run these two life companies within RGA group a joint management structure is being put into place with additional resources but with senior managers and team members performing the same role for both companies. This process began just before yearend 2021 and is subject to approval and so the SFCR in section B.1.3 reflects the pre-change position.

Independent challenge of management will be maintained through the separate iNEDs and separate CROs in each company.

B.1.2. Board and Sub-Committees

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

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

Board of Directors

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

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

- setting and oversight of adherence to corporate policies; and
- ensuring Omnilife meets all regulatory requirements.

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

BOARD MEMBER	TITLE
DEIAN JONES[2]	CEO
PATRICIA KAVANAGH	NED, RGA
HAMISH GALLOWAY	NED, RGA
CAROLINE INSTANCE	INED
JIM JACK	CHAIR, INED
PAUL WHITLOCK	INED
MARK LAIDLAW	INED

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

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

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

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

Audit and Risk Committee

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

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

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

[2] Appointed 24 January 2022 on approval as SMF01 to replace Jonathan Plumtree

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

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

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

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

Nomination and Remuneration Committee

The purpose of the Nomination and Remuneration Committee is to:

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

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

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

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

B.1.3. Delegation of Responsibility and Reporting Lines

Senior Managers

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

<table>
<tr><th>TITLE</th><th>HOLDER</th><th>RESPONSIBILITY ALLOCATION</th><th>REPORTS TO</th></tr>
<tr><td>CEO</td><td>DEIAN JONES[3]</td><td>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.</td><td>BOARD</td></tr>
<tr><td>CFO</td><td>STEPHEN TURNER[4]</td><td>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</td><td>CEO

AUDIT AND RISK COMMITTEE</td></tr>
<tr><td>CRO</td><td>GARY FINKELSTEIN[5]

LEFT DEC 2021</td><td>Oversight of the risk management framework;
Performance of the firm's Own Risk and Solvency assessment (ORSA)</td><td>CEO

AUDIT AND RISK COMMITTEE</td></tr>
<tr><td>GROUP ENTITY SENIOR MANAGER</td><td>PATRICIA KAVANAGH (NED)

HAMISH GALLOWAY (NED)</td><td>Assist the Board in developing its strategic business model from the firm's overseas parent company</td><td>BOARD</td></tr>
</table>

[3] Replacing Jonathan Plumtree who held the role until 1 Dec 2021 (approval granted 24 January 2022)
[4] Handover to Samuel Gunter planned in early 2022 (subject to regulatory approval). It is planned that Samuel Gunter will have sole responsibility for the allocation and maintenance of Omnilife's capital and liquidity.
[5] In the Interim an external CRO is planned to cover this role (subject to regulatory approval)

TITLE	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
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	PAUL WHITLOCK (NED)	• Chairing and overseeing the performance of the role of the Audit and Risk Committee in delivering its agreed Terms of Reference	BOARD
CHAIR OF THE NOMINATION AND REMUNERATIO N 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	STEPHEN GRIGG	• Co-ordinate the calculation of technical provisions and ensure that these are both reliable and adequate. • Provide the Board with an opinion on the underwriting policy and the adequacy of reinsurance arrangements.	CEO BOARD
HEAD OF COMPLIANCE AND MLRO	NIGEL ENNIS	• 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 • Compliance with the requirements of the regulatory system about the Management Responsibilities Map	CEO AUDIT AND RISK COMMITTEE
HEAD OF INTERNAL AUDIT	PAUL SMITH	• Responsible for the management of the internal audit function and for reporting directly to the Audit and Risk Committee on the internal audit function	AUDIT AND RISK COMMITTEE

Certified Functions

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

KEY FUNCTION	HOLDER	RESPONSIBILITY ALLOCATION	REPORTS TO
PRODUCT GOVERNANCE MANAGER	GEORGINA SHIELD	• Responsible for product governance, ensuring we treat customers fairly, including care of vulnerable customers. • Responsible for the oversight and development of customer and marketing communications.	CEO
BUSINESS MANAGER	RUSSELL TAPLIN	• Responsible for overseeing business activities • Responsible for the oversight of significant outsourcing arrangements.	CEO

Two further roles, that of the Head of Risk and the Senior Capital Actuary functions are due to be added to the list of certified roles early in 2022.

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

External audit

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

Reporting

Omnilife's reporting structure is set out in the tables above and in the Organisational Structure in Section A.1.5.

This Governance Framework ensures that the relevant financial and non-financial information from each business function is provided to the appropriate individuals and / or committees to enable the monitoring of Omnilife's performance and an informed and risk-based approach to business decision processes.

The key internal control functions are responsible for undertaking monitoring activities and reviews to determine the accuracy and reliability of both financial and non-financial information being reported throughout the Company.

B.1.4. Executive Committees

Senior managers are supported in discharging their responsibilities by three executive committees:

Roles and responsibilities of Executive Committee

The committee consists of executive management and manages the business and executes the Company's strategy in line with the will of the Board. It is chaired by the CEO.

It monitors financial performance, risk indicators, operational resilience and change programmes to ensure each business and function is able to make the requisite contribution to the strategic plan and budget.

It is responsible for the first line of defence for the company and is responsible for oversight and control of the company's outsourcing (to both other companies with in the RGA Group and to third parties). It is also responsible for oversight of the transitional activities required as part of the change of control. It receives escalations from Finance Committee or Risk Management Committee (where appropriate).

Roles and responsibilities of the Finance Committee

The committee consists of executive management chaired by the Chief Financial Officer ("CFO") and is responsible for providing the necessary assistance, implementation, and maintenance to the Board to maintain its legal and fiduciary obligations with respect to matters involving financial reporting and capital, liquidity or asset-liability management. It is also responsible for judgements used in actuarial valuation.

Roles and responsibilities of the Risk Management Committee

The committee consists of executive management chaired by the Head of Risk[6] and is responsible for the second line of defence of the business.

It is responsible for developing and implementing a robust enterprise-wide risk management framework and reviewing the aggregated risk profile of the company. It ensures that significant risks are identified, understood, assessed, and managed. It also monitors and co-ordinates the activities of compliance throughout the Company.

B.1.5. Remuneration

Remuneration policy

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

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

Executive Directors and employees

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

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

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

[6] Reflecting the fact that separate CROs will face off to each company, as this committee covers HLAC as well as Omnilife, the chair needs to be a second line role holder with responsibilities to both entities.

- Being aware of and input to any major changes in employee benefit structures affecting these individuals, including pension arrangements

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

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

Executive directors and employees are remunerated as follows:

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

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

Non-Executive Directors

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

B.2. Fit and Proper Requirements

B.2.1. Skill, Knowledge and Expertise Requirements

Overview of requirements

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

- They have the necessary knowledge, skills and experience to undertake their intended roles and responsibilities competently, in an effective and efficient manner and, where relevant, are able to add value to the business;
- They do not undertake their activities in a manner that will bring the Company into disrepute; and
- They do not undertake their activities for the purposes of financial crime, fraud, or any other criminal activity.

Senior Managers and Certified Personnel

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

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

B.2.2. Fit and Proper Policy

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

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

The extent to which the above processes are applied will be determined by the intended roles and responsibilities of a specific individual.

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

B.2.3. Assessment Process

Recruitment

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

- A Recruitment and Compensation Governance Policy exists to ensure appropriate control and oversight of remuneration and appointment of staff.

- The HR function, which is an outsourced function, works closely with the relevant manager(s) to understand fully the position to be filled, therefore enabling a clear role profile to be developed.
- All candidates are required to submit a curriculum vitae to the Company. Suitable candidates are invited for competency-based interviews. Depending on the nature of the role to be filled, candidates may participate in a number of interviews with various Omnilife representatives up to and including members of the Board.
- Employment offers are subject to satisfactory references, right to work checks and evidence of qualifications. All Senior Managers and Certified Personnel are subject to pre-employment criminal, credit and regulatory background checks.
- In addition to the above, for any individual that will become a PRA / FCA Controlled Function holder, the following activities will be undertaken:
    - Submission of the 'Controlled Function' application to the PRA / FCA; and
    - Completion of a self-assessment by the individual.
- The HR function is responsible for maintaining records to demonstrate that a robust recruitment process was followed.

Initial training and supervision

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

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

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

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

Ongoing training and competence management

All employees are subject to annual performance reviews.

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

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

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

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

- Managers have direct input into their team's salary increases, which involves both quality of work and financial performance metrics;
- The manager's annual salary review reflects whether they have completed their team's performance review process; and

- Annual bonuses are also directly linked to performance and are not payable to any employee who is undergoing formal disciplinary process.

Annual fitness and proprietary checks

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

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

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

Corporate governance effectiveness reviews

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

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

Internal transfers

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

B.3. Risk Management System

B.3.1. Overview of Risk Management System

Omnilife has a Risk Management System that is designed to assess, control, and monitor risks from all sources for the purpose of increasing short and long-term value to Omnilife's stakeholders. Omnilife ensures that there is strong alignment between the risk appetite, risk register and other management information.

B.3.2. Business Strategy and Plan

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

Each year, Omnilife prepares a Business Plan covering a three-year period, which is considered the optimal planning period for the business, recognising the inherent uncertainty of the markets in which the Company operates. The current Business Plan covers the period 2022 to 2024. 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 the business through expected transfers in or acquisitions, financial performance targets, the use of risk reduction strategies, such as reinsurance and any important business development activities.

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

B.3.3. Risk Strategy

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

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

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

The risk strategy sets out to:

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

B.3.4. Risk Governance

Three Lines of Defence

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

OMNILIFE BOARD 'TONE FROM THE TOP' – 'RISK CULTURE' 'PERFORMANCE & RISK OVERSIGHT' 'RISK ACCEPTANCE'		
FIRST LINE OF DEFENCE **'ACTIVE RISK MANAGEMENT'** 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 provide the policies and standards within which the First Line of Defence is expected to operate and provide independent oversight and challenge of decisions taken	**THIRD LINE OF DEFENCE** **'INDEPENDENT ASSURANCE'** Those functions responsible for providing independent assurance to the Board and its committees
IT, ACTUARIAL FUNCTION, INVESTMENT MANAGEMENT, FINANCE, RGA UK OPERATIONS, ETC.	**RISK MANAGEMENT FUNCTION** **COMPLIANCE & FINANCIAL CRIME FUNCTION** **DATA PROTECTION FUNCTION**	**INTERNAL 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 "needs improvement", 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 the CRO[7], who reports to the CEO and the Audit and Risk Committee (ARC).

The CRO is supported by the Head of Risk who leads risk work jointly for Omnilife and HLAC.

The Risk Management Function is responsible for development, maintenance and operation of the risk management system (RMS). This is documented in the company's Target Operating Model.

The Risk Management function provides risk opinions on major initiatives and proposals to assist the Executive Committee and Board in the decision-making process.

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

[7] Recruitment for an interim CRO in progress at time of writing

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.

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 as well as helping with the early identification of any potential issues.

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

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

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

A review of the Risk Management Function's effectiveness is conducted on a regular basis by the Internal Audit Function, as determined by the ARC and Board as appropriate. The most recent review was conducted during 2018 and another review is scheduled during for late 2022/early 2023.

The Board and risk management

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

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

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

B.3.5. Risk Appetite

Overview

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

- Key organisational objectives and stakeholder expectations,
- 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 the impact of all material risk categories (Insurance, Credit, Investment, Liquidity and Operational Risk) operating together.

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

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

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

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

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

B.3.6. Risk Policy

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

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

B.3.7. Risk Register and Risk Assessments

Content of the Risk Register

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

Risk assessments

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

The ARC reviews the Risk Register regularly to ensure its ongoing appropriateness and completeness.

The risk assessment process involves:

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

Mapping to capital requirements

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

B.4. Own Risk and Solvency Assessment

B.4.1. Performance of the ORSA

Overview of the ORSA process

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

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

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

ORSA timelines and records

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

A record of each ORSA is maintained.

ORSA governance

Omnilife governs the ORSA process using the 'Three Lines of Defence' model, as set out above in Section B.3.4.

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 at least annually by the Risk Management Function. The Report is presented first to the ARC for review and challenge and, once a draft meets the satisfaction of the Committee, the Report is presented to the Board for review, challenge and final approval.

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

Board involvement and challenge

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

B.4.2. Use of the ORSA

Business Strategy and Business Plan

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

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

Risk and capital management

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

As part of the ORSA, Omnilife calculates the Standard Formula SCR as at the valuation date and projects it forward over the business planning horizon as part of the annual ORSA cycle.

The ORSA will also consider a broader range of risks, as recorded in the Company's Risk Register and other Key Risk Indicators, than allowed for in the Standard Formula. The capital requirement is also tested under single stresses and multi-faceted scenarios. The results are used to assess the impact of stressed conditions on the Company's future financial strength and could lead to the Company refining its Business Plan and taking further measures to mitigate particular risks.

B.5. Internal Control System

B.5.1. Overview of the Internal Control Framework

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

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

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

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

B.5.2. Key Internal Control Functions

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

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

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

- support Omnilife's Business Strategy and objectives, and enable the Company to deliver value to stakeholders;

- enable Omnilife to operate successfully within its risk environment and in accordance with its risk appetite; and
- remain adequate to enable Omnilife to adhere to applicable regulatory and legislative requirements.

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

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

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

Compliance & Financial Crime Function

Responsibility for overseeing the company's compliance with its regulatory requirements and its financial crime deterrence rests with the Compliance and Financial Crime function. The function is led by the Head of Compliance, who reports jointly to the CEO and the ARC. This is a dedicated part-time role which is fulfilled by an experienced RGA compliance professional (who have no responsibilities to HLAC). The Head of Compliance is supported by a compliance officer.

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

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

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

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

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

Finance Function

Omnilife's accounting policies and procedures reside within the Finance Function which is outsourced. The Finance Function is the responsibility of the Chief Financial Officer which is an in-house role. At the balance sheet date this was a part-time role which was fulfilled by an experienced RGA finance officer. Pending regulatory approval, in early 2022 this role will become a dedicated full-time role undertaken jointly for Omnilife and HLAC.

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

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

Data Protection Function

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

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

B.6. Internal Audit Function

B.6.1. Overview of the Internal Audit Function

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

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

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

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

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

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

B.7. Actuarial Function

B.7.1. Composition of the Actuarial Function

The Actuarial Function comprises:

- the Chief Actuary role, held by Stephen Grigg;
- an internal actuarial department; and
- RGA Enterprise Services and RGA UK Services.

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

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

B.7.2. Actuarial Department

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

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

The Actuarial Department is primarily responsible for the following:

- performing quarterly reserve reviews to ensure adequate provisions are established for future claims activity;

- monitoring actual vs. expected claim experience;
- production, communication and embedding of Solvency Capital Requirement (SCR) under the Standard Formula;
- input to Omnilife's Business Plan;
- providing support to the Finance and Risk functions in proposing Omnilife's risk appetite to the Board and ensuring that it complements the business plans and objectives.

B.7.3. Chief Actuary

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

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

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

B.8. Outsourcing

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

The Company outsources:

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

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

B.9. Assessment of Governance

B.9.1. Assessment of System of Governance

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

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

B.9.2. Board and Committee Performance and Effectiveness Reviews

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

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

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

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

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

An independent review of Board Effectiveness was conducted in the first half of 2021.

B.9.3. Review of Governance Effectiveness

The Internal Audit Function undertakes periodic reviews of the Governance Framework at the requestof the ARC.

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 periodic basis. The most recent review was completed in October 2018. The next review is planned for 2022 in accordance with the latest rolling Internal Audit Plan established following the restructuring of the business.

B.9.5. 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 the key internal controls across the firm are audited over a three year 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.

Through delivery of the annually approved Internal Audit Plan, the Internal Audit Function undertakes ongoing assessments of the suitability and effectiveness of the Internal Control Framework. The Internal Audit Function also undertakes periodic reviews of the overall System of Governance at the request of the ARC. Any weaknesses identified by the Internal Audit Function are reported to the ARC together with proposed actions to remedy the issues identified.

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

C. Risk Profile

This section describes the nature of the risks which the Company has underwritten and the guiding principles which it has followed and intends to follow in future in reinsuring or covering those risks.

Risk assessment process

The Board is ultimately responsible for the adequacy of Company's risk management processes and framework, and for ensuring that all material risks are identified and addressed. At an executive level, the first line committees are responsible for ensuring the identification and management of risks and the Risk Management Committee is responsible for the adequacy of the risk management framework.

Risk profile

No new transfers in occurred in Omnilife during the year (although sister company HLAC was bought by the RGA and is now being managed alongside the Omnilife book[8]).

The balance sheet is dominated by the Generali closed annuity book which transferred in on 31 December 2020. The orderly run-off of group risk and other closed business continued to progress well; liabilities before reinsurance are now less than £2m (2020 £4m).

The annuity business leaves the company exposed to the risk that annuitants live longer than estimated. It is also exposed to the risk that matching assets perform less well than expected. Both of these risks are mitigated by the reinsurance arrangements that Omnilife has entered into.

The Company seeks to reduce risks from changes in interest rates by matching cashflows from its asset portfolio with the required payments to annuitants and reduces liquidity risks by maintaining minimum liquid assets. The Company's liquidity risk policy is reflected in the levels of cash and other liquid assets it maintains to meet its shorter-term obligations and structural risks.

The Company accepts that operational risks arising from its people, processes, systems or the external environment are a natural consequence of its business operations but seeks to avoid or mitigate the risk to a minor level wherever practical.

The small volumes of legacy business no longer have a strong impact on the solvency of the company, but the company remains committed to providing a good service to the customers.

Climate change risks can crystallise as investment risks or insurance risks. Considerations of climate change are embedded in individual risk policies and the ORSA considers specific scenarios where climate change risks could emerge across several risk types.

Use of reinsurance

The Company uses reinsurance agreements to manage its exposures to longevity and market risks. Reinsurance to other companies within the RGA Group is chosen as the primary method to manage the Company's risk profile in order to retain value within the group.

Retention is set at levels that balance the target profit within the RGA Group, the minimisation of volatility and the management of capital to protect the overall solvency position of the Company. The Company must have recourse to sufficient funds to be able to recover its SCR coverage ratio within timescales required for undertakings in difficulty in the event of a reinsurer failure.

Therefore, arrangements with the potential for a significant exposure to a single entity are collateralised so that the Company would be able to continue to meet 100% of SCR if the reinsurer were to become insolvent or could swiftly restore its solvency to that level with pre-defined management actions within the timescales required for undertakings in difficulty.

[8] Under the direction of a separate Board.

There are three reinsurance arrangements in place for the annuities

- A 40% coinsurance with RGA Americas, with the premium being held in a collateralised trust. The inflation linked, deferred, and longest outstanding duration of in payment annuities were allocated to this block. The coinsurance assets follow the Investment Guidelines of the reinsurance treaty. These permit investment in the equity release mortgages and commercial mortgage loans. This treaty also provides a Letter of Credit facility to mitigate the counterparty credit risk that Omnilife has if the reinsurer fails to perform under the terms of the treaty.
- A 30% full risk portfolio stop loss with Assured Guaranty Re Overseas (Bermuda)('AGRO'), with the reference fund being initially set at 102% of the Solvency-II best estimate liability ('BEL') and targeting 90% - 104% of BEL. The reference fund is retained by Omnilife and follows its investment guidelines as defined in the treaty.
- A 20% full risk portfolio stop loss with RGA Atlantic (Barbados), with the reference fund being initially set at 100% of the Solvency II BEL and targeting between 97½ - 102½% of BEL. The reference fund is retained by Omnilife and follows its investment guidelines as defined in the treaty.

There is also reinsurance in place with Gen Re on much of the legacy business.

The Company sets its target capital at a level to ensure it could recover its SCR coverage ratio to over 100% within timescales required for undertakings in difficulty in the event of failure of the largest reinsurance counterparty exposure.

Prudent person principle

The Company selects and manages its investments in accordance with the 'prudent person principle', by following guidelines set out in its Investment Policy Statement, which has been agreed by the Board.

The guidelines include the following constraints

- Interest rate risk: The interest rate risk of the Company is described primarily by the effective duration. When applicable, the intent is to closely match the cash flows of the assets and best estimate liabilities to keep interest rate risk low. A limit of +/- 2.5 years duration mismatch is applied.
- Credit risk: Credit risk is managed by diversification across fixed income sectors and by prudent issuer and ratings limitations.
- Liquidity risk: Maintaining sufficient liquidity is of utmost importance. Liquid Assets are defined in the asset class range and limits table. The overall liquidity will be managed and monitored jointly by the CFO, RGA Treasury and RGA Investments.

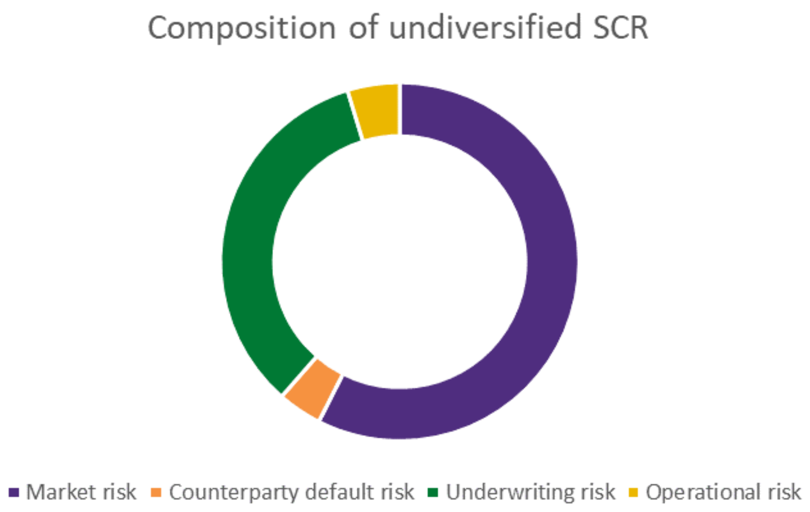
The investment policy lists permitted assets as liquid assets, government securities, credit securities and a limited array of structured securities. Limits are applied to maximum investments in each class to control exposures and a maximum holding to a single security of 5% is applied to control investment risk.

Less than 1% of the Company's assets and liabilities are held in currencies other than sterling.

The Investment Policy Statement is implemented by our Investment Manager and any breaches of the Policy are reported to the Audit & Risk Committee who are required to agree the proposed remedial action.

Risk exposures

The resulting risk profile as given by the standard formula SCR as at 30 December 2021 is shown below.



The net of reinsurance risk exposure under the standard formula SCR is driven by market risk (primarily corporate bond spread risk) but with a material amount of life risks (almost entirely longevity risk and expense risk from annuities). The counterparty default risk is split between reinsurance and debtor risk.

C.1. Insurance Risk

Insurance risks are the risks that the costs of providing the insurance benefits exceed those expected (whether in pricing or in reserving).

C.1.1. Longevity risk

Omnilife's primary exposure to insurance risk is from annuity policyholders living longer than expected. Actuarial assumptions relating to the level and trend of mortality rates are required in reserving for these contracts. The Company is exposed to the risk that actual experience of mortality rates is lower than these assumptions.

The Company has entered into a coinsurance treaty and two stop-loss treaties. These materially reduce the longevity risk.

The Company still has some residual longevity risk from the 10% share of the annuities it has not reinsured, some residual exposure on the stop-loss reinsurance as well as the impact of increased longevity on the costs of managing policies.

Although gross of reinsurance longevity exposures have decreased (through run off and a rise in interest rates), there has been an increase in net longevity risk over 2021, caused by an increase in the surplus within the stop-loss reinsurance. The Omnilife share of the surplus would be at risk from an increase in longevity.

The exposure to longevity risk is tracked by the Finance Committee and Audit and Risk Committee through the capital and liquidity report. Risk comment on this risk in risk reporting and runs stresses and scenarios as part of the ORSA process.

C.1.2. Expense risk

The Company is exposed to the risk that the costs of administering the in-force portfolio are higher than expected or increase faster than expected. Actuarial assumptions relating to the amount of expenses and future inflation of expenses are required for reserving the annuity contracts. Expense risks are not mitigated by any of the reinsurance treaties.

An experience analysis investigation is carried out annually to confirm the appropriateness of the expense assumptions including any expense overrun provision. The exposure to expense risk is tracked by the Finance Committee and Audit and Risk Committee through the capital and liquidity report. Current year expenses are compared against expected within the valuation report. Risk comment on this risk in risk reporting and stresses and scenarios on expense risk are considered as part of the ORSA process.

Expense risks have stayed at a similar level during 2021.

C.1.3. Mortality/Disability/Lapse/Heath Underwriting/Catastrophe risk

The Company has a very small and decreasing residual exposure to these risk types from the legacy business. This business is running off quickly and gives a limited financial exposure to Omnilife. Reporting on this business is focused on customer and conduct risks.

C.2. Market Risk

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

Omnilife's investment assets, principally bonds and cash, are managed for Omnilife by RGA Capital Limited and RGA Enterprise Services. The Board has approved Investment Guidelines that define the appetites and tolerances within which these investment managers must operate which include considerations of the liabilities backed by these assets.

C.2.1. Credit risk

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

Although gross of reinsurance credit spread exposures have decreased over the year, there has been an increase in the assessment of net spread risk over 2021, caused by an increase in the surplus within the stop-loss reinsurance. The Omnilife share of this surplus would be at risk from an increase in spreads making the 2021 position more exposed to credit spreads.

C.2.2. Interest rate risk

Interest rate risk arises through any mismatch in the amount and timing of cash flows on assets and liabilities held by the Company. Surplus assets may also be at risk of losing value from changes in interest rates. The investment guidelines set a ±2.5 year limit on the maximum acceptable duration difference in assets and liabilities which helps control this risk.

Interest rate risk exposure dropped slightly during 2021.

C.2.3. Other market risks

Omnilife have a small exposure to foreign exchange risk from the overseas assets and liabilities from the legacy book.

It is not directly exposed to either property or equity risks.

On a solvency II basis, there is a capital requirement in respect of the concentration of market risks.

C.2.4. Assessment and Management of Market Risks

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

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

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

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

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

C.3. Counterparty Credit Risk

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

However, as the reinsurers are extremely well capitalised, the failure of any of its main reinsurers is well outside a 1 in 200 event leading to a relatively low SII capital requirement primarily from the risk from default in cash holdings.

However, as the impact such an event would be highly material, Omnilife has a detailed Recovery and Resolution Plan that sets out the steps the Company would take were a reinsurer or outsourcer to fail to fulfil their obligations.

C.3.1. Assessment and management of Counterparty Credit Risk

The Reinsurance Policy and Outsourcing Policy are approved by the Board and include details of identifying and monitoring permitted counterparties.

The recovery and resolution plan considers the extreme event of the RGA group, our main reinsurers, failing completely. The impact of such an event is mitigated by the use of collateral and letters of credit.

In this extremely unlikely event Omnilife would recapture collateral assets, move some of the bond portfolio to higher rated assets, draw on available Letters of Credit and seek alternative external reinsurance (e.g. longevity swaps).

The exposure to reinsurance counterparties is monitored regularly, with the capital requirement, collateral position, and an assessment of the security of the firm included in regular reporting to the ARC.

The counterparty credit risk as assessed under SII and the exposure to reinsurance failure of Omnilife have both stayed at a similar level during the year.

C.4. 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.

C.4.1. Assessment and Management of Liquidity Risk

The Investment Policy Statement puts in place restrictions in respect of the investment classes, duration and concentration and includes minimum requirements for liquid assets.

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

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

Liquidity monitoring is carried out by the CFO and issues are escalated to the CRO and CEO, as required. The Audit and Risk Committee reviews available liquid funds regularly.

C.5. Operational risk

C.5.1. Definition of Operational Risk

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

C.5.2. Assessment and Management for Operational Risk

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

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

C.5.3. Operational Risk Reporting

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

Omnilife makes use of significant outsourcing, in particular using specialist services within the RGA Group, which in turn may utilise external outsourcers, such as EQ (previously known as Equiniti) which provides administration services in respect of the annuity portfolio transferred from Generali at the end of 2020.

To ensure the standard and reliability of services provided, the Board have approved an Outsourcing & Related Party Transactions Policy and a Vendor Risk Management Policy. These policies set out how outsourcing providers are selected and monitored. The Recovery and Resolution Plan describes steps that would be taken by Omnilife if a provider failed to fulfil its obligations

C.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 and within the ORSA to identify possible events and future changes in economic conditions that could have unfavourable effects on the Business Strategy and/or Business Plan and the Company's financial standing. This includes consideration and assessment of stresses that will threaten the viability of the Business Plan and Business Strategy (i.e. reverse stress testing).

C.7. Other Risks

C.7.1. Reputational Risk

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

C.7.2. Conduct risk

Conduct risk has the potential to arise if the Company's behaviours result in poor customer outcomes; it is inherent in any operation that provides products or services to customers. Delivering good customer outcomes is a key driver in building a valuable, sustainable business and the Company is only willing to tolerate negligible levels of conduct risk.

Regular conduct risk training is completed for all staff members, with more in-depth training for certified individuals. Additionally, a number of processes are in place and executed by first line management to manage and monitor conduct risk exposures across the end-to-end customer journey. This includes a product governance framework including annual product risk reviews. Conduct risk processes are subject to review and oversight provided by the Risk and Compliance functions.

C.7.3. Climate risks

Omnilife considers the risks that may emerge due to climate change within the risk types listed above. While impacts to insurance risks are possible (and have been considered in the ORSA), the most likely impacts from the effects of climate change would be expected to be seen in the performance of the assets.

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 2021.

Asset Class	2021		2020		Valuation Methodology
	Value £m	% Assets	Value £m	% Assets	
Government Bonds	31.2	7.4%	39.5	8.4%	Quoted market price
Corporate Bonds	367.5	87.4%	409.4	86.6%	Quoted market price
Cash, Deposits*	16.1	3.8%	19.2	4.1%	Account value / balance held
Other Assets	5.9	1.4%	4.7	1.0%	
Total**	420.7	100.0%	472.8	100.0%	

* In 2021 all of the majority of the cash and short-term deposits are in institutions with a credit standing of A or above.

** Excluding reinsurance recoverables and reinsurer's share of outstanding claims of £178.5m as at 31 December 2021 (£231.2m as at 31 December 2020).

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

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

D.1.3. Reinsurance Asset

As at 31 December 2021, the value of Omnilife's reinsurance recoverable was £177.6 million with the reinsurers' share of outstanding claims of £0.9m.

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 2021, 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;
- Policy loans; and
- Deferred tax.

The other assets as at 31 December 2021 break down as follows:

Other Assets Value £m	2021	2020
Debtors (excluding reinsurance operations)	3.1	1.1
Debtors arising out of reinsurance operations	0.6	2.6
Policyholder Loans	0.1	0.1
Prepayments	0.1	0.9
Deferred Tax Asset	2.0	0.0
TOTAL	**5.9**	**4.7**

Debtors (excluding reinsurance operations)

Debtors (excluding reinsurance operations) amount to £3.1 million. This relates to premiums due on direct insurance business plus amounts due from group companies in respect of tax recoverable. They have been calculated at face value as they are expected to be settled in the short-term, i.e. less than 24 months, after the valuation date.

Debtors arising out of reinsurance operations

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

Policy loans

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

Prepayments

The prepayments of £0.1m are payments made in advance of the year-end in respect January annuity payments.

Deferred Tax Asset

The £2.0m DTA is in respect of 2020 tax losses which we expect to be used to offset against group profits.

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 annuities are the most material line of business with the legacy business representing less than 0.5% of the total best estimate liabilities. No products span more than one line of business, so no unbundling of contracts is necessary in the calculation of Technical Provisions.

D.2.2. Technical Provisions as at 31 December 2021

The table below sets out the Technical Provisions as at 31 December 2021 for each of Omnilife's main lines of business.

Technical Provisions £m	2021	2020
Best Estimate Liabilities		
UK Annuities	490.3	596.4
UK Group Life	0.2	0.5
Overseas Individual and Group Risk	0.4	0.5
Overseas Individual Savings	1.5	1.6
Total Best Estimate Liabilities	**492.2**	**599.0**
Risk Margin	11.9	13.4
Technical Provisions	**504.1**	**612.4**

The reduction in the technical provisions over the year is due to the run-off of the business and the increase in the valuation discount rate as a result of the increase in risk free yields.

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 2021.

Risk Margin

The assumptions used to in the calculation of the Risk Margin as at 31 December 2021 are set out in Section D.2.4 below.

D.2.4. Valuation Methodology

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

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

Individual Annuities

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

Group Risk business - excluding claims in payment

For Group Risk business the best estimate liability is calculated as the sum of the unearned premium reserve and the incurred but not reported ('IBNR') reserve to allow for delays in reporting claims. In addition, there is an additional reserve, expressed as a multiple of annual premium, in respect of extra premiums on sub-standard lives.

Group Risk business - claims in payment

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

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

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

Individual savings business

For the individual savings business, the BEL is calculated as the sum of the following:

- The amount of the investment account, ignoring any surrender penalties.
- An unearned premium reserve, equal to the amount of the risk premium deducted at the time of the last premium payment prior to the valuation date that will cover the period between the last premium due date and the payment date of the next premium, reduced for the 'earned' period between the last premium due date and the valuation date.
- A reserve for the guarantee that underpins the maturity benefit.[9]

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

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

Individual term assurance business

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

The method assumes a constant lapse rate for all durations.

Expense Provisions

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

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

[9] Given the current low interest rate environment and that the business is in run-off, on the grounds of proportionality and materiality a simplified approach is adopted as at 31 December 2021.

Risk Margin

Omnilife assumes that all market risks are hedgeable, and therefore excludes market risk capital from the Risk Margin calculation. Whilst the asset default risk is deemed to be hedgeable, the reinsurer's default risk is included in the risk margin calculations as at 31 December 2021.

D.2.5. Uncertainty in the Technical Provisions

Data

For the annuity business the administration is performed by RGA UK Services and Omnilife is reliant upon the accuracy and completeness of the data provided.

For overseas Group Risk business reinsured in from Medgulf, Omnilife does not perform any data administration and so is reliant upon the accuracy and completeness of the data provided by Medgulf.

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 2021. For example:

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

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

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

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

Mortality – individual annuity business

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

Mortality – individual term assurance business

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

Claim termination – Group Risk claims in payment

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

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

The gross BEL for this business amounts to £0.2 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 BEL, as discussed in Section D.2.4 above and in particular using an alternative method to full cash-flow projection for the less material lines of business, will necessarily lead to some uncertainty in the Technical Provisions. However, the Company does not believe that the simplifications adopted lead to materially different Technical Provisions than would result from implementing the full calculations.

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

The Technical Provisions shown in the Annual Report and Accounts at 31 December 2021 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 applied the volatility adjustment to the discount rate used for the sterling denominated annuity business. As at 31 December 2021 the volatility adjustment was 0.15% and reduces the gross technical provisions by £7.8m.

31 December 2021 £m	As Published	Without Volatility Adjustment	Impact of removing the Volatility Adjustment
Technical Provisions	504.1	512.0	7.8
Reinsurance Recoverables	177.6	184.0	6.4
Own Funds	91.8	90.4	(1.4)
Solvency Capital Requirement	37.6	36.7	(0.8)
SCR Coverage Ratio	244%	246%	2%
Minimum Capital Requirement	9.4	9.2	(0.2)
MCR Coverage Ratio	956%	962%	6%

Without the volatility adjustment, own funds would be expected to reduce by £1.4m to £90.4m. The loss of own funds is smaller than the increase in technical provisions as the reinsurance provides protection.

Without the volatility adjustment the SCR would reduce by £0.8m. The loss of the volatility adjustment would reduce the surplus under the stop-loss reinsurance treaties and result in the reinsurance being more effective under the SCR stresses.

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 2021, comprise of:

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

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

Other Liabilities £m	31 Dec 2021	31 Dec 2020
Claims outstanding – net of reinsurance	(0.5)	1.9
Insurance and intermediaries payables	0.7	0.7
Accruals and deferred income	0.6	0.8
Amounts Due to related parties	1.5	3.3
Taxation[10]	0.0	0.0
Total	2.3	6.7

Claims outstanding, net of reinsurance

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

Insurance and intermediaries payables

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

Amounts due to related parties

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

Accruals and deferred income

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

Taxation

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

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

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

D.4. Alternative Methods for Valuation

Omnilife does not use any alternative methods for valuation.

[10] Tax credit for 2021 is included in Other Assets D.1.5.

E. Capital Management

E.1. Own Funds

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

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

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

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

As at 31 December 2021 the ratio of eligible Own Funds to SCR was 244%, compared to 251% 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)
- Deferred Tax Asset (Tier 3)

Omnilife currently has no Ancillary Own Funds items.

Ordinary share capital and the related share premium account

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

Reconciliation reserve

The reconciliation reserve is a balancing item which ensures that the total Own Funds equal the excess of assets, which are available to absorb unexpected losses, over liabilities. For Omnilife, it is comprised solely of retained earnings, however the deferred Tax assets has been excluded as this is Tier 3 capital which is restricted.

Restrictions

The deferred tax asset is classed as Tier 3 capital as this is less than 15% of the SCR there is no restriction for SCR purposes. For MCR purposes no Tier 3 capital is eligible.

Below is the table which sets out the value of Own Funds, split by categories, as at 31 December 2021:

Components of Own Funds £m	31 Dec 2021	31 Dec 2020
Ordinary Share Capital plus the Share Premium Account (Tier 1)	155.6	154.6
Reconciliation Reserve (Tier 1)	(65.8)	(70.4)
Deferred tax asset (Tier 3)	2.0	-
Own Funds	**91.8**	**84.1**

Own Funds increased by £7.6 million 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 2021.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR as at 31 December 2021 amount to £37.6 million and £9.4 million respectively.

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

E.2.1. SCR split by Risk Module

Solvency Capital Requirement £m	31 Dec 2021	31 Dec 2020
Life Longevity	15.4	11.1
Life Expense	1.8	1.8
Life Catastrophe	0.0	0.1
Diversification within Life underwriting risk	*(1.3)*	*(1.3)*
SCR_{Life} (A)	**15.9**	**11.7**
SCR_{Health} (B)	**0.0**	**0.2**
Interest Rate	9.2	10.9
Spread	24.7	21.3
Concentration	5.4	5.5
Currency	0.3	0.3
Diversification within Market risk	*(12.6)*	*(13.4)*
SCR_{Market} (C)	**27.0**	**24.7**
$SCR_{Default}$ (D)	**2.2**	**2.5**
Diversification across all risk categories (E)	*(9.7)*	*(8.3)*
Basic SCR (F=A+B+C+D+E)	**35.3**	**30.8**
Operational Risk Capital (G)	**2.2**	**2.7**
Adjustment for deferred tax loss absorbency (H)	**-**	**-**
Total SCR (=F+G+H)	**37.6**	**33.5**

SCR components with a capital requirement of less than £50,000 have not been shown.

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 2021.

The SCR at 31 December 2021 is higher than at the previous year-end, mainly due to surplus accruing in the stop-loss reinsurance portfolios which results in Omnilife retaining a larger proportion of the risk.

The MCR at 31 December 2021 is £9.4m and has increased in line with the SCR. At last year-end the MCR was at £8.4m.

E.2.2. Simplifications Adopted for the SCR Calculation

Whilst simplifications are used in the health underwriting risk module these are not material.

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 – Valuation Assumptions

A summary of the best estimate assumptions used to determine Omnilife's Solvency II Technical provisions as at 31 December 2021 is set out below.

Item of Experience	31 December 2021	31 December 2020
Economic		
GBP£ interest rates US$ interest rates EUR€ interest rates	PRA's risk free curves, as at the valuation date, which vary by currency	EIOPA's risk free curves, as at the valuation date, which vary by currency
Annuities	As above plus VA for GBP Annuities	As above
Mortality / Morbidity		
Annuities (in payment & deferred) • Base Mortality ○ Males – annuity < £6,802 pa ○ Males – annuity > £6,802 pa ○ Females • Improvements	 87.1% PNMA00 86.9% PNMA00 99.4% PNFA00 CMI 2017 with RGA adj	 87.1% PNMA00 86.9% PNMA00 99.4% PNFA00 CMI 2017 with RGA adj
Individual Term Assurance	100% TXC00	100% TXC00
UK Group business IBNR period	2.0 months	2.0 months
Overseas group business IBNR period	2.5 months	2.5 months
Claim Termination		
UK group PHI – claims in payment	100% CMIR-12	100% CMIR-12
Overseas group PHI – claims in payment	85% CMIR-12	85% CMIR-12
Persistency		
Term assurance business – lapse rate	5% p.a.	5% p.a.
Individual Deposit Administration – lapse rate	5% p.a.	5% p.a.
Expenses		
Annuities – renewal expenses	£46.35 p.a.	£45 p.a.
Expense Inflation	3.0% per annum	3.0% per annum
Group risk business – claims in payment	5% p.a. of benefits	5% p.a. of benefits
Group risk business	Set at a scheme level	Set at a scheme level
Profit Margins		
Group risk business – risk premium	2.5%	2.5%
Group risk business – expense loading	0%	0%
Adjustment to reinsurance asset for the expected loss on default – Legacy business		
Probability of default – AA rating	0.02%	0.02%
Average duration	1 year	1 year
Expected level of non-recovery	50%	50%

Appendix 2 – Quantitative Reporting Templates (QRTs)

The following pages contain QRTs for Omnilife as at 31 December 2021.

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

The following Solo QRTs are provided:

- S.02.01, balance sheet information
- S.05.01, information on premiums, claims and expenses, using the valuation and recognition principles used in the financial statements
- S.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.22.01, information on the impact of long term guarantee measures and transitionals
- S.23.01, information on Own Funds, including basic Own Funds
- S.25.01, information on the SCR, calculated using the standard formula
- S.28.01, specifying the MCR for insurance

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	1,984,516
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	398,765,490
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	398,765,490
R0140	*Government Bonds*	15,172,630
R0150	*Corporate Bonds*	383,592,860
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	61,827
R0240	*Loans on policies*	61,827
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	177,563,716
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	177,563,716
R0320	*Health similar to life*	151,861
R0330	*Life excluding health and index-linked and unit-linked*	177,411,856
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	465,253
R0370	Reinsurance receivables	1,648,551
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	16,128,800
R0420	Any other assets, not elsewhere shown	2,595,463
R0500	**Total assets**	599,213,616

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	504,143,405
R0610	*Technical provisions - health (similar to life)*	225,678
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	225,393
R0640	*Risk margin*	285
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	503,917,727
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	492,018,447
R0680	*Risk margin*	11,899,280
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	443,334
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	739,598
R0830	Reinsurance payables	974,672
R0840	Payables (trade, not insurance)	1,146,062
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	507,447,071
R1000	**Excess of assets over liabilities**	91,766,545

S.05.01.02

Premiums, claims and expenses by line of business

Life		Line of Business for: life insurance obligations			Life reinsurance obligations		Total
		Health insurance	Index-linked and unit-linked insurance	Other life insurance	Health reinsurance	Life reinsurance	
		C0210	C0230	C0240	C0270	C0280	C0300
	Premiums written						
R1410	*Gross*	-69,984	0	423,862		166,787	520,665
R1420	*Reinsurers' share*	-16,327	0	247,032		57,753	288,458
R1500	*Net*	-53,657	0	176,830	0	109,034	232,207
	Premiums earned						
R1510	*Gross*	-30,374	0	609,172	0	200,534	779,332
R1520	*Reinsurers' share*	-16,327	0	374,979	0	79,530	438,182
R1600	*Net*	-14,047	0	234,194	0	121,004	341,150
	Claims incurred						
R1610	*Gross*	18,069	0	40,842,603	0	227,520	41,088,191
R1620	*Reinsurers' share*	-10,727	0	5,062,964	0	-129,023	4,923,214
R1700	*Net*	28,796	0	35,779,638	0	356,542	36,164,977
	Changes in other technical provisions						
R1710	*Gross*						0
R1720	*Reinsurers' share*						0
R1800	*Net*	0	0	0	0	0	0
R1900	**Expenses incurred**	-8,694	0	-54,256	0	0	-62,950
R2500	**Other expenses**						4,351,635
R2600	**Total expenses**						4,288,686

S.05.02.01

Premiums, claims and expenses by country

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - life obligations**					**Total Top 5 and home country**
R1400			LB	BH	SA			
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	348,090	5,789	14	166,773			520,665
R1420	*Reinsurers' share*	231,872	-1,167	0	57,753			288,458
R1500	*Net*	116,217	6,956	14	109,020			232,207
	Premiums earned							
R1510	*Gross*	554,171	58,374	14	166,773			779,332
R1520	*Reinsurers' share*	351,882	28,547	0	57,753			438,182
R1600	*Net*	202,290	29,827	14	109,020			341,150
	Claims incurred							
R1610	*Gross*	40,831,442	29,230	32,641	194,879			41,088,191
R1620	*Reinsurers' share*	5,009,151	43,086	-19,584	-109,438			4,923,214
R1700	*Net*	35,822,291	-13,856	52,225	304,317			36,164,977
	Changes in other technical provisions							
R1710	*Gross*							0
R1720	*Reinsurers' share*							0
R1800	*Net*	0	0	0	0			0
R1900	**Expenses incurred**							0
R2500	**Other expenses**							4,288,686
R2600	**Total expenses**							4,288,686

S.12.01.02

Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance			Other life insurance			Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees	
		C0030	C0040	C0050	C0060	C0070	C0080	C0100	C0150	C0160	C0170	C0180	C0210
R0010	**Technical provisions calculated as a whole**								0				0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0				0
	Technical provisions calculated as a sum of BE and RM												
	Best estimate												
R0030	**Gross Best Estimate**		0	0		490,278,197	1,446,380	293,871	492,018,447		225,393	0	225,393
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0		177,223,823	0	188,032	177,411,856		151,861	0	160,100
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		0	0		313,054,373	1,446,380	105,838	314,606,592		73,533	0	65,293
R0100	**Risk margin**				11,894,483			4,797	11,899,280	285			285
	Amount of the transitional on Technical Provisions												
R0110	Technical Provisions calculated as a whole								0				0
R0120	Best estimate								0				0
R0130	Risk margin								0				0
R0200	**Technical provisions - total**				503,619,059			298,668	503,917,727	225,678			225,678

S.22.01.01

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
Technical provisions	504,143,405	0	0	7,821,705	0
Basic own funds	91,766,545	0	0	-1,404,876	0
Eligible own funds to meet Solvency Capital Requirement	91,766,545	0	0	0	0
Solvency Capital Requirement	37,556,549	0	0	-813,406	0
Eligible own funds to meet Minimum Capital Requirement	89,782,029	0	0	0	0
Minimum Capital Requirement	9,389,137	0	0	-203,352	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)	20,000,001	20,000,001		0	
R0030	Share premium account related to ordinary share capital	135,553,348	135,553,348		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-65,771,319	-65,771,319			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,984,516				1,984,516
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**					
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	91,766,545	89,782,029	0	0	1,984,516
	Ancillary own funds					
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	91,766,545	89,782,029	0	0	1,984,516
R0510	Total available own funds to meet the MCR	89,782,029	89,782,029	0	0	
R0540	Total eligible own funds to meet the SCR	91,766,545	89,782,029	0	0	1,984,516
R0550	Total eligible own funds to meet the MCR	89,782,029	89,782,029	0	0	
R0580	**SCR**	37,556,549				
R0600	**MCR**	9,389,137				
R0620	**Ratio of Eligible own funds to SCR**	244%				
R0640	**Ratio of Eligible own funds to MCR**	956%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	91,766,545
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	157,537,865
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	-65,771,319
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0120
R0010	Market risk	27,016,865		
R0020	Counterparty default risk	2,163,936		
R0030	Life underwriting risk	15,907,283		
R0040	Health underwriting risk	2,570		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-9,749,202		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	35,341,452		

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	2,215,097
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	37,556,549
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	37,556,549
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	6,616,598

		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	314,680,124	
R0250	Total capital at risk for all life (re)insurance obligations		11,878,953

	Overall MCR calculation	C0070
R0300	Linear MCR	6,616,598
R0310	SCR	37,556,549
R0320	MCR cap	16,900,447
R0330	MCR floor	9,389,137
R0340	Combined MCR	9,389,137
R0350	Absolute floor of the MCR	3,126,130
R0400	**Minimum Capital Requirement**	9,389,137