Omnilife

Omnilife Insurance Company Limited
Annual Report and Accounts

Year ended 31 December 2022
Registered Number 2294080

Contents

CHAIRMAN'S STATEMENT

I am pleased to introduce Omnilife's Annual Report & Accounts for 2022, a year in which we focused on the integration of the first two transactions which underpin our strategy and our preparations for further growth. Our strategic aim is to become established in the annuity market as a respected consolidator of closed UK blocks of business.

Part VII transfer

In July 2021, the RGA Group completed the acquisition of Hodge Life Assurance Company Limited (HLAC), a company of similar size to Omnilife, also focused on annuity business.

Our chosen strategy is to transfer the HLAC business into Omnilife to simplify the way these businesses are run. The larger size of the combined business will help us to continue to improve and develop the quality of service we provide to our customers. We can also be more efficient, for example by eliminating duplication of activity.

To achieve this, we are carrying out a legal process, called a Part VII transfer, which requires High Court approval to transfer insurance policies from one insurance company to another. We have communicated the process and its implications to the customers of both companies. The transfer was approved by the High Court on 20th March 2023 and will be effective from the end of April 2023.

Both entities have similar products, customers and operating models and in advance of the transfer we have sought to align the businesses' operations where this is practical and in customer interests.

Governance and management

Jim Jack retired as the Chair of the Omnilife Board in November 2022 after 8 years of distinguished service, and I'm honoured to have the opportunity to succeed him. As part of its succession planning process, the Board identified the need to recruit 2 additional independent Non-Executive Directors to ensure that the Board is fully prepared for the next stage of Omnilife's growth. We commenced the recruitment process towards the end of the year.

I'm very pleased that Lynzi Harrison was appointed to the Board in January 2023. Lynzi brings a wealth of customer and operations experience and will become a member of our Audit and Risk Committee with a particular focus on the management of our conduct and outsourcing risks.

We have created a bigger, stronger executive team by combining the management expertise of both Omnilife and HLAC. However, we have ensured that the two companies' governance arrangements remain strong and sufficiently independent prior to the Part VII transfer by maintaining independent Chief Risk Officers for each of Omnilife and HLAC and also maintaining independent Boards with separate independent Non-Executive Directors.

Economic outlook

There continue to be a number of headwinds impacting the UK economy as the impacts of both Brexit and the Ukraine war continue to drive the UK towards what is likely to be a prolonged period of uncertainty.

The Company has no direct underwriting or investment exposure to Ukraine or Russia.

We will continue to make sure that our investment strategy is suitably robust to withstand the potential volatility and adverse outcomes that these drivers for change may cause. The Company was not unduly affected by the market volatility in September and October this year following the Truss Government's mini-budget. Our use of reinsurance provides us with increased resilience to such volatility and potential changes in economic conditions.

Financial performance

Our focus is on solvency capital management and the market volatility had a muted impact on this metric. Coverage of our Solvency Capital Requirement (SCR) increased from 244% as at the end of the last financial year to 283% as at 31 December 2022. The Company remains strongly capitalised and has withstood ongoing volatility since the balance sheet date well.

The reported financial loss after tax was £20.3 million (2021: profit of £5.0 million). The loss for the year reflected unrealised losses on investments driven by the rising interest rate environment. Our strategy for managing interest rate risk is focused on stability of our solvency position and we accept this can create some volatility in accounting profit.

A process is in place for managing and allocating our total expenses to Omnilife and HLAC, including charging for services received from other companies within the RGA Group. We are satisfied that these arrangements are appropriate.

The orderly run-off of our closed group risk and other lines of business continues to progress well.

Climate change

As part of the RGA Group, the Company has aligned its plans to prepare for the future impacts of climate change to those of RGA. RGA published its first ESG report in August 2022 and the report is available on its website.

Consumer duty

During the year the Financial Conduct Authority (FCA) introduced a new suite of regulations under the heading of Consumer Duty. The Board approved a plan to implement the new requirements arising from these regulations in advance of the 31 October deadline and this is an important area of scrutiny from the Board.

Our customers remain at the heart of what we do and drives our approach to delivering a Part VII transfer which minimises the impact on our customers. As we combine the Omnilife and HLAC businesses, we will continue to work with our principal outsourced partners to enhance further the quality of service we provide.

The team

It has been another year of considerable progress, and on behalf of the whole Board, I would like to thank the management team for their commitment and diligence in protecting the interests of our customers over the past year. I would also like to thank my Board colleagues for their continuing guidance and support during 2022.

P.M. Whitlock

Paul Whitlock
Chairman

STRATEGIC REPORT

The strategic report contains information about Omnilife, our strategy, our 2022 business performance, our key performance indicators, our principal risks and uncertainties and the short-term outlook for the Company. The Strategic report was approved by the Board on 30 March 2023 and signed on its behalf by Deian Jones, CEO and Paul Whitlock, Chairman.

Strategy

The Company's strategic objective is to consolidate closed UK life insurance blocks.

Under this strategy, Omnilife intends to leverage the relationships, experience and expertise of RGA to actively pursue closed block acquisition opportunities in the UK market, generating sustainable profitability, whilst delivering excellent customer service for incoming customers. 2022 has been a year of preparation for the transfer of the HLAC business as well as ongoing transformation for the next phase of strategic growth.

The market presents opportunities for closed block acquisition and consolidation, driven by changes in regulation, customer behaviour and structural changes. There are also further opportunities emerging due to annuities vesting from with-profits business and pension scheme de-risking, and so the Company continues to review the opportunities these markets could present to the business.

Business performance

The financial results for the year are set out on pages 27 to 30.

The year has been one of embedding the first transfer of business from Generali and orderly run-off activity. Although no new acquisitions were completed during 2022, the company has been preparing for the anticipated Part VII transfer of annuity business from HLAC which is scheduled to complete on 30 April 2023.

The gross long term technical provision is £350.7 million (2021: £504.2 million) whilst the reinsurer's share of the long term technical provision was £108.3 million (2021: £177.6 million). The majority of the decrease in the long term technical provision for annuity business related to higher interest rates and the run-down of liabilities as the business matures.

Total expenses were £4.7 million (2021: £5.2 million). The 2022 expenses included some project costs linked to the Part VII transfer of the HLAC business. Underlying expenses have reduced as 2021 costs included a one-off payment to Generali.

The 2022 loss after tax of £20.3 million (2021: £5.0 million profit) was generated from a significant increase in interest rates and widening credit spreads on corporate bond holdings. The accounting loss generated from interest rate movements reflects a strategic choice to hedge our capital position and our SCR coverage ratio has been resilient to the market volatility seen in 2022.

The Company's financial position remained strong on a Solvency II basis, with Shareholder's funds being £71.5 million (2021: £91.8 million); this represents 283% (2021: 244%) coverage of the minimum solvency capital requirement (SCR).

Key Performance Indicators

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

Financial – Omnilife returned a £20.3m loss after tax, compared to the £5.0m profit in 2021. A significant increase in interest rates and widening credit spreads reduced the value of the Company's surplus assets, suppressing profitability in 2022. The solvency ratio has increased slightly and remains significantly higher than the Company's solvency risk appetite target.

Customers & Growth – The Company successfully completed its first closed book transfer of annuity business on 31 December 2020. No further transfers completed in 2022 and annuity policy numbers reduced in line with the expected long-term run-off. In 2023 we anticipate the transfer of business from HLAC.

Organisation & Development – We have created a bigger, stronger executive team by combining the management expertise of both Omnilife and HLAC. This creates a solid foundation to be able to successfully onboard and manage future closed books.

Operating Excellence – The Company remains committed to high quality service to its customers and monitors service delivery KPIs. These service delivery KPIs cover the handling of payments within satisfactory timescales and quality. Our operating model places the fair treatment of customers and customer service at its heart. With the benefit of RGA's client focus and service expertise, and with the oversight of Omnilife's Board and management team, we will ensure that this continues.

Principal risks & uncertainties

During 2022, the Company's principal business focus was to embed processes for the annuity policies and prepare for the transfer of the HLAC portfolio.

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

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

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

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

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

Climate change

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

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

Climate change is considered within ORSA scenarios and stress tests. The most recent ORSA considered how transition to a low-carbon economy could impact the spread on bonds on the balance sheet by transition adjustments over time, subject to a range of assumptions.

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

As part of the RGA Group, Omnilife forms part of group wide targets announced to the market in the RGA ESG report 2022. These are subject to monitoring and action to deliver against those targets.

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

Covid-19

The company maintains a hybrid working culture. The flexible approach to work practices offers resilience against potential further waves of Covid infections along with other business continuity events which prevent access to the office.

Third party service standards have been in line with service level agreements, and we expect this will be maintained.

Conflict in Ukraine

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

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

Engaging with our stakeholders

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

Who are our key stakeholders?	Why are these stakeholders important to Omnilife?	How do we engage them?
Customers Our customers are those stakeholders who use our products and rely on Omnilife to pay their annuities or insurance claims at times of need	Our customers are central to our business without whom we would not exist	We monitor KPIs on service levels, product performance and complaints to monitor our customer outcomes
Third party administrators Our third-party administration partners are fundamental in delivering our strategy	Our operating model is to use experienced third-party administrators with an excellent track record to support the core team in meeting our service objectives	We engage on a daily basis with our third-party administrators to ensure both they and our annuitants receive the value and service they expect
Employees Our employees drive our business, embody our culture and provide excellent service to our other stakeholders	Our employees are central to our business and will always be critical to our success	Employee engagement takes many forms such as weekly informal updates, one-to-ones, surveys and various employee wellbeing groups
Regulators Omnilife is regulated by both the PRA and the FCA who set the standards by which we operate and look after the interests of customers	Omnilife operates in a regulated market and is authorised to do so by the PRA. The FCA monitors our business conduct	Omnilife adopts an open and proactive approach, keeping our regulators up to date with our plans for the future, any significant changes and other important matters
Shareholders Our sole shareholder throughout 2022 was RGA	Our sole shareholder provides the capital which sustains our business and the RGA Group is also a key outsourced service provider to Omnilife	There are two RGA Group nominated Non-Executive Directors on the Board to ensure the shareholder's interests are reflected in our decision making. The shareholder nominated Directors also provide a wealth of experience and technical expertise

The Board has approved a capital management policy that includes a capital limit and capital target. This policy looks after the long term security of our customers and other stakeholders.

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

Section 172(1) statement

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

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

b) the interests of the Company's employees;

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

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

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

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

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

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

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

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

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

Outlook and business development

2022 has been a year of consolidation as we embed our operating model and prepare for the transfer from HLAC in 2023. We have continued to enhance our reporting and risk monitoring processes. This places the Company in a strong position to accept further blocks.

The principal source of growth will be through the acquisition of closed blocks of life insurance business, sourced and executed in partnership with RGA.

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

Approved and authorised for issue by the Board.

Deian Jones
Chief Executive Officer
Date: 30 March 2023

Paul Whitlock
Chairman

DIRECTORS and ADVISORS

Paul Whitlock – Chairman

Paul joined the Omnilife Board in 2020 and was appointed Chairman in November 2022. Paul is a qualified actuary and has over 35 years' experience in the life insurance industry in both corporate and consulting environments. Latterly, Paul spent 25 years in consulting and leadership positions at Willis Towers Watson, and, at different times, was Chief Actuary to nine UK life companies, including two major writers of annuity business. Earlier in his career, Paul was Finance Director for the UK operations of a Canadian financial services group.

Deian Jones – CEO

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

Mark Laidlaw

Mark joined the Omnilife Board in 2020 and was appointed Chair of the Audit and Risk Committee in November 2022. Mark is a qualified actuary with over 30 years' experience in the insurance industry working across life insurance, general insurance, asset management in the UK and internationally. He has held a number of senior positions including Chief Financial Officer, Chief Investment Officer and most recently Corporate Strategy Director at Liverpool Victoria.

Caroline Instance

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

Peter Banthorpe

Peter is Managing Director of RGA UK Services Limited, responsible for leading the management and growth of RGA's business and operations in the UK and Irish markets. Previously, Peter led RGA's Global Research and Data Analytics unit. Prior to joining RGA Peter worked at Ageas (now AIG Life), Munich Re UK and Mercer. Peter is a graduate or Cambridge University and qualified as an actuary in 2003.

Hamish Galloway

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

Company Secretary

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

Statutory auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ

CORPORATE GOVERNANCE

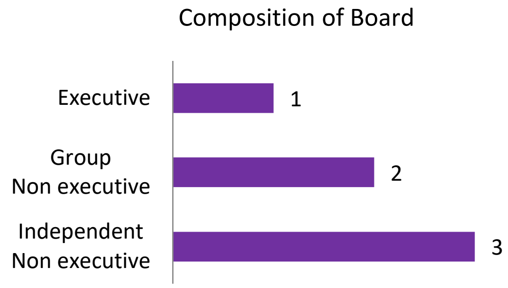
The Omnilife Board

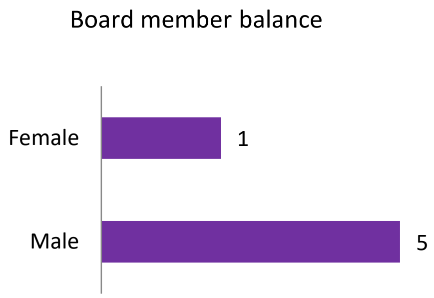
The Board is ultimately accountable for all of Omnilife's activities, with responsibility for defining, controlling and monitoring all business functions.

The Board is comprised of the chair, Paul Whitlock, and the other Company directors, as detailed on pages 12-13. It has an experienced and diverse membership which is effective at governing the Company's insurance business. During the year the Board met 8 times.

In early 2023 we also appointed Lynzi Harrison to the Board as Independent Non-Executive Director. This appointment strengthens the Board further and forms part of ongoing succession plans.

The Board is supported by 2 sub-committees (2021: 2) which each meet separately and make recommendations to the Board for approval.





Audit and risk committee

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

During 2022, the Committee continued its emphasis on risk management including ongoing development of the capital management policy, recovery and resolution planning and ORSA stress and scenario testing.

At 31 December 2022, the committee was comprised of the chair, Mark Laidlaw, as well as Non-Executive Directors, Hamish Galloway and Caroline Instance. The committee met 6 times during the year.

Nomination and remuneration committee

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

During 2022 the Nomination and Remuneration Committee oversaw the appointment of the new Board chair, chair of Audit and Risk Committee and group Non-Executive Director. It also oversaw succession plans for its Group Directors, NEDs and senior management function holders; plans for resourcing and integration to support future deal and growth plans; assessments of Board composition, skills, diversity and effectiveness; recommended an appropriate Board training programme for 2023; and maintained its oversight over staff remuneration matters.

At 31st December 2022, the committee was comprised of the chair, Caroline Instance, as well as Non-Executive Directors Paul Whitlock and Peter Banthorpe. During the year the committee met 3 times.

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of Omnilife Insurance Company Limited, registered number 2294080, ("the Company") for the year ended 31 December 2022.

Principal activities

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

Financial performance

The Company's financial performance is covered within the Strategic Report.

Future developments

The Company's strategy is covered within the Strategic Report. In 2023 we anticipate the transfer of the HLAC business as well as ongoing transformation for the next phase of strategic growth.

Principal risks and uncertainties

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

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors and Secretary

Details of the Directors and Secretary of the Company at 31 December 2022 are listed on pages 12-13.

The Directors who held office during the year and up to the date of this annual report unless otherwise stated are listed below:

J. Jack	Chair (until 29 Nov 2022)	(Retired 13 Dec 2022)
P. Whitlock	Chair (from 29 Nov 2022)	
D. Jones	CEO	(Appointed 24 Jan 2022)
H. Galloway	RGA NED	
P. Kavanagh	RGA NED	(Resigned 5 Jul 2022)
P. Banthorpe	RGA NED	(Appointed 5 Jul 2022)
M. Laidlaw	Independent NED	
C. Instance	Independent NED	
L. Harrison	Independent NED	(Appointed 17 Jan 2023)

Reappointment of auditors

In October 2022 the Directors' reappointed Deloitte as external auditors for these Report and Accounts.

Directors' liabilities

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

Going Concern

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of signing the annual report and accounts. Therefore, they continue to adopt the going concern basis of accounting in the preparing these financial statements.

Post balance sheet events

On 20th March 2023, the court approved the transfer of business from HLAC to Omnilife. The transfer will take effect on 30th April 2023.

Disclosure of information to auditors

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

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

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

Approved and authorised for issue by the Board

Deian Jones
Chief Executive Officer
Date: 30 March 2023

Paul Whitlock
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24, excluding the capital adequacy disclosures calculated in accordance with the Solvency II regime in note 2.8 which are marked as unaudited.

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

2. Basis for opinion

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of the long-term business provision Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was £2.14m (2021: £2.75m) which was determined on the basis of 3% of net assets (2021: 3% of net assets) as at 31 December 2022
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

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

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

- evaluating and challenging management's going concern assessment by checking the consistency of business plans with other available information and our understanding of the business;
- evaluating management's stress and scenario testing within the Companies Own Risk and Solvency Assessment ("ORSA"). We challenged the governance over, and the production of, solvency monitoring information, through inquiries held with management and considered its consistency with other available information and our understanding of the business;
- assessing the capital and liquidity position of the Company, including understanding the Company's ability to meet short-term obligations, highlighting a net asset position of £71.5m, including a cash balance of £20.6m;
- considering the Company's ability to pursue acquisitions;
- reviewing the minutes of various governance committee meetings in advance of reporting to assess any audit impacts in regards to going concern; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

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

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

5. Key audit matters

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

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

5.1. Valuation of the long-term business provision

Key audit matter description	The long-term business provisions are the most significant liabilities on the Company's balance sheet, totalling £350.7m at 31 December 2022 (2021; £504.1m). The valuation of these liabilities is dependent on certain key judgements and assumptions, its view of the likely level of future cash flows, and the models used to calculate the liabilities. Further, within the assumption-setting process, management applies judgement in segregating the annuitants into cohorts. Based on our initial analysis and risk assessment of the components of the technical provisions, we have pinpointed the key audit matter in the annuity book portfolio, which remains the largest block of business to the base mortality and mortality improvement assumptions. We have also deemed there to be a risk of fraud, due to the inherent risk of management overriding internal controls around the setting of assumptions used within the calculation of technical provisions. The principal accounting policies (note 1) adopted by the Company is documented within note 1(g) to the financial statements. Further details relating to technical provisions are provided through note 21.

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

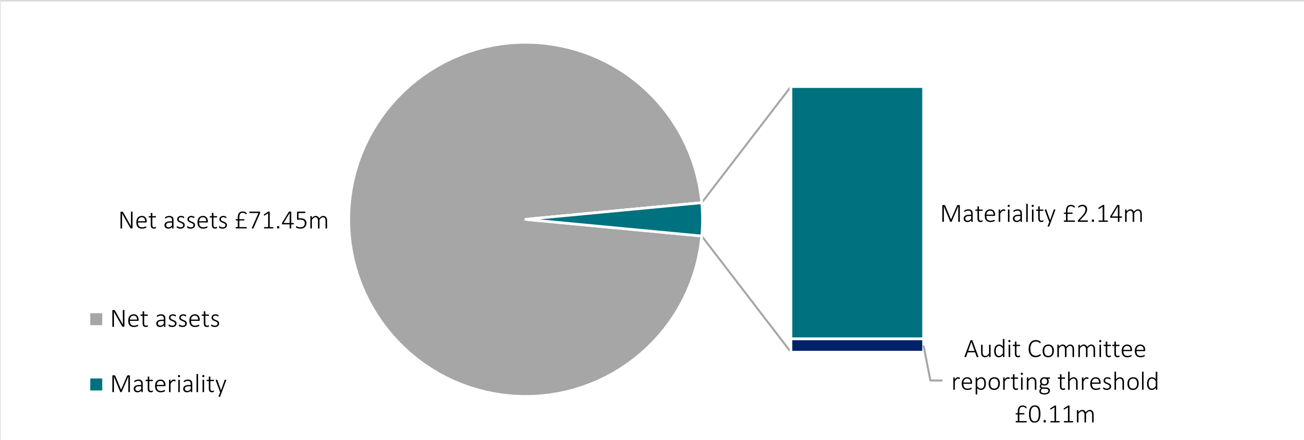
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£2.14m (2021: £2.75m)
Basis for determining materiality	Materiality was determined on 3% of net assets (2021: 3% of net assets) There has been no change in the basis of determining materiality. Consistent in our approach to last year, we have applied 3% of net assets.
Rationale for the benchmark applied	As a life insurer, net assets are an appropriate measure to give the clearest indication of the financial position of the Company and represents a stable long-term measure of value. This is the case in 2022, as the net assets balance reflects the changes in the business.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- Our understanding of the control environment and whether we are able to rely on controls; and
- A low number of uncorrected misstatements identified through the prior year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £107,000 (2021: £137,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

The scope of our audit was determined by obtaining an understanding of the Company and its environment, including internal controls, and assessing the risks of material misstatement. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

In planning our 2022 audit, we identified 6 systems that were relevant to the company's financial reporting processes. We have worked with our IT specialists to assess the operating effectiveness of the automated controls associated with these systems, as well as the wider general IT control environments.

We identified 3 business processes that were material to the company's financial reporting processes. These processes spanned the company's material transactions and account balances including reserves, claims paid and financial reporting close process. We obtained an understanding of the processes and tested relevant controls within these key business cycles. Certain controls require an improvement for us to be able to adopt control reliance approach and we revised nature, timing and extent of our audit procedures accordingly.

7.3 Our consideration of climate-related risks

In planning our audit, we made enquiries of management to understand the extent of the potential impact of climate change risk on the financial statements. We obtained and reviewed the climate change assessment included within the Company's Own Risk and Solvency Assessment (ORSA), and the Risk Appetite statement for 2022 to support our own risk assessment related to climate change. We note the Chief Risk Officer is responsible for ensuring climate-related risks are identified, measured, monitored and managed through the Company's risk management framework and in line with its risk appetite. The Audit and Risk Committee oversees the management of climate-related risks and opportunities.

Management concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. did not identify any specific risk of material misstatements related to climate change. Key areas considered in our assessment were long-term insurance reserves, and investments held at fair value. We've assessed accuracy and completeness of climate related disclosure in note 1l. We read the climate-related disclosures in the Strategic Report and in note 1l in the financial statements to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, tax, valuations, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing correspondence with regulatory authorities, including HMRC; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

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

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

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the board on 10 September 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2019 to 31 December 2022.

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

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

15. Use of our report

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

Jamie Weisfeld
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 March 2023

Profit and loss account

Technical account - long term business

For the year ended 31 December 2022

		2022		2021	
	Notes	£millions	£millions	£millions	£millions
Earned premiums, net of reinsurance					
Gross premiums written	3	0.0		0.5	
Outward reinsurance premiums	3	(0.1)		(0.3)	
			(0.1)		0.2
Investment return	4		(71.3)		(13.5)
Claims incurred, net of reinsurance					
Claims incurred:					
Gross amount	3	(38.7)		(43.5)	
Reinsurers' share	3	4.0		5.1	
		(34.7)		(38.4)	
Change in provision for claims					
Gross amount	3	(0.6)		2.3	
Reinsurers' share	3	1.5		0.2	
		0.9		2.5	
Net claims incurred			(33.8)		(35.9)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	19, 21	153.7		108.2	
Reinsurers' share	21	(69.3)		(52.9)	
			84.4		55.3
Net operating expenses	5		(4.4)		(3.9)
Other expenses			0.0		(1.0)
Foreign exchange gain/(loss)	20		(0.2)		0.0
Profit/(loss) on the technical account before tax			(25.4)		1.2
Tax (charge)/credit	8		5.4		4.1
Balance on the technical account - Long term business			**(20.0)**		**5.3**

All the above amounts are derived from continuing activities.

The notes on pages 31 – 47 form part of these financial statements.

Profit and loss account

Non - technical account

For the year ended 31 December 2022

	Notes	2022 £millions	2021 £millions
Balance on the long-term business technical account		(20.0)	5.3
Tax (credit)/charge attributable to technical account		(5.4)	(4.1)
Other expenses	5	(0.3)	(0.3)
Profit/(loss) on ordinary activities before tax		(25.7)	0.9
Tax credit/(charge) on profit on ordinary activities	8	5.4	4.1
Profit/(loss) and total comprehensive income for the financial year		**(20.3)**	**5.0**

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2021: Nil)

The notes on pages 31 – 47 form part of these financial statements.

Balance sheet at 31 December 2022

	Notes	2022 £millions	2021 £millions
ASSETS			
Investments:			
Financial investments	12, 17	284.0	393.9
Reinsurers' share of technical provision:			
Long term business provision	21	108.3	177.6
Claims outstanding		0.6	0.9
		108.9	178.5
Debtors:			
Debtors arising out of direct insurance operations	9	0.2	0.5
Debtors arising out of reinsurance operations		0.0	0.6
Amounts due from related parties	11	4.3	0.0
Other debtors		4.6	5.0
Deferred Tax	8	3.1	2.0
Taxation		2.6	2.6
		14.8	10.7
Other assets:			
Cash at bank and in hand	17	20.6	16.1
		20.6	16.1
Total ASSETS		**428.3**	**599.2**
LIABILITIES			
Capital and reserves:			
Called up share capital	14, 15	20.0	20.0
Share premium	15	135.6	135.6
Profit and loss account	15	(84.1)	(63.8)
Shareholders' funds-equity interest		71.5	91.8
Technical Provisions:			
Long term business provision	19, 21	350.7	504.2
Claims outstanding - gross amount		1.0	0.4
Gross Technical Provisions		351.7	504.6
Creditors:			
Creditors arising out of direct insurance operations		1.3	0.7
Creditors arising out of reinsurance operations		0.1	0.0
Creditors arising out of reinsurance operations through related parties	11	0.2	1.0
Accruals and provisions	10	0.5	0.6
Amounts due to related parties	11	3.0	0.5
		5.1	2.8
Total LIABILITIES		**428.3**	**599.2**

The notes on pages 31 – 47 form part of these financial statements.

Approved and authorised for issue by the Board

Deian Jones
Chief Executive Officer
Date: 30 March 2023

P.M. Whitlock

Paul Whitlock
Chairman

Statement of Changes in Equity
For the year ended 31 December 2022

	Share Capital £millions	Share Premium £millions	Profit and Loss account £millions	Total £millions
As at 1 January 2021	**20.0**	**134.6**	**(70.5)**	**84.1**
New share issuance	0.0	1.0		1.0
Profit for the financial year			5.0	5.0
Adjustment to the cost of cancellation of reinsurance treaty			1.7	1.7
As at 31 December 2021	**20.0**	**135.6**	**(63.8)**	**91.8**
Loss for the financial year			(20.3)	(20.3)
As at 31 December 2022	**20.0**	**135.6**	**(84.1)**	**71.5**

All shareholders' funds are attributable to equity shareholders.

The notes on pages 31 – 47 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Omnilife Insurance Company Limited is a private company limited by shares and is incorporated and domiciled in England. The Registered Office is 45th Floor, 22 Bishopsgate, London, United Kingdom, EC2N 4BQ. The financial statements were approved for issue by the Board of Directors on 30 March 2023.

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

The Company has not disclosed a cash flow statement as permitted under FRS 102 paragraph 1.12(b) on the basis that an equivalent disclosure will be presented in the financial statements of the ultimate parent company's consolidated financial statements.

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

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

a) Basis of accounting

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

- Projections of the Company's financial position covering the period up to 31 December 2026. These projections show that based on the Directors' assumptions regarding, inter-alia, new business, longevity experience, mortality and morbidity experience and expense levels, the Company will meet its regulatory capital requirements;
- The balance sheet at 31 December 2022 which demonstrates a strong financial position with shareholders' funds of £71.5 million and a regulatory solvency margin of 283% (unaudited); and
- The credit rating from S&P Global of A+.

The Financial Statements are prepared on the going concern basis.

b) Translation and conversion of foreign currencies

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

c) Premiums

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

d) Reinsurance

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

e) Investments

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

The Company has chosen to elect the recognition and measurement provisions of IFRS 9 Financial Instruments. Financial assets at fair value through profit or loss (FVTPL) are initially recognised and subsequently measured at fair value in the balance sheet. All changes in fair value are recognised in the profit and loss account as described in the accounting policy for investment return. Policy and Other loans which are recognised as cost less impairment as they are not publicly traded.

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

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

f) Investment return

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

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

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

g) Long term business provision

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

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

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

h) Claims and annuity benefits

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

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

i) Acquisition costs

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

j) Taxation

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

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

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

The standard rate of tax applied to the reported profit is 19% (2021: 19%).

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

k) Operating Leases

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

l) Climate change

In preparing these financial statements the Directors have considered the impact of the physical and transition risks of climate change but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities. This is because the assets are reported at fair value and therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on these investments.

However, we recognise that future valuations of assets may differ as the market responds to changing impacts or assesses the impact of current requirements differently. The valuation of insurance liabilities may also change because of the effect of climate risks.

Judgements and key sources of estimation uncertainty

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

Significant Estimates

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

- Valuation of the long term business provision - The long term business provision of £350.7m (2021: £504.2m) is valued using best estimate assumptions for mortality and expenses as detailed in note 1(g). Due to the complexity of the valuation and the underlying assumptions, such estimates are subject to significant uncertainty. Note 21 details the underlying assumptions, including sensitivity analysis.

2. RISK MANAGEMENT

2.1 Risk Management Overview

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

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

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

2.2 Insurance Risks

The principal insurance risk that the Company is exposed to is that the annuitants live longer than expected, resulting in actual benefit payments exceeding the carrying amount of the insurance liabilities held.

The Company has an established framework of procedures and measures in place to manage this risk, including reinsurance as the primary means of mitigating risk, and the monitoring of actual versus expected longevity experience.

As the group risk business continues to run-off this no longer has a material impact on the Company's solvency ratio.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For annuity business, a 5% change in the best estimate mortality would result in an increase in net reserves of around £2,400,000 (2021: £4,600,000). This sensitivity has been calculated by reducing the base mortality tables by 5% with all other assumptions remaining unchanged

2.3 Market Risk

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

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

The Company holds high-quality bonds. It does not invest in equities or use any hedging vehicles, and its investments are traded in liquid markets.

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

If interest rates increase by 1% it would result in a reduction in the Company's own funds by £5.1m (2021: £8.1m). Whilst the assets and liabilities are closely matched the fall in surplus arises largely due to the fall in the value of surplus assets. This sensitivity has been calculated by applying a 1% increase in interest rates to both the assets, through an increase in the yield and liabilities through an increase to the discount rate applied.

A 1% increase in credit spreads would result in a £9.0m (2021: £16.2m) reduction. This sensitivity has been calculated by applying a 1% increase in credit spreads to the yields on financial investments with no assumed increase in the liability discount rate.

The Company has a very small exposure to exchange rate fluctuations. Less than 1% of the Company's assets and liabilities are held in currencies other than sterling. A 10% rise in non-GBP currencies would increase losses before tax by around £0.0m (2021: £0.1m).

2.4 Liquidity Risk

Omnilife defines liquidity risk as the risk that sufficient liquid resources are not available to meet policyholder and other liabilities as they fall due. Liquidity risks, or changes in the liquidity risk profile, are identified through day-to-day management and monitoring. The methods used to identify liquidity risks are:

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

Omnilife maintains a minimum amount of highly liquid assets to ensure that sufficient liquidity is available to meet a stressed liquidity scenario.

2.5 Credit Risk

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

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

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

Investments bearing credit risk

	As at 31 December 2022						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	5.3	27.9	118.0	132.8	0.0	0.0	**284.0**
Cash	0.0	13.0	7.6	0.0	0.0	0.0	**20.6**
	5.3	40.9	125.6	132.8	0.0	0.0	**304.6**
	As at 31 December 2021						
£millions	AAA	AA	A	BBB	BB	B	**Total**
Bonds	10.1	33.5	139.3	194.2	16.8	0.0	**393.9**
Cash	0.0	9.4	6.7	0.0	0.0	0.0	**16.1**
	10.1	42.9	146.0	194.2	16.8	0.0	**410.0**

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

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

- Avoiding exposure to external reinsurers with poor financial strength or are un-rated;
- Reinsurers are monitored to ensure they continue to meet required financial standards;
- The use of a collateral agreement and the provision of a Letter of Credit facility should there be a default; and
- Robust capital management policy and recovery & resolution plan are in place to respond to the unlikely scenario of a reinsurer default.

2.6 Operational Risk

The Company has 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.

The Company has a range of qualitative and quantitative measures used to monitor and report on operational risk. All issues relating to operational risk are reported to the Executive Committee. Issues will be reported to the Audit and Risk Committee (ARC) by both the management team and risk function. The ARC monitors the management actions being implemented to address the issues.

2.7 Emerging Risks

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

2.8 Capital adequacy - unaudited

Under the rules prescribed by the PRA, the Company must at all times maintain assets sufficient to meet its liabilities together with sufficient capital to meets its Solvency Capital Requirement (SCR) under the Solvency II regulatory rules. Capital is represented on the Balance Sheet by Shareholders' funds equity interest, amounting to £71.5 million (2021: £91.8 million). Throughout the year the Company's capital remained substantially above the SCR and at 31 December 2022 represented 283% (2021: 244%) of the SCR.

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

3. PREMIUMS AND CLAIMS

a) Written premiums	2022 £millions	2021 £millions
Gross written premiums:		
UK Group Life	(0.1)	0.4
UK Critical Illness	0.0	(0.1)
Overseas Group	0.0	0.2
Overseas Individual	0.1	0.0
Total gross written premiums	**0.0**	**0.5**
Reinsurance		
UK Group Life	0.1	0.2
Overseas Group	0.0	0.1
Overseas Individual	0.0	0.0
Total reinsurance	**0.1**	**0.3**
Total net written premiums	**(0.1)**	**0.2**

b) Net claims incurred	2022 £millions	2021 £millions
Gross claims incurred		
Longevity	38.5	40.9
UK Group Life	0.1	(0.2)
Overseas Group	0.7	0.2
Overseas Individual	0.0	0.3
Total gross claims incurred	**39.3**	**41.2**
Reinsurance		
Longevity	5.2	5.1
UK Group Life	0.1	0.1
Overseas Group	0.2	0.1
Total reinsurance	**5.5**	**5.3**
Total net claims incurred	**33.8**	**35.9**

4. INVESTMENT RETURN

	2022 £millions	2021 £millions
Technical account:		
Investment Income – Investments measured at fair value through profit or loss	1.7	9.3
Unrealised gain/(loss) – Investments measured at fair value through profit or loss	(73.0)	(22.8)
Total Investment Return	**(71.3)**	**(13.5)**

5. NET OPERATING EXPENSES

	2022 £millions	2021 £millions
Technical account:		
Administrative expenses	4.4	3.9
Net operating expenses	**4.4**	**3.9**
Non-technical account:		
Other expenses	0.3	0.3
Total expenses	**4.7**	**4.2**

The total commission accounted for during the year in respect of direct insurance was £9,000 (2021: £63,000).

Net operating expenses include the following:

	2022 £millions	2021 £millions
Directors' emoluments (note 7)	0.4	0.5
Auditors remuneration:		
- Audit of the financial statements	0.3	0.2
Operating lease payments	0.5	0.5
Professional fees	0.7	0.1
Other	2.8	2.9
	4.7	**4.2**

6. EMPLOYEE INFORMATION

The Company has no direct employees (2021:0), employees are employed by RGA UK Services Limited and costs are recharged to the Company.

7. DIRECTORS' EMOLUMENTS

	2022 £millions	2021 £millions
Aggregate emoluments	0.4	0.5
	0.4	**0.5**

The emoluments of the highest paid Director were £176,000 (2021: £360,000). The highest paid Director does not hold any options in the shares of the Company, or hold shares in RGA Inc or any other group company at 31 December 2022.

The Company made no payments to the pension scheme of any Director (2021: Nil).

No other Directors have any options in shares of the Company however, 2 Directors employed by other group companies hold shares in RGA Inc or any other group company at 31 December 2022. Each of their aggregate interests do not represent more than 1% of the nominal value of the issued shares of, or debentures or loan stock of the company or any other company within the consolidated holdings of Reinsurance Group of America, Incorporated ("RGA Inc."). All interests were beneficially held. During the year the Company paid no loss of office compensation (2021: Nil).

Three Directors are employed and remunerated by other Group Companies. Only the costs of one of these Directors are recharged to the Company. No disclosure of the remuneration of the other 2 Directors has been made in these financial statements.

8. TAXATION

	2022 £millions	2021 £millions
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	(4.0)	0.0
Adjustments in respect of prior years	(0.3)	(2.1)
Current tax (credit)/charge	(4.3)	(2.1)
Deferred Tax:		
The origination of timing differences	(1.4)	(2.0)
Adjustments in respect of prior years	0.3	0.0
(Credit)/charge on loss on ordinary activities	**(5.4)**	**(4.1)**
The tax (credit)/charge arises from:		
Long term business technical account	(5.3)	(4.1)
The non-technical account	(0.1)	0.0
	(5.4)	**(4.1)**
b) Factors affecting current tax charge for the year		
Profit/(loss) on ordinary activities before tax	(25.7)	0.9
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2021 at 19.0%)	(4.9)	0.2
Rate differential on deferred items	(0.6)	0.0
Other timing differences	0.0	(2.2)
Adjustments in respect of prior years	0.1	(2.1)
Current tax (credit)/charge	**(5.4)**	**(4.1)**

c) Deferred tax asset

The deferred tax included in the balance sheet is £3.1m (2021: £2.0m).

The amount of the net reversal of deferred tax expected to occur next year is £1.3m relating to the reversal of existing timing differences on depreciable assets and net operating loss utilisation.

d) Changes in tax rates

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

e) Deferred tax by type

The deferred tax asset comprises £3.1m in respect of carried forward losses

9. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022 £millions	2021 £millions
Debtors arising out of direct insurance operations		
Premium debtors over 90 days old	0.0	0.0
Premium debtors under 90 days old	0.2	0.5
	0.2	**0.5**

Debtors arising out of direct insurance operations relate to premiums due from policy holders, analysed as premium debtors that are past due for less than 90 days and premium debtors that are past due for more than 90 days. Debtors over 90 days old are followed up with the intermediaries and management review these balances on a monthly basis for indications of impairment. At 31 December 2022 the provision for bad and doubtful debts is £0.0m (2021: £0.0m).

10. ACCRUALS AND PROVISIONS

	2022 £millions	2021 £millions
Accruals and provisions		
Accruals	0.4	0.5
Provisions	0.1	0.1
	0.5	**0.6**

11. AMOUNTS DUE FROM / (TO) RELATED PARTIES

The terms of all outstanding balances with related parties are market-standard and on an arms-length basis. All balances are unsecured and no guarantees are received or given. The Company has reinsurance relationships with RGA International, RGA Americas and RGA Atlantic. The Company has servicing contracts with RGA UK Services Limited and RGA Enterprise Services Company. The Company has a tax sharing agreement with RGA International and Hodge Life Assurance Company (HLAC).

	2022	2021
Amounts due from related parties	£millions	£millions
Arising out of reinsurance operations		
Total due from related parties	0.0	0.0
Amounts due to related parties		
Arising out of reinsurance operations		
RGA International	(0.2)	(0.8)
RGA Americas	0.0	(0.2)
Total due to related parties	(0.2)	(1.0)
Arising from other operations		
RGA UK Services Ltd	(0.1)	0.0
RGA International	1.6	(0.4)
RGA Enterprise Services Company	(0.1)	(0.1)
HLAC	(0.1)	0.0
Total due (to) / from related parties	1.3	(0.5)

Net due from / (to) related parties		
RGA UK Services Ltd	(0.1)	0.0
RGA International	1.4	(1.2)
RGA Americas	0.0	(0.2)
RGA Enterprise	(0.1)	(0.1)
HLAC	(0.1)	0.0
Total net due (to) / from related parties	**1.1**	**(1.5)**

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

Transactions with related parties during 2022 are detailed as follows:

	RGA UK Services	RGA Int	RGA Americas	RGA Enterprise	HLAC	Total
	£millions	£millions	£millions	£millions	£millions	£millions
Opening Balance	0.0	(1.2)	(0.2)	(0.1)	0.0	(1.5)
Premiums due (to)/from related parties	0.0	0.4	0.0	0.0	0.0	0.4
Outstanding claims due (to)/from related parties	0.0	0.1	5.2	0.0	0.0	5.3
Other due (to)/from related parties	(2.4)	3.8	0.0	(0.3)	0.1	1.2
Amounts settled with related parties	2.3	(1.7)	(5.0)	0.3	(0.2)	(4.3)
Closing Balance	**(0.1)**	**1.4**	**0.0**	**(0.1)**	**(0.1)**	**1.1**

12. FINANCIAL INVESTMENTS

	2022 Market value	2022 Cost	2021 Market value	2021 Cost
	£millions	£millions	£millions	£millions
Policy and Other Loans				
Policy loans	0.1	0.1	0.1	0.1
Total measured at cost less impairment	**0.1**	**0.1**	**0.1**	**0.1**
Corporate Bonds/Listed				
UK Government Bonds	4.7	7.4	6.8	7.4
Corporates	253.5	339.6	346.3	366.0
Government – non UK	11.8	15.4	20.4	21.5
Hybrids	11.4	14.3	16.2	17.2
Supranationals	2.5	2.7	4.1	4.4
Total measured at fair value through profit or loss	**283.9**	**379.4**	**393.8**	**416.5**
Total Financial Investments	**284.0**	**379.5**	**393.9**	**416.6**

12. FINANCIAL INVESTMENTS continued

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The table below summarises the fair value hierarchy of the Company's financial assets and liabilities. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which significant inputs are not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value on the face of the Company's Balance Sheet and the disaggregation by fair value hierarchy:

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial investments at FVTPL	£millions	£millions	£millions	£millions
UK Government Bonds	0.0	4.7	0.0	4.7
Corporates	0.0	253.5	0.0	253.5
Government – non UK	0.0	11.8	0.0	11.8
Hybrids	0.0	11.4	0.0	11.4
Supranationals	0.0	2.5	0.0	2.5
Total financial investments at FVTPL	**0.0**	**283.9**	**0.0**	**283.9**

As at 31December 2021	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	£millions	£millions	£millions	£millions
UK Government Bonds	0.0	6.8	0.0	6.8
Corporates	0.0	346.3	0.0	346.3
Government – non UK	0.0	20.4	0.0	20.4
Hybrids	0.0	16.2	0.0	16.2
Supranationals	0.0	4.1	0.0	4.1
Total financial assets at FVTPL	**0.0**	**393.8**	**0.0**	**393.8**

Level 1 assets measured at fair value

There were no level 1 assets held.

Level 2 assets measured at fair value

UK Government bonds, Corporates, Government – Non UK, Hybrids and Supranationals:
These assets use valuations obtained from a pricing service which are determined by taking the average of independent external quotations from multiple sources.

Level 3 assets measured at fair value

There were no level 3 assets held.

Transfers

There were no transfers between levels 1, 2 and 3 during the period.

13. LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of directors, which has approved a liquidity risk management policy for setting liquidity requirements. The Company manages liquidity risk by maintaining adequate liquid resources, by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities. The table includes both interest and principal cash flows.

The amounts provided in this maturity analysis are contractual, undiscounted cash flows. These amounts will differ from the amounts disclosed in the balance sheet for financial assets and liabilities which are discounted amounts.

As at 31 December 2022	Less than 1 month £millions	1-3 months £millions	3 months to 1 year £millions	1-5 years £millions	More than five years £millions	Total £millions
Assets						
Financial Investments	3.9	5.2	10.9	140.9	279.9	440.8
Cash at bank and in hand	20.6	0.0	0.0	0.0	0.0	20.6
Reinsurers' share of technical provision	0.2	0.4	2.2	18.6	177.2	198.6
Deferred Tax	0.0	0.0	0.0	3.1	0.0	3.1
Other assets	0.0	7.4	0.0	4.3	0.0	11.7
Total financial assets	**24.7**	**13.0**	**13.1**	**166.9**	**457.1**	**674.8**
Liabilities						
Long term business provision	3.6	6.8	30.7	138.5	316.2	495.8
Other liabilities	0.0	5.1	0.0	0.0	0.0	5.1
Total financial liabilities	**3.6**	**11.9**	**30.7**	**138.5**	**316.2**	**500.9**
As at 31 December 2021						
Assets						
Financial Investments	8.0	8.5	10.9	145.8	304.1	477.3
Cash at bank and in hand	16.1	0.0	0.0	0.0	0.0	16.1
Reinsurers' share of technical provision	0.5	1.0	4.4	14.7	193.4	214.0
Deferred Tax	0.0	0.0	0.0	2.0	0.0	2.0
Other assets	0.0	6.1	0.0	2.6	0.0	8.7
Total financial assets	**24.6**	**15.6**	**15.3**	**165.1**	**497.5**	**718.1**
Liabilities						
Long term business provision	3.9	7.3	33.0	148.4	359.5	552.1
Other liabilities	0.0	0.0	2.8	0.0	0.0	2.8
Total financial liabilities	**3.9**	**7.3**	**35.8**	**148.4**	**359.5**	**554.9**

14. SHARE CAPITAL

	2022 £millions	2021 £millions
Authorised:		
20,000,001 (2021: 20,000,001) Ordinary shares of £1 each	20.0	20.0
Allotted and fully paid:		
20,000,001 (2021: 20,000,001) Ordinary shares of £1 each	20.0	20.0
	20.0	**20.0**

15. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £millions	Share Premium £millions	Profit & Loss Account £millions
At 1st January 2022	20.0	135.6	(63.8)
Loss for the year	0.0	0.0	(20.3)
At 31st December 2022	20.0	135.6	(84.1)

16. ASSETS IN THE LONG-TERM BUSINESS FUND

At 31 December 2022, the total amount of assets representing the long-term fund is £350.7m (2021: £504.2m). This is the value of the long term business provision.

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

	Closing Balance 2020 £millions	Cash movement £millions	Unrealised gain/(loss) £millions	Closing Balance 2021 £millions	Cash movement £millions	Unrealised gain £millions	Closing Balance 2022 £millions
Cash at bank	19.2	(3.1)	0.0	16.1	4.5	0.00	20.6
Financial Investments	443.4	(26.7)	(22.8)	393.9	(36.9)	(73.0)	284.0
	462.6	**(29.8)**	**(22.8)**	**410.0**	**(32.4)**	**(73.0)**	**304.6**

18. OTHER FINANCIAL COMMITMENTS

At 31 December 2022 the Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £millions	2021 £millions
Not later than one year	0.3	0.3
Later than one year and not later than five years	0.0	0.7
	0.3	**1.0**

19. MOVEMENT IN TECHNICAL PROVISONS

	2022 £millions	2021 £millions
Technical Provisions at 01 January	504.2	612.4
Change in technical provisions (excluding foreign exchange)	(153.7)	(108.2)
Foreign exchange gain on technical provisions (Note 20)	0.2	0.0
Technical Provisions at 31 December	**350.7**	**504.2**

20. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2022 £millions	2021 £millions
Technical account		
Foreign exchange loss on assets	(0.4)	0.0
Foreign exchange gain on technical provisions	0.2	0.0
Total gain	(0.2)	0.0
Net foreign exchange gain	**(0.2)**	**0.0**

21. TECHNICAL PROVISIONS

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

Class of business	**Mortality / Disability termination**		**Interest rate % pa**		**Lapses p.a.**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Annuities (base mortality)						
Males – annuity <£6,802 p.a.	87.1% PNMA00	87.1% PNMA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Males – annuity >£6,802 p.a.	86.9% PNMA00	86.9% PNMA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Females	99.4% PNFA00	99.4% PNFA00	Risk-free rates with volatility adjustments	Risk-free	-	-
Term assurances	100% TXC00 ult	100% TXC00 ult	Risk-free	Risk-free	5%	5%
PHI Claims in payment - UK	100% CMIR-12	100% CMIR-12	Risk-free	Risk-free	-	-
PHI Claims in payment – Overseas	85% CMIR-12	85% CMIR-12	Risk-free	Risk-free	-	-
Deterministic guaranteed maturity reserve on Investment contracts	N/A	N/A	Risk-free	Risk-free	5%	5%

21. TECHNICAL PROVISIONS continued

	Mortality improvement 2022	2021
Annuities		
Males – annuity <£6,802 p.a.	CMI2019 with RGA adj.	CMI2017 with RGA adj.
Males – annuity >£6,802 p.a.	CMI2019 with RGA adj.	CMI2017 with RGA adj.
Females	CMI2019 with RGA adj.	CMI2017 with RGA adj.

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

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

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

Incurred but not reported	Period in months	
	2022	2021
Overseas life business	2.5 months	2.5 months

Under the Solvency II regime, the assumptions are best estimates but include a risk margin.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For annuity business, a 5% change in the best estimate mortality would result in an increase in net reserves of around £2,400,000 (2021: £4,600,000). For group business, increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £24,000 (2021: £24,000).

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2021 to 31 December 2022 are set out in the table below.

Long Term Business Provisions (£millions)	Gross	Reins	Net
At 31 December 2021	**504.2**	**177.6**	**326.6**
Change in annuity	(151.1)	(69.3)	(81.8)
Change in group risk	0.0	0.0	0.0
Change in individual including term assurance	0.1	0.0	0.1
Change in expense reserve	2.9	0.0	2.9
Change in risk margin	(5.4)	0.0	(5.4)
At 31 December 2022	**350.7**	**108.3**	**242.4**

21. TECHNICAL PROVISIONS continued

Actual claims compared with previous estimates

The table below sets out analysis of actual claims in the financial year compared to actuarial projections for the financial year at the previous balance sheet date

Claims incurred plus change in claims provision (£millions)	Previous estimate of claims in the financial year	Actual claims incurred in the financial year	Variance
Gross	41.3	39.3	(2.0)
Reinsurance	5.9	5.5	(0.4)
Net	35.4	33.8	(1.6)

The actual claims have been lower than expected due to favourable mortality experience on annuity business.

22. LETTER OF CREDIT

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

23. POST BALANCE SHEET EVENT

On 20th March 2023, the court approved the transfer of business from HLAC to Omnilife. The transfer will take effect on 30th April 2023. The Omnilife balance sheet size will increase significantly from the transfer of the HLAC business, broadly doubling the assets and liabilities of the Company. The insurance business transferring from HLAC comprises annuity liabilities and is therefore similar in nature to the Company's existing liabilities. The HLAC annuity business will have a similar degree of reinsurance protection to the existing Omnilife annuity business. A new asset class, lifetime mortgages, will be introduced through the transfer but this will make up a relatively small proportion of the Company's total assets.

24. CONTROLLING PARTY

As at the balance sheet date the immediate controlling party is RGA Americas Investments LLC, a company incorporated in the US.

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

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