



Omnilife Insurance Company Limited Annual Report and Accounts

Year ended 31 December 2023
Registered Number 2294080



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CHAIRMAN'S STATEMENT

I am pleased to introduce Omnilife's Annual Report & Accounts for 2023, which proved to be an important year of development for the Company. Our strategic aim is to become an established consolidator of closed UK blocks of business and this year we took an important step in our readiness to execute the next phase of our strategy.

Part VII transfer

Following approval by the High Court on 20th March 2023, we completed the Part VII transfer of the insurance business of Hodge Life Assurance Company Limited (HLAC) to Omnilife. Our detailed preparations in advance of the transfer ensured that both the legal process and the transfer itself went very smoothly. I'm delighted to welcome the HLAC policyholders to Omnilife where we will remain diligent in meeting your future needs.

The transfer had the effect of increasing the total number of policyholders in Omnilife from approximately 3,000 to 17,000 and our assets by £422m. Our preparations for the transfer ensured that our governance, financial and operational processes continued to develop to reflect the increased size and scale of the Omnilife business.

The completion and integration into the day to day business of Omnilife of the HLAC Part VII means that the Board's and management's attention turns to the next phase of growth in our capability and readiness for the next transaction.

Governance

Last year, I reported that, as part of its succession planning process, the Board had identified the need to recruit 2 additional independent Non-Executive Directors, and that we had recently welcomed Lynzi Harrison and Martin Pringle to the Board. Lynzi and Martin have both brought significant additional skills and experience to the governance of the Company as we prepare for the next stage of Omnilife's growth.

Caroline Instance retired from the Board in August 2023 after eight years of service. Through any period of change, continuity is also an important consideration, and I was grateful to Caroline for agreeing to remain on the Omnilife Board until the HLAC Part VII was complete.

Given the increase in the size and scale of the company following the Part VII, the Board decided that the time was right to formally split the responsibilities of its Audit and Risk Committee into standalone committees covering risk and audit matters separately. We implemented this change in October, with Mark Laidlaw continuing to Chair the Risk Committee and Martin Pringle taking on the role of the Audit Committee Chair. Lynzi Harrison became Chair of the Nomination and Remuneration Committee on Caroline Instance's retirement.

Operations and management

In advance of the Part VII transfer, we completed the operational integration of the two portfolios. We have continued our work with our preferred administration provider to foster a culture of continual operational and service improvement. I'm pleased to report that complaint and ongoing service related issues relating to our Company remained low throughout the year, including during the Part VII period. As a consolidator of closed books, we remain diligent in considering potential past service issues that may have impacted these portfolios and a program of historic case reviews remains an integral part of our overall service delivery.

Economic outlook

The UK economy remains buffeted by higher interest rates and wider geopolitical uncertainty, and these challenges are likely to remain throughout 2024.

In this context, we continue to ensure that our investment strategy is suitably robust to withstand ongoing market volatility and adverse outcomes, and the Company has not been materially affected by market volatility in 2023. 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. Coverage of the Solvency Capital Requirement (SCR) increased from 283% as at the end of the last financial year to 364% as at 31 December 2023. The Company remains strongly capitalised and has withstood ongoing volatility since the balance sheet date well.

The significant increase in capital coverage reflected both the impact of the Part VII, and the impacts of the introduction of Solvency UK at the year end. The new regulations had the effect of reducing the level of the Risk Margin Omnilife has to hold as part of the technical provisions.

The reported financial profit after tax was £23.4 million (2022: loss of £20.3 million). The profit for the year reflected tightening credit spreads across the year, and favourable mortality experience. The result for the year also reflects the increase in the Company's administration expenses following the Part VII, noting that the corresponding increase in policy numbers has resulted in improved expense efficiency.

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. This creates a more impactful approach. RGA's 2022 Sustainability Report is available on its website.

Consumer duty

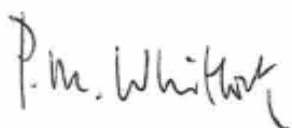
The Financial Conduct Authority's (FCA) Consumer Duty is an important regulation to evolve the culture and customer focus within firms. As a closed book consolidator, the Duty comes into force fully for Omnilife in July 2024 and our implementation progress continues to track well against our Board-approved plan. This is an important area of scrutiny from the Board as our customers are at the heart of what we do.

Operational resilience

Operational resilience remains another key area of regulatory focus and a high priority for Omnilife. Our annuity policies reflect a vital source of income for many of our customers and we work closely with our chosen administration partner to ensure that our service remains resilient to potential future adverse events and that our policyholders are paid on time.

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 2023.



Paul Whitlock
Chairman

STRATEGIC REPORT

The strategic report contains information about Omnilife, our strategy, our 2023 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 26 March 2024 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 with a current focus on annuity business.

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. 2023 saw the transfer and onboarding 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 due to non-profit annuities vesting from closed 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 29 to 32.

The year has seen the completion of the Part VII transfer of the HLAC business on 30 April 2023. This transfer broadly doubled the size of the balance sheet, adding a similar sized block of annuities with a similar degree of reinsurance protection to the existing business and lifetime mortgages as a new asset class. Alongside this, the company has continued to focus on managing the existing business and preparation for the new consumer duty regulations.

The gross long term technical provision is £661.8 million (2022: £350.7 million) whilst the reinsurer's share of the long term technical provision was £265.1 million (2022: £108.3 million). The majority of the increase in the long term technical provision for annuity business related to transfer of the HLAC annuity portfolio.

Total expenses were £6.0 million (2022: £4.7 million). The 2023 expenses included some project costs linked to the Part VII transfer of the HLAC business. Underlying expenses have increased due to the increased scale of operations after the HLAC transfer.

The 2023 profit after tax of £23.4 million (2022: £20.0 million loss) was generated from tightening of credit spreads, reductions in technical provisions through excess deaths on annuities and a reduction in risk margin, following a change estimation methodology in line with Solvency II reforms.

The Company's financial position remained strong on a Solvency II basis, with Shareholder's funds being £173.9 million (2022: £71.5 million); this represents 364% (2022: 283%) coverage of the minimum solvency capital requirement (SCR).

Key Performance Indicators

Management uses a range of measures to report to the Board and to manage business performance. These measures cover 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 £23.4m profit after tax, compared to the £20.0m loss in 2022. Excess deaths on the annuity business and Solvency II reforms to the risk margin reduced the value of technical provisions. Our capital position remains strong, with the solvency ratio significantly higher than the Company’s risk appetite target.

Customers & Growth – The Company successfully completed its second closed book transfer of annuity business on 30 April 2023. The number of customers grew from approximately 3,000 to 17,000 following this transfer. The Company has been following a project plan to prepare for the new consumer duty regulations.

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 good customer outcomes 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 2023, the Company's principal business focus was the transfer of the HLAC portfolio and subsequent onboarding of policies and processes. The Company also continued to embed processes for the annuity policies and prepare for the next phase of growth.

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

- Third party risks – The Omnilife business model makes use of third party suppliers to deliver a scalable, cost efficient platform. A primary focus of our risk management 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);
- Reinsurance – we use highly rated reinsurance providers to share our insurance and investment risks. The longevity business is reinsured with RGA Americas, RGA Atlantic, Hannover Re and Assured Guaranty Re Overseas Ltd (AGRO). 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, Hannover Re is rated AA- (Stable) by S&P 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 investments are a diversified portfolio of mainly high quality bonds and mortgages. The Company monitors liquidity risk, to ensure it can meet its obligations when due, by forecasting and managing 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 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 most recently reported to the market in the RGA sustainability report 2022. These are subject to monitoring and action to deliver against those targets.

The Board Risk Committee oversees the management of the climate-related risks.

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, call listening and complaints handling 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 daily 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 deliver our strategy and operate the daily activities of running the business	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 2023 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

Long-term security is important for all stakeholders which is promoted through sound capital management. The Board has approved a capital management policy that includes a capital limit and capital target.

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 members 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, 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 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. This includes reporting on the exposure to climate change risks, along with broader environmental, social and governance assessments on investments. 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

2023 has been a year of growth as we completed the transfer of business from HLAC. We have continued to enhance our reporting and risk monitoring processes. This places the Company in a strong position to accept further blocks.

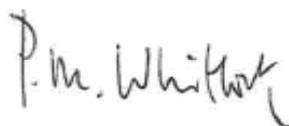
The principal source of future growth will be through the acquisition of closed blocks of life insurance business, sourced and executed in partnership with RGA.

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 Board Risk Committee and the Board.

Approved and authorised for issue by the Board.



Deian Jones
Chief Executive Officer
Date: 26 March 2024



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 business leadership positions at Willis Towers Watson, working with a wide range of UK and overseas companies, including as Chief Actuary to 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 Board Risk Committee (formerly combined 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.

Martin Pringle

Martin joined the Omnilife Board in 2023 and was appointed Chair of the Board Audit Committee in September 2023. Martin is a qualified Chartered Accountant with over 20 years of experience in the Financial Services Industry for blue chip organisations such as Lloyds TSB, Scottish Widows, Assurant and Scottish Friendly. He has held a number of senior positions in his career including Acting Chief Executive for Scottish Friendly along with several senior Finance and Risk positions.

Lynzi Harrison

Lynzi joined the Omnilife Board, Board Audit Committee and Board Risk Committee in 2023 and was appointed Chair of the Nomination and Remuneration Committee and Consumer Duty Champion in July 2023. Lynzi is a qualified Accountant, HR Professional and Customer Experience Professional with over 25 years of experience in the Financial Services Industry, in Plc, Private Equity and Mutuals. She has held a number of senior positions in her career including UK Platform Director for Quilter plc and Managing Director of the Liverpool Victoria With Profits business.

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 of 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

Thomas Coombs
RGA UK Services
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London
EC2N 4BQ

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 12-14. 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 and Martin Pringle to the Board as Independent Non-Executive Directors. These appointments strengthen the Board further and forms part of ongoing succession plans.

The Board is supported by 3 sub-committees (2022: 2) which each meet separately and make recommendations to the Board for approval. In 2023, to further strengthen the governance of the Company, the audit and risk committee was split into 2 separate committees.

Board risk committee

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

During 2023, 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 2023, the Committee was comprised of the chair, Mark Laidlaw, as well as Non-Executive Directors, Martin Pringle, Hamish Galloway and Lynzi Harrison. The Committee met 4 times during the year as a combined audit and risk committee and 2 times as a Board risk committee.

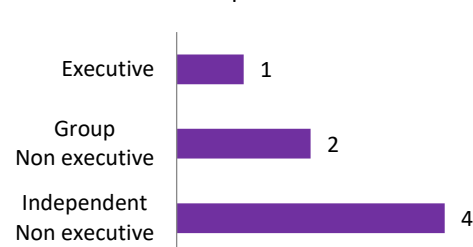
Board audit committee

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for Omnilife's audit activities, its financial and regulatory reporting, the internal control framework, external audit, and internal audit. The Committee reviews, challenges, evaluates and then reports its findings, with recommendations, to the Board.

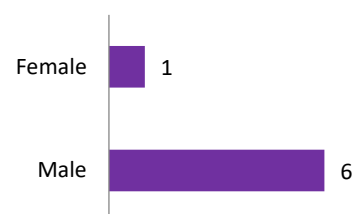
During 2023, the Committee was established to provide separate focus on audit activity. The Committee agreed the external audit plan for these report and accounts, received updates on internal audit activity in 2023 and agreed an internal audit plan for 2024.

At 31 December 2023, the Committee was comprised of the chair, Martin Pringle, as well as Non-Executive Directors, Mark Laidlaw and Lynzi Harrison. The Committee met 4 times during the year as a combined audit and risk committee and 2 times as a Board audit committee.

Composition of Board



Board member balance



Board 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 for the appointment of individuals into senior management functions and oversees the framework for remuneration.

During 2023 the Nomination and Remuneration Committee oversaw the appointment of the new Non-Executive Directors, senior management function holders, Chair of Board Audit and Board nomination and remuneration committee. It also oversaw succession plans for its Group Directors, NEDs and senior management function holders' assessments of Board composition, skills, diversity and effectiveness; and recommended an appropriate Board training programme for 2024.

At 31 December 2023, the committee was comprised of the chair, Lynzi Harrison, 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 2023.

Principal activities

The principal activity of the Company during the year under review was the acquisition and administration of closed life insurance business.

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 2024 we anticipate ongoing transformation in preparation for the next phase of strategic growth.

Principal risks and uncertainties

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

Dividends

The Directors do not recommend the payment of a dividend (2022: £nil).

Directors and Secretary

Details of the Directors and Secretary of the Company at 31 December 2023 are listed on pages 12-14.

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

P. Whitlock	Chair	
D. Jones	CEO	
H. Galloway	RGA NED	
P. Banthorpe	RGA NED	
M. Laidlaw	Independent NED	
C. Instance	Independent NED	(Resigned 31 July 2023)
L. Harrison	Independent NED	(Appointed 17 Jan 2023)
M. Pringle	Independent NED	(Appointed 27 April 2023)

Reappointment of auditor

In September 2023 the Directors' reappointed Deloitte as external auditor 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 2.9 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

None

Disclosure of information to auditor

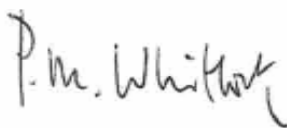
Having made appropriate enquiries, each of the Directors confirms that:

- a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Approved and authorised for issue by the Board.



Deian Jones
Chief Executive Officer
Date: 26 March 2024



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.

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 2023 and of its profit 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 2.10 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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• Valuation of the long-term business provision; and• Valuation of Lifetime Mortgage (LTM) assets <p>Within this report, key audit matters are identified as follows:</p> <p> Newly identified</p> <p> Similar level of risk</p>
Materiality	<p>The materiality that we used in the current year was £4.7m (2022: £2.1m) which was determined on the basis of 3% of net assets as at 31 December 2023 (2022: 3% of net assets).</p>
Scoping	<p>Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.</p>
Significant changes in our approach	<p>We identified a new key audit matter in relation to valuation of LTM assets in the current year. This is a new asset transferred to the Company in the year.</p>

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 £174.0m, including a cash balance of £28.0m;
- considering the Company's ability to pursue acquisitions; 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	<p>The long-term business provision are the most significant liabilities on the Company's balance sheet, totalling £662.3m at 31 December 2023 (2022: £351.7m). The valuation of these liabilities is dependent on certain key judgements and assumptions, management's 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.</p> <p>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.</p> <p>The principal accounting policies (note 1) adopted by the Company is documented within note 1(h) to the financial statements. Further details relating to technical provisions are provided through note 21.</p>
How the scope of our audit responded to the key audit matter	<p>With the involvement of our internal actuarial specialists, we have performed the following procedures:</p> <ul style="list-style-type: none">• obtained an understanding of and tested relevant controls around the technical provisioning process, with specific reference to the determination of the base mortality and mortality improvement assumptions;• 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;• validated 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 the key judgements that management made in the basis review paper to set 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	<p>Based on the work performed we are satisfied that the valuation of the long-term business provision was appropriate.</p>

5.2 Valuation of Lifetime Mortgage (LTM) assets

Key audit matter description	<p>The financial assets held by the Company include a portfolio of lifetime mortgage assets (“LTMs”) which were transferred to Omnilife in the year within the portfolio transfer of assets and liabilities from Hodge Life Assurance Limited (“HLAC”). As at 31 December 2023, the LTMs amounted to £109.0m (2022: £Nil).</p> <p>The valuation of LTMs requires judgement as it relies on a number of assumptions with high estimation uncertainty including those relating to No Negative Equity Guarantee (“NNEG”), illiquidity spread, valuation interest rate, house price volatility, mortality rates (base mortality and mortality improvements), house pricing inflation, property underperformance, expense fee inflation and voluntary early redemption assumptions, as indicated in note 12.</p> <p>Considering the level of judgement, complexity and sensitivity of the assumptions to the fair value of the LTMs, our key audit matter specifically relates to the illiquidity spread and voluntary early redemption assumptions. Due to the judgement involved in setting the assumptions we have identified this key audit matter as an area of potential fraud.</p> <p>A change in these assumptions can have a significant impact on the valuation of the LTMs and may result in material misstatements of the financial statements. A sensitivity analysis of the change in these assumptions on the fair valuation of the LTMs portfolio is provided in the note 12.</p> <p>The principal accounting policies (note 1) adopted by the Company are documented within note 1(f) to the financial statements. Further details relating to LTMs are provided through notes 2.7 and 12.</p>
How the scope of our audit responded to the key audit matter	<p>With the involvement of our internal actuarial specialists, we have performed the following procedures:</p> <ul style="list-style-type: none">• obtained an understanding of and tested the relevant controls over the LTMs valuation process;• inspected management’s basis papers and challenged the assumptions applied with specific reference to the determination of the illiquidity spread and voluntary early redemption assumptions. Where applicable, assumptions were compared with those used by peers and in industry studies;• inspected management’s LTM methodology papers to assess that the methodology is reasonable and in line with market practice;• performed independent model valuation replication over a sample of LTMs to ascertain that it was functioning as intended in line with management’s methodology; and• performed tests of the data underpinning the assumptions by reconciling to independently sourced external data sources.
Key observations	<p>Based on the work performed and the evidence obtained, we consider the valuation of LTMs to be reasonable.</p>

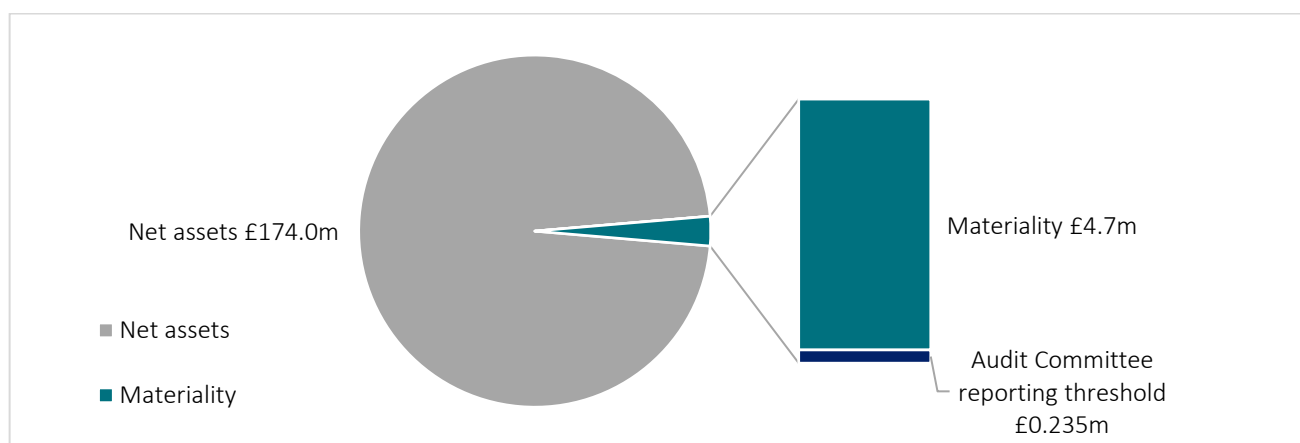
6. Our application of materiality

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	£4.7m (2022: £2.1m)
Basis for determining materiality	Materiality was determined on 3% of net assets (2022: 3% of net assets) There has been no change in the basis of determining materiality.
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 2023, 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 2023 audit (2022: 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 £0.235m (2022: £0.107m), 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 2023 audit, we identified seven (2022: six) 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 four (2022:three) 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, LTMs, claims paid and the financial reporting close process. We obtained an understanding of the processes and tested relevant controls within these key business cycles.

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 2023 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. Our risk assessment procedures 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 have assessed accuracy and completeness of climate related disclosure in note 1. We have read the climate-related disclosures in the Strategic Report and in note 1 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 within 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, the directors, and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- 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 and lifetime mortgage assets. 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 and lifetime mortgage assets as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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 FCA, PRA, 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 5 years, covering the years ending 31 December 2019 to 31 December 2023.

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
27 March 2024

Profit and loss account

Technical account - long term business

For the year ended 31 December 2023

		2023		2022	
	Notes	£millions	£millions	£millions	£millions
Earned premiums, net of reinsurance					
Gross premiums written	3	0.1		0.0	
Outward reinsurance premiums	3	(5.3)		(0.1)	
			(5.2)		(0.1)
Investment return	4		49.5		(71.3)
Claims incurred, net of reinsurance					
Claims incurred:					
Gross amount	3	(54.5)		(38.7)	
Reinsurers' share	3	15.5		4.0	
		(39.0)		(34.7)	
Change in provision for claims					
Gross amount	3	0.5		(0.6)	
Reinsurers' share	3	1.0		1.5	
		1.5		0.9	
Net claims incurred			(37.5)		(33.8)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	19, 21	27.9		153.7	
Reinsurers' share	19, 21	1.9		(69.3)	
			29.8		84.4
Net operating expenses	5		(6.0)		(4.4)
Foreign exchange gain/(loss)	20		0.1		(0.2)
Profit/(loss) on the technical account before tax			30.7		(25.4)
Tax (charge)/credit	8		(7.3)		5.4
Balance on the technical account - Long term business			23.4		(20.0)

All the above amounts are derived from continuing activities.

The notes on pages 33 – 53 form part of these financial statements.

Profit and loss account

Non - technical account

For the year ended 31 December 2023

		2023	2022
	Notes	£millions	£millions
Balance on the long-term business technical account		23.4	(20.0)
Tax (credit)/charge attributable to technical account		7.3	(5.4)
Other expenses	5	0.0	(0.3)
Profit/(loss) on ordinary activities before tax		<u>30.7</u>	<u>(25.7)</u>
Tax credit/(charge) on profit on ordinary activities	8	(7.3)	5.4
Profit/(loss) and total comprehensive income for the financial year		<u>23.4</u>	<u>(20.3)</u>

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2022: Nil)

The notes on pages 33 – 53 form part of these financial statements.

Balance sheet at 31 December 2023

	Notes	2023 £millions	2022 £millions
ASSETS			
Investments:			
Debt securities and other fixed income securities	12, 17	420.9	283.9
Loans secured by mortgages	12, 17	109.0	0.0
Other investments		0.1	0.1
		<u>530.0</u>	<u>284.0</u>
Reinsurers' share of technical provision:			
Long term business provision	21	265.1	108.3
Claims outstanding		0.4	0.6
		<u>265.5</u>	<u>108.9</u>
Debtors:			
Debtors arising out of direct insurance operations	9	0.2	0.2
Amounts due from related parties	11	7.3	4.3
Other debtors		7.5	4.6
Deferred Tax	8	6.8	3.1
Taxation		0.1	2.6
		<u>21.9</u>	<u>14.8</u>
Cash at bank and in hand	17	28.0	20.6
		<u>28.0</u>	<u>20.6</u>
Total ASSETS		845.3	428.3
LIABILITIES			
Capital and reserves:			
Called up share capital	14, 15	20.0	20.0
Share premium	15	135.6	135.6
Capital contribution reserve	15	79.1	0.0
Profit and loss account	15	(60.7)	(84.1)
Shareholders' funds-equity interest		<u>174.0</u>	<u>71.5</u>
Technical Provisions:			
Long term business provision	19, 21	661.8	350.7
Claims outstanding - gross amount		0.5	1.0
Gross Technical Provisions		<u>662.3</u>	<u>351.7</u>
Creditors:			
Creditors arising out of direct insurance operations		2.2	1.3
Creditors arising out of reinsurance operations		0.1	0.1
Creditors arising out of reinsurance operations through related parties	11	0.0	0.2
Accruals and provisions	10	0.3	0.5
Amounts due to related parties	11	0.5	3.0
Taxation	8	5.9	0.0
		<u>9.0</u>	<u>5.1</u>
Total LIABILITIES		845.3	428.3

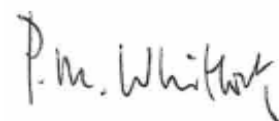
The notes on pages 33 – 53 form part of these financial statements.

Approved and authorised for issue by the Board

Deian Jones
Chief Executive Officer
Date: 26 March 2024



Paul Whitlock
Chairman



Statement of Changes in Equity
For the year ended 31 December 2023

	Share Capital £millions	Share Premium £millions	Capital contribution Reserve £millions	Profit and Loss account £millions	Total £millions
As at 1 January 2022	20.0	135.6	0.0	(63.8)	91.8
(Loss) for the financial year				(20.3)	(20.3)
As at 31 December 2022	20.0	135.6	0.0	(84.1)	71.5
Capital contribution from Part VII			79.1		79.1
Profit for the financial year				23.4	23.4
As at 31 December 2023	20.0	135.6	79.1	(60.7)	174.0

All shareholders' funds are attributable to equity shareholders.

There was no other comprehensive income recognised for the year (2022: Nil)

The notes on pages 33 – 53 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 26 March 2024.

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 2023 which demonstrates a strong financial position with shareholders' funds of £174.0 million and a regulatory solvency margin of 364% (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 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 are recognised at cost less any provision for 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) Loans secured by mortgages

Loans secured by mortgages solely comprise Lifetime mortgages. Lifetime mortgages are classified as FVTPL due to the existence of an embedded derivative in the form of the no-negative equity guarantee (NNEG) which is part of the terms and conditions of these products.

The fair value of lifetime mortgages is calculated by projecting the future cash flows expected to be generated by the portfolio on redemption, allowing for credit losses caused by the NNEG using a variant of the Black Scholes option pricing method. An allowance for possible voluntary early redemption of the lifetime mortgages has been determined by reference to historic rates observed on the portfolio. These cash flows are then discounted at risk-free rates plus an allowance for illiquidity of lifetime mortgages assets, based on observable market rates for new business.

On initial recognition, if the difference between the fair value at the transaction date and the transaction price is a gain, it is not recognised immediately but instead deferred over a period of 12 months. If the difference is a loss, this is expensed to the Income Statement immediately.

g) 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.

h) Long term business provision

The long term business provision is determined by the Chief Actuary. The methodology underlying the calculations follows that prescribed under Solvency II implemented by the PRA in the UK. Under Solvency II the technical provisions are calculated using best estimate assumptions but include a risk margin and allowance for the transitional measure on technical provisions.

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.

i) Claims and annuity benefits

Annuity benefits, maturities and PHI claims 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.

j) 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.

k) 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 deducted. 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 25% (2022: 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, therefore for 2023 the entity has a blended tax rate of 23.5%.

l) Operating Leases

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

m) 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.

Critical 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.

There were no critical judgements in preparing these financial statements.

The following key sources of estimation uncertainty 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 £661.8m (2022: £350.7m) is valued using best estimate assumptions for mortality and expenses as detailed in note 1(h). 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.
- Valuation of lifetime mortgages. The value of lifetime mortgages of £109m (2022: £0m) is determined using an actuarial model and best estimate assumptions for mortality, voluntary early redemption, illiquidity spread, property prices and expenses and also including the valuation of the NNEG as detailed in noted 1(f). There is no significant insurance risk, and therefore the lifetime mortgages are accounted for under IFRS9. Due to the complexity of the valuation and the underlying assumptions, such estimates are subject to significant uncertainty. Note 12 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 Board 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 Board 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.

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 £3,000,000 (2022: £2,400,000). 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 appetite for market risk.

The Company holds high-quality bonds. It does not invest in equities or use any derivative instruments, and its investments are traded in liquid markets with the exception of lifetime mortgages.

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 £11.8m (2022: £5.1m). 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 £20.6m (2022: £9.0m) 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.

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 all outflows for a 90 day period in a stressed liquidity scenario.

2.5 Credit Risk

The Company is exposed to the risk of default or credit downgrade of the issuer of a bond that the Company holds. 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 2023					
£millions	AAA	AA	A	BBB	BB	B	Total
Bonds	8.3	54.9	182.3	175.3	0.0	0.0	420.8
		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

The largest investment with one counterparty is £14.5m (2022: £9.7m).

2.6 Counterparty Risk

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

Omnilife reinsures its longevity exposure through a quota share arrangement with RGA Americas, a longevity swap with Hannover Re and through stop loss arrangements with RGA Atlantic, RGA Americas 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 which 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
- A robust capital management policy and recovery & resolution plan are in place to respond to the unlikely scenario of a reinsurer default.

The credit rating of external reinsurers

Counterparty	Credit rating	
	December 2023	December 2022
AGRO	AA	AA
GenRe	AA+	AA+
Hannover Re	AA	AA

As a result of the measures above there is no material residual exposure to counterparty risk arising from reinsurance.

The credit rating of banks where deposits are held

As at 31 December 2023							
£millions	AAA	AA	A	BBB	BB	B	Total
Cash	0.0	18.8	9.2	0.0	0.0	0.0	28.0
As at 31 December 2022							
£millions	AAA	AA	A	BBB	BB	B	Total
Cash	0.0	13.0	7.6	0.0	0.0	0.0	20.6

Counterparty risk from banks is managed through holding deposits in multiple banks with strong credit ratings.

2.7 Property Risk

The Company's holding of lifetime mortgages give rise to an exposure to house price risk. The risk arises through adverse movements between actual house prices and those implicit in the valuation of the lifetime mortgages, such that the ultimate realisation of the property is of a lower amount than expected and could result in a reduced redemption value. Property risks on lifetime mortgages are partially mitigated by a stop-loss reinsurance arrangement.

Geographical analysis of lifetime mortgages

The Company holds loans secured on property across England, Scotland, Northern Ireland and Wales. An analysis of residential property by geographical location is provided below:

Lifetime mortgages – Fair Value	2023	
	£m	%
Wales	4.1	3.8
East Anglia	3.0	2.7
East Midlands	4.7	4.3
Greater London	17.1	15.7
Yorkshire & Humberside	5.5	5.0
North West	7.6	7.0
Northern Ireland	6.6	6.0
Scotland	5.8	5.3
Outer Metropolitan	20.4	18.8
Outer South East	11.8	10.8
South West	12.4	11.4
West Midlands	6.9	6.3
North	3.1	2.9
Total	109.0	100.0

The weighted average loan to value (LTV) in respect of lifetime mortgage loans is estimated to be 46%. LTV analysis has been undertaken by using a combination of external valuations and internal and external desktop reviews which consider the type and quality of security and geographical location.

The largest individual exposure to property risk is £0.9m or 0.8% of fair value.

2.8 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 Customer, Conduct & Operations Committee. Issues will be reported to the Board Risk Committee by both the management team and risk function. The Board Risk Committee monitors the management actions being implemented to address the issues.

2.9 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.

2.10 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 meet 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 £174.0 million (2022: £71.5 million). Throughout the year the Company's capital remained substantially above the SCR and at 31 December 2023 represented 364% (2022: 283%) 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	2023 £millions	2022 £millions
<u>Gross written premiums:</u>		
UK Group Life	0.0	(0.1)
Overseas Individual	0.1	0.1
Total gross written premiums	0.1	0.0
<u>Reinsurance</u>		
Longevity	5.3	0.0
UK Group Life	0.0	0.1
Total reinsurance	5.3	0.1
Total net written premiums	(5.2)	(0.1)
b) Net claims incurred	2023 £millions	2022 £millions
<u>Gross claims incurred</u>		
Longevity	53.9	38.5
UK Group Life	0.0	0.1
Overseas Group	0.1	0.7
Total gross claims incurred	54.0	39.3
<u>Reinsurance</u>		
Longevity	16.5	5.2
UK Group Life	0.0	0.1
Overseas Group	0.0	0.2
Total reinsurance	16.5	5.5
Total net claims incurred	37.5	33.8

4. INVESTMENT RETURN

	2023 £millions	2022 £millions
<i>Technical account:</i>		
Investment Income and realised gain/(loss) – Investments measured at fair value through profit or loss	15.8	3.9 *
Unrealised gain/(loss) – Investments measured at fair value through profit or loss	33.7	(75.2) *
Total Investment Return	49.5	(71.3)

* The split of total investment return between investment income and realised gain/(loss), and unrealised gain/(loss) has been reclassified to improve comparability with the current year.

5. NET OPERATING EXPENSES

	2023 £millions	2022 £millions
<i>Technical account:</i>		
Administrative expenses	6.0	4.4
Net operating expenses	6.0	4.4
<i>Non-technical account:</i>		
Other expenses	0.0	0.3
Total expenses	6.0	4.7

Net operating expenses include the following:

	2023 £millions	2022 £millions
Directors' emoluments (note 7)	0.5	0.4
Auditor's remuneration:		
- Audit of the financial statements	0.4	0.3
Operating lease payments	0.3	0.5
Professional fees	0.8	0.7
Other	4.0	2.8
	6.0	4.7

There were no other non-audit fees paid to the Auditor in the current and prior year.

6. EMPLOYEE INFORMATION

The Company has no direct employees (2022:0), employees are employed by RGA UK Services Limited, and costs are recharged to the Company.

7. DIRECTORS' EMOLUMENTS

	2023 £millions	2022 £millions
Aggregate emoluments	0.5	0.4
	0.5	0.4

The emoluments of the highest paid Director were £277,000 (2022: £176,000). 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 2023.

The Company made no payments to the pension scheme of any Director (2022: 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 2023. 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 (2022: 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

	2023 £millions	2022 £millions
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	5.7	(4.0)
Adjustments in respect of prior years	0.1	(0.3)
Current tax (credit)/charge	<u>5.8</u>	<u>(4.3)</u>
Deferred Tax:		
The origination of timing differences	1.5	(1.4)
Adjustments in respect of prior years	0.0	0.3
(Credit)/charge on loss on ordinary activities	<u>7.3</u>	<u>(5.4)</u>
The tax (credit)/charge arises from:		
Long term business technical account	7.3	(5.3)
The non-technical account	0.0	(0.1)
	<u>7.3</u>	<u>(5.4)</u>
b) Factors affecting current tax charge for the year		
Profit/(loss) on ordinary activities before tax	30.7	(25.7)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 23.5% (2022 at 19.0%)	7.2	(4.9)
Rate differential on deferred items	0.0	(0.6)
Other timing differences	0.0	0.0
Adjustments in respect of prior years	0.1	0.1
Current tax (credit)/charge	<u>7.3</u>	<u>(5.4)</u>

c) Deferred tax asset

The deferred tax included in the balance sheet is £6.8m (2022: £3.1m). This balance includes deferred tax assets of £8.2m (2022: £3.1m) and deferred tax liabilities of £1.4m (2022: £nil).

The amount of the net reversal of deferred tax expected to occur next year is £6.5m 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, therefore for 2023 the entity has a blended tax rate of 23.5%.

e) Pillar II

The Organization for Economic Cooperation and Development developed Global Anti-Base Erosion model rules under Pillar II establishing a Global Minimum Tax to ensure multinational enterprises with consolidated revenue of more than EUR 750M pay at least an effective tax rate of 15% on income arising in each jurisdiction in which they operate. Omnilife, as part of a multinational enterprise, may be subject to these rules. The GloBE model rules serve as a template to allow for each jurisdiction to modify and incorporate into domestic law. As of December 31, 2023, many of the jurisdictions in which RGA operates enacted Pillar II legislation into domestic law with an effective date of January 1, 2024. Guidance is expected to continue throughout 2024 and beyond.

9. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023 £millions	2022 £millions
Debtors arising out of direct insurance operations		
Premium debtors over 90 days old	0.1	0.0
Premium debtors under 90 days old	0.1	0.2
	<u>0.2</u>	<u>0.2</u>

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 2023 the provision for bad and doubtful debts is £0.0m (2022: £0.0m).

10. ACCRUALS AND PROVISIONS

	2023 £millions	2022 £millions
Accruals and provisions		
Accruals	0.3	0.4
Provisions	0.0	0.1
	<u>0.3</u>	<u>0.5</u>

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 Americas, RGA Atlantic and RGA International. 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).

	2023 £millions	2022 £millions
Arising out of reinsurance operations		
RGA International	(0.0)	(0.2)
Total due to related parties	<u>(0.0)</u>	<u>(0.2)</u>
Arising from other operations		
RGA UK Services Ltd	(0.5)	(0.1)
RGA International	7.3	1.6
RGA Enterprise Services Company	0.0	(0.1)
HLAC	0.0	(0.1)
Total due (to) / from related parties	<u>6.8</u>	<u>1.3</u>
Net due from / (to) related parties		
RGA UK Services Ltd	(0.5)	(0.1)
RGA International	7.3	1.4
RGA Enterprise	(0.0)	(0.1)
HLAC	(0.0)	(0.1)
Total net due (to) / from related parties	<u>6.8</u>	<u>1.1</u>

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

Transactions with related parties during 2023 are detailed as follows:

	RGA UK Services £millions	RGA Int £millions	RGA Enterprise £millions	HLAC £millions	Total £millions
Opening Balance	0.1	1.4	(0.1)	(0.1)	1.1
Premiums due (to)/from related parties	0.0	0.0	0.0	0.0	0.0
Outstanding claims due (to)/from related parties	0.0	0.0	0.0	0.0	0.0
Other due (to)/from related parties	(3.5)	7.3	0.3	(0.1)	4.0
Amounts settled with related parties	3.2	(1.4)	(0.3)	0.2	1.7
Closing Balance	(0.4)	7.3	(0.1)	0.0	6.8

12. FINANCIAL INVESTMENTS

	2023 Market value £millions	2023 Cost £millions	2022 Market value £millions	2022 Cost £millions
Debt securities and other fixed income securities				
UK Government Bonds	17.2	20.0	4.7	7.4
Corporates	371.7	421.0	253.5	339.6
Government – non UK	13.4	15.5	11.8	15.4
Hybrids	17.1	18.4	11.4	14.3
Supranationals	1.5	1.6	2.5	2.7
	<u>420.9</u>	<u>476.5</u>	<u>283.9</u>	<u>379.4</u>
Other FVTPL investment				
Lifetime Mortgages	109.0	97.5	0.0	0.0
Total measured at fair value through profit or loss	529.9	574.0	283.9	379.4
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
Total Financial Investments	523.0	574.1	284.0	379.5

Note 24 outlines the Part VII transfer of assets and liabilities from HLAC in 2023.

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 2023	Level 1	Level 2	Level 3	Total
	£millions	£millions	£millions	£millions
Financial investments at FVTPL				
UK Government Bonds	0.0	17.2	0.0	17.2
Corporates	0.0	371.7	0.0	371.7
Government – non UK	0.0	13.4	0.0	13.4
Hybrids	0.0	17.1	0.0	17.1
Supranationals	0.0	1.5	0.0	1.5
Lifetime mortgages	0.0	0.0	109.0	109.0
Total financial investments at FVTPL	0.0	420.9	109.0	529.9
As at 31 December 2022	Level 1	Level 2	Level 3	Total
	£millions	£millions	£millions	£millions
Financial assets at FVTPL				
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 assets at FVTPL	0.0	283.9	0.0	283.9

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

Level 3 assets comprise lifetime mortgages transferred from HLAC as part of the Part VII transfer in April 2023.

The valuation of lifetime mortgages is determined using a discounted cash flow model. The principal assumptions underlying the calculation of lifetime mortgages include the following:

Mortality or entry into long term care

This is based on the expected death or entry into long term care of the policyholder or the last remaining policyholder for a joint contract. Mortality assumptions have been derived by reference to PMA16/PFA16. This table is adjusted by calendar year for mortality improvements based an RGA developed mortality projection model "RGA_2023".

Voluntary early redemption

Due to limited market information, these assumptions have been derived from the Company's own experience on this product.

Expenses

Assumptions for future policy expense levels are based on internal and external direct management costs. Expenses are modelled as a percentage of in force loan balance in line with the fee agreements.

Discount rate

The discount rate applied to the mortgage cash flows comprises two parts: a risk-free yield curve and an allowance for illiquidity. The risk-free yield curve is based on the GBP curve published by the PRA. The average discount rate for each mortgage (assumed to be the 10-year point on the yield curve) depends on the loan to value of the mortgage and the age of the policyholder. The business is categorised into several LTV buckets, where the average discount rate ranges from 5.23% to 9.78% due to a 195bps to 650bps allowance for illiquidity.

No-negative equity guarantee

The fair value of lifetime mortgages takes into account an explicit provision in respect of the no-negative equity guarantee which is calculated using a variant of the Black Scholes option pricing model. The key assumptions used to derive the value of the no-negative equity guarantee include property growth and volatility. The current property price is based on the last survey valuation adjusted by the Nationwide Regional House Price Index and an annual underperformance assumption. The future property price is based on the Bank of England's implied future inflation and an annual property price underperformance assumption.

The property growth assumed at 31 December 2023 is the implied Bank of England RPI curve. The assumption for the representative average duration of the lifetime mortgages of 10 years was 3.44%. The property volatility assumed at 31 December 2023 was 15%. The value of the NNEG as at 31 December 2023 was £3.4m.

Sensitivity analysis

Changes to material unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The Company has estimated the net decrease on profit before tax for the period in changes to these inputs as follows.

	Illiquidity spread	Illiquidity spread	Property level
	+200 BPS	-200 BPS	-13.6%
	£m	£m	£m
31 December 2023	(13.2)	17.0	(6.8)

The sensitivity factors are applied via actuarial models. The analysis represents a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results. The property level sensitivity represents a combined property level, growth and volatility stress. These sensitivities are chosen as they are all key components of the fair value calculation.

The interest rate sensitivity of financial instruments should be considered in conjunction with the offsetting interest rate sensitivity of insurance contracts as set out in note 17.

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 financial assets and liabilities with agreed repayment periods. In practice, lifetime mortgage assets may be repaid ahead of their contractual maturity. As such, the Company uses past performance of each asset and liability class along with management judgement to forecast likely cash flow requirements. The table includes both interest and principal cash flows.

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

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than five years	Total
	£millions	£millions	£millions	£millions	£millions	£millions
As at 31 December 2023						
Assets						
Financial Investments	18.2	9.7	26.2	244.9	722.4	1,021.4
Cash at bank and in hand	28.0	0.0	0.0	0.0	0.0	28.0
Reinsurers' share of technical provision	1.5	1.2	10.7	61.8	344.4	419.6
Deferred Tax	0.0	0.0	0.0	6.8	0.0	6.8
Other assets	0.0	7.7	0.0	7.3	0.0	15.0
Total financial assets	47.7	18.6	36.9	320.8	1,066.8	1,490.8
Liabilities						
Long term business provision	5.6	11.0	48.9	228.3	666.5	960.3
Other liabilities	0.0	3.1	0.0	0.0	0.0	3.1
Total financial liabilities	5.6	14.1	48.9	229.3	666.5	963.4
As at 31 December 2022						
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

14. SHARE CAPITAL

	2023 £millions	2022 £millions
Authorised:		
20,000,001 (2022: 20,000,001) Ordinary shares of £1 each	20.0	20.0
Allotted and fully paid:		
20,000,001 (2022: 20,000,001) Ordinary shares of £1 each	20.0	20.0
	<u>20.0</u>	<u>20.0</u>

15. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £millions	Share Premium £millions	Capital contribution reserve £millions	Profit & Loss Account £millions
At 1st January 2023	20.0	135.6	0.0	(84.1)
Capital contribution from Part VII	0.0	0.0	79.1	0.0
Profit for the year	0.0	0.0	0.0	23.4
At 31 December 2023	<u>20.0</u>	<u>135.6</u>	<u>79.1</u>	<u>(60.7)</u>

16. ASSETS IN THE LONG-TERM BUSINESS FUND

At 31 December 2023, the total amount of assets representing the long-term fund is £661.8m (2022: £350.7m). 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 2021 £millions	Cash movement £millions	Unrealised gain/(loss) £millions	Closing Balance 2022 £millions	Cash movement £millions	Unrealised gain £millions	Closing Balance 2023 £millions
Cash at bank	16.1	4.5	0.00	20.6	7.4	0.00	28.0
Financial Investments							
Debt securities and other fixed income securities	393.8	(34.7)	(75.2)	283.9	110.7	26.3	420.9
Lifetime mortgages	0.0	0.0	0.0	0.0	101.6	7.4	109.0
Other investments	0.1	0.0	0.0	0.1	0.0	0.0	0.1
	<u>410.0</u>	<u>(30.2)</u>	<u>(75.2)</u>	<u>304.6</u>	<u>219.7</u>	<u>33.7</u>	<u>558.0</u>

18. OTHER FINANCIAL COMMITMENTS

At 31 December 2023 the Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2023 £millions	2022 £millions
Not later than one year	0.0	0.3
	<u>0.0</u>	<u>0.3</u>

19. MOVEMENT IN TECHNICAL PROVISIONS

	2023 £millions	2022 £millions
Long term business provisions at 01 January	350.7	504.2
Transfer from HLAC (Note 24)	339.1	0.0
Impact of assumption changes on technical provisions	(14.0)	0.1
Foreign exchange gain on technical provisions (Note 20)	(0.1)	0.3
Other change in technical provisions	(13.9)	(153.9)
Long term business provision at 31 December	<u>661.8</u>	<u>350.7</u>

	2023 £millions	2022 £millions
Reinsurers' share of technical provisions at 01 January	108.3	177.6
Transfer from HLAC (Note 24)	154.9	0.0
Impact of assumption changes on technical provisions	(10.7)	(2.7)
Foreign exchange gain on technical provisions (Note 20)	0.0	0.2
Other change in technical provisions	12.6	(66.7)
Reinsurers' share of technical provisions at 31 December	<u>265.1</u>	<u>108.3</u>

20. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2023 £millions	2022 £millions
<u>Technical account</u>		
Foreign exchange loss on assets	0.0	(0.4)
Foreign exchange gain on technical provisions	0.1	0.2
Total gain	<u>0.1</u>	<u>(0.2)</u>
Net foreign exchange gain	<u>0.1</u>	<u>(0.2)</u>

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	
	2023	2022	2023	2022
Ex-Generali Annuities (base mortality)				
Males – annuity <£6,802 p.a.	96% PMA16	87.1% PNMA00	Risk-free rates with volatility adjustments	Risk-free rates with volatility adjustments
Males – annuity >£6,802 p.a.	84% PMA16	86.9% PNMA00	Risk-free rates with volatility adjustments	Risk-free rates with volatility adjustments
Females	87% PFA16	99.4% PNFA00	Risk-free rates with volatility adjustments	Risk-free rates with volatility adjustments
Mortality improvement	RGA_2023	RGA_2022		
Ex-HLAC Annuities (base mortality)				
Reversionary / Mortgage Schemes	103% PM.FA16		Risk-free	
Purchase Life Annuities	84% PM.FA16		Risk-free	
Pension Annuities (year 1)	19% PM.FA16		Risk-free	
Pension Annuities (year 2 - 5)	39% PM.FA16		Risk-free	
Pension Annuities (year 6 - 10)	61% PM.FA16		Risk-free	
Pension Annuities (year 11+)	79% PM.FA16		Risk-free	
Mortality improvement	RGA_2023			

The principal assumptions relate to annuity business, other lines of business represent less than 1% of overall technical provisions. For term assurance the most significant assumption is the mortality basis. For PHI claims in payment, it is the termination rates of the claims. For group business it is the unexpired risk premium period and incurred but not reported period. These books of business are discounted at risk-free rates. 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.

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% reduction in the best estimate mortality would result in an increase in net reserves of around £2,900,000 (2022: £2,400,000).

21. TECHNICAL PROVISIONS continued

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2022 to 31 December 2023 are set out in the table below.

Long Term Business Provisions (£millions)	Gross	Reins	Net
At 31 December 2022	350.7	108.3	242.4
Change in annuity	333.5	156.9	176.6
Change in group risk and individual including term assurance	(0.2)	(0.1)	(0.1)
Change in expense reserve	0.3	0.0	0.3
Change in SII Transitional adjustment	(20.0)	0.0	(20.0)
Change in risk margin	(2.5)	0.0	(2.5)
At 31 December 2023	661.8	265.1	396.7

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	56.2	54.1	(2.1)
Reinsurance	16.8	16.6	(0.2)
Net	39.4	37.5	(1.9)

The actual claims have been lower than expected due to favourable mortality experience and updated data on dates of death.

22. LETTER OF CREDIT

The Company's intra-group reinsurance arrangements are supported by a letter of credit for £44.5m 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. CONTROLLING PARTY

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

The smallest consolidated results including Omnilife are RGA Americas Reinsurance Company Limited. Consolidated financial statements can be obtained from the principal place of business which is: Power House, 7 Par-la-Ville Road, Hamilton, HM 11, Bermuda.

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 principal place of business of the ultimate parent company which is: 16600 Swingley Ridge Road, Chesterfield, Missouri 63017-1706.

24. PART VII TRANSFER FROM HODGE LIFE ASSURANCE COMPANY LIMITED

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. On 20 March 2023 the High Court approval was received to transfer the insurance business of HLAC. The transfer was effective on 30 April 2023 under Part VII of the Financial Services and Markets Act 2000. This resulted in the transfer of £422m of assets and £343m of liabilities.

The value of assets and liabilities transferred have been adjusted to align accounting policies and can be seen in the table below:

	£m
Other financial assets	240.5
Reinsurers' share of technical provisions	154.9
Other assets	26.8
Total assets	422.2
Long-term business provision	339.1
Other liabilities	4.0
Total liabilities	343.1
Net assets	79.1
Capital contribution reserve	79.1

All of HLAC's reinsurance contracts were novated to Omnilife as part of the transfer.

The company has recognised net claims incurred of £7.1m and £23.4m change in net technical provisions in the year since the transfer in respect of this book of business.