Omnilife

Omnilife Insurance Company Limited Annual Report and Accounts

Year ended 31 December 2018

Registered Number 2294080

Contents

CHAIRMAN'S STATEMENT

Jim Jack, Chair

I'm delighted to introduce Omnilife's Annual Report & Accounts at the end of my first full year as Chair of the Board and the start of a new era for the Company, under different ownership and with fresh branding.

2018 was a good year for Omnilife, during which we laid the foundations for profitable growth in future years by investing in our people and in our operating environment. This investment restricted our profitability but we still delivered a 34% increase in gross written premiums.

To enable a more focused growth strategy, Omnilife has invested in its people across all levels and departments, so we can continue to look after our growing client base and uphold our excellent reputation for service.

The Company has also invested in a new administration system, going live on LIFEfit at the beginning of October. This strengthens the control environment and increases efficiency across a number of teams, allowing greater focus on adding expertise and value for customers.

Gross written premium growth of 34% was achieved through record sales of UK new business and an impressive retention rate for our existing customers of 93%, while profit before tax decreased 22% to £174,000 (2017: £222,000) despite an improved underwriting result. The lower profit reflects a conscious investment in people, business development and regulatory compliance activities, resulting in higher operating expenses. This gives the Company a strong foundation to build higher profits in the future, whilst the balance sheet remains very strong with a solvency capital ratio of 270% (2017: 393%).

Omnilife is improving its profile in the market, winning 2 major awards, and being commended for another. We are proud to end 2018 as both 'Group Risk Provider of the Year' (Workplace Savings & Benefits) and 'Best Group Protection Provider' (Moneyfacts Investment Life & Pensions).

During 2018, our majority shareholder, Mediterranean and Gulf Insurance & Reinsurance B.S.C. (c) ("Medgulf") undertook a strategic review of its operations. The review concluded that it should seek a buyer for Omnilife, which it had owned since 2005. As a result of this process, effective 1st February 2019, Omnilife became a wholly owned subsidiary of Reinsurance Group of America ("RGA"). We are already seeing the benefit from new ownership, including an immediate upgrade of our credit rating from S&P Global to A+, recognising Omnilife as highly strategic to RGA.

Personally I have enjoyed a close relationship with Medgulf which has been a very reliable parent throughout my association with Omnilife. On behalf of the Company, I'd like to thank everyone at the Medgulf Group for their support and wish them every success in the future. Omnilife will continue to receive inwards reinsurance business from the Medgulf Group and we are also grateful for the support given by the Company's minority shareholders over many years.

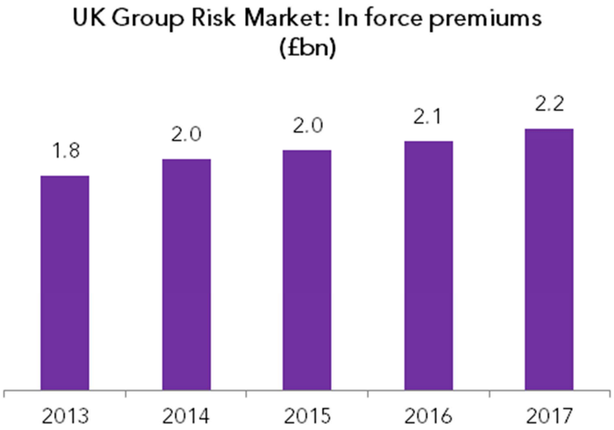
We are a people business and depend on the expertise and dedication of our staff and Directors. I would like to thank the whole team, including our outgoing Directors, Ted Garrett, Muhammad El Zein and Houda Momtaz, for their significant contributions to the business. I am also delighted to welcome our incoming Directors, Hortense Frisby, Hamish Galloway and Patricia Kavanagh, to the Omnilife team.

Looking forward, the future for Omnilife as part of RGA looks promising. Our UK Group Risk business will benefit from the security of a large and financially stable parent, while we work with RGA to explore new opportunities to acquire closed books of life insurance business.

STRATEGIC REPORT

Strategy

The UK group risk market, providing employee benefit insurance to employers covering death and ill health of staff, is the main market for Omnilife, with business being conducted entirely through corporate IFAs and employee benefit consultants. According to Swiss Re's Group Watch survey for 2017, published in 2018, in force premiums for the UK group risk market were £2.2bn; a rise of 5.0% on the previous year. Nearly 12.5 million lives were covered through more than 74,000 group risk schemes; increases of 3.1% and 2.2% respectively.



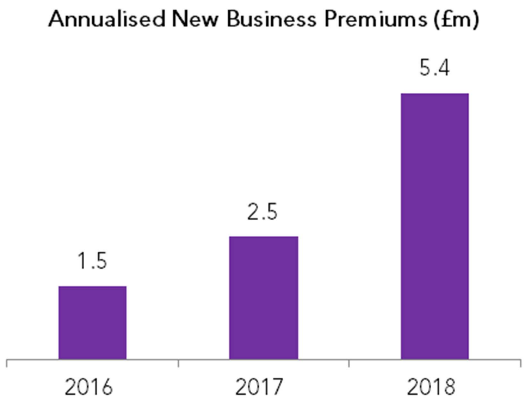
The UK group risk market is growing steadily and this is expected to continue, driven by a combination of salary inflation and increased demand for the employee benefits covered by these products. Brexit is not expected to have a significant impact on the growth in the market. It is anticipated that the loss of some schemes relocating from the UK to the EU will be matched by the increased demand amongst companies that were previously uninsured.

Omnilife is a niche provider in a market highly concentrated in its largest five insurers. To succeed in this environment, the strategy for Omnilife is to grow in selected segments, delivering a highly valued proposition for customers and generating sustainable profitable growth for shareholders.

Omnilife also participates in the international protection market on a limited basis, providing a somewhat broader product range to companies and individuals via insurance / reinsurance arrangements.

Business performance

The financial results for the year are set out on pages 20 to 24.

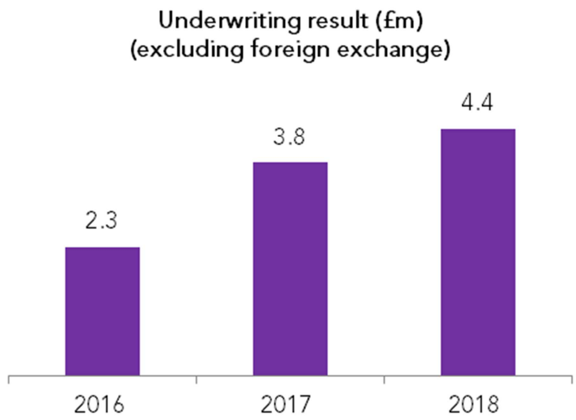


In terms of new business, 2018 was a record year for the Company, with 116% growth in annualised new business premiums to £5.4 million (2017: £2.5 million). Total gross written premiums increased 34% to £19.1 million (2017: £14.3 million) reflecting new business growth and retention of existing business. The new business growth has come predominantly from UK Group Life business, with continued low volumes of new business from other UK and Overseas business. After taking into account the significant proportion of risk reinsured, net written premiums increased 19% to £8.4 million (2017: £7.0 million).

Against this growth, claims experience has been generally in line with expectations, and our risk appetite. In particular, net claims incurred reduced by 11% to £2.5 million (2017: £2.8 million) due to improved mortality experience and lower surrenders for legacy individual investment business. The increase in long term business provisions, net of reinsurance, of £0.1 million (2017: £0.6 million decrease) is due mainly to higher unearned premium reserves arising from growth of the UK in force book. The Loss ratio of 64%, (Gross written premiums divided by Gross claims incurred plus the Gross change in other technical provisions) has increased 2% (2017: 62%).

£'m	2018	2017
Gross written premiums	19.1	14.3
Gross claims incurred	11.0	8.7
Gross change in other technical reserves	1.3	0.2
Loss Ratio	64%	62%

To monitor the underlying profitability of its insurance activities, one of the Key Performance Indicators (KPIs) used by the Company's management is the 'underwriting result', calculated as Earned premiums less Net incurred claims, Change in other technical provisions and Commissions. Excluding the impact of foreign exchange movement on Technical Provisions, the underwriting result increased by 16% to £4.4 million (2017: £3.8 million). The improvement is due to growth in size of the UK book of business, slightly offset by higher premiums ceded to the Company's reinsurer.



Operating expenses excluding commission increased by 36% to £4.5 million (2017: £3.3 million). Staff costs represent the most significant expense for the Company and these increased 42% during the year to £2.4 million (2017: £1.7 million) due to the planned increase headcount to ensure that the business is robust and able to grow. The other area of significant increase was legal and compliance fees which increased to £0.4 million (2017: £0.1 million) due to one off costs associated with the sale of the Company and ensuring the Company was GDPR compliant in the first half of the year.

The Company's financial performance in previous years has been significantly impacted by foreign exchange movements due to its previous policy of holding a substantial proportion of Shareholders' funds in US dollars. During the year the Company reduced the excess US dollar balance to £0.6million (2017: £3.0 million) and this resulted in a nil foreign exchange impact in 2018 (2017: £0.5 million loss).

Profit after tax decreased 50% to £0.1million (2017: £0.2million). This result was significantly influenced by one-time costs associated with the sale of the Company amounting to £0.2million, excluding this, the underlying profit after tax improved by £0.1m to £0.3million. The Company's financial position remains robust. Shareholders' funds increased 1% to £18.0 million (2017: £17.9 million) and this represents 270% (2017: 393%) coverage of the minimum solvency capital requirement.

Key Performance Indicators

From January 2018, management has been using a balanced scorecard to report Key Performance Indicators ("KPIs") to the Board and to manage business performance. The balanced scorecard covers wider areas of business performance in addition to financial indicators. A summarised balanced scorecard at 31 December 2018 is shown below.

FINANCIAL			CUSTOMERS & GROWTH		
£'m	2018	2017	£'m	2018	2017
Gross written premiums	19.1	14.3	UK new business	5.2	2.5
Underwriting result	4.4	3.8	UK lost business	0.9	0.5
Profit after tax	0.1	0.2	UK customers (#)	1184	967
Solvency (%)	270%	393%	Loss ratio	64%	62%
ORGANISATION & DEVELOPMENT			OPERATING EXCELLENCE		
	2018	2017		2018	2017
Headcount	33	25	Service - administration	93%	n/a
	Project status		Service - underwriting	53%	54%
LifeFIT system launch	Green		UK debtors over 90 days (£'m)	0.87	0.60
GDPR compliance	Green		Excess USD assets (£'m)	0.6	3.0

Financial – Omnilife has achieved strong growth in gross written premiums and improved the underwriting result. However profit after tax is below 2017 because against this, the Company has made necessary investment in its people and compliance activities as well as incurring exceptional legal costs in relation to the sale of the Company. The solvency ratio remains comfortably above 150%, the minimum threshold set in the Company's risk appetite.

Customers & Growth – UK Customers have grown by 22% to 1,184 (2017: 967) due to strong UK new business sales which have only been partly offset by lost business. The Loss ratio of 64% is 2% higher than in 2017 but lower than the loss ratio assumed in the business plan.

Organisation & Development – The Company increased its headcount 32% to 33 over 2018 to support the business growth experienced in 2018 and expected over the business plan period. In addition, some major projects were completed during the year including ensuring that the Company was fully GDPR compliant in time to meet the 21st May regulatory deadline and completing implementation of the new administration system, LIFEfit. Omnilife is now well placed to support sustainable future growth in the coming years.

Operating Excellence – Omnilife defines meeting service for the administration and underwriting teams as issuing account statements and quotes, respectively, within 10 working days. Service in the administration area has been strong throughout 2018 but the underwriting area was unable to meet this commitment and improving quote turnaround will be a key focus area in 2019. UK debtors over 90 days have increased 45%, which is broadly in line with the growth in premiums. USD assets in excess of the Company's liabilities have caused large volatility in financial performance in the past but are now within risk appetite and have had little impact on the 2018 result.

Principal risks & uncertainties

The Company's principal business is short duration group life insurance, mainly in the UK, representing over 94% of Gross Written Premiums, which is annually renewable with premium rates usually guaranteed for two years.

The Company has introduced a robust risk management framework in 2018 to ensure that all risks are understood and regularly monitored, with oversight by the Audit & Risk Committee. The Company's most significant on-going risks have not changed during the year and relate to:

- Insurance – this is our business and we have an established framework of procedures and controls to manage this within the risk appetite set by the Board;
- Reinsurance – we use reinsurance to share our insurance risk through a long-established relationship with Gen Re. We will only use highly-rated reinsurers (Gen Re is rated AA+ (Very Strong) by S&P) and continually monitor the risk of reinsurance default; and
- Investments – how we invest determines the risk and returns in this area and since the Company has low appetite for market risk, our investment approach has been conservative with a mix of high quality bonds and term deposits

Brexit

Omnilife has considered the impact of the United Kingdom's proposed exit from the European Union on 29th March 2019 and concluded that there is a low risk of either operational disruption or material financial impact. Omnilife has a small number of policies issued to companies in the European Union but in line with the Company's strategy to focus on the UK market, renewal terms are not being offered on these contracts. The Company has discussed the exit from the European Union with its main suppliers and customers in the UK and is comfortable that business will continue as usual once the United Kingdom exits.

Outlook and business development

2018 was the first full year for Omnilife under Jonathan Plumtree as CEO and of implementing the new growth strategy approved by the Board in December 2017. The Company has made a good start to delivering this strategy, achieving strong revenue growth and strengthening all areas of the business, whilst delivering a stable financial result. The Company is now well placed to continue this growth momentum and achieve scale, whilst controlling the expense base and keeping risks in line with the Company's risk appetite. The principal source of growth will continue to be the acquisition of new group risk business, with a focus on segments within the market in which the Company can tailor its products to better meet the needs of customers.

Following the acquisition of the Company by RGA Americas Reinsurance Company Ltd ('RGA') on 1st February 2019, the existing strategy will continue, enhanced by new opportunities to utilise Omnilife's direct insurance licence to support RGA in closed book transactions. In the short-term the Company will be focused on achieving a successful integration into RGA, whilst maintaining key strengths of the existing business, such as strong intermediary and market support, as well as a continuing relationship with longstanding reinsurer Gen Re.

The Company will continue to monitor progress of the business against its plans using a balanced scorecard of key performance indicators, which will be reviewed monthly by management and formally reviewed by the Board on a quarterly basis.

By order of the Board

Jonathan Plumtree
Chief Executive Officer
Date: 05 March 2019

Jim Jack
Chair

DIRECTORS and ADVISORS

Jim Jack - Chair

Jim was appointed Chair in 2017, having served as chair of the Audit and Risk Committee and been a non-executive director since 2015. After qualifying as a Chartered Accountant, he has spent his whole career in the insurance and reinsurance industry. Jim spent over 25 years with the Prudential Group where he held a number of senior financial positions before leaving to help launch a new annuity business. He is a member of the FRC Case Management Committee has also chaired the ABI Financial Reporting Committee.

Jonathan Plumtree - CEO

Jonathan is an FCA with almost 30 years' experience in the insurance industry and was appointed CEO in November 2017, with responsibility for developing and growing the business. Jonathan began his career with the Royal Navy, before joining Coopers & Lybrand, working in London and the US. He spent ten years as Finance Director at Unum and then built and ran a successful new group protection insurance start up for Zurich Insurance Group, and subsequently led its corporate pensions business. He is also a Vice President for the charity CLIC Sargent, supporting children and young people with cancer.

Caroline Instance

Caroline joined the Omnilife Board in 2015. Her professional background is Human Resources and was HR Director of United Friendly Insurance until 2004. She became the founding CEO of the UK's first pensions regulator, the Occupational Pensions Regulatory Authority and later the CEO of the Institute and Faculty of Actuaries. She has also been a Trustee of: the Royal London Group Pension Scheme; the Charity ShareAction; and Age UK, Horsham District.

Michelle Cracknell

Michelle Cracknell is an Actuary with over 30 years' experience in financial services. She was appointed as a non-executive director in June 2015. Michelle spent nearly 10 years as a pension consultant looking after SMEs and running a self-administered business. She spent 3 years as Strategy Director at Skandia and 3 years as a consultant. From 2013 to 2018, she was the Chief Executive of The Pensions Advisory Service, the public service that delivers pensions guidance.

Following the acquisition of the Company by RGA on 1st February 2019, the following Directors resigned:

Mohamed El Zein (resigned 01 February 2019)

Mohamed holds an MBA in International Finance from Rochester Institute of Technology, New York, USA in 1980. He began his career serving in various senior positions in Evenflo Products Company, Ohio, USA (1982-2001), and then he established his own company MBZ Financial Consulting, USA (2001-2006). Mohamed joined the Medgulf group in 2006, and he has been the Group CEO of the Medgulf Group since April 2014, having previously served as the Group Financial Officer.

Houda Momtaz (resigned 01 February 2019)

Houda holds numerous academic qualifications including an LLM from the London School of Economics and an MBA from the Ecole Superieure des Affaires. Houda started her career as a general counsel for a Saudi Company owned and managed by HRH Prince Bandar Al Faisal, before joining Legal Advisors in Association with Baker & McKenzie in Riyadh in May 2007. In October 2010, she joined the Medgulf Group as General Counsel and Board Secretary and was appointed to the Omnilife Board in 2015.

Edward Garrett (resigned 01 February 2019)

Edward has 50 years' experience in the insurance industry and joined Omnilife as a director in 2009. He began his career in Lloyds as a broker in 1969, then in 1986, Edward was appointed to the board of Willis Faber & Dumas Ltd. He went on to become a Group Managing Director of Willis plc with responsibility for Sales & Marketing in the Middle East, Africa and India. In 1996 Edward joined Marsh Ltd as a Group Managing Director of both Marsh and Guy Carpenter with similar responsibilities to those he had at Willis. In 2006, Edward retired from Marsh but has since held various consultancy roles.

Following the acquisition of the Company by RGA on 1st February 2019, the following Directors were appointed, subject to approval by the Prudential Regulatory Authority:

Hamish Galloway

Hamish is Senior Vice President, Global Financial Solutions (GFS) for RGA UK Services Limited. He heads the office's Financial Solutions team, which focuses on longevity reinsurance and financial reinsurance. Hamish was an integral member of the team that took RGA's UK operations from a start-up to its current status as the market's leading life reinsurance provider. 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).

Patricia Kavanagh

Patricia is a Certified Accountant with 30 years' experience in the (re) insurance industry. She is Managing Director of RGA International Reinsurance Company dac responsible for the oversight and management of business written through RGA International's branch operations in Europe and Singapore. Prior to joining RGA in 2008 Patricia spent over 18 years with the Great West Life Group where she held a number of senior financial positions.

Hortense Frisby

Hortense is an operations and transformation specialist with 15 years' experience in the insurance and reinsurance industries. She specialises in building and running efficient operations including post-acquisition integration; shared services creation and outsourcing. Hortense has extensive experience of working internationally in both Europe and Asia and has held a number of senior operations and transformation roles in global insurance businesses. Prior to joining Omnilife Ltd, Hortense was the Chief of Staff to the Chief Operating Officer of RGA's EMEA region.

Company Secretary

Richard Batey
16th Floor
5 Aldermanbury Square
London
EC2V 7HR

Chief Actuary

Nick Dumbreck FIA
Milliman LLP
11 Old Jewry
London
EC2R 8DU

Auditors

Moore Stephens LLP (Resigned 01 February 2019)
150 Aldersgate Street
London
EC1A 4AB

BDO LLP (Appointed 01 February 2019)
150 Aldersgate Street
London
EC1A 4AB

Bankers

Barclays Bank PLC
Broadgate Business Centre
155 Bishopsgate
London EC2M 3XA

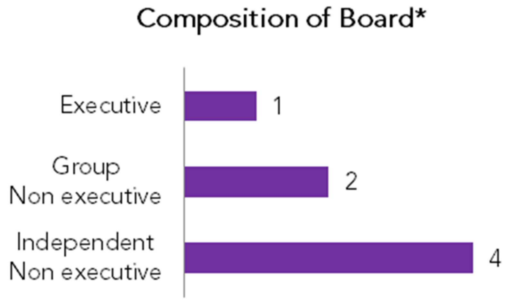
On 1st February Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.

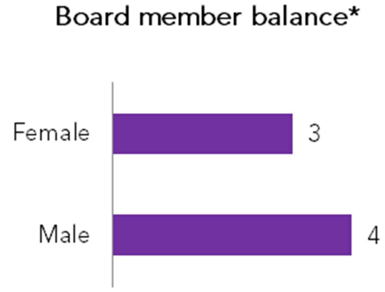
CORPORATE GOVERNANCE

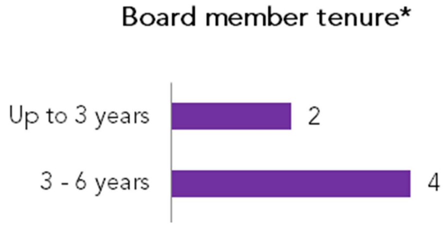
The Omnilife Board

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, Jim Jack, and the other Company directors, as detailed on pages 8-10. It has an experienced and diverse membership which is effective at governing the Company's insurance business. During 2018 the Board met 8 times. The Board is supported by three sub-committees which each meet separately and make recommendations to the Board for approval.







*At 31 December 2018

Nomination and remuneration committee

The main purpose of the Committee is to assist the Board in establishing and maintaining an effective Board by regularly reviewing its structure, size and composition; performing rigorous formal evaluations of new members; and monitoring the development of existing members. The committee also recommends to the Board the framework and broad policy for the remuneration of the Executive Directors of the Company and such other senior managers as the NRC deems appropriate, as well as the overall levels of remuneration for all other staff employed by the Company.

During 2018 the Nomination and Remuneration Committee worked on the staff and CEO bonus arrangements to bring the two in alignment; reviewed the composition, skill mix and effectiveness of the Board; and initiated changes to committee membership. In addition, the committee looked at the implication of the changes in the SMCR regime and reviewed the Scope of Responsibility Statement for the Board Chair. The committee also looked at the HR and senior staffing implications of the sale of Omnilife.

At 31st December 2018, the committee was comprised of the chair, Caroline Instance, as well as non-executive directors Edward Garrett and Houda Momtaz. During the year the committee met 4 times.

Audit and risk committee

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for external audit, Omnilife's risk management, it's financial and regulatory reporting, the internal control framework, internal audit and compliance matters. During 2018 the Committee placed particular emphasis on risk management. This involved in depth reviews of controls within major risk areas together with work related to the introduction of GDPR and strengthening controls for the overseas business.

During 2018, as part of their 2018 annual inspection of audit firms, the Financial Reporting Council ("FRC") Audit Quality Review Team conducted a review of the external audit undertaken by Moore Stephens LLP on the financial statements of Omnilife for the year ended 31st December 2017.

The purpose of the review is to identify areas where improvements to audit quality are required and not to report on areas that meet or exceed the expected quality. The report of the Audit Quality Review team has been provided to the chair of the Audit Committee and the findings have been discussed by the Audit Committee and with Moore Stephens LLP. The Audit Committee were satisfied with the quality of the audit and no significant areas for improvement were identified within the report.

At 31 December 2018, the committee was comprised of the chair, Michelle Cracknell, as well as non-executive directors, Jim Jack and Caroline Instance. The committee met 4 times during the year.

Investment Committee

The main purpose of the Committee is to manage the investment policy and strategy for the Company's investment portfolio and to ensure that the portfolio is being managed in accordance with the agreed risk appetite. During 2018, the Investment Committee focused on setting suitable investment guidelines that meet the risk appetite set by the Board and, following thorough review, made a recommendation to the Company's outsource investment management. It reduced the Company's exposure to currency risk and counterparty risk and started to consider an alternative investment strategy to improve the returns within the same risk profile. This work will continue in 2019.

At 31st December 2018, the committee was comprised of the chair, Michelle Cracknell, as well as non-executive directors, Hoda Momtaz and Edward Garrett. The committee met 2 times in 2018.

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 2018.

Principal activities

The principal activity of the Company during the year under review continued to be the transaction of Group Life insurance business in the United Kingdom.

Financial performance and future prospects

The Company's strategy and business performance are covered within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend (2017: £nil).

Directors and Secretary

The Directors and Secretary of the Company at 31 December 2018 are listed on pages 8-10.

Mohamed El Zein, Houda Momtaz and Edward Garrett resigned as Directors on 1st February 2019, following the acquisition of the Company by the RGA Group. At the same time Patricia Kavanagh, Hamish Galloway and Hortense Frisby were appointed as directors, subject to regulatory approval.

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.

Disclosure of information to auditors

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

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

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

By order of the Board

Jonathan Plumtree
Chief Executive Officer
Date: 05 March 2019

Jim Jack
Chair

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Independent Auditors Report to the Members of Omnilife Insurance Company Limited

Opinion

We have audited the financial statements of Omnilife Insurance Company Limited (the 'company') for the year ended 31 December 2018 which comprise the Technical Account – Long Term Business, Non-Technical Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including 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.

Area of focus	Work performed to address the key audit matter
Valuation of Technical Provisions Technical provisions are a key element of the financial statements and have a high inherent risk of misstatement due to the estimation uncertainty of the final outcome. The risk of misstatement in this area is that potential exposures on claims are not accurately or adequately provided for in the financial statements.	To consider the directors assessment of the valuation of technical provisions, we: • tested a sample of outstanding claims as at 31 December 2018 to gain comfort that claims estimates are consistent with supporting documentation; • have undertaken cut-off testing to gain comfort that claims estimates have been properly updated to reflect payments up to the year-end date; and • appointed an external actuarial expert who has completed a review of the technical provisions following our consideration of their independence and expertise. Our appointed actuarial expert has: • reviewed the methodology adopted by the actuaries of the Company to ensure appropriate methodologies are being used in the assessment of technical provisions; • reviewed and evaluated the assumptions adopted for the calculation of technical provisions and assessed consistency with the regulations; • considered any changes in approach or assumptions since the previous valuation; and • reviewed the accuracy of the calculation of the technical provisions based on the reviewed methodology. Following the review, we have: • reconciled the data provided to our appointed actuarial expert to the data used by the Company's actuaries and to the financial statements; • tested a sample of actuarial data used by the Company's actuaries and our appointed actuarial experts by selecting a sample from the Company accounting records and confirming inclusion in the data provided to the Company actuary and our appointed actuarial expert; and • discussed with and challenged the assumptions made by our actuarial expert in performing the review including appropriateness of those assumptions and why other bases were considered less appropriate. Comment on findings We have no matters to communicate in respect of the valuation of the technical provisions.

Our application of materiality

In planning and performing our audit we were influenced by our application of materiality. We consider materiality to be the magnitude by which misstatements, including omissions, could change or influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements. Importantly, we also take into account the nature of identified misstatements and the particular circumstances of their occurrence when evaluating their effect on the financial statements as a whole, and so misstatements below these levels will not necessarily be evaluated as immaterial.

We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed. Based on our professional judgement, we determined materiality for gross insurance balances and the financial statements as a whole to be £375,000 (2017: £350,000). The principal determinant in this assessment was the Company's Net Assets, which we consider to be the most relevant benchmark, as it reflects a key measure of the performance of an insurance company and is used to assess the level of free reserves and in determining solvency. Our materiality represents 2% (2017: 2%) of this number.

Due to the much lower quantum of other balances, including the profit and loss account, we have applied a lower level materiality of £200,000 (2017: £185,000) to all other balances.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Basic performance materiality was set at £150,000 (2017: £138,750) which represents 75% (2017: 75%) of the above lower level materiality levels.

We agreed with the Audit & Risk Committee that we would report to them any misstatements in excess of £10,000 (2017: £9,000) that we identified through the course of our audit, together with any qualitative matters that warrant reporting.

An overview of the scope of the audit

The Company does not have any subsidiary undertakings. The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the Company when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of technical provisions which are subject to management judgement and estimation.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, PRA and FCA rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training, and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the PRA and FCA; and
- review of the Company's compliance plan, annual MLRO report, breaches register and Internal Audit reports.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testingjournals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 14 , 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.

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 Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were first appointed to audit the financial statements for the year ended 31 December 2003 and subsequent financial periods. In respect of the year ended 31 December 2018, following a tender process, we were reappointed as auditor by the members of the company at the annual general meeting held on 7 September 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

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.

Rupert Livingstone, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London

UK

05 March 2019

Profit and loss account
Technical account - long term business
For the year ended 31 December 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	19,110		14,292	
Outward reinsurance premiums	3	(10,738)		(7,265)	
			8,372		7,027
Investment income			233		210
Unrealised gains on investments			(49)		(97)
Other income - Interest on policy loans			24		31
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		(10,102)		(10,367)	
Reinsurers' share		7,809		7,553	
		(2,293)		(2,813)	
Change in provision for claims					
Gross amount		(863)		1,695	
Reinsurers' share		657		(1,723)	
		(206)		(28)	
Net claims incurred			(2,499)		(2,842)
Change in other technical provisions					
Long term business provision, net of reinsurance					
Gross amount	17	(1,336)		(153)	
Reinsurers' share	19	1,245		736	
	19		(91)		582
Net operating expenses	4		(5,406)		(3,816)
Foreign exchange gain/(loss)	18		7		(406)
Balance on the technical account - Long term business			591		689

All the above amounts are derived from continuing activities.

The notes on pages 25 – 37 form part of these financial statements.

Profit and loss account
Non - technical account
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Balance on the long term business technical account		591	689
Investment income		10	12
Other expenses		(369)	(392)
Foreign exchange gain/(loss)		(20)	(61)
Depreciation	8	(29)	(27)
Amortisation	9	(9)	-
Profit on ordinary activities before tax		174	222
Tax on profit on ordinary activities	7	(45)	(38)
Profit for the financial year		129	184

All the above amounts are derived from continuing activities.

There was no other comprehensive income recognised for the year (2017: Nil)

The notes on pages 25 – 37 form part of these financial statements.

Balance sheet at 31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Investments:			
Financial investments	12	4,952	4,881
Reinsurers' share of technical provision:			
Long term business provision		5,657	4,413
Claims outstanding		1,584	927
		7,241	5,339
Debtors:			
Debtors arising out of direct insurance operations		3,341	2,169
Debtors arising out of direct insurance operations through related parties	11	772	631
Debtors arising out of reinsurance operations		-	11
Amounts due from related parties	11	15	25
Other debtors		109	103
Taxation		-	78
		4,237	3,017
Other assets:			
Tangible assets	8	89	94
Intangible assets	9	348	290
Cash at bank and in hand		19,956	18,899
		20,393	19,283
Total ASSETS		**36,823**	**32,521**
LIABILITIES			
Capital and reserves:			
Called up share capital	10	13,834	13,834
Share premium	13	1,058	1,058
Profit and loss account	13	3,123	2,994
Shareholders' funds-equity interest		18,015	17,885
Technical Provisions:			
Long term business provision	14,19	12,962	11,390
Claims outstanding - gross amount		2,251	1,388
Gross Technical Provisions		15,213	12,778
Creditors:			
Creditors arising out of direct insurance operations		1,594	1,208
Creditors arising out of reinsurance operations		833	-
Accruals and Deferred Income		922	489
Amounts due to related parties	11	146	83
Deferred Tax Liability	7	89	78
Taxation		11	0
		3,595	1,858
Total LIABILITIES		**36,823**	**32,521**

The notes on pages 25 – 37 form part of these financial statements.

Jonathan Plumtree
Chief Executive Officer
05 March 2019

Jim Jack
Chair

Statement of Changes in Equity
For the year ended 31 December 2018

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
As at 1 January 2017	13,834	1,058	2,810	17,701
Profit for the year			184	184
As at 31 December 2017	13,834	1,058	2,994	17,885
Profit for the year			129	129
As at 31 December 2018	13,834	1,058	3,123	18,014

All shareholders funds are attributable to equity shareholders.

The notes on pages 25 – 37 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Profit/(loss) for the year before Tax		174	222
Adjustments for:			
Movement in technical provisions	19	91	(582)
Movement of foreign exchange in technical provisions	17	236	(391)
Unrealised loss on investments	15	49	97
Foreign exchange (gains)/losses on cash held		(132)	585
Interest on securities		(94)	(140)
Depreciation	8	29	27
Amortisation	9	9	-
Changes in operating assets & liabilities			
(Increase)/Decrease in debtors		(1,954)	3,556
Increase/(Decrease) in creditors		2,578	(2,038)
Tax paid		55	(161)
Net cash from operating activities		**1,041**	**1,174**
Investing Activities			
(Increase)/Decrease in listed securities		(50)	3,222
Increase in other investments		(180)	(86)
Decrease in other investments		111	402
Purchase of tangible assets	8	(24)	(122)
Purchase of intangible assets	9	(67)	-
Interest on securities		94	140
Net cash used in investing activities		**(116)**	**3,556**
Net Change in Cash & Cash Equivalent		**925**	**4,730**
Cash & Cash Equivalent at the end of the beginning of the year		**18,900**	**14,755**
Foreign exchange gains/(losses) on cash held		132	(585)
Net Change in Cash & Cash Equivalent		925	4,730
Cash & Cash Equivalent at the end of the year		**19,956**	**18,900**

The notes on pages 25 – 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 One Fleet Place, London, EC4M 7WS. The financial statements were approved for issue by the Board of Directors on 05 March 2019.

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 and Financial Reporting Standards as endorsed by the European Union (EU). The Company is subject to the requirements of the Companies Act 2006.

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

The Company's principal business is short duration group life insurance.

a) Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Regulations. The Directors have prepared projections of the Company's financial position covering the period up to 31 December 2021. These projections show that based on the directors' assumptions regarding, inter-alia, new business, mortality/morbidity experience and expense levels, the Company will meet its regulatory capital requirements. The Financial Statements are prepared on the going concern basis.

b) Translation and conversion of foreign currencies

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

c) Premiums

Premiums are accounted for when due for payment in accordance with the contract terms and stated net of profit commission due for the period.

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

Investments are recognised at fair value through profit or loss except for Policy and Other loans which are recognised as cost less impairment as they are not publicly traded.

f) Investment return

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

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

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

g) Long term business provision

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

The interest rates assumptions, required for discounting, are specified by the European Insurance and Occupational Pension Authority (EIOPA). The calculations use a combination of unearned premium and incurred but not reported reserves for group business. The reserve for individual investment contracts is made up of the policy balances, with provisions for the guaranteed maturity values and future expenses calculated using discounted cash-flow methods. The term assurances and other miscellaneous reserves are valued using discounted cash-flow methods.

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

h) Claims

Maturity claims 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.

i) Acquisition costs

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

j) Tangible Assets

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used of this purpose are:

Leasehold Improvements	10%
Office furniture and equipment	25%
Computers	25%

k) Intangible Assets

The cost of intangible assets is their purchase cost, together with any incidental costs of acquisition. Amortisation is calculated so as to write off the cost of intangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used of this purpose are:

Administration system	10%
Website	20%

l) 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 from which future reversals of the underlying timing differences can be deduced. No provision is made where the amounts involved are not material.

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

m) Operating Leases

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

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

Valuation of the long term business provision

The long-term business provision is valued using best estimate assumptions as detailed in note 1g. Due to the complexity of the valuation and the underlying assumptions, such estimates are subject to significant uncertainty.

2. Risk Management

2.1 Risk Management Overview

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

In accordance with the requirements of the Prudential Regulation Authority ("the PRA"), the Company operates in a manner that focusses on risk and allocates responsibilities to specific individuals. Management maintains an on-going Risk Register which records each significant risk, alongside an assessment of its likelihood and impact, and the steps the Company is taking to mitigate each risk. The Audit and Risk Committee reviews quarterly updates of the Risk Register.

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

2.2 Insurance Risks

The Company is exposed to the risk that its overall claims experience is worse than expected.

The Company has an established framework of procedures and controls in place to manage this risk, including:

- Reinsurance is the primary means of control, using quota-share with a capped level of loss to limit the Company's exposure, especially to large sums assured.
- All quotations are signed-off by underwriters with appropriate degrees of authority, dependent on experience, to ensure appropriate premiums are charged for each policy.
- The group risk products have short-term pricing guarantees, usually two years, allowing re-pricing in the event of a sustained deterioration of claims experience.

It is common in the Company's group risk business to insure a group of people working at the same location, which increases the risk of multiple claims from a disaster or pandemic. This is a significant risk for the Company and is managed by:

- Focussing on small/medium-sized schemes, to achieve geographical diversity in the insured portfolio;
- Monitoring the geographical spread and concentrations in the portfolio; and
- Incorporating in policy schedules a maximum pay-out per scheme (Event Limit) from claims arising from a catastrophe.

Breakdown of size of membership of UK Group Schemes
As at 31 December 2018

Membership up to	Number of schemes	Number of lives
20	304	2,515
100	506	24,934
200	180	25,371
500	126	37,040
1000	44	31,110
2000	15	19,670
5000	9	26,698
	1,184	167,338

If the Company were to experience an unexpected influx of 20 additional claims of average size from UK group schemes, profits would reduce by about £340,000 and the Company's solvency ratio would decrease by less than 2%.

2.3 Market Risk

Market risk encompasses any adverse movement in the value of assets due to movements in interest rates, credit spreads and foreign exchange rates.

The Company follows an investment strategy approved by the Board and implemented through its Investment Guidelines. The strategy reflects the Company's low appetite for market risk.

The Company holds high-quality bonds and term deposits. It does not invest in equities or use any hedging vehicles, and its investments are very liquid. The current environment of low interest rates has constrained the yield that can be obtained on the investment portfolio. The Company is currently investigating whether outsourcing its investment management could help improve the overall yield.

Due to holding more US dollar assets than are required to match the liabilities, the Company is exposed to fluctuations in the US dollar exchange rate.

The Company is managing the currency risk in the following ways.

- It holds sufficient assets of a particular currency to match fully the value of liabilities in that currency. Middle Eastern currencies are linked to US dollar, so liabilities in those currencies are matched by US dollar assets.
- The amount of excess US dollar assets it holds is not allowed to exceed £1m, which limits the volatility in the results caused by movements in the USD exchange rate.

Currency matching of net Long Term Business Provision (LTBP)
As at 31 December 2018

£'000	US$	GB£	Euro €	Middle East [1]	Other	Total
LTBP net of reinsurance	2,768	3,441	52	1,039	3	7,305
Total assets[2]	4,081	19,744	473	1,039	0	25,337

[1] US dollar assets have been matched to liabilities in Bahraini dinar and other Middle East currencies.

[2] Assets are shown net of non-insurance liabilities.

Assuming that assets in currencies other than GBP that are not backing technical provisions remain at the same level as at 31 December 2018, a 10% rise in those currencies would reduce profits after tax by around £200,000. In such a situation, the solvency ratio would decrease by about 3%.

2.4 Liquidity Risk

The liquidity risk for Omnilife is very low because a significant proportion of its assets are held as cash and short-term deposits, which can generally be liquidated instantly, possibly subject to a loss of interest penalty.

The profile of the Company's contractual financial obligations, which are all non-derivative, is set out below.

Durations to maturity of contractual financial liabilities
As at 31 December 2018

1 year	2-5 years	6-10 years	longer
90%	2%	6%	2%
£11.8 m	£0.2 m	£0.8 m	£0.2 m

2.5 Credit Risk

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

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

- The Company only invests in counter-parties with a high quality credit rating.
    - The Guidelines specify a limit on the amount held with a single counter-party. The Company is in the process of outsourcing its investment management which would lead to a greater diversification of counter-parties in the portfolio.

Investments bearing credit risk
As at 31 December 2018

£'000	AAA	AA	A	B	Unrated	Total
Bonds	122		4,299			**4,421**
Deposits			16,376			**16,376**
Cash			3,461	87	32	**3,580**
	122		24,136	87	32	**24,377**

Omnilife reinsures about 40% of its gross insurance with a single reinsurer, GenRe. The Company manages the risk of a default on our reinsurance by:

- reinsuring with a highly rated reinsurer with AA+ credit rating, which is considered very strong financially;
- continually monitoring GenRe's financial strength; and
- minimising outstanding balances due from the reinsurer.

2.6 Operational Risks

There is a wide scope to the risks faced by the Company in the day to day running of the business. The Company strives to identify, assess, manage, monitor and mitigate such risks.

Operational risks facing the Company include those below.

- The risk that the Company's IT systems are not available due to hardware / software failure or virus. This risk is managed by regular monitoring, upgrading and testing in conjunction with our IT service provider and developers, together with disaster recovery planning.
- The risk of data disclosed unwittingly to an outside party, through a data-hack or an accidental disclosure. This risk is managed using strong cyber controls and operational procedures, including those implemented to comply with the General Data Protection Regulation (GDPR).

2.7 Emerging Risks

Future regulatory or legal changes could impact the Company's future reserves, pricing or financial condition in respect of business already written. The Company manages this type of risk through remaining aware of upcoming legislative / regulatory changes and effective planning. Because the guarantees in group business are short-term, the Company is able to respond quickly to such a changing market environment.

2.8 Capital adequacy

Under the rules prescribed by the PRA, the Company must at all times maintain assets of a value sufficient to cover its liabilities. The Company maintains a strong solvency position and publishes this within its Solvency and Financial Condition Report.

The Company's capital is equal to the Shareholders equity fund interest on the Balance sheet. Throughout this financial year the Company's capital remained above the Solvency Capital Requirement.

3. PREMIUMS AND CLAIMS

a) Annualised new business premiums

	2018 £'000	2017 £'000
Annualised new business premiums		
UK Group Life	5,183	2,431
UK Group Income Protection	-	6
UK Critical Illness	30	22
Overseas Group	201	47
Overseas Individual	-	2
Total annualised new business premiums	5,414	2,507

b) Written premiums

	2018 £'000	2017 £'000
Gross written premiums:		
UK Group Life	17,008	11,807
UK Group Income Protection	340	438
UK Critical Illness	222	196
Overseas Group	1,261	1,511
Overseas Individual	279	341
Total gross written premiums	19,110	14,292
Reinsurance		
UK Group Life	10,137	6,395
UK Group Income Protection	(195)	127
UK Critical Illness	120	105
Overseas Group	571	591
Overseas Individual	105	47
Total reinsurance	10,738	7,265
Total net written premiums	8,372	7,027

c) Net claims incurred

	2018 £'000	2017 £'000
Gross claims incurred		
UK Group Life	10,521	6,941
UK Group Income Protection	61	94
UK Critical Illness	50	162
Overseas Group	148	586
Overseas Individual	185	889
Total gross claims incurred	10,965	8,672
Reinsurance		
UK Group Life	8,253	5,312
UK Group Income Protection	56	86
UK Critical Illness	-	114
Overseas Group	157	318
Overseas Individual	-	-
Total reinsurance	8,466	5,830
Total net claims incurred	2,499	2,842

4. NET OPERATING EXPENSES

	2018 £'000	2017 £'000
Acquisition costs	2,138	1,446
Administrative expenses	3,268	2,370
Net operating expenses	5,406	3,816

The total commission accounted for during the year in respect of direct insurance was £1,313,972 (2017: £981,226).

Net operating expenses include the following:

	2018 £'000	2017 £'000
Directors' emoluments (note 6)	549	422
Auditors remuneration		
- Audit fees	84	113
- Audit fees relating to prior year	-	38
- Audit fees for mid-year review	8	10
Internal audit remuneration	41	20
Operating lease payments	511	452
Impairment losses recognised in the Profit and Loss (note 11)	-	192

5. EMPLOYEE INFORMATION

The average number of persons (including executive Directors) employed by the company during the year was:

By activity:	2018 Number	2017 Number
Administration	31	25

	2018 £'000	2017 £'000
Staff costs of the above persons were:		
Wages & Salaries	1,617	1,262
Social Security	251	132
Pensions	94	109
Benefits, Bonuses, Other costs	596	152
	2,558	1,655

6. DIRECTORS' EMOLUMENTS

	2018 £'000	2017 £'000
Aggregate emoluments	549	422
	549	422

The emoluments of the highest paid Director were £384,000 (2017: £225,000). The Company made payments to the pension scheme of one Director which amounted to £15,000 (2017:£44,000). No Director has any options in shares of the Company or any other group company at 31 December 2018. During the year the Company paid no loss of office compensation (2017: £60,000). Executive Directors are considered to be key management personnel.

7. TAXATION

	2018 £'000	2017 £'000
a) Analysis of tax charge for the year		
Current Tax:		
United Kingdom corporation tax	33	32
Adjustments in respect of prior years	1	
Current tax charge	34	32
Deferred Tax:		
The origination of timing differences	11	6
Tax (credit)/charge on profit on ordinary activities	45	38
b) Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	174	222
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 19% (2017 at 19.25%)	33	43
Expenses not deductible for tax purposes	6	4
Other timing differences	5	(9)
Adjustments in respect of prior years	1	-
Current tax charge	45	38

c) Deferred tax

The deferred tax included in the balance sheet is £88,860 (2017: £77,576). This arises on the depreciation and amortisation of fixed assets. The movement of the liability in the current year is reconciled below.

	£'000
At 1 January 2018	78
Deferred tax charge in current year	11
At 31 December 2018	89

8. TANGIBLE ASSETS

	Leasehold improvements £'000	Office furniture and equipment £'000	Computers £'000	Total £'000
Cost:				
At 1 January 2018	107	111	374	592
Additions	-	7	17	24
At 31 December 2018	107	118	391	616
Depreciation / amortisation:				
At 1 January 2018	43	106	349	498
Charge for the year	11	4	14	29
At 31 December 2018	54	110	363	527
Net book value:				
At 31 December 2018	53	8	28	89
At 31 December 2017	64	5	25	94

9. INTANGIBLE ASSETS

	Intangible assets £'000	Total £'000
Cost:		
At 1 January 2018	290	290
Additions	67	67
At 31 December 2018	357	357
Depreciation / amortisation:		
At 1 January 2018	-	-
Charge for the year	9	9
At 31 December 2018	9	9
Net book value:		
At 31 December 2018	348	348
At 31 December 2017	290	290

10. SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised:		
13,833,910 Ordinary shares of £1 each	13,834	13,834
Allotted and fully paid:		
13,833,910 Ordinary shares of £1 each	13,834	13,834
	13,834	13,834

11. AMOUNTS DUE FROM / (TO) RELATED PARTIES

	2018	2017
Amounts due from related parties	£'000	£'000
Arising from direct insurance operations		
Mediterranean and Gulf Insurance and Reinsurance	772	582
Addison Bradley & Co Ltd	0	49
	772	631
Arising from other operations		
Addison Bradley & Co Ltd	15	25
Total due from related parties	787	656
Amounts due to related parties		
Arising from other operations		
Mediterranean and Gulf Insurance and Reinsurance - Lebanon	146	83
Total due to related parties	146	83
Net due from / (to) related parties		
Mediterranean and Gulf Insurance and Reinsurance	626	499
Addison Bradley & Co Ltd	15	74
	641	**573**

Transactions with related parties and subsidiary during 2018 are detailed as follows:

	AB & Co Ltd	Medgulf	Total
	£'000	£'000	£'000
Opening Balance	74	499	573
Expenses borne on behalf of related parties	0	-	0
Premiums due from related parties	1	586	587
Amounts settled with related parties	(1)	(83)	(84)
Commission & other expenses payable to related parties	(49)	(252)	(301)
Profit Commission	-	(154)	(154)
Commission Settlements	(7)	(1)	(8)
Foreign Exchange	(3)	31	28
Closing Balance	**15**	**626**	**641**

Addison Bradley & Co Ltd is incorporated in the United Kingdom and is a 100% insurance broking subsidiary of Medgulf. Commission paid to Addison Bradley & Co Ltd is payable at the market rate.

On 1st February 2019, an amount of £63,063 from Addison Bradley & Co Ltd was waived and written off. The amount due related to Addison Bradley & Co Ltd's proportion of lease improvements for the office space that was shared with Omnilife. At the same date, the lease improvements with a carrying value of £52,559 were transferred to Omnilife. An impairment provision of £10,504 was held at 31 December 2018 for the difference in value of the assets.

The amount due from Mediterranean and Gulf Insurance and Reinsurance at 31st December 2018 was settled in full on 1st February 2019.

12. FINANCIAL INVESTMENTS

	2018 Market value £'000	2018 Cost £'000	2017 Market value £'000	2017 Cost £'000
-Policy loans	500	500	436	436
-Other loans	31	31	26	26
Corporate Bonds/Listed				
-Int'l Bank for Reconstruction & Development stock	122	102	120	106
-STE Generale	4,299	4,293	4,300	4,249
	4,952	**4,926**	**4,881**	**4,816**

Bonds are traded in a non active market and are recorded as being level 2 investments. The values are derived from the quoted price.

The Policy and Other loans are not traded and are recognised at cost less impairment.

13. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000
At 1st January 2018	13,834	1,058	2,994
Profit/(loss) for the year	-	-	129
At 31st December 2018	13,834	1,058	3,123

14. ASSETS IN THE LONG TERM BUSINESS FUND

At 31 December 2018, the total amount of assets representing the long-term fund is £12,962,000 (2017: £11,390,000).

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

	01/01/2017 £'000	Cash movement £'000	Unrealised loss £'000	01/01/2018 £'000	Cash movement £'000	Unrealised loss £'000	Total £'000
Cash at bank	14,754	4,145	-	18,899	1,057	-	19,956
Financial Investments	8,516	(3,538)	(97)	4,881	120	(49)	4,952
	23,270	**607**	**(97)**	**23,780**	**1,177**	**(49)**	**24,908**

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2018 the Company's annual commitments under non-cancellable operating lease of premises are as follows:

	2018 £'000	2017 £'000
Less than one year	342	323
Expiring between one to five years	1,312	1,292
Expiring after five years	-	269
	1,654	1,884

17. MOVEMENT IN TECHNICAL PROVISONS

	2018 £'000	2017 £'000
Technical Provisions at 01 January	11,390	11,628
Change in technical provisions (excluding foreign exchange)	1,336	153
Foreign exchange gain / (loss) on technical provisions (Note 18)	236	(391)
Technical Provisions at 31 December	12,962	11,390

18. NET FOREIGN EXCHANGE GAIN / (LOSS)

	2018 £'000	2017 £'000
Technical account		
Foreign exchange gain / (loss) on assets	243	(798)
Foreign exchange (loss) / gain on technical provisions	(236)	391
Total gain / (loss)	7	(406)
Non-technical account		
Foreign exchange loss on assets	(20)	(61)
Total loss	(20)	(61)
Net foreign exchange loss	(13)	(467)

19. TECHNICAL PROVISIONS

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

Class of business	Mortality / Disability termination 2018	Mortality / Disability termination 2017	Interest rate % pa 2018	Interest rate % pa 2017	Lapses p.a. 2018	Lapses p.a. 2017
Term assurances	100% TXC00 ult	100% TXC00 ult	Risk-free	Risk-free	5%	5%
PHI Claims in payment - UK	100% CMIR-12	100% CMIR-12	Risk-free	Risk-free	-	-
PHI Claims in payment – Overseas	85% CMIR-12	85% CMIR-12	Risk-free	Risk-free	-	-
Deterministic guaranteed maturity reserve on Investment contracts	N/A	N/A	Risk-free	Risk-free	5%	5%

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

The risk-free interest rates at the valuation date come from the risk-free yield curve for each currency published by EIOPA.

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

Incurred but not reported	IBNR Period in months 2018	IBNR Period in months 2017
UK group business	At least 1.5 months	At least 1.5 months
Overseas life business	2.5 months	2.5 months
Overseas PHI business	5 months	5 months

Under the Solvency II regime, introduced on 1 January 2016, the assumptions are best estimates and do not contain margins for prudency.

In testing the sensitivity of the assumptions, those that carry more material risk have been considered. For group business, increasing the IBNR period in the table above by 20% would result in an increase in net reserves of around £80,000. Increasing the multiple of risk premium needed for future claims by 20% would result in an increase in net reserves of around £840,000.

The movements in the gross and reinsurance Long Term Business Provisions from 31 December 2017 to 31 December 2018 are set out in the table below.

Long Term Business Provisions	£'000	Gross	Reins	Net
At 31 December 2017		11,390	4,413	6,977
Change in group risk		1,723	1,472	251
Change in individual incl term assurance		(234)	(227)	(7)
Change in Risk Margin		83	-	83
At 31 December 2018		12,962	5,658	7,304

20. CONTROLLING PARTY

Throughout the year and at the accounting reference date, the immediate and ultimate controlling party of the Company was Mediterranean and Gulf Insurance & Reinsurance B.S.C. (c) ("the Parent company") a company incorporated and registered in the Kingdom of Bahrain as a Bahraini Shareholding Company (Closed) and registered under commercial registration number 34029. The group consolidated financial statements can be obtained from the registered office of the parent company which is:

Building 519, Road 1010, Sanabis, P.O. Box 1109, Manama, Kingdom of Bahrain.

On 01 February 2019, the immediate controlling party became RGA Americas Reinsurance Company Ltd, a company incorporated in Bermuda. The ultimate controlling party became Reinsurance Group of America Incorporated, a company incorporated in the State of Missouri.