



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
2019**

**THE DENTISTS' & GENERAL MUTUAL BENEFIT  
SOCIETY LIMITED**

# The Dentists' & General Mutual Benefit Society Limited

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## dg mutual

### Key Performance Headlines – 31 December 2019

	£ <u>2019</u>	£ <u>2018</u>
Net Premiums	3,717,674	3,844,851
Total Investment Gains/ (Losses)	4,134,586	(1,052,621)
Net Sickness Benefit Paid	1,504,477	1,384,730
Net Operating Expenses	1,600,335	1,508,644
Total Assets	45,893,200	42,941,154
Members Capital Accounts – Note 8	19,894,904	20,044,355
Growth Life Fund	149,562	157,613

### Apportionment Rates

Bond Apportionment	£6.80	£6.80
Single Share Apportionment	£1.90	£1.90
Double Share Apportionment	£3.88	£3.88
Commutated Share Apportionment	£2.02	£2.02
Capital Apportionment	4.0%	4.0%
Terminal Bonus	25.0%	25.0%

### Highlights

- Another strong financial performance leading to bonus rates unchanged.
- Tight financial measures to control Operating Expenses.
- Continued payout of over 90% of claims within 2 weeks.

**WE'RE MUTUAL, WE ONLY WORK FOR YOU**

**PUTTING MEMBERS FIRST**

**PLEASE RECOMMEND TO YOUR COLLEAGUES, FAMILIES AND FRIENDS**

Outlined above is an extract of significant figures taken from the financial statements. A copy of the full Report for the year ended 31<sup>st</sup> December 2019 can be downloaded from our website [www.dgmutual.co.uk](http://www.dgmutual.co.uk) via the documents section or requested direct from the Society.

# The Dentists' & General Mutual Benefit Society Limited

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## Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Dentists' & General Mutual Benefit Society Limited will be held remotely on Thursday 24<sup>th</sup> September 2020 at 12.45p.m. for the following purposes:-

1. To receive the Chairman's Statement for the year ended 31<sup>st</sup> December 2019.
2. To receive the Financial Statements at 31<sup>st</sup> December 2019.
3. To elect members to the Board.
  - a) All Board members require Annual Re-election:-

Mr P. Mather	Chartered Surveyor	Elected 1992
Mr A. Wilman	Retired Police Officer	Elected 1992
Mr N. Lacey	Chartered Accountant	Elected 2006
Miss S. D. Pyle	Barrister	Elected 2004
Miss E. H. Pleasance	Equine Management	Elected 2007
Mr D. W. Thompson	Chartered Accountant	Elected 2010
Mr N. Grainger	Actuary	Elected 2015
Mrs P. Macpherson	Retired Dental Hygienist	Elected 2017
Dr M. Green	Dentist	Elected 2018
4. To approve the Board Remuneration Report for the year ended 31<sup>st</sup> December 2019 by way of an advisory vote. This is not a legal requirement but your Board considers it best practice to enable members to express a view on this issue.
5. To consider, and if thought fit, to pass the following resolution:  
'That BDO Chartered Accountants be re-appointed as auditors of the Society and to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Society, at a remuneration to be fixed by the Board'.
6. To re-appoint as Arbitrators  
Mr R Frier, Mr M Harding and Mr R Leddington

No.4 Park Farm Barns,  
Chester Road, Stonebridge,  
Warwickshire CV7 7TL  
31<sup>st</sup> August 2020

By Order of the Board  
DAVID THOMPSON  
Chief Executive

A member entitled to attend and vote at a general meeting may appoint one proxy to attend and, on a poll, vote at the meeting instead of him. The instrument appointing a proxy shall be deposited at the registered address not less than 48 hours before the day appointed for holding the meeting.

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**Registered Office**

No. 4, Park Farm Barns, Stonebridge, Warwickshire CV7 7TL

Telephone 0121-452 1066

Fax 0121-452 1077

[www.dgmutual.co.uk](http://www.dgmutual.co.uk)

E-mail: [mail@dgmutual.co.uk](mailto:mail@dgmutual.co.uk)

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Incorporated in 1999 under the Friendly Societies Act 1992 (Reg. No. 456F).

Member of the Association of Financial Mutuals.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

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# The Dentists' & General Mutual Benefit Society Limited

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## Board of Directors

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<b>Chairman</b>	P. Mather, BSc, FRICS
<b>Vice-Chairman</b>	A. J. Wilman, BA(Hons)
<b>Board</b>	N. D. Lacey, BSc, FCA Miss E. H. Pleasance - Senior Independent Director Miss S. D. Pyle, LLB, Barrister N Grainger, Actuary D.W. Thompson BSc ACA P. Macpherson, BA(Hons), BSc, Dip Dent Hyg, Retired Dental Hygienist Dr. M. Green, Dentist

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<b>Chief Executive Secretary</b>	D. W. Thompson, BSc, ACA Mrs L. B. Griffin
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## Professional Advisers

<b>Actuaries</b>	OAC Actuaries and Consultants
<b>Auditors</b>	BDO LLP, Chartered Accountants.
<b>Internal Auditors</b>	CK Chartered Accountants
<b>Medical Consultant</b>	Dr. R.W. Bell, MBBS, DRCOG, MRCGP
<b>Solicitors</b>	Davisons
<b>Investment Managers</b>	HSBC Investment Management

## Committee Membership

<b>Audit &amp; Risk</b>	N. D. Lacey (Chairman) E. H. Pleasance A. J. Wilman N. Grainger
<b>Nomination &amp; Resource</b>	S.D Pyle (Chairman) P. Mather E. H. Pleasance P. Macpherson Dr M.Green
<b>Investment &amp; Finance</b>	A. J. Wilman (Chairman) P. Mather N. Grainger D.W. Thompson

# The Dentists' & General Mutual Benefit Society Limited

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## Chairman's Statement 2019

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I would like to welcome you to this my eleventh Report as Chairman of The Dentists' & General Mutual Benefit Society Ltd.

2019 has been a complex year to assess for the home and world markets but despite this, equity and bond markets have performed well. However, with continuing political clouds surrounding the world, I expect all markets to be very tricky to predict and that many risks could lie ahead.

The UK continues to face unprecedented challenges resulting from the Covid-19 Pandemic, nonetheless I can reassure all Members that our balance sheet remains strong. Our operating systems are robust and now include remote working arrangements and our staff are making huge efforts to support the business. We are far from complacent and are confident we can maintain our service to all Members in these difficult times and we thank you for continuing to place your trust and welfare with the Society.

Our carefully devised investment strategy has enabled us to achieve good investment returns throughout the year, allowing us to maintain our capital apportionment rate at 4% - a consistent return to that achieved in previous years.

The claims in 2019 have remained at a similar number and value to the previous year. We appreciate the clear and responsible attitude shown by Members when submitting claims and the Society continues to try and make settlement payments within a week. We strive to carefully manage our costs and will continue to seek further savings and greater efficiencies in the years to come.

As one of the UK's leading income protection specialists for self-employed professionals, our products are vital in the current economic climate and offer considerable value and peace of mind to all professional people. We continue to work to recruit more Members to help strengthen the Society and our ability to withstand the challenges that lie ahead. I make no apology in urging you, once again, to commend your Society's products to friends and colleagues - in particular young professionals starting out in their business life.

We continue to update our website and to add articles, news and other content to enable Members to access relevant and accurate information. From our headquarters in Warwickshire, we aim to ensure our Members receive greater and more effective service levels and prompt solutions.

I would like to take this opportunity to acknowledge the great efforts of my colleagues on the Board and also the staff at our headquarters. I would also like to thank our many advisers and Independent Financial Advisers (IFAs) for all the support the Society has received during the year.

There will be plenty of challenges that lie ahead, but I believe there continues to be a place for a well-managed, forward thinking organisation with strong values in a Financial Services industry, which is crying out for trust.

My colleagues and I have done our utmost to ensure that the Society maintains its prudent financial position, whilst serving each Member to the best of its ability. I thank you all for your continuing support and loyalty to the Holloway ethos and our mutual status and I look forward to seeing the Society prosper long into the future.



.....  
Paul Mather  
Chairman

# The Dentists' & General Mutual Benefit Society Limited

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## Strategic Report

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### Aims of the Society

The Society continues to solely underwrite income protection contracts. The aims of the Society are to enable individuals to create a fund by voluntary subscription of the members thereof for:

- relief and maintenance during sickness or infirmity,
- option to fund a sum of money funded out of Society surpluses to be paid at retirement age,
- option of insuring a sum of money to be paid at the death of a member,
- relief of members in distressed circumstances, and
- utilise the reserves for the benefit of future generations.

### To achieve the aims of the Society the strategies of the Society are:

- To treat its customers fairly and provide a high quality service particularly in the provision of Income Protection payments.
- To be a responsible employer and develop the skills and abilities of staff members in line with their potential.

To achieve prescribed financial targets in the areas of:

- Membership - recruit 70 new members for the year ending 31/12/20 (59 in 2019) with a target 5% increase year on year for the following years.
- Expenses -maintain acquisition and administration expenses below 50% of net subscription income for years ending 31 December 2020 to 2024.
- Sickness benefit as a ratio of subscription income -maintain sickness benefit at 40% of net subscription income for years ending 31 December 2020 to 2024.
- Apportionment and bonus rates- maintain apportionment rates at smoothed levels with previous years, and other similar products in the market.
- To maintain a diversified portfolio using a carefully devised investment strategy to grow the capital and achieve an annual return whilst carefully maintaining agreed levels of risk.
- Use Actuarial model to forecast information to calculate Technical Provisions

### Business Review

The 2019 operating results for the Society were in line with both forecasts and 2018.

The financial targets referred to above were met except where noted.

99% of all claims were paid out for the 10<sup>th</sup> year running.

59 new members were recruited with a target of 70 for 2020.

Acquisition and administrative expenses were maintained below 40% of net subscription income.

Sickness benefit as a ratio to subscription income was 40% against a target of 38%.

The Board has been able to declare the following apportionment rates for 2019 (2018 in parenthesis).

Bond Apportionment	£6.80	(£6.80)
Single Share Apportionment	£1.90	(£1.90)
Double Share Apportionment	£3.88	(£3.88)
Commutated Share Apportionment	£2.02	(£2.02)
Capital Apportionment	4.0%	(4.0%)
Terminal Bonus (Shares)	25%	(25%)
Terminal Bonus (Bonds)	25%	(25%)

Investment returns were in line with international market conditions and overall income was £1,675k (2018: £1,097k). Also unrealised gains on investments of £2,459k as compared with last year's losses

## **The Dentists' & General Mutual Benefit Society Limited**

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£2,150k. The positive performance in the Society's investment portfolio has resulted in the increase of the value of the portfolio at the end of the year.

The Capital apportionment rate has been maintained at 4% (2018: 4.0%) and the Membership of the Society stood at 4,341 (2018: 4,557) with 59 new members joining in the year. Sickness benefit claims were £1,504k (2018: £1,384k) and the overall sickness reserve asset has decreased to £3,605k (2018: £6,596k).

We charged an additional £2,894k to technical reserves compared to £828k in 2018. This reflects the combined impact of increased expenses with a reducing in force policy book and lower levels of expected new business

### **Solvency**

The Society had at 31st December 2019 a level of solvency which substantially covered the minimum capital resource requirements prescribed by the Regulator.

### **Business Viability**

The Board has assessed the Society's viability over a 5-year period to December 2024. This is based on our five-year rolling strategy period. The five-year strategic plan was last approved by the Board on 25<sup>th</sup> June 2019.

During 2019, the Directors carried out an ongoing assessment of the principal risks and uncertainties facing the Society. This assessment included consideration of the Society's resilience in severe but plausible scenarios, supported by the use of stress testing and sensitivity analysis around the central assumptions of the Society's plans. The scenarios considered included significant variations in the levels of new business, policy lapses and claims compared to those expected and changes to the underlying economic assumptions such as interest rates.

The Directors believe that the Society is well placed to manage its risks successfully, having taken into account its business activities and overall financial position, including liquid cash balances, cash flow forecasts and capital adequacy levels.

Based on this assessment, the Directors are confident that the Society will be able to continue in operation and meet all its liabilities as they fall due over the period considered.

The Board has reviewed the summary of the Guidance for Directors published by the Financial Reporting Council and concluded that in the light of:

- the published year end position on statutory solvency
- available financial resources in liquid form
- the capital projections within our agreed business plans
- the results of our Own Risk and Solvency Assessment there are no material uncertainties that may cast significant doubt about our ability to continue as a viable going concern.

### **COVID 19 - Post Balance Sheet Event**

The effects of the COVID-19 pandemic have been felt globally in early 2020. This has impacted individuals, businesses and the wider economy and is likely to continue to do so for the foreseeable future.

The Society has conducted a detailed review of its business and its compliance with internal and regulatory capital requirements. In conducting this review various scenarios affecting investment performance, underwriting, claims, lapses, morbidity and other risks have been evaluated. The analysis has not identified solvency concerns or any concerns affecting the Society's ability fulfil its business objectives.

The operating systems and processes, including remote working arrangements, have remained resilient and the business has continued to operate satisfactorily in this time.

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Based on the information available as at the date of the approval of this annual report, management have not identified any material uncertainties and are not aware of any reason why it would no longer be appropriate to prepare the financial statements on a going concern basis.

No adjustments have been made to the accounts to reflect this post balance sheet event  
The pandemic is a non-adjusting event for the Society.

### Brexit

Throughout the Brexit process, we have continued to work closely with the UK, European and Irish regulators and policymakers. This ensures we can continue to best serve our customers by being ready for the eventualities Brexit may bring and able to continue to service our members in Ireland. DG Mutual is establishing an EU-licensed insurance platform, based in Dublin, and from here, we will still be able to provide income protection insurance across Ireland. Currently a third of annual premiums are Irish members. This uncertainty makes recruiting new members competitive and challenging.

### Business Risk

As an integral part of the organisation's business planning it undertakes a constant review and assessment of all business risk.

Business risk is "the threat that an event or action will adversely affect a business's ability to achieve its ongoing objectives".

Risk is associated with both the external business environment and also the business itself.

Management of business risk involves first identifying the objectives of the Society across all areas before identifying the risks of not achieving them. The assessment of those risks is completed in both terms of probability and impact in order for the Society to consider how to eliminate, reduce, transfer or accept any potential problem. Ongoing monitoring is required and any significant risks identified should be allocated for action.

The risks that were identified by this process and the management and mitigation were:

Financial control of claims, investment fluctuations and control of expenses - Strong cost control with Board oversight.

Increases in morbidity – close monitoring of claims experience on monthly basis.

Operational risks and increases in expenses – detailed M.I. overseen by Management and Board.

Reputational & Governance – detailed Corporate Control Manual implemented with assurances from Internal and External Auditors to the Board.

The Audit and Risk Committee in conjunction with the other Committees have developed a full Risk Map which is considered at each Audit and Risk Committee meeting. It is further reviewed and adopted by the Board at each meeting. The risk map is then embedded with the day to day operations of the Society. There is a robust mechanism of reporting changes to the risk profile and the subsequent amendments of controls to be adopted from staff to Committees and the Board.

The Board has categorised the Society's principal risks as:-

- Significant Risks :-
  - Brexit - leading to loss of business
  - Pandemic – Leading to extra claims
- Contingent Risks:-
  - Equity market falls – leading to asset reduction
  - Meet PRA rules – prevent cessation of business
  - Maintaining Membership level – Society viability
- Operational Risks:-
  - IT Major Systems Failure – business continuity
  - More Competitive Products – loss of business

The day to day running of the Society is carried out by the Chief Executive David Thompson, who is supported by his staff. Staff currently comprise:

- Compliance and Company Secretary – Lynette Griffin
- Underwriter – David Mason



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- Claims Assessor – Kevin Yarnold
- Members Administrator – Claire Woodhouse

## Risk Management control

The following key principles outline the Society's approach to risk management and internal control:

- The Board has responsibility for overseeing risk management.
- The Audit & Risk Committee handle a number of delegated functions on behalf of the Board.
- An open and receptive approach to solving risk problems is adopted by the Board.
- The Management Team supports, advises and implements policies approved by the Board.
- The Society makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Managers are responsible for encouraging good risk management practice.
- Identified Key risk indicators are regularly reviewed and are closely monitored.
- The Society has a Risk Register which is reviewed and re-assessed at least annually through the Audit & Risk committee.
- Risk is an agenda item on the agendas for all meetings of the Board and its Committees. Corporate Governance Report

## The UK Corporate Governance Code

The Society's Board of Directors is committed to reaching and retaining a high level of corporate governance and has adopted The AFM Corporate Governance Code for Mutual Insurers effective from 1 January 2019. The Board has implemented such Principles as detailed below and how the Society has applied it and is confident there is no significant failure in ongoing control.

### Principle One: Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

- Through the leadership of the Board, a clear vision for the Society's purpose and overall values is articulated which underpins and defines the strategy and culture of the organisation. This is embedded at every level of management.
- Policies and protocols are in place to support the execution of the Society's purpose and values across the organisation, which drives overall engagement with employees, policy holders and wider stakeholders across the business.

### Principle Two: Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the Society.

- The Society operates through clear Board protocols and governance processes. These are set out in its terms of reference and standing items for the Board and its committees. This allows for both independent challenge and transparency in its decision making.
- The Board is supported through the executive management team and its internal governance protocols including, for example, the ethics, operational risk management and other executive committees.
- Accountability is driven through routine evaluations of the Board with an annual Board evaluation been undertaken
- The Board composition is balanced between executive and independent non-executive directors.

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## **Principle Three: Director Responsibilities**

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

- Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges that the business currently face along with those of the future.
- Through the secretary, the Board has been given sufficient infrastructure to allow them to undertake their work with due care, which is aligned to achieving the Society's long-term success and vision.
- The Board is focused on improving its operational governance to ensure that the Society's corporate purpose and strategy remains at the centre of its decision-making protocols.

## **Principle Four: Opportunity and Risk**

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

- Through clear definition of the Society's corporate purpose and values the Board's decisions are focused on promoting and delivering long term value; at the heart of which are its members. This is embedded across the Group's key operating businesses and strategic decision-making areas.
- Principal risks have been identified across the Society at the operating business level with robust reporting to the Board on the plans to address and mitigate these. These are articulated and set out in this annual report.

## **Principle Five: Remuneration**

A board should promote the long-term sustainable of the Society by establishing oversight for the remuneration for the identification and mitigation of risks.

- The Society's remuneration policy is set out and monitored by its Nominations & Resources committee with clear objectives to incentivise management based on the long-term success of its strategic goals and business plans.
- Succession planning and talent retention are key focus areas for the Society and at operating business levels.

## **Principle Six: Stakeholder Relationships and Engagement**

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

- Through the Society's detailed Business Plan, stakeholder engagement is embedded at all levels of the organisation with clear direction and endorsement from the Board and staff of the Society.
- The Group promotes an annual cycle of stakeholder engagement and has embarked on an ongoing programme to improve both its employee consultations and member engagements.

The roles of the Chairman and the Chief Executive are separate with a clear division of responsibilities. The Board, the Chairman, its committees and all Board members are subject to rigorous annual evaluation through a process of self-evaluation and then formal review by the Chairman and Chief Executive.

The performance of the Chairman is evaluated by all Board members and reviewed by the Senior Independent Director.

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There were nine members of the Board at the year-end; five have served for more than nine years. The Board considers that length of service does not adversely affect the ability of the Board to act in the best interests of the Society's members. Those five members have retained their independence in attitude and application and bring to the Board stability knowledge and insight through long experience. All Board members meet the definition of independence as set out in the code.

All Board members are subject to re-election at each Annual General Meeting.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. A combination of demographics, skills, experience and personal attributes on the Board is important in providing a range of perspectives, insights and challenge needed to support good decision making.

New appointments are made on merit, taking account of the specific skills and experience needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition.

### **Board of Directors**

#### **Paul Mather - Chairman**

Paul, aged 65 was elected to the Society's Board of Directors in 1992. He is a former Director of BNP Paribas Real Estate and has 30 years experience of working in the City of London.

#### **Andrew Wilman - Vice-Chairman, Investment & Finance Committee Chairman**

Andrew, aged 63 was elected to the Board of Directors in 1992 and has been a member of the Society for 41 years. Although he trained as an accountant, he recently retired from the North Yorkshire Police.

#### **Neville Lacey - Audit & Risk Committee Chairman**

Neville, aged 67 was elected to the Board of Directors in 2006. He is a Chartered Accountant and was a senior director of a firm of chartered accountants in Chichester. He has been advising boards of various companies on corporate governance compliance and also advises and reports on audit matters to audit committees of those companies. Neville was treasurer and director of a nationally known theatre for five years and is a director of a private school.

#### **Emma Pleasance – Senior Independent Director**

Emma, aged 50 was appointed to the Board of Directors in March 2008. She has a background in marketing and now runs a successful equestrian training and consulting business.

#### **Susan Pyle - Nomination & Resource Committee Chairman**

Susan, aged 58 was elected to the Board of Directors in 2004. She was called to the Bar in 1985 and has been practising as a Barrister for over 30 years.

#### **Nick Grainger**

Nick, aged 39, was elected to the Board of Directors in 2015. He is an Actuary and has worked in the Financial Services sector for over 15 years.

#### **David Thompson**

David, aged 60, was appointed Chief Executive in 2007 and elected to the Board of Directors in 2010. He is a Chartered Accountant and has experience in the financial services sector for over 25 years. He is a former Chairman of the Holloways Society Committee.

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### Patricia Macpherson

Patricia, aged 60, was elected to the Board of Directors in 2017. She is a retired dental hygienist and has worked in the dental sector for nearly 40 years. She has been a member of the BSDHT Publications Committee since 2004 and a former member of the General Dental Council's Fitness to Practise Panel.

### Dr Mary Green,

Mary, aged 63, was appointed to the Board of Directors on 1<sup>st</sup> September 2017. She is a dentist working in the sector for over 30 years and is an elected member of the English Council of the British Dental Association

Attendance		Board of Directors	Investment & Finance	Audit & Risk	Nomination & Resources
P Mather	Surveyor	3 (4)	3 (4)	1 (2)	1 (2)
A J Wilman	Accountant	4 (4)	4 (4)	2 (2)	
N D Lacey	Accountant	4 (4)	3 (4)	2 (2)	
E H Pleasance	Equestrian Trainer	4 (4)		2 (2)	2 (2)
S D Pyle	Barrister	4 (4)			1 (2)
N Grainger	Actuary	4 (4)	4 (4)	2 (2)	
D W Thompson	Accountant	4 (4)	4 (4)	2 (2)	2 (2)
P Macpherson	Dental Hygienist	4 (4)			2 (2)
M Green	Dentist	4 (4)			2 (2)

Notes; 1) Figures in parenthesis indicate maximum possible attendances.

### Remuneration Report

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The Nomination & Resource committee is responsible for setting all Board and senior staff remuneration levels which are then approved by the Board.

Pension costs consist of contributions made to a defined contribution scheme.

The salaries are maintained at levels to enable the Society to attract, motivate and retain suitably qualified and committed people. The Society do not operate long-term incentive schemes.

Salary, bonus, benefits and pension costs for 2019 were as follows:

	Salary £	Bonus £	Benefits £	Pension £	Total 2019 £	Total 2018 £
P Mather	23,175	-	-	-	23,175	22,500
A J Wilman	20,085	-	-	-	20,085	19,500
N D Lacey	16,995	-	-	-	16,995	16,500
E H Pleasance	12,875	-	-	-	12,875	12,500
S D Pyle	16,995	-	-	-	16,995	16,500
N Grainger	12,875	-	-	-	12,875	12,500
D W Thompson	102,660	16,000	8,482	10,266	137,408	134,073
P Macpherson	12,875	-	-	-	12,875	12,500
M Green	12,875	-	-	-	12,875	12,500
Total	231,410	16,000	8,482	10,266	266,158	259,073

A separate resolution to accept this Remuneration Report will be put to the Society's members at the Annual General Meeting.

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### **Pension Arrangements**

There is a Defined Contribution Scheme for all staff in to which both employee and employer contributions may be made. The employer contribution made on behalf of the current Chief Executive is 10% of base salary, but excluding annual bonus payments.

Other pension costs consist of contributions made to a defined contribution scheme. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. Once the contributions have been paid the Society has no further payment obligations. The assets of the plan are held separately from the Society in independently administered funds.

### **Service Contracts**

Executive Directors are employed on contracts subject to no more than 12 months' notice in accordance with Corporate Governance best practice.

### **Board of Directors Terms of reference**

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Objective:	To bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.
Requirements:	<p>To be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.</p> <p>To be competent and reliable persons able to achieve those objectives in a satisfactory manner.</p>
Responsibility:	<p>There is a joint and several responsibility for each member of the Board to ensure that the Board fulfils its obligations and controls its strategy, performance and resource plans.</p> <p>A member of the Board is responsible for ensuring that arrangements are made for the fulfillment of the Society's statutory duties and may be liable to penalties should the Society fail to do so.</p> <p>To ensure that the person appointed as Chief Executive has the requisite knowledge and experience to discharge the functions of the office.</p> <p>To ensure that the Secretary is charged with the duty of complying with the statutory requirements and is a competent and reliable person able to discharge those duties satisfactorily.</p>

### **Committees**

#### **Executive**

Membership of the Executive Committee consists of the Chairman, Vice Chairman, Chief Executive and any other Board members deemed appropriate from time to time. It is authorised to act on behalf of the Board of Directors but always subject to their actions being ratified by that Board in due course.

#### **Audit & Risk**

This Committee reviews and reports to the Board of Directors on the integrity of the financial statements, the adequacy of the Society's systems of business risk and control including the adequacy and accuracy of reports made to the Board of Directors and the Financial Conduct Authority. It receives

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external and internal auditor's reports and reports to the Board of Directors on the adequacy of the inspection programme together with recommendations for improvements or changes. The Committee considers annually the performance and cost effectiveness of the Internal Auditors and make recommendations where necessary. The Committee consider each year the effectiveness of the performance of the external auditors and in particular the technical competence, service delivery, cost effectiveness, independence and objectivity taking into consideration UK professional and regulatory requirements.

BDO LLP were appointed as external auditors in 2018 following a competitive tender. The fees for audit service are considered annually by Audit & Risk committee and the Board.

Meetings are held twice a year but provision is made to meet as needed. It also manages the process of the Board, Chairman, Committee and Board members annual evaluation.

### **Nomination & Resource**

This Committee reviews the structure, size and composition of the Board of Directors giving full consideration to succession planning for the Board and senior management. It is responsible for identifying and nominating candidates to fill vacancies on the Board and its Committees. It also quantifies the resource requirements of the Society against the targets set in the Business model. Meetings are held twice a year but provision is made to meet as needed.

### **Investment & Finance**

This Committee ensures that the acquisition and disposal of assets is reviewed in line with the strategy laid down by the Board of Directors and with the fund manager with reference to performance, future opportunities and targets. It ensures the financial management of the Society is reviewed in line with the Business model.

The Committee meets at least four times a year.

### **Committees Terms of Reference**

Objective:	To ensure that the appropriate information is obtained and supplied to the Board of Directors. To receive reports from management and the Society's advisers and report to the Board of Directors on the adequacy of these reports. To make recommendations for improvements or changes.
Requirements:	To be a member of the Board of Directors. To be free from any business or other relationship which could materially interfere with fulfilling those obligations.
Responsibility:	The Committee Chairmen are responsible for the submission of reports to the Board of Directors. The Committee shall meet at such frequency as determined by the Board of Directors.

# The Dentists' & General Mutual Benefit Society Limited

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## Report of the Board of Directors

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The names of the Board of Directors and the Chief Executive are shown at the start of the report. All served throughout the year to 31st December 2019.

### Auditors

BDO LLP will be proposed for re-appointment at the Annual General Meeting on 24<sup>th</sup> September 2020. In accordance with best practice a formal retendering was undertaken in 2018.

### Disclosure of Information to Auditors

The members of the Board of Directors who held office at the date of approval of this Board of Directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware; and each member of the Board of Directors has taken all steps that they ought to have taken as a member of the Board of Directors to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

### Responsibilities of the Board of Directors

Board of Directors is responsible for preparing the Report of the Board of Directors and the financial statements in accordance with applicable law and regulations.

Friendly society law requires the Board of Directors to prepare financial statements for each financial year. Under that law it has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period. In preparing these financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that its financial statements comply with the Friendly Societies Act 1992 and the regulations made under it.

The Board of Directors are also responsible for preparing a Report of the Board of Directors in accordance with the Friendly Societies Act 1992 and the regulations made under it.

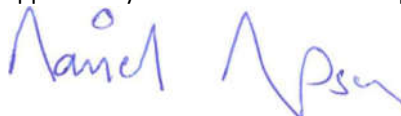
The Board of Directors have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Society and to prevent and detect fraud and other irregularities. Directors and Officers Liability Insurance cost £3k (2018: £3k).

The Board of Directors consider the Annual Report to be fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy

The Strategic and Directors Report were approved by the Board on the 24<sup>th</sup> September 2020.



Paul Mather (Chairman)



David Thompson (Chief Executive)

## The Dentists' & General Mutual Benefit Society Limited

### Statement of Comprehensive Income: Technical Account Long Term Business for the year ended 31st December 2019

	Notes	2019		2018	
		£	£	£	£
<b>Earned Premiums Net of Reinsurance</b>					
Gross Premiums Written		4,017,086		4,153,797	
Outward Reinsurance Premiums		(299,412)		(308,946)	
<b>Net Premiums</b>	2		<b>3,717,674</b>		3,844,851
<b>Investment Income</b>	3		<b>1,675,951</b>		1,097,748
<b>Unrealised Gains/ (Losses) on Investments</b>			<b>2,458,635</b>		(2,150,369)
<b>Other Technical Income, Net of Reinsurance</b>	4		<b>(131,921)</b>		54,581
<b>Claims Incurred, Net of Reinsurance</b>	5				
Claims Paid		(1,612,456)		(1,472,993)	
Reinsured		107,979		88,263	
			<b>(1,504,477)</b>		(1,384,730)
<b>Change in other Technical Provisions, Net of Reinsurance not shown under other headings</b>	8				
Long Term Business Provisions			<b>(2,894,300)</b>		(828,240)
<b>Net Operating Expenses</b>	7				
Acquisition Costs			<b>(603,000)</b>		(600,576)
Administration Expenses			<b>(753,471)</b>		(751,089)
Investment Expenses and Charges			<b>(243,864)</b>		(156,979)
<b>Bonuses and Appropriations</b>					
Terminal Bonus			<b>(298,559)</b>		(376,632)
Capital Apportionment			<b>(771,740)</b>		(776,477)
Share and Bond Apportionment			<b>(483,277)</b>		(512,330)
<b>Transfer (from) / to Funds for Future Appropriations</b>	6		<b>167,651</b>		2,540,242
<b>Balance on Technical Account – Long Term Business</b>			<b>-</b>		<b>-</b>

The notes on pages 18 to 33 form part of these financial statements.



# The Dentists' & General Mutual Benefit Society Limited

## Statement of Financial Position as at 31<sup>st</sup> December 2019

		£	£
<b>Assets</b>			
<b>Investments</b>			
Other Financial Investments	9	40,174,538	37,827,638
<b>Debtors</b>			
Debtors arising out of Reinsurance Operations		10,784	7,396
<b>Other Assets</b>			
Cash at Bank and in Hand		5,463,912	4,695,086
<b>Prepayments and accrued income</b>			
Accrued interest		234,417	397,877
Other prepayments and Accrued income		9,549	13,157
<b>Total Assets</b>		<b>45,893,200</b>	<b>42,941,154</b>
<b>Liabilities</b>			
<b>Funds for future appropriation</b>			
General Reserve	6	28,856,097	28,688,446
Welfare Fund		30,000	30,000
<b>Technical Provisions</b>			
Long Term Business Provision	8	16,342,392	13,605,594
Claims Outstanding	5	40,000	40,000
<b>Creditors arising out of Direct Insurance Operations- Outstanding Balances</b>			
		490,573	440,385
<b>Accruals and Deferred Income</b>			
		134,138	136,729
<b>Total Liabilities</b>		<b>45,893,200</b>	<b>42,941,154</b>

These financial statements were approved by the Board of Directors on 24<sup>th</sup> September 2020 and were signed on its behalf by:



Paul Mather (Chairman)



David Thompson (Chief Executive)

The notes on pages 18 to 33 form part of these financial statements

# The Dentists' & General Mutual Benefit Society Limited

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## Notes to the Financial Statements

### 1. Significant Accounting Policies

The following accounting policies have been applied consistently to all years presented in dealing with items which are considered material to the Society's accounts.

#### **General Information**

The Society is a Friendly Society incorporated in the United Kingdom under the Friendly Societies Act 1992. The address of the registered office is given on page 2. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 6 to 8.

#### **(i) Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 103 as issued by the Financial Reporting Council, the Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations') and the Friendly Societies Act 1992. In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The financial statements have been prepared on the historical cost basis modified for the revaluation of investments.

The Society, being a mutual life assurance company, is exempt from the requirement under FRS 102 to produce a cash flow statement.

The preparation of financial statements in conformity with FRS 102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Society.

#### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 8. Note 14 and 15 also describes the financial position of the Society; its cash flows, liquidity position and borrowing facilities; the Society's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The effects of the COVID-19 pandemic have been felt globally in early 2020. No adjustments have been made to the accounts to reflect this post balance sheet event

The pandemic is a non-adjusting event for the Society.

Full details are included in the Strategic Report on page 7.

The Society meets its day to day working capital requirements through its own cash reserves. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **(ii) Accounting for Earned Premiums**

The Society issues income protection policies to its members. Premiums are accounted for when payment is made. Premiums for new business are accounted for when the insurance contract liability is set up and the premium is received. Reinsurance premiums are accounted for when due for payment and no new policies are now reinsured. All the policies issued by the society to its members are considered as insurance contracts.

## The Dentists' & General Mutual Benefit Society Limited

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(iii) **Accounting for Claims**

Maturity claims are accounted for when due for payment. Surrenders are accounted for on the earlier of the date payment is made or when the insurance contract ceases to be included within the long-term insurance contract liability. Death and sickness claims are accounted for when the Society is notified of the claim. Reinsurance recoveries are accounted for in the same period as the related claim.

(iv) **Accounting for Investments**

Investments consist of listed investments and deposits. Listed investments are classified as financial assets measured at fair value through profit or loss. Fair value is based on quoted markets on the statement of financial position date.

(v) **Accounting for Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(vi) **Accounting for Investment Income and Expenses**

Investment income and expenses includes dividends, interest, gains and losses on the realisation of investments and related expenses. Dividends are included as investment income on a receivables basis. Interest and expenses are included on an accruals basis.

(vii) **Accounting for Unrealised Gains and Losses on Investments**

Unrealised gains and losses on investments recognised during the year represent the difference between the market value of the investments at the year end and their value at the previous balance sheet date or their purchase price if acquired during the year.

(viii) **Accounting for Realised Gains and Losses on Investments**

Realised gains and losses on investments are calculated as the difference between net sale proceeds and the original cost.

(ix) **Funds for Future Appropriations**

The fund for future appropriations (FFA) consists of funds that have not been allocated to specific policyholders, members or non-insurance funds. Transfers to and from the fund reflect the excess or deficiency of income over outgoings in each accounting period arising from business in force.

(x) **Welfare Fund**

The welfare fund is used to benefit existing members who are unable to work for various reasons that could be considered not to be covered by their policy but enables the Society to treat customers fairly.

(xi) **Long Term Business Provision**

The long term business provision is determined by the Board on the advice of the Reporting Actuary as part of the annual valuation of the Society's long term insurance business. The provision is determined in accordance with the requirements of the PRA rulebook: Solvency II

## The Dentists' & General Mutual Benefit Society Limited

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Firms Technical Provisions Instrument 2015. The long term business provision on a Solvency II basis is calculated as the expected present value of the expected future cash flows (benefit payments and expenses less premiums) plus a risk margin. The risk margin allows for the cost to a third party of holding Solvency II capital until all the contracts are settled. Sickness reserve fund details are contained in Note 8.

**(xii) Accounting for Foreign Currency**

Items included in the Financial Statements are presented in GBP which is the functional currency. Transactions in foreign currencies have been translated into GBP at the rate applicable for the month in which the transaction took place. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are translated into GBP at the rates of exchange ruling at the end of the reporting period. All exchange gains and losses, whether realised or unrealised, are included in foreign exchange gains and losses in the statement of comprehensive income.

**(xiii) Accounting for Member Accounts and Growth Life Bonds**

Bonuses to Members in the form of interest and apportionments are recognised in the Technical Account Long-Term Business when declared. Transfers to or from the Members' Mutual Fund are made when declared, payments from this fund are made, dependent upon set criteria, to Members on the termination of their contract with the Society. Twelve remaining members hold deposits in the form of Growth Life Bonds after their contract has reached maturity.

**(xiv) Accounting for Reinsurance**

Reinsurance premiums are accounted for each month when due for payment and no new policies have been reinsured since 2010. The policies reinsured by the Society relate to 588 members policies. Reinsurance recoveries are accounted for in the same period as the related claim both are calculated on an actual monthly basis by each policy. The Society monitors the financial condition of the reinsurer on a regular basis to assess the recoverability of reinsurance recoveries that will be due to the Society

**(xv) Taxation**

Friendly Societies are taxed on their life or endowment business so far as the annual premiums or sums assured exceed limits prescribed in tax law, and on certain investment returns referable to their subsidiaries (where applicable). No tax is due in the current or prior year.

**(xvi) Retirement Benefits**

The Society operates a defined contribution plan under which it pays fixed contributions into a separate entity. Other pension costs consist of contributions made to a defined contribution scheme. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. Once the contributions have been paid the Society has no further payment obligations. The assets of the plan are held separately from the Society in independently administered funds.

## The Dentists' & General Mutual Benefit Society Limited

	2019	2018
	£	£
<b>2. Earned Premiums Net of Reinsurance</b>		
Gross Subscriptions		
Income Protection policies	4,017,086	4,153,797
Reinsurance (relating to policies re-insured)	(299,412)	(308,946)
	<u>3,717,674</u>	<u>3,844,851</u>
	<u><u>3,717,674</u></u>	<u><u>3,844,851</u></u>
Net Subscriptions in UK	2,335,582	2,465,848
Net Subscription Ireland	1,382,092	1,379,003
	<u>3,717,674</u>	<u>3,844,851</u>
	<u><u>3,717,674</u></u>	<u><u>3,844,851</u></u>

All premiums are periodic and relate to direct individual insurance contracts written in the EU.

	2019	2018
	£	£
<b>3. Investment Income</b>		
<b>Income from Financial Investments</b>		
Income from other Financial Investments	1,158,144	1,242,013
Realised Gains / (Losses) on Investments	517,807	(144,265)
	<u>1,675,951</u>	<u>1,097,748</u>
	<u><u>1,675,951</u></u>	<u><u>1,097,748</u></u>

Income from other financial investments includes £594,690 from fixed investments and £563,454 from other listed investments (2018 £737,688 and £504,325 respectively).

	2019	2018
	£	£
<b>4. Other Technical Income, Net of Reinsurance</b>		
Forfeiture	18,537	22,122
Policy Fees	10,502	11,202
Insurance levy	(15,561)	(15,153)
Exchange Gains / (Losses)	(145,399)	36,410
	<u>(131,921)</u>	<u>54,581</u>
	<u><u>(131,921)</u></u>	<u><u>54,581</u></u>

	2019	2018
	£	£
<b>5. Claims Outstanding</b>		
Balance at start of the year	40,000	40,000
Claims made	1,612,456	1,472,993
Claims paid	(1,612,456)	(1,472,993)
	<u>40,000</u>	<u>40,000</u>
Balance at end of the year	<u><u>40,000</u></u>	<u><u>40,000</u></u>

## The Dentists' & General Mutual Benefit Society Limited

	2019		2018	
	£	£	£	£
<b>6. Funds for Future Appropriation</b>				
Balance at beginning of year		28,688,446		
Transfer to Reserves		167,651		
		<u>28,856,097</u>		
<b>Welfare Fund</b>				
Balance at beginning of year		30,000		
Payments out of fund		(8,800)		
Transfer from General Reserve		8,800		
		<u>30,000</u>		
		<u><u>30,000</u></u>		
<b>7. Net Operating Expenses</b>				
<b>Acquisition Costs</b>				
Introduction Commissions	443,812		444,901	
Marketing and Publicity	24,497		29,594	
Website	20,885		17,040	
Medical Costs	21,476		20,058	
Staff Costs	92,330		88,983	
Movement in Deferred Acquisition Costs				
		<u>603,000</u>		<u>600,576</u>
<b>Administration Costs</b>				
Staff and Accommodation Charges	308,689		299,510	
General Office and Financial Charges	42,975		38,329	
Directors Remuneration	140,781		138,883	
Meeting and Travelling Expenses	21,216		23,862	
Auditors' Remuneration – Audit Fees	42,000		41,400	
Medical Fees – Sick Pay	2,981		2,614	
Actuarial Fees	131,386		125,469	
Professional Fees	22,046		21,074	
Computer Expenses	14,477		31,849	
Operating Lease Rentals – Property	26,920		28,099	
		<u>753,471</u>		<u>751,089</u>
<b>Investment Expenses and Charges</b>				
Management Fees		243,864		156,979
		<u>243,864</u>		<u>156,979</u>

## The Dentists' & General Mutual Benefit Society Limited

### 8. Technical Provisions:

<b>Long Term Business Provision</b>	<b>Members Capital Account</b>	<b>Growth Life Bond</b>	<b>Total</b>
Balance at 31 December 2018	20,044,355	157,613	20,201,968
Capital Apportionment	767,483	4,257	771,740
Share and Bond Apportionment	483,277	-	483,277
Less withdrawals	(1,400,211)	(12,308)	(1,412,519)
	<u>19,894,904</u>	<u>149,562</u>	<u>20,044,466</u>
Balance at 31 December 2017	20,512,131	180,650	20,692,781
Capital Apportionment	772,020	4,457	776,477
Share and Bond Apportionment	512,330	-	512,330
Less withdrawals	(1,752,126)	(27,494)	(1,779,620)
	<u>20,044,355</u>	<u>157,613</u>	<u>20,201,968</u>
<b>Sickness Reserve Fund</b>	<b>£</b>		<b>£</b>
Balance at 1 January	(6,596,374)		(7,424,614)
Transfer (to)/from Fund	2,894,300		828,240
	<u>(3,702,074)</u>		<u>(6,596,374)</u>
Balance at end of the year	(3,702,074)		(6,596,374)
	<u>20,044,466</u>		<u>20,201,968</u>
<b>Sickness Reserve Fund</b>	<b>(3,702,074)</b>		<b>(6,596,374)</b>
	<u>16,342,392</u>		<u>13,605,594</u>

The main reason for the increase in the Long Term Business Provision is the combined impact of increased expenses with a reducing in force policy book and lower levels of expected new business.

### Analysis of Long Term Business Provision

	<b>2019</b>	<b>2018</b>
<b>Balance at January 1</b>	<b>13,605,594</b>	13,263,709
Premiums	3,878,464	4,171,097
Benefits	(2,468,621)	(2,842,605)
Expenses	(959,017)	(991,635)
Unwind of discount	(413,224)	(577,235)
Change in assumptions	2,832,933	(2,530,602)
Other changes	(703,087)	3,248,545
	<u>2,167,448</u>	<u>477,565</u>
Change in LTPB technical Exchange Rates	569,350	(135,680)
	<u>2,736,798</u>	<u>341,885</u>
Movement in the year	2,736,798	341,885
	<u>16,342,392</u>	<u>13,605,594</u>

## The Dentists' & General Mutual Benefit Society Limited

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The provision is net of Re-Insurers share of £857,953 (2018: £1,411,342).

The amount of the sickness reserve fund within the long term business provision is calculated using a best estimate plus risk margin at the balance sheet date. The assumptions used for discount rates are based on risk-free rates of return specified by the European Insurance and Occupational Pensions Authority ("EIOPA").

### Morbidity

For our products an inception and recovery approach is used based on CMIR12 rates.

#### Table of morbidity rates assumed for 2019:

UK Holloway Business

Deferred Period (All Products)	Inception rates (% of CMIR 12 dp1)	Recovery rates (% of CMIR 12 dp1)	Female loading
0 weeks	23%	80%	85%
4 weeks	23%	80%	85%
13 weeks	23%	110%	85%
26 weeks	23%	110%	85%
52 weeks	23%	110%	85%

Irish Pure Protection Business

Deferred Period (All Products)	Inception rates (% of CMIR 12 dp1)	Recovery rates (% of CMIR 12 dp1)	Female loading
0 weeks	52%	80%	10%
4 weeks	52%	80%	10%
13 weeks	52%	110%	10%
26 weeks	52%	110%	10%
52 weeks	52%	110%	10%

#### Allowance for future bonuses

The valuation assumes that capital apportionment, share apportionment and final bonuses continue at the rates in force at the valuation date. The Society may decide to pay lower or higher rates but that will be financed out of the Society's financial resources at that time.

#### Allowance for mortality while healthy

The assumed mortality basis is 48% of standard tables.

#### Allowance for lapses

The assumptions for the Society's lapse experience reflect the Society's actual experience (12 month averages over the previous 3 years). The assumption used is 5% pa for non-commuted policies and 10% pa for commuted policies.



## The Dentists' & General Mutual Benefit Society Limited

### Allowance for expenses

Per policy expenses have been derived from the budgets set in the latest Business Plan for 2020 to 2024 and the projected number of policies in force at the end of 2019. These calculations assume that the Society continues as a going concern and allow for the impact of the new business policies projected in the Business Plan. Allowance for expense inflation is made in line with RPI plus a margin to allow for salary inflation in excess

<b>9. Financial Investments:</b>	<b>Fixed Interest Securities £</b>	<b>Equities and Unit Trusts £</b>	<b>Total £</b>
<b>Investments at Market Value</b>			
Balance as at 31st December 2019	<b>19,252,855</b>	<b>20,921,683</b>	<b>40,174,538</b>
	=====	=====	=====
Balance as at 31st December 2018	19,379,593	18,448,045	37,827,638
	=====	=====	=====
<b>Investments at Cost</b>			
Balance as at 31st December 2019	<b>19,135,043</b>	<b>18,580,858</b>	<b>37,715,901</b>
	=====	=====	=====
Balance as at 31st December 2018	19,966,336	20,011,671	39,978,007
	=====	=====	=====

Investments are listed on a UK investment exchange.

Fixed Interest Securities includes UK Government Securities and other fixed interest bonds. The Society's financial investments are measured at fair value through profit and loss.

Fair value is the amount for which an asset could be exchanged between willing parties in an arm's length transaction. Fair values are generally determined at prices quoted in an active market (level 1). Where such information is not available it may be possible to apply calculation techniques making use of market observable data for all significant inputs (level 2). Where inputs are not based on observable market data, fair value are classified as level 3. All of the fixed interest securities and equities are determined using level 1.

### 10. Staff Numbers and Costs

The average number of persons employed by the Society (including Board Members) during the year, analysed by category, was as follows:

	<b>2019</b>	2018
Management	<b>9</b>	9
Administration	<b>4</b>	4
	=====	=====
	<b>13</b>	13
	=====	=====
	<b>£</b>	£

The aggregate payroll costs of these persons were as follows:

Wages and Salaries	<b>456,626</b>	444,456
Social Security Costs	<b>52,557</b>	50,980
Other Pension Costs	<b>20,605</b>	20,293
	=====	=====
	<b>529,788</b>	515,729
	=====	=====

## The Dentists' & General Mutual Benefit Society Limited

Other pension costs consist of contributions made to a defined contribution scheme. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. Once the contributions have been paid the Society has no further payment obligations. The assets of the plan are held separately from the Society in independently administered funds.

No board members had an interest in any transaction during the year ended 31<sup>st</sup> December 2019, nor for the previous year ended 31<sup>st</sup> December 2018.

There were no related party transactions in 2019 or 2018.

The emoluments of Board Members, including pension contributions, were as follows:

	<b>2019</b>	2018
	£	£
As Board Members	<b>139,462</b>	138,883
Management of the Society	<b>137,408</b>	134,073
	<u><b>276,870</b></u>	<u>272,956</u>

The emoluments of Board Members, excluding pension contributions, fell into the following bands:

	<b>No. 2019</b>	No. 2018
£0 -£5,000	-	-
£5,001 -£10,000	-	-
£10,001 – £15,000	<b>5</b>	5
£15,001 – £20,000	<b>2</b>	3
£20,001 - £25,000	<b>2</b>	-
£125,001 - £135,000	-	1
£135,001 - £140,000	1	-

The total emoluments of the Chairman were: £23,175 (2018: £22,500).

The total emoluments of the highest paid Board Member, including pension contributions totaling £10,266 (2018: £9,966), were £137,408 (2018: £134,073).

### 11. Commitments –Operating Leases

	<b>2019</b>	2018
<b>Land and Buildings</b> – Due within 1 year	£23,176	£21,894
<b>Land and Buildings</b> – Due within 2 -5 years	£75,721	£96,761
<b>Land and Buildings</b> – Due 5 years +	-	-

### 12. Mutual Organisation

The Society is a mutual organisation and as such, does not have any shareholders. As at 31 December 2019 the available capital resources were made up by the Fund for Future Appropriations (FFA). The FFA is the surplus accumulated that has not yet been allocated to policies. It forms the working capital of the Society and is available to meet risk and capital requirements, as well as any uncertain additional liabilities that may arise in the future.

# The Dentists' & General Mutual Benefit Society Limited

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## 13. Critical Accounting Judgements and Estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

### **Long term business provision**

The valuation of participating contract liabilities is based on assumptions reflecting the best estimate liabilities plus risk margin at the time. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty. The assumptions used for mortality, morbidity and longevity are based on standard industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses, lapse and surrender rates are based on product characteristics and relevant claims experience. The assumptions used for discount rates are based on risk-free rates of return specified by "EIOPA". The main assumption underlying these techniques is that past claims development experience is used to project ultimate claims costs. Allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix are also made in arriving at the estimated ultimate cost of claims in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to gross benefits and claims within the Statement of Comprehensive Income in future years.

## 14. Capital Management

This section details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital available.

The risk appetite for each type of principal risk is set based on the amount necessary to meet the PRA's capital requirements.

### *Policies and objectives*

The Society's key capital management objectives are:

- To ensure the Society's strategy can be implemented and is sustainable;
- To ensure the Society's financial strength and to support the risks it takes on as part of its business;
- To give confidence to policyholders and other stakeholders who have relationships with the Society; and
- To comply with capital requirements imposed by its UK regulator, the PRA.

Details of the Society's objectives and its strategy to achieve them are provided in the Strategic Report – Business Review on page 6.

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Society's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Society.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

## The Dentists' & General Mutual Benefit Society Limited

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The capital requirement in the annual PRA return is the statutory minimum capital requirement plus an additional component for each with-profits fund. The statutory minimum capital requirement is based on EU directives.

Management intends to maintain surplus capital in excess of the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period.

### Capital Statement

The Society is required to comply with Financial Reporting Standards 102 and 103. The main impact of these is to require detailed disclosure of the liabilities and financial strength of the Society.

The capital statement illustrates the financial strength of the Society's life business and shows an analysis of the available capital resources calculated on a regulatory basis for the Society. A valuation was carried out at 31 December 2019 in conformity with the requirements of Solvency II. The capital requirement of the Society has also been determined in accordance with the requirements of Solvency II.

The Society was in compliance with capital requirements imposed by regulators throughout the financial year. There are no specific constraints on the capital of the Society.

The Society's capital management plan extends to the Society having appropriate procedures in place to identify correctly the components of its capital resources. This is carried out by the

Society's Actuarial Function. The Society also reviews the current and likely future capital position of the business and whether there is a material risk that solvency may be threatened as part of its ongoing financial review process. If the review process identifies that the Society's projected solvency position may be at risk then the Society will draw up appropriate plans to rectify that position.

The table below sets out the capital resources requirement and the Society's available capital.

<b>Available capital resources in respect of life assurance business</b>	<b>2019 £000</b>	<b>2018 £000</b>
Total capital resources before deductions	<b>28,886</b>	28,718
Adjustment to assets	-	-
Total available capital resources	<b>28,886</b>	28,718
Solvency capital requirements	<b>16,319</b>	14,847
Excess capital over capital requirements	<b>12,567</b>	13,871
Free asset ratio	<b>28%</b>	33%
Solvency ratio	<b>178%</b>	193%

### Basis of calculation of available capital resources

The available capital has been determined in accordance with Solvency II requirements. It represents the surplus funds of the Society which have not been allocated to members and are available to meet regulatory and solvency capital requirements. Adjustments have been made to restate the assets and liabilities in line with Solvency II.

The main assumptions used in the valuation are as follows:

## The Dentists' & General Mutual Benefit Society Limited

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Valuation interest rate:	Solvency II risk free yield curve
Morbidity (UK):	23% of standard table inception rates and 80% to 110% of recoveries, 85% female loading
Morbidity (Irish):	52% of standard table inception rates and 80% to 110% of recoveries, 10% female loading
Expenses:	Based on budgeted expenses
Lapses:	Realistic rates based on actual experience
Bonuses:	Continuation of current rates
Mortality:	40% of standard tables

### Analysis of change in capital resources (£000)

	2019	2018
<b>Available capital resources</b>	<b>28,718</b>	31,229
Investment gains	3,772	(1,263)
Impact of new business	74	110
Policy cashflows *	(1,337)	(3,318)
Model, data and assumption changes	(2,781)	(315)
Change in risk margin	(113)	1,520
Change in admissibility	553	755
<b>Available capital resources at 31 December 2019</b>	<b>28,886</b>	28,718

\*includes £1,504,477 sickness payments made to members

### Basis for determining liabilities

The principle assumptions underlying the calculation of the long term business provision are as shown in note 8 to the Financial Statements.

The Society has not written any contracts which contain guaranteed surrender or maturity values. The surrender values are not guaranteed at policy issue but the policies develop a guaranteed surrender value as bonuses are added. The reserves held are subject to a minimum of the surrender value at the valuation date.

### Sensitivity of available capital

The table presented below demonstrates the sensitivity of available capital to movements in the liability assumptions.

Variable	Change in variable	Change in available capital (£000)	
		2019	2018
Morbidity	+10%	(6,464)	(6,459)
Morbidity	-10%	4,140	4,165
Lapses	+10%	(872)	(956)
Lapses	-10%	934	1,037
Expenses	+10%	(1,388)	(1,097)
Expenses	-10%	1,388	1,142
Mortality	+10%	(5)	(56)
Mortality	-10%	5	14
Interest	EIOPA shock up	(1,416)	(1,195)
Interest	EIOPA shock down	189	405

## The Dentists' & General Mutual Benefit Society Limited

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The table presented below demonstrates the sensitivity of available capital to movements in the assets.

Variable	Change in variable	Change in market value (£000)	
		2019	2018
Fixed interest	EIOPA shock up	(823)	(894)
Fixed interest	EIOPA shock down	508	512
Equities	-10%	(1,992)	(1,723)
Property	-10%	(0)	(0)

The available capital is very sensitive to morbidity and, to lesser extents, expenses and interest. It is not significantly affected by mortality.

In a situation where morbidity increased by the levels shown above the Society would review its allocation of profits accordingly.

When interest rates increase both assets and liabilities are negatively affected. This is because a significant proportion of the Society's technical provisions represent assets which are negative and are affected by the interest rate change in the same way that the assets are.

### 15. Risk management and control

#### Insurance Risk

Insurance risk is the risk that arises from uncertainties as to the occurrence, amount and timing of insurance liabilities. Long term insurance risk arises from:

- **Morbidity Risk** is the risk that sickness claims are significantly more than expected in terms of numbers and value.
- **Lapse Risk** is the risk the policies cease and therefore contributions from future premiums are not as high as anticipated.
- **Expense Risk** is the risk that the future costs of administering claims are higher than anticipated.

Providing insurance policies is the business of the Society and we must accept these risks to remain in business. Some of the risk can be mitigated by reinsurance. The major risks are in poor underwriting and claims assessment and management. This would increase the level of claims. There are also risks associated with medical advancements which improve longevity.

The current product range is currently profitable and therefore the levels of persistency would also impact on the business. This is because the Long Term Business Provisions recognise the expected future profits generated by these policies which would not be achieved if policy lapses were higher than anticipated.

Most of the Society's current book is self-insured however for some old products there is an amount of reinsurance. Reinsurance is used to mitigate the potential cost of the claims risk where these could have a significant impact on the Society's reserves.

The Society also mitigates risk through internal claims and underwriting audits together with making use of external reviews on a regular basis.

Note 8 sets out the Long Term Business Provisions and the changes over the year and note 14 has the sensitivity analysis of available capital.

# The Dentists' & General Mutual Benefit Society Limited

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## **New Business Risks**

Accepting these risks is a result of being open to new business. Higher new business volumes have in the past exposed the Society to potential free asset issues whilst low new business levels may result in an inability to recover the costs of writing that new business.

The Society has continued to monitor new business levels although the implications of new business strain have reduced in recent years. The Society does continue to have a risk in falling customer service levels should business levels outpace the Society's ability to deliver a high standard of service.

The stagnation in demand and increasing competition increases the risk of writing too little business. The Society's strategy is to diversify into new product areas with alternative distribution methods to mitigate this risk.

## **Financial Risks**

The Society is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risks which include equity price risk, interest rate risk, currency exchange risk and credit spread risk. The Society also faces financial risks in respect of counterparty default exposures. Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall level of risk is assessed in the calculation of the Society's Solvency Capital Requirement (SCR) in accordance with the PRA Rulebook, which takes into account the correlation of individual risks. The Board is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

## **Market Risk**

Market risk is the risk that as a result of market movements the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates, equity prices and property prices. The investment strategy is kept under regular review by the Investment Committee. The Investment Committee also monitors all investment activity on behalf of the Board.

### **(a) Equity price risk**

Holdings in equities are by their nature subject to market movement. In order to mitigate this risk, the Society operates an Investment & Finance Committee which oversees investment activity, monitors investment managers and ensures that the investment policy and asset allocations are adhered to. The Society manages its assets for the benefit of its members. The asset allocation policy, counterparty limits and other controls provided in the Investment Policy balance the risks against the rewards. Investment managers are used to manage much of the Society's investment portfolio with the Chief Actuary being asked to review the Investment Policy. Investor Policy statements are used to assist in the portfolio management with investment managers. A 10% increase (decrease) in the value of the equities held by the Society at 31 December 2019 would have resulted in a £2.0m/ (£1.8m) increase/(decrease) (2018: £1.8m increase/(decrease)) in the Society's Funds for Future Appropriation.

### **(b) Interest rate risk**

Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. Due to the nature of the Society's products, the long term business funds may be impacted by these interest rate movements. Asset-liability matching is

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performed to broadly match expected liability cash flows on a realistic basis in each fund. However, this can never be exact due to the uncertainties involved. An increase in the risk-free rate curve at 31 December 2019 consistent with the Solvency II shock prescribed by EIOPA for calculating regulatory capital would lead to a 7.7% decrease (2018: 7.4% decrease) in the Society's surplus capital, before allowing for correlation

### (c) Exchange rate risk

The Society has a number of directly and indirectly held investments in foreign currencies which present an exchange rate risk. The Society's holdings in USD represent 16.4% of the investments held, Japanese Yen 2.2% and EUR 2.7%. Exchange rate risk is not hedged and so a change in the exchange rate will lead to a corresponding change in the value of assets.

## Credit Risk

### (a) Credit spread risk

Credit spread risk results from the sensitivity of the value of assets and liabilities to changes in the level or volatility of credit spreads over the risk-free interest rate term structure. The terms of the Society's investment mandates require an appropriate spread of holdings within specified parameters, with the majority of assets being 'A' rated bonds or higher. There are also limits on the maximum exposure to any single counterparty and on the level of exposure to lower rated bonds. This results in a relatively modest exposure to lower rated and hence more risky assets within the investment funds. The Society considers regular reviews from the fund manager so that the risk within the funds remains appropriate. At 31 December 2019 the Society held £19.3m (2018: £19.4m) of listed fixed interest securities including any fixed interest securities held within investment funds. Of these the Society held £12.2m (2018: £11.1m) of corporate bonds, 4.0% are credit rated AAA, 22.0% AA, 37.6% A, 26.1% BBB and 10.3% rated below BBB (2018 4.4% are credit rated AAA, 11.3% AA, 28.9% A, 49.2% BBB and 6.2% rated below BBB). The remaining fixed income securities are government bonds (gilts) rated BBB and above (2018: BBB). No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

### (b) Counterparty default risk

Counterparty default risk is the risk of loss incurred by the Society if a counterparty fails to perform its contractual obligations, including failure to perform them in a timely manner. The Society's exposures are mostly in respect of £5.5m of cash balances held at 31 December 2019 (2018: £4.7m). The cash deposits are spread between HSBC, National Westminster and Ulster Bank. The Society monitors the financial conditions of these financial institutions on a regular basis to assess the counterparty default risk. The credit ratings for these counterparties at the end of the year was; A (2018: A) HSBC, A (2018: A) National Westminster and A (2018: A-) Ulster Bank. The Society has a low level of exposure to reinsurers and this is declining with the maturity of the policies. There are not therefore any specific actions envisaged to manage reinsurer default risk. Counterparty default stress would lead to a 1.5% decrease (2018: 3.2% decrease) in the Society's surplus capital, before allowing for correlation.

## Liquidity risk

Liquidity risk is that of not having sufficient liquid resources to meet changing market conditions and being unable to meet obligations as they fall due, or being able to secure them only at excessive cost. Liquidity is required to honour all cashflow commitments, both on and off balance sheet, and these are generally met through cashflows supplemented by assets readily convertible to cash. The management of liquidity is consistent with the economic capital, regulatory and operational needs across the Society. The Board is responsible for defining the risk appetite and monitoring liquidity risk exposure. Liquidity



## The Dentists' & General Mutual Benefit Society Limited

risk oversight is performed by the Investment Committee. The Investment Committee sets and monitors appropriate asset ranges bearing in mind the liquidity needs for each fund.

The Society's technical provisions and maturity profile as at 31st December 2019 are as follows:

	<u>Within</u> <u>1 year</u>	<u>1-5</u> <u>Years</u>	<u>5-10</u> <u>years</u>	<u>Over 10</u> <u>years</u>	<u>Total</u>
<b>As at 31<sup>st</sup> December 2019</b>					
Long Term Business Provision	1,517,248	5,141,535	4,629,401	5,054,209	16,342,393
Claims Outstanding	40,000	-	-	-	40,000
Outstanding Balances	490,573	-	-	-	490,573
	<u>2,047,821</u>	<u>5,141,535</u>	<u>4,629,401</u>	<u>5,054,209</u>	<u>16,872,966</u>

As at 31<sup>st</sup> December 2018

Long Term Business Provision	491,988	2,351,971	5,764,489	4,997,146	13,605,594
Claims Outstanding	40,000	-	-	-	40,000
Outstanding Balances	440,385	-	-	-	440,385
	<u>972,373</u>	<u>2,351,971</u>	<u>5,764,489</u>	<u>4,997,146</u>	<u>14,085,979</u>

### 16. Post Balance Sheet Event

As noted in the Strategic Report, the effects of the COVID-19 pandemic have been felt globally in early 2020. This has impacted individuals, businesses and the wider economy and is likely to continue to do so for the foreseeable future.

The Society has conducted a detailed review of its business and its compliance with internal and regulatory capital requirements. In conducting this review various scenarios affecting investment performance, underwriting, claims, lapses, morbidity and other risks have been evaluated. The analysis has not identified solvency concerns or any concerns affecting the Society's ability fulfil its business objectives.

The operating systems and processes, including remote working arrangements, have remained resilient and the business has continued to operate satisfactorily in this time.

Based on the information available as at the date of the approval of this annual report, management have not identified any material uncertainties and are not aware of any reason why it would no longer be appropriate to prepare the financial statements on a going concern basis.

No adjustments have been made to the accounts to reflect this post balance sheet event

The pandemic is a non-adjusting event for the Society.

# **The Dentists' & General Mutual Benefit Society Limited**

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## **Independent Auditors Report to the Members of The Dentists' & General Mutual Benefit Society Limited**

### **Opinion**

We have audited the financial statements of The Dentists' & General Mutual Benefit Society Limited (the 'Society') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* and Financial Reporting Standard 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 Society's affairs as at 31 December 2019 and of the Society's income and expenditure 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 Friendly Societies Act 1992.

### **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 Society 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 other 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 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 Society'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) 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. This matter 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 this matter.

## The Dentists' & General Mutual Benefit Society Limited

Key audit matter	How we addressed the key audit matter	Key observations
<p><b>Sickness Reserve Fund (Note 8)</b></p> <p>As at 31 December 2019 the Society recognised a Long Term Business Provision of £16.3m (2018: £13.6m) prepared in line with the accounting policy on Long Term Business Liabilities. The provision includes the Sickness Reserve Fund of £3.7m (asset) (2018: £6.6m (asset)) that requires management to make significant judgement on the underlying assumptions for the provision.</p> <p>The Sickness Reserve Fund provision is calculated using policy data held on the Society's administration system and assumptions set using internal and external data as inputs to the actuarial valuation models. The assessment of the appropriate carrying value of the provision requires management to make significant judgements when determining the underlying assumptions. These judgements involve considering whether the assumptions appropriately reflect the Society's circumstances, historic experience and future expectations.</p>	<p>In assessing the valuation of the provision, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• External life actuarial experts were used to review and report on the methodology and assumptions applied by management in the calculation of the provision and on the accuracy of the calculation itself.</li> <li>• We obtained and reviewed the actuarial reports prepared by the Society's actuary and our reviewing actuary and ensured that relevant judgements and estimates have been considered in forming our opinion.</li> <li>• We reviewed and assessed changes to assumptions used in the calculation as compared to the previous period, considering whether these were reasonable and in line with acceptable parameters.</li> <li>• We substantively tested a sample of the policy data used by the actuaries to underlying policy data held on the Society's administration system.</li> <li>• We agreed as part of our new business testing that application details agree to the members' system, ensuring the raw policy data is accurately recorded.</li> </ul>	<p>Overall, based on the assumptions and methodology used at 31 December 2019, we consider the technical provisions recognised by the Society within its financial statements to be reasonable.</p>

### Our application of materiality

In planning and performing our audit we were influenced by our application of materiality. 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 the financial statements as a whole to be £600,000 (2018: £580,000). The principal determinant in this assessment was the Society's Funds for future appropriation, which we consider to be the most relevant benchmark, as it reflects the underlying interests of the Members of the Society. Our materiality represents 2% (2018: 2%) of this number. A lower level of materiality was determined based on gross premiums written and applied to transactions and balances not affecting investment and the long term business provision related items, being £85,000 (2018: £83,000).

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

## The Dentists' & General Mutual Benefit Society Limited

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undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £450,000 (2018: £435,000) which represents 75% (2018: 75%) of the above materiality level. This was assessed on criteria such as historic adjustment levels, complexity and the controls of the Society.

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £12,000 (2018: £6,500). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

### **An overview of the scope of the audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. 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 Society 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 external actuarial experts.

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.

### *Capability of the audit to detect irregularities, including fraud*

We gained an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates and considered the risk of acts by the Society which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Friendly Societies Act 1992, PRA and FCA rules, FRS 102 and FRS 103.

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 Society's 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 for monitoring compliance with laws and regulations;
- review of correspondence with the PRA and FCA; and
- review of the 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. We also addressed the risk of management override of internal controls, including testing journals 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.

## The Dentists' & General Mutual Benefit Society Limited

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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 Friendly Societies Act 1992**

In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the accounting records and the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Society; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Responsibilities of the Board of Directors statement, set out on page 15, 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 Society'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 Society 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 Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## The Dentists' & General Mutual Benefit Society Limited

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### **Other matters which we are required to address**

We were appointed by the Audit & Risk Committee in May 2008. The period of total uninterrupted engagement including previous renewals and reappointments of the firm within the network is 11 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society 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 Society's Members, as a body, in accordance with Section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's Members as a body, for our audit work, for this report, or for the opinions we have formed.



**Alexander Barnes**  
Senior Statutory Auditor

For and on behalf of  
**BDO LLP**  
Statutory Auditor  
London, UK

1 October 2020

# **The Dentists' & General Mutual Benefit Society Limited**

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## **Actuarial Function Holder**

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The actuarial function holder of the Society for the period from 1st January 2019 to 31<sup>st</sup> December 2019 was Mrs C Spinks - OAC Actuaries and Consultants

She was not a member of the Society at any time, nor held any pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the period. The only remuneration was the fee for professional services paid to OAC Actuaries and Consultants for the services provided by the firm, and the amount payable in this respect during the period amounted to £131,385 (2018 £125,469) inclusive of Value Added Tax. No other benefits of any kind were paid.

## **Data Protection**

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Any personal information you have provided will be used only in connection with your membership of the Society. All personal data about you is treated in confidence, and will not be disclosed to any third party except those permitted by law, or where you have given consent in advance.

Our purposes for holding personal information and a general description of the people and organisations to whom we may disclose it, are listed in the register of Data Controllers. You may inspect this, or obtain a copy of the relevant entry from the Office of the Information Commissioner (and at their website: [www.dataprotection.gov.uk](http://www.dataprotection.gov.uk)).







**The Dentists' & General Mutual Benefit Society Limited**  
**No.4, Park Farm Barns,**  
**Chester Road, Stonebridge, Warwickshire CV7 7TL,**  
**Tel 0121 452 1066**  
**E-mail [info@dgmual.co.uk](mailto:info@dgmual.co.uk)**  
**[www.dgmual.co.uk](http://www.dgmual.co.uk)**