



**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
2008**

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

***The Choice of Professionals for over eighty years  
1927 – 2008***

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# The Dentists' & General Mutual Benefit Society Limited

Incorporated in 1999 under the Friendly Societies Act 1992 (Reg. No. 456F)  
Member of the Association of Friendly Societies. Authorised and regulated by the Financial Services Authority

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## Committee of Management

<b>Chairman</b>	P. Mather, BSc, FRICS (from 15 <sup>th</sup> May 2008)
<b>Vice-Chairman</b>	A. J. Wilman, BA(Hons) (from 15 <sup>th</sup> May 2008)
<b>Committee</b>	M. J. Bruce, CAM, MCIPR S. D. Eason F.I.A (from 10 <sup>th</sup> June 2008) N. D. Lacey, BSc, FCA J. O. Lant, DO K. E. Osterloh, BDS, DGDP (UK) (Chairman until 15 <sup>th</sup> May 2008) Mrs C. V. Pleasance, EDH Miss E. H. Pleasance (from 17 <sup>th</sup> March 2008) Miss S. D. Pyle, LLB, Barrister P. M. Quinn (Retired 15 <sup>th</sup> May 2008) J. F. Reynolds, BDS(Lond), LDSRCS(Eng), MSc

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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>	Watson Wyatt Ltd
<b>Auditors</b>	Moore Stephens, Chartered Accountants.
<b>Internal Auditors</b>	CK Chartered Accountants
<b>Medical Consultant</b>	Dr. R.W. Bell, MBBS, DRCOG, MRCGP
<b>Solicitors</b>	Shakespeare Putsmen LLP
<b>Investment Managers</b>	HSBC Investment Management

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<b>Registered Office</b>	St. James Court, 20 Calthorpe Road, Edgbaston, Birmingham B15 1RP Telephone 0121-452 1066 Fax 0121-452 1077 <a href="http://www.dengen.co.uk">www.dengen.co.uk</a> E-mail: <a href="mailto:mail@dengen.co.uk">mail@dengen.co.uk</a>
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## Sub-Committee Membership

<b>Audit</b>	M. J. Bruce (Chairman) N. D. Lacey P. M. Quinn (Retired 15 <sup>th</sup> May 2008) J. F. Reynolds A. J. Wilman (from 15 <sup>th</sup> May 2008)
<b>Resources &amp; Marketing</b>	J. O. Lant (Chairman form 15 <sup>th</sup> May 2008) P. Mather (Chairman until 15 <sup>th</sup> May 2008) K. E. Osterloh C.V. Pleasance E. H. Pleasance (from 17 <sup>th</sup> March 2008) S. D. Pyle
<b>Investment Monitoring</b>	A. J. Wilman (Chairman) S. D. Eason (from 10 <sup>th</sup> June 2008) J. O. Lant P. Mather K. E. Osterloh

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# 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 at the Naval & Military Club, 4 St James's Square, London SW1Y 4JU on Thursday 14<sup>th</sup> May 2009 at 11.30 a.m. for the following purposes:-

1. To receive the Chairman's Statement for the year ended 31<sup>st</sup> December 2008.
2. To receive the Financial Statements at 31<sup>st</sup> December 2008.
3. To elect members to the Committee.
  - a) The under mentioned Committee members retire by rotation and being eligible offer themselves for re-election.

Mr J. O. Lant	Osteopath	Member of Committee since 2000
Mr A J Wilman	Police Officer	Member of Committee since 1992
  - b) The under mentioned Committee member was appointed under Rule 33.1 on 10<sup>th</sup> June 2008 and being eligible offers himself for election.

Mr S. D. Eason	Actuary	
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4. To approve the Committee of Management Remuneration Report for the year ended 31<sup>st</sup> December 2008 by way of an advisory vote. This is not a legal requirement but your Committee of Management 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 Moore Stephens 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 Committee of Management'.
6. To confirm the partial alteration of rules in accordance with the provisions of Rule 57.
7. To re-appoint as Arbitrators

Mr R Frier, Mr M Harding and Mr R Leddington

St. James Court,  
20 Calthorpe Road,  
Edgbaston,  
Birmingham B15 1RP  
31<sup>st</sup> March 2009

By Order of the Committee  
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 proxy need not be a member of the Society and the member may direct the proxy how to vote at the meeting. The instrument appointing a proxy shall be in the form set out in Rule 42.3 or a form as near thereto as circumstances permit. Proxy forms are available from the Secretary at the registered address on request. They may also be downloaded from the Society's Website. 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.

# The Dentists' & General Mutual Benefit Society Limited

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## Chairman's Statement 2008

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Welcome to all members of the Society to this my first Chairman's Report. 2008 will go down in history as one of the worst years ever for global stock markets. Cheap and abundant debt over a number of years fuelled an era of excessive consumer, corporate and even government expenditure. The withdrawal of this cheap debt funding saw the bubble burst and with it a broad re-pricing of risk. Few risk assets escaped the rout with the sell-off spread across most asset classes in all global markets. This turbulence in the financial markets is continuing with no end yet in sight.

Thankfully, the Society's carefully devised investment strategy has ensured that we are not exposed to any of the toxic assets mentioned in newspaper headlines around the world. Our limited exposure to UK and more especially World equities has weathered the storm such that despite a 35% drop in UK FTSE our overall losses are less than 10%. However given the huge drop in UK bank rate and the poor economy outlook we have reduced the capital apportionment rate by 1% to 3.5% and the terminal bonus by 5% to 25% with the share and bond apportionment remaining the same as the previous year.

The detailed results show that we have carefully controlled our own costs despite high inflationary pressures in the year. I should also report that the numbers of claims made are higher than previous years and great care is being taken to ensure the correct administration of all claims is maintained. We appreciate the responsible attitude so clearly made by you the members in submitting claims. Our management will be tasked to keep overall expenditure down next year to maintain our cost structure. More detail of our financial performance is available on page 5 of this report.

Our Income Protection product offers tailored income protection for individual requirements in an ever more complex world with a continued rise in self employed contracts and the demise of generous benefit packages for employees. We are able to match the product to even the most complicated situations so please contact us if you wish to review your cover. Steady growth in membership will strengthen still further our ability to withstand the challenges that lie ahead so once again I make no apology for urging you to commend your Society's product to friends and colleagues.

The Society continues to insist on first class governance in all areas to ensure we run a quality business and are successfully following our "Treating Customers Fairly" programme. We will continue to make available significantly more information on our website on how we treat you, our members, and how only the highest standards are maintained.

During the year Keith Osterloh retired as our Chairman after many years service. We all owe him a great vote of thanks for his competent and safe handling of the Society during that time and are pleased he remains on the Committee. Also Mike Quinn stepped down after being actively involved in the management of the Society for over 30 years – we wish him a long and happy retirement.

I would like to acknowledge the great efforts of my colleagues on the Committee and the staff at Birmingham and thank our many advisers and IFA's for all the support the society has received during the year.

My colleagues and I have done our utmost to ensure that the Society maintains its prudent financial position while serving each member to the best of its ability. I thank you all for your continuing support and loyalty to the Holloway ethos and 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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## **Responsibilities of the Committee of Management**

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The Committee of Management is responsible for preparing the Report of the Committee of Management and the financial statements in accordance with applicable law and regulations.

Friendly society law requires the Committee of Management 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 Committee of Management is 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 Committee of Management is 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 Committee of Management is also responsible for preparing a Report of the Committee of Management in accordance with the Friendly Societies Act 1992 and the regulations made under it.

The Committee of Management has 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.

# The Dentists' & General Mutual Benefit Society Limited

## Report of the Committee of Management

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The names of the Committee of Management and the Chief Executive are shown at the start of the report. All served throughout the year to 31st December 2008, except where stated.

### Principal Activity

The Society continues to solely underwrite income protection contracts under the Holloway principle. These contracts provide policy holders with a replacement income if as a result of either sickness or accident they are unable to work resulting in a loss of earnings and enable policyholders to participate in the Society's profits.

### Risk Management

The Society's objective is to analyse, record and monitor the risks it faces and eliminate or minimise those risks wherever possible. The business risk policy is owned by the Committee of Management and both senior management and the internal audit function perform ongoing assessment of the key control mechanisms in place. The principal risks to the Society's business have been identified as 1) control of claims 2) fluctuation of investment values and 3) control of expenses. This process is overseen by the Audit Sub-Committee which reports to the Committee of Management on a quarterly basis.

### Policy and practice on payment of creditors

The Society's policy on payment of creditors is to agree appropriate terms governing payment before entering into a contract with a supplier and to abide by those terms. The number of days outstanding stood at 9 days (2007; 10 days).

### Business Review

The 2008 operating results for the Society were in line with both forecasts and 2007. However investment returns were restricted due to the international market conditions and overall income was down to £854k (2007: £1,481k). Also unrealised losses on investments of £2,100k compared unfavourably with last year's gains of £21k. Consequently the Capital apportionment rate has been reduced 1% to 3.5% and the Terminal bonus rate by 5% to 25% with other bonus levels set at last year's levels. Membership of the Society stood at 6,386 (2007 6,640) with 161 new members joining in the year. Sickness benefit claims were £1,016k (2007 £890k) against an increasing liability. The Society continues to be a going concern.

### Solvency

The Society had at 31st December 2008 the required margin of solvency in line with Chapter 1 of INSPRU.

### Political and Charitable Donations

The Society made no political or charitable donations during 2008.

### Auditors

Moore Stephens will be proposed for re-appointment at the Annual General Meeting on 14th May, 2009.

### Disclosure of Information to Auditors

The members of the Committee of Management who held office at the date of approval of this Committee of Management 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 Committee of Management has taken all steps that they ought to have taken as a member of the Committee of Management to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

### Apportionment Rates

The Committee has been able to declare the following apportionment rates for 2008 (2007 in parenthesis).

Bond Apportionment	£6.00	(£6.00)
Single Share Apportionment	£1.68	(£1.68)
Double Share Apportionment	£3.43	(£3.43)
Commuted Share Apportionment	£1.80	(£1.80)
Capital Apportionment	3.5%	(4.5%)
Terminal Bonus (Shares)	25%	(30%)
Terminal Bonus (Bonds)	25%	(30%)

Paul Mather (Chairman)

David Thompson (Chief Executive)

31<sup>st</sup> March, 2009

# The Dentists' & General Mutual Benefit Society Limited

## Income and Expenditure Account: Technical Account Long Term Business for the year ended 31st December 2008

	Notes	2008		2007	
		£	£	£	£
<b>Earned Premiums Net of Reinsurance</b>					
Gross Premiums Written		3,729,878		3,613,265	
Outward Reinsurance Premiums		(567,352)		(503,216)	
Net Premiums	2		3,162,526		3,110,049
<b>Investment Income</b>	3		853,835		1,480,769
<b>Unrealised Gains on Investments</b>			-		21,221
<b>Other Technical Income, Net of Reinsurance</b>	4		74,726		93,860
<b>Claims Incurred, Net of Reinsurance</b>					
Claims Paid		(1,190,008)		(1,004,666)	
Reinsured		173,608		114,827	
			(1,016,400)		(889,839)
Change in Provision (Gross)	5		10,266		(7,524)
<b>Change in other Technical Provisions, Net of Reinsurance, not shown under other headings</b>	8				
Long Term Business Provisions					
Gross		(1,028,702)		(1,241,013)	
Reinsurers Share		(944,421)		(315,853)	
Net			(1,973,123)		(1,556,866)
<b>Net Operating Expenses</b>	7				
Acquisition Costs			(366,281)		(380,541)
Administration Expenses			(704,342)		(737,051)
Investment Expenses and Charges			(110,500)		(60,894)
<b>Unrealised Losses on Investments</b>			(2,100,069)		-
<b>Appropriations</b>					
Terminal Bonus			(374,473)		(342,902)
Capital Apportionment			(680,329)		(849,584)
Share and Bond Apportionment			(706,571)		(713,329)
<b>Transfer from Funds for Future Appropriations</b>	6		3,930,735		817,583
<b>Balance on Technical Account – Long Term Business</b>			-		-

No note of Historical Cost Profit has been prepared as the Society's only material Gains and Losses on assets relate to the holding and disposal of investments.

The notes on pages 7 to 12 form part of these financial statements.

# The Dentists' & General Mutual Benefit Society Limited

## Balance Sheet as at 31st December 2008

	Notes	2008 £	2007 £
<b>Assets</b>			
<b>Investments</b>			
Financial Investments	9	24,100,139	28,956,216
<b>Reinsurers Share of Long Term Business Provision</b>			
	8	1,495,252	2,439,673
<b>Debtors</b>			
Debtors arising out of Direct Insurance Operations		2,860	12,481
Debtors arising out of Reinsurance Operations		111,729	40,490
<b>Other Assets</b>			
Cash at Bank and in Hand		4,558,249	2,185,099
<b>Prepayments and accrued income</b>			
Accrued interest		248,626	271,476
Deferred acquisition costs		1,151,846	1,190,831
Other prepayments and accrued income		23,273	17,192
<b>Total Assets</b>		<b>31,691,974</b>	<b>35,113,458</b>
<b>Liabilities</b>			
<b>Funds for future appropriation</b>			
General Reserve	6	6,641,092	10,753,260
Welfare Fund		30,000	26,527
<b>Technical Provisions</b>			
Long Term Business Provision	8	24,653,860	23,865,056
Claims Outstanding	5	28,464	18,198
<b>Creditors arising out of Direct Insurance Operations</b>			
		241,001	287,077
<b>Accruals and Deferred Income</b>			
		97,557	163,340
<b>Total Liabilities</b>		<b>31,691,974</b>	<b>35,113,458</b>

These financial statements were approved by the Committee of Management on 31<sup>st</sup> March 2009 and were signed on its behalf by:

Paul Mather (Chairman)

David Thompson (Chief Executive)

The notes on pages 7 to 12 form part of these financial statements

## Notes to the Financial Statements

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### 1. Accounting Policies

- (i) The following accounting policies have been applied in dealing with items which are considered material to the Society's accounts.
- (ii) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and comply with the ABI Statement of Recommended Practice on Accounting for Insurance Business December 2005 (as amended in December 2007), and are in accordance with applicable Accounting Standards. The financial statements have been presented in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994.
- (iii) **Subscription Income**

Subscription income is accounted for on an accruals basis. Subscriptions applicable to periods after the balance sheet date are carried forward to the following year. Outward reinsurance premiums are accounted for on a payable basis.
- (iv) **Sickness Benefits**

Sickness benefits which are deducted from the technical account include provision for liabilities incurred but not paid at the balance sheet date. No other claims related costs are included. The date of the claim is defined as the first day of incapacity although the actual payment may be determined by a contracted deferred date.
- (v) **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.
- (vi) **Unrealised Gains and Losses on Investments**

Unrealised gains and losses on investments recognised during the year represent the difference between the current value of the investments and their value at the previous balance sheet date or their purchase price if acquired during the year.
- (vii) **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.
- (viii) **Investments**

Investments consist of listed investments and deposits. Listed investments are stated at the mid market value ruling at the balance sheet date. Deposits are included at cost.
- (ix) **Funds for Future Appropriations**

The funds for future appropriations represent all funds the allocation of which to policyholders have not yet been determined at the end of the financial year. Any surplus or deficit arising on the technical account is transferred to or from the fund on an annual basis.
- (x) **Long Term Business Provision**

The Long Term Business Provision has been determined by the reporting actuary using methods and assumptions considered applicable to the Society. Further details are contained in Note 9.
- (xi) **Cash Flow Statement**

Under Financial Reporting Standard 1 the Society is exempt from the requirement to prepare a cash flow statement on the grounds that all major cash flows arise from long term insurance business and are for the benefit of the long term funds.
- (xii) **Deferred Acquisition Costs**

The costs directly associated with the acquisition of New Business are deferred to the extent that they are expected to be recoverable out of the future margins on the contracts to which they relate. Such costs are amortized through the long term business technical account over the period in which the margins on the related contracts are expected to be earned, at a rate commensurate with those margins.

Deferred acquisition costs are reviewed at the end of each accounting period. Should the circumstances which justified the deferral of costs no longer apply, costs to the extent that they are believed irrecoverable, are written off.

# The Dentists' & General Mutual Benefit Society Limited

## Notes to the Financial Statements (continued)

	2008	2007
	£	£
<b>2. Earned Premiums Net of Reinsurance</b>		
Gross Subscriptions		
Basic	753,449	784,078
Supplementary	1,200,356	1,230,317
Deferred	331,307	334,227
Mutual Bonds	1,444,766	1,264,643
	<u>3,729,878</u>	<u>3,613,265</u>
Reinsurance (relating to Deferred Subscriptions)	(207,371)	(197,814)
Reinsurance (relating to Mutual Bond Subscriptions)	<u>(359,981)</u>	<u>(305,402)</u>
	<u><u>3,162,526</u></u>	<u><u>3,110,049</u></u>

All premiums are periodic and relate to direct individual insurance contracts written in the UK. Basic premiums relate to participating shares whereas Supplementary and Deferred Premiums are nonparticipating.

	2008	2007
	£	£
<b>3. Investment Income</b>		
<b>Income from Financial Investments</b>		
Income from other Financial Investments	1,495,347	1,301,524
Realised Gains/(Losses) on Investments	(641,512)	179,245
	<u>853,835</u>	<u>1,480,769</u>

Income from other financial investments includes £738,283 from government bonds and debentures and £387,853 from listed investments (2007 £661,902 and £221,727 respectively).

	2008	2007
	£	£
<b>4. Other Technical Income, Net of Reinsurance</b>		
Forfeiture	51,738	69,768
Policy Fees	22,988	24,240
Unclaimed balances written off	-	-
Exchange Rate Adjustment	-	(148)
	<u>74,726</u>	<u>93,860</u>

	2008	2007
	£	£
<b>5. Claims Outstanding</b>		
Balance at start of the year	18,198	25,722
Change in provision	10,266	(7,524)
	<u>28,464</u>	<u>18,198</u>

# The Dentists' & General Mutual Benefit Society Limited

## Notes to the Financial Statements (continued)

6. Funds for Future Appropriations	2008 £			
<b>General Reserve</b>				
Balance at beginning of year	10,753,260			
Transfer to Reserves	(2,670,342)			
Transfer to Sickness Fund	(1,441,826)			
Balance at end of year	6,641,092			
<b>Welfare Fund</b>				
Balance at beginning of year	26,527			
Payments out of fund	(560)			
Transfer from General Reserve	4,033			
Balance at end of year	30,000			
2008				
7. Net Operating Expenses	£	£	2007	£
<b>Acquisition Costs</b>				
Actuarial Fees	-		-	
Introduction Commissions	126,614		142,123	
Marketing and Publicity	69,983		39,891	
Website	10,250		20,703	
Medical Costs	32,198		39,317	
Staff Costs	88,251		150,802	
Movement in Deferred Acquisition Costs	38,985		(12,295)	
	366,281		380,541	
<b>Administration Costs</b>				
Staff and Accommodation Charges	327,006		282,593	
General Office and Financial Charges	46,373		56,333	
Honoraria	70,549		71,915	
Meeting and Travelling Expenses	55,734		58,306	
Auditors' Remuneration – Audit Fees	26,454		33,158	
– Non Audit Fees			12,613	
Medical Fees – Sick Pay	12,856		13,742	
Actuarial Fees	57,786		97,607	
Professional Fees	18,130		19,170	
Computer Expenses	23,607		18,338	
Operating Lease Rentals – Property	45,532		44,062	
– Other	20,315		29,214	
Bad Debts	-		-	
	704,342		737,051	
<b>Investment Expenses and Charges</b>				
Management Fees	110,500		60,894	
	110,500		60,894	

# The Dentists' & General Mutual Benefit Society Limited

## Notes to the Financial Statements (continued)

8. Technical Provisions: Long Term Business Provision	2008			
	£ Members Capital Account	£ Growth Life Bond	£ Sickness Reserve Fund	£ Total
Balance as per previous statement	19,512,197	237,388	4,115,471	23,865,056
Less reinsurers share			(2,439,673)	(2,439,673)
Add the effect of discounting Long Term Business Provision	531,298			531,298
Balance at beginning of year	20,043,495	237,388	1,675,798	21,956,681
Capital Apportionment	672,297	8,032		680,329
Share and Bond Apportionment	706,581			706,581
Transfer to/(from) Fund			1,441,826	1,441,826
	21,422,373	245,420	3,117,624	24,785,417
Reinsurers Share			1,495,252	1,495,252
Less withdrawals	(1,607,772)	(19,037)		(1,626,809)
	19,814,601	226,383	4,612,876	24,653,860
Less the effect of discounting long term business provision	-			-
Balance at end of the year	19,814,601	226,383	4,612,876	24,653,860

The amount of the sickness reserve fund within the long term business provision is calculated using a net premium methodology. The reserve is the expected future value of the benefits less the expected future value of the premiums. The premiums are reduced to allow for expenses and future share apportionment. The Annuity Inception method of calculating the value of future sickness benefits is used. The sickness reserves are determined separately for individual contracts using a prospective method.

The amount of members' capital accounts within the long term business provision is held at face value.  
The amount of the provision for growth life bonds is calculated as the current surrender value of the members' policies. The principal assumptions underlying the calculation of the long term business provision are:  
Rate of interest and discount – 2.0% (2007 3.5%).  
Mortality – 50% AM/FC00 (2007: 100% A67/70).  
Persistency – lapses are assumed at 10.0% for non-commuted members only  
Morbidity

Product Type Deferred Period	Adjustments to CMIR 12		Female loading
	Inception Rates	Termination Rates	
<b>Constant Bonds</b>			
0 week	119%	181.0%	160%
4 week	81%	85.5% increasing to 133.0%	160%
8 week	92%	77.0% increasing to 136.8%	160%
13 week	106%	66.5% increasing to 142.5%	160%
26 week	106%	66.5% increasing to 142.5%	160%
<b>Escalating Bonds</b>			
0 week	143%	157.0%	130%
4 week	98%	74.3% increasing to 115.5%	130%
8 week	111%	66.8% increasing to 118.8%	130%
13 week	128%	57.8% increasing to 123.75%	130%
26 week	225%	74.3% increasing to 82.5%	130%
<b>Reducing Bonds</b>			
0 week	90%	195.0%	135%
4 week	62%	92.3% increasing to 143.5%	135%
8 week	70%	83.0% increasing to 147.6%	135%
13 week	81%	71.8% increasing to 153.75%	135%
26 week	143%	92.3% increasing to 102.5%	135%
<b>Shares</b>			
0 week	86%	143%	45%

# The Dentists' & General Mutual Benefit Society Limited

## Notes to the Financial Statements (continued)

The morbidity basis is not comparable to those assumed at 31 December 2007 due to the change in methodology used in calculating the value of future sickness benefits. Relative to 31st December 2007 the other significant change in the methodology is using a net premium approach instead of a gross premium approach and to ensure that each individual policy covers its own per policy expenses.

Allowance for future bonuses:

In calculating the reserves, a rate of future capital apportionment is assumed which is considered to be in line with Treating Customers Fairly and consistent with the assumed future investment returns. There is an implicit allowance for future share apportionment through the use of a modified gross premium rather than a full premium in calculating the sickness reserve fund. There is no allowance for terminal bonus.

In calculating the technical provisions the following factors give rise to uncertainty:

- The assumption for future morbidity experience
- The assumption for future investment returns

No significant estimation techniques have been used in determining these assumptions. The assumption for future morbidity experience has been determined by analysis of the past morbidity experience of the Society over the past year, trends in the change in morbidity experience and industry knowledge of trends in morbidity experience. The assumption for future investment returns is based on expected investment returns, calculated in line with the valuation regulations.

9. Financial Investments:	Fixed Interest Securities £	Equities £	Short Term Bank Deposits £	Total £
<b>Investments at Market Value</b>				
Balance as at 31st December 2008	13,731,400	7,268,739	3,100,000	24,100,139
Balance as at 31st December 2007	14,447,666	9,755,436	4,753,114	28,956,216
<b>Investments at Cost</b>				
Balance as at 31st December 2008	13,020,771	10,079,437	3,100,000	26,200,208
Balance as at 31st December 2007	14,301,682	9,835,662	4,753,114	28,890,458

Investments are listed on a UK investment exchange.

Fixed Interest Securities includes UK Government Securities and other fixed interest bonds.

### 10. Staff Numbers and Costs

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

	2008	2007
Management	12	12
Administration	10	10
	<u>22</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and Salaries	342,047	395,418
Social Security Costs	56,696	31,035
Other Pension Costs	20,146	26,343
	<u>418,889</u>	<u>452,796</u>

Other pension costs consist of contributions made to a defined contribution scheme. There were no outstanding or pre-paid contributions at the balance sheet date.

# The Dentists' & General Mutual Benefit Society Limited

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## Notes to the Financial Statements (continued)

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

	<b>2008</b>	2007
	<b>£</b>	£
As Committee Members	<b>70,549</b>	71,915
Management of the Society	<b>81,533</b>	83,050
	<b>152,082</b>	154,965

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

	<b>2008</b>	2007
	<b>No.</b>	No.
£0 – £5,000	<b>2</b>	8
£5,001 – £10,000	<b>8</b>	1
£10,001 – £15,000	<b>3</b>	1
£80,001 – £85,000	<b>1</b>	1

The emoluments of the Chairman were: £15,070 (2007: £12,400)

The emoluments of the highest paid Committee Member, including pension contributions, were £81,533 (2007: £83,050). The Chief Executive is deemed to be a Committee Member for the purposes of the above.

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# The Dentists' & General Mutual Benefit Society Limited

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## FRS 27 Disclosure relating to liabilities and capital

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### 1 Capital Statement

The following summaries the capital resources and requirements of the Dentists' & General Mutual Benefit Society as determined for UK regulatory purposes:

<b>Available capital resources in respect of life assurance business</b>	<b>2008</b>	<b>2007</b>
	<b>(£000)</b>	<b>(£000)</b>
Total capital resources before deductions	<b>6,641</b>	10,293
Adjustment to assets	<b>(1,152)</b>	(1,191)
<b>Total available capital resources</b>	<b>5,489</b>	9,102
Capital resources requirement	<b>1,888</b>	1,716
<b>Excess capital over regulatory requirements</b>	<b>3,601</b>	7,386

- 1.1 The Society is a mutual organisation and as such, does not have any shareholders. As at 31 December 2008 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.
- 1.2 The Society is required to hold sufficient capital to meet the minimum capital requirements determined in accordance with FSA regulations. Additional capital is required to cover risks as set out in the capital management section below. The Society's total available capital resources as shown above are £5.489m (2007: £9.102m).
- 1.3 The Society has one UK fund for which the available capital is determined in accordance with the regulatory regime prescribed by the FSA, and there are no restrictions on the fund. The value of assets held by the Society is determined in accordance with FSA regulations.

### 2 Movement in capital resources

- 2.1 The movement over 2008 is summarised below.

	<b>Change in Available Capital</b>
	<b>2008</b>
	<b>(£000)</b>
Balance at 31 December 2007	<b>9,102</b>
New business reserves and acquisition expenses	<b>(386)</b>
Change in reserving methodology to use annuity inception approach	<b>(1466)</b>
Change in valuation interest rate	<b>(560)</b>
Change in per policy expense assumption	<b>143</b>
Change in expense inflation assumption	<b>539</b>
Change in mortality assumption	<b>(69)</b>
Change in IBNR	<b>(50)</b>
Bonuses paid / awarded	<b>(1,761)</b>
Investment profits	<b>(1,521)</b>
Insurance profits	<b>1,667</b>
Other items	<b>(149)</b>
<b>Available Capital Resources at 31 December 2008</b>	<b>5,489</b>

### 3 Basis for determining liabilities

- 3.1 The principal assumptions underlying the calculation of the long term business provision are as shown in note 8 to the Financial Statements.
- 3.2 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

# The Dentists' & General Mutual Benefit Society Limited

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## FRS 27 Disclosure relating to liabilities and capital (continued)

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value as bonuses are added. The reserves held are subject to a minimum of the surrender value at the valuation date.

### 4 Sensitivity of liabilities

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

Variable	Change in Variable	Change in Available Capital (£000)
Morbidity	+10%	(146)
Morbidity	-10%	117
Expenses	+10%	(414)
Expenses	-10%	352
Interest	+1%per annum	(345)
Interest	-1% per annum	322
Fixed Interest	-10%	(1,388)
Equities	-10%	(727)
Property	-10%	-

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

The available capital is relatively sensitive to expenses. It is insignificantly affected by mortality.

When interest rates change, any movement in the available capital is partially offset by an opposite Change in asset values. This has been reflected in the value change above.

### 5 Capital and risk management policies

5.1 The Society's free asset position is regularly reviewed to ensure it maintains an acceptable level of solvency. If the Society sees large changes in its available capital due to the morbidity experience of the members, it will amend the level of apportionments and bonuses payable to its members accordingly.

5.2 Additionally, the Society uses its Financial Condition Report and Individual Capital Assessment to monitor current and potential risks that could affect its solvency adversely. Both of these assessments calculate the estimated capital available under possible future risk scenarios.

# 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

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We have audited the financial statements of The Dentists' and General Mutual Benefit Society Limited for the year ended 31<sup>st</sup> December 2008 which comprises the Balance Sheet, the Income & Expenditure Account, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We are also required to report on the Report of the Committee of Management for the year ended 31st December 2008.

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 auditors' 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.

### **Respective responsibilities of the Committee of Management and Auditors**

The Committee of Management's responsibilities for preparing the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Committee of Management on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it. In addition we report to you if, in our opinion, the Society has not kept proper accounting records, or if we have not received all the information, explanations and access to documents that we require for our audit.

We also report to you as to whether the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and as to whether the information given therein is consistent with the financial statements.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31st December 2008 and of the income and expenditure of the Society in the year then ended, and have been properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it; and
- the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it and the information given therein is consistent with the financial statements for the financial year.

Moore Stephens  
Chartered Accountants  
Registered Auditor  
31<sup>st</sup> March 2009

# 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 2008 to 31st December 2008 was Mr. M. C. Saker F.I.A. During the period, Mr. Saker was an employee in the firm of Watson Wyatt Ltd. He was not a member of the Society at any time during that period. Mr Saker had no pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the period. The only remuneration were the fees for professional services paid to Watson Wyatt Limited for the services provided by the firm, and the amount payable in this respect during the period amounted to £57,786 exclusive of Value Added Tax. No other benefits were paid. Mr. Saker did not receive, nor will receive, any other pecuniary benefit.

## Corporate Governance

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### The Annotated Combined Code

The Society's Committee of Management is committed to reaching and retaining a high level of corporate governance and has taken advantage of the Annotated Combined Code (published July 2005) produced for mutual insurers by the Association of Friendly Societies and the Association of Mutual Insurers. The Committee has implemented such requirements of the Combined Code deemed appropriate and practical and will explain any areas of non-compliance. It does not consider that its governance falls short of any of the requirements to such an extent that there exists an adverse and material departure from the provisions which would lead to a significant failure in ongoing control.

The roles of the Chairman and the Chief Executive are separate with a clear division of responsibilities. All Committee members are subject to rigorous annual appraisal and re-election at three yearly intervals. There are currently eleven members of the Committee; six have served for more than nine years. The Committee considers that those seven members have retained their independence in attitude and application. The remaining members meet the definition of independence set out in the code.

### Committee of Management

#### Paul Mather -Chairman

Paul, aged 54 was elected to the Society's Committee of Management in 1992. He is a Director of BNP Paribas Real Estate and has 29 years experience of working in the City of London.

#### Andrew Wilman –Vice-Chairman, Investment Monitoring Sub-Committee Chairman

Andrew, aged 52 was elected to the Committee of Management in 1992 and has been a member of the Society for 33 years. Although he trained as an accountant, he now works as a Detective for the North Yorkshire Police investigating everything from major fraud to murders.

#### Mike Bruce - Audit Sub-Committee Chairman

Mike, aged 68 was elected to the Committee of Management in 1973. He has a career background in advertising, marketing and public relations; for much of the time as a self employed practitioner. For the past 10 years he has lectured at the University of Huddersfield.

#### Scott Eason

Scott, aged 35, was appointed to the Committee of Management in June 2008. A qualified actuary, he is a former Actuarial Function Holder of the Society and previously worked for Legal & General as Investment Strategy Actuary. He is currently a self-employed actuarial consultant.

#### Neville Lacey

Neville, aged 56 was elected to the Committee of Management in 2006. He is a Chartered Accountant and 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.

# The Dentists' & General Mutual Benefit Society Limited

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## **John Lant- Resources & Marketing Sub-Committee Chairman**

John, aged 61 was elected to the Committee of Management in 2000 and leads a large group osteopathic practice in Cambridge. He is independent Chair of the Nutritional Therapy Council appointed by the Department of Health, Member of the Family Mediation Council and Mental Health Act Panel Member at Kneesworth House Psychiatric Hospital (Medium Secure). He has extensive experience in statutory healthcare regulation, associated legislation and family legal services. He provides expert advice in the area of professional negligence.

## **Keith Osterloh**

Keith, aged 68 was elected to the Committee of Management in 1995. Until his retirement in 2005, he spent most of his professional life in General Dental Practice in Chichester and led national negotiations for his colleagues with government in the late 1980's. Having served on the Resources and Marketing, and Investment sub-committees he was elected Chairman in 2002 and retired in 2008.

## **Christine Pleasance – Senior Independent Director**

Christine, aged 65 was elected to the Committee of Management in 1999. She is a Dental Hygienist who has spent most of her working career in private practice. She is now working as a tutor to the school of dental hygiene and therapy at Kings College London based at Guys Hospital. She is a past president of the British Dental Hygienist Association.

## **Emma Pleasance**

Emma, aged 39 was appointed to the Committee of Management in March 2008. She has a background in marketing and now runs a successful equestrian training and consulting business.

## **Susan Pyle**

Susan, aged 47 was elected to the Committee of Management in 2004. She was called to the Bar in 1985 and has been practising as a Barrister for over 20 years.

## **Mike Quinn – Retired from committee May 2008**

Mike, aged 71 was elected to the Committee of Management in 1983. Until his retirement in 1998 he spent his entire career in the financial services industry. He has served on varying sub-committees and was Chairman of the Society from 1994 until 2002. Having reached the maximum age under the Society's rules, he retired from the Committee at the last Annual General Meeting.

## **John Reynolds**

John, aged 62 was elected to the Committee of Management in 1972 and was Chairman of the Society from 1987 to 1994. He is a Dental Surgeon and having worked previously in General Dental Practice, is currently a Dental Officer in the Dental Reference Service of the NHS.

<b>Attendance</b>		<b>Committee of Management</b>	<b>Investment Monitoring</b>	<b>Audit</b>	<b>Resources &amp; Marketing</b>
P Mather	Surveyor	4 (4)	4 (4)		2 (2)
A J Wilman	Accountant	4 (4)	4 (4)	1 (1)	
M J Bruce	University Lecturer	4 (4)		2 (2)	
S.D Eason	Actuary	2 (2)	2 (2)		
N D Lacey	Accountant	4 (4)		2 (2)	
J O Lant	Osteopath	4 (4)	4 (4)		1 (1)
K E Osterloh	Retired Dental Surgeon	4 (4)	3 (4)		2 (2)
C V Pleasance	Dental Hygienist	4 (4)			2 (2)
E H Pleasance	Equestrian Trainer	4 (4)			2 (2)
S D Pyle	Barrister	3 (4)			2 (2)
P M Quinn	Retired Insurance Executive	1 (1)		1 (1)	
J F Reynolds	Dental Surgeon	4 (4)		0 (2)	

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

# The Dentists' & General Mutual Benefit Society Limited

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## Corporate Governance *(Continued)*

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### Committee of Management Remuneration

The honoraria and fees paid to members of the Committee of Management in 2008 (2007 in parenthesis) were;

Chairman	£12,000	(£11,400)
Vice Chairman	£10,500	(£10,120)
Sub-Committee Chairman	£ 7,500	(£7,000)
Committee Member	£ 4,000	(£3,850)

No pension payments were made in respect of any Committee of Management member. In addition, meeting attendance fees of £400 (£350) were paid where appropriate.

### Committee of Management Terms of Reference

Objective:	To bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.
Requirements:	To be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. To be competent and reliable persons able to achieve those objectives in a satisfactory manner.
Responsibility:	There is a joint and several responsibility for each member of the Committee to ensure that the Committee fulfils its obligations and controls its strategy, performance and resource plans. A member of the Committee 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. To ensure that the person appointed as Chief Executive has the requisite knowledge and experience to discharge the functions of the office. 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.

### Sub-Committees

#### Executive

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

#### Audit

This Sub-Committee reviews and reports to the Committee of Management on the adequacy of the Society's systems of business risk and control including the adequacy and accuracy of reports made to the Committee of Management and the Financial Services Authority. It receives external and internal auditor's reports and reports to the Committee of Management on the adequacy of the inspection programme together with recommendations for improvements or changes. It reviews the performance and cost effectiveness of the internal and external auditors making recommendations as necessary. Meetings are held twice a year with the internal and external auditors of the Society but provision is made to meet as needed. It also manages the process of the committee members' annual appraisal.

# The Dentists' & General Mutual Benefit Society Limited

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## Corporate Governance *(Continued)*

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### Resources and Marketing

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

### Investment Monitoring

This Sub-Committee ensures that the acquisition and disposal of assets is reviewed in line with the strategy laid down by the Committee of Management and with the fund manager with reference to performance, future opportunities and targets. The Sub-Committee meets at least four times a year.

### Sub-Committee

#### Terms of Reference

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

## 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)).



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\* per current tax regulations

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