Dentists' Provident

Protecting your lifestyle. Securing your future.

Annual Report | 2013

Dentists' Provident is a leading provider of income protection insurance to dentists in the UK and Ireland. We are a not-for-profit mutual organisation, owned by and managed solely for the benefit of our members.

Contents

Performance summary

A strong track record

- Net surplus before bonuses of £23.9 million (2012: £17.6 million)
- Total assets of £212.6 million (2012: £191.4 million)
- Interest on members' bonus accounts maintained at 5%
- Dividend rates maintained at £1.44 and £1.80 per share for insured and commuted members
- Terminal bonus maintained at 15%

Financial summary

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Membership premium income	13,354	13,583	12,975	12,175	11,412
Sickness claims paid	(4,493)	(4,211)	(3,404)	(3,193)	(3,209)
Operating expenses	(3,353)	(3,621)	(4,426)	(4,595)	(4,014)
Net surplus before bonuses	23,870	17,575	13,009	13,640	21,548
Bonuses paid to members	(6,764)	(6,632)	(6,122)	(5,943)	(5,699)
Total assets	212,566	191,381	174,338	167,359	151,149
Investment assets	203,887	172,920	172,164	164,801	148,228
Members' bonus accounts	81,728	80,313	78,366	77,254	76,024
Operating ratios					
Operating expenses to premium income ratio	25.1%	26.7%	34.1%	37.7%	35.2%
Benefits paid to premium income ratio	33.6%	31.0%	26.2%	26.2%	28.1%
Core surplus to average assets ratio[1]	13.0%	11.7%	7.1%	13.1%	15.2%

Notes:

1. Core surplus is before bonuses to members and changes to sickness business provision.
   Average assets is the mathematical average of the group's total assets at the current and previous year ends.

Chairman's statement
Building on our strengths

Results and bonuses

For many years, we have worked hard to position ourselves so that we are able to meet the needs of our members and offer them long term value. We have made substantial investment in our infrastructure, people and risk management whilst strengthening our finances to make ourselves more resilient to external shocks.

The results for 2013 have been mixed, our income protection business did not perform as well as anticipated. The decline in dental earnings over the last few years has been a significant drag on new business. In addition, we have seen a rise in the level of surrenders as our members seek to consolidate their finances. On a positive note, our performance has been buoyed by the strong momentum in the financial markets.

I am delighted to report that your board has decided to recommend dividends for insured and commuted members to be maintained at £1.44 and £1.80 per share respectively. Our interest and terminal bonus rates remain unchanged at 5% and 15% respectively. To put this into context, we returned nearly £6.8 million to our members in bonuses in 2013.

Strategic initiatives

Over the last year we have been working on a number of improvements to our proposition. As detailed in the proposed new rules, we have added a number of additional discretionary benefits for our members. These additional benefits provide greatest value to our members who unfortunately suffer a long term incapacity. We have also for the first time developed a new product for dental students. This is a genuine value added proposition for students and will offer them invaluable protection against the risk of not being able to pursue a career in dentistry, through permanent disablement as a result of an accident or injury. Your board and I recommend that members vote in favour of the proposed changes.

During 2013, we also reorganised our operations to better serve our members and further improve our governance and risk management at an organisational level. These changes have resulted in the removal of unnecessary operational layers and a more streamlined operating structure.

In December, we implemented a new employee evaluation system, this will be linked to our new employee incentivisation plan, to further enhance our service levels and employee engagement.

Governance and the board

As a member of the society, I believe it is vital that we conduct our business ethically and responsibly. The board and our senior management have an important role to play in ensuring that these principles are communicated effectively to all internal stakeholders and firmly embedded in our processes.

It is my job to ensure that we conform to the highest standards of governance. I am privileged to serve our members with an experienced and dedicated board of directors, who share my commitment to working in the best interest of our members and to doing the right thing.

Finally, Trevor will be retiring from the board in May and I would like to pay tribute to him, for his many years of faithful service. We have all appreciated his invaluable counsel and his contribution to the success of the group.

We have an exciting year ahead of us and I look forward to our future with confidence.

K.F. Woolass

Kathryn Woolass
Chairman
21 March 2014

The case for Dentists' Provident
We are different

1. Unparalleled flexibility
We offer the widest range of deferred periods in the market and individually selectable options, designed to cater to the diverse range of professional circumstances of our members. We also offer a simple and easy option to derisk existing arrangements as our members' circumstances change. All our benefits are offered under a single membership, making it extremely convenient for our members to manage their arrangements.

2. Underwriting excellence
Our underwriting culture is based on the expertise of our people, who have built up their knowledge and experience over many years. The pragmatism of our underwriters, framed within a robust control framework, provides a genuine source of competitive advantage.

3. Value for money proposition
We offer exceptional value for money to our members. Over the last five years, our benefit payments and bonuses to members have amounted to nearly 80% of our premium income.

4. Deep Industry knowledge
Our business is supported by a team of experienced professionals, with deep knowledge of the dental industry, insurance, investments, actuarial, risk management and finance.

5. Doing the right thing
We believe that being ethical, honest and fair is a source of long term competitive advantage. We are not a sales led organisation. We believe that the route to building a sustainable and lasting business is in reflecting our core principles in our everyday dealings with our members.

6. Strong balance sheet
Our strong capital position enables us to attract high calibre talent, support innovation and sustainable growth and invest to provide our members with innovative solutions and leading long term returns.

7. Active risk management
We have a disciplined and proactive approach to managing risks. Our risk management approach allows us to ensure that we use our resources efficiently and effectively. The consistency of our performance is a testament to the effectiveness of our processes and controls.

8. Strong brand supported by excellent service
Our highly respected brand is based on our ability to deliver consistently positive outcomes for our members. Our technical expertise is backed by a highly responsive and professional service.

Our business model

We are committed to delivering highly customised income protection solutions and long term value for our members

Who we are

We are a Holloway income protection insurance specialist, distributing directly and through intermediaries within the UK and Irish dental markets. Our objective is to provide our members with comprehensive, tailored solutions, which will meet their needs throughout their lives. We believe that our product provides a compelling alternative to the homogenised, high volume, low cost options offered more generally. Forming partnerships with our members spanning decades, based on flexibility and choice, backed by exceptional service levels, has allowed us to deliver value and sustainable returns over the long term.

Our strategy

Our business model is centred on our members. We give our members the choice to create a highly customised product, which offers the flexibility to remain fit for purpose over a career that may last 50 years. From the moment dentists choose to become a member, through to claiming and beyond, we treat each step as an opportunity to offer them extraordinary service and ethical, honest and fair outcomes.

Distribution

Our flexible offering is supported by a multi-channel distribution system, to make it easier for dentists to purchase our offering and to engage with us. Our offering is accessible through the web, telephone and also through independent intermediaries.

Our people

Our people are key to ensuring the successful delivery of our core objectives. Each employee fulfils a vital role in ensuring that we successfully meet our members' needs, which ultimately helps drive our long term performance and success.

Underwriting

Over the last 106 years we have built up an unparalleled insight into our core market. This has given us the knowledge and skill to price and manage risks intelligently and creatively. Our underwriters are given significant latitude within a robust control framework, so that we can provide our members with the optimal terms wherever possible.

Claims

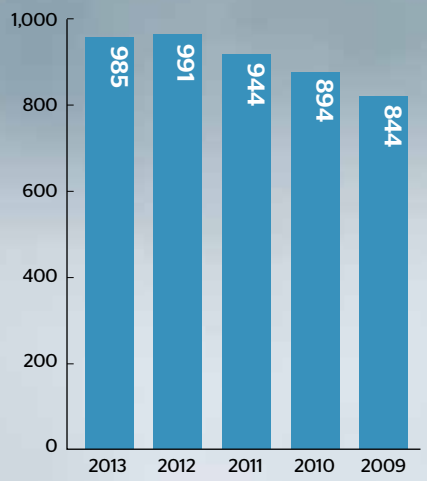
We do not compete within our market on price. The true value of our proposition lies in our ability to deliver the right outcomes for our members when it matters most. Nowhere is this more apparent than on a claim. We understand the emotional and financial strain of illness or injury and we engage actively with our members in an open, honest and empathetic manner and seek to settle claims quickly and without undue fuss.

Long term investment

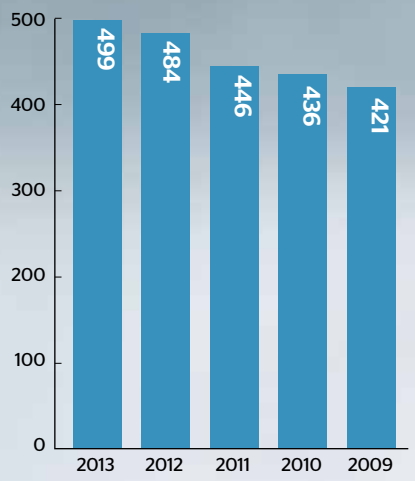
In addition to providing income protection insurance, the other strand of our business is the long term returns we provide our members. We manage our finances prudently and efficiently, to maximise the long terms returns, at the same time as maintaining risks within acceptable limits. This means that we ensure that we exercise budgetary control over our expenditure and manage our investments in a way that produces attractive but sustainable long term returns. We also actively seek to protect our members' capital by holding assets in excess of our liabilities, to absorb the effects of any adverse experiences.

Key performance indicators
Working hard for our members

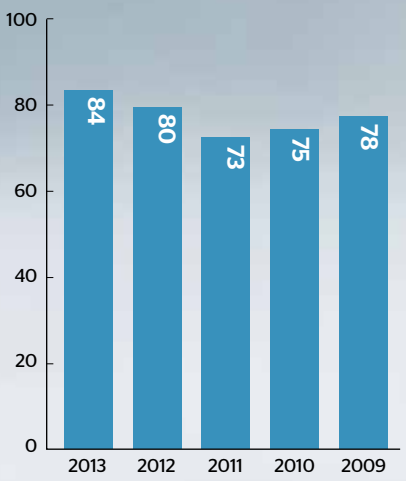
Average premium per member (£)



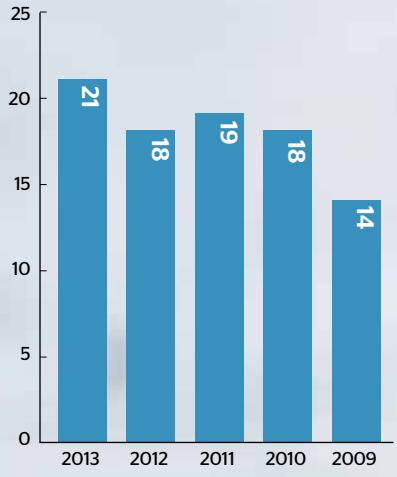
Average bonus per member (£)



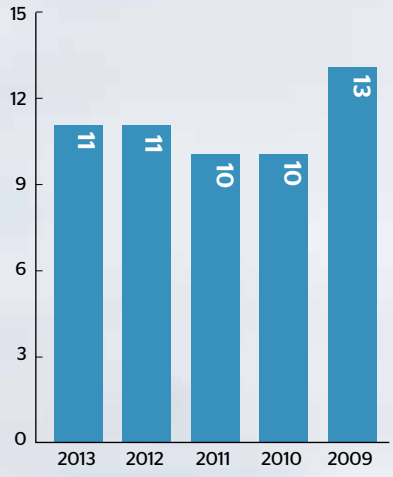
Bonuses and benefits to premium income ratio (%)



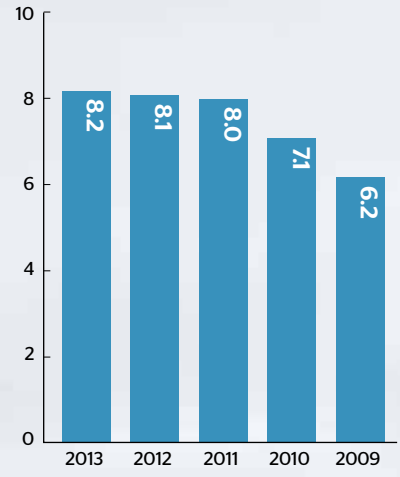
Average duration of short-term claims (days)



Insured members who claimed (%)



Annualised returns to members over ten years (%)



Chief executive's report
Investing for the future

Financial performance

As I mentioned in my report last year, dentists' profits have been hit hard over the past few years. Although the economic environment is beginning to show improvement, trading conditions in our core market remain challenging. In addition, the Retail Distribution Review, which puts Holloway Contracts, such as ours, at a comparative disadvantage to other income protection offerings and the removal of gender based pricing of insurance contracts, have presented fundamental challenges to our business. We have spent the last 12 months carefully assessing the new environments and we are working on a range of options to take advantage of the new opportunities the changes have created.

Our investment portfolio has once again performed strongly in 2013 and has contributed to a significant increase in our capital surplus. We continue to deliver exceptional value to our members and over the last five years, we have returned £49.7 million to our members in bonuses and benefit payments.

These are very good results in the context of an exacting operating environment. A detailed discussion of the performance of the group results is given in the financial review section of the strategic report.

Outlook

The UK economy recovered faster in 2013 than many had anticipated. The positive momentum in the second half of the year, resulted in the Office of Budgetary Responsibility upgrading their forecast for GDP growth in 2013, as a whole, from 0.6% to 1.4%. The European Commission predicts the UK will be the fastest growing economy in Europe in 2014 and 2015. The consensus growth forecast for the UK is 2.6%. To put this into perspective, pre-2008, that would have been regarded as a respectable, if unremarkable, growth rate.

The picture on real earnings growth is however, less positive, with consensus forecasts predicting another fall in real earnings in 2014. This, combined with the Government's spending constraints, is likely to result in continued weakness in the dental market, in the short to medium term.

Developing our business

The key priorities during 2013 were to develop our new student offering, add further value added benefits for our members and rationalise the structure of our rules, to streamline the process of developing and launching new initiatives. We have made excellent progress and our proposed changes to the rules have been circulated to all members. Subject to approval of the changes, we expect these new benefits to come online within the next few months.

We have also been working on building strategic alliances with other premier organisations, so that we are able to provide our members with a richer membership experience and enhance the value of our membership.

The dental industry is undergoing fundamental changes, from the rise of corporate dentistry, direct access to DCPs, to the piloting of the National Health Service contracts. We are working on a number developments and enhancements, to ensure that our proposition sets the benchmark in income protection for dentists.

Employees

We went through major organisational changes in 2013. Sarah Bradbury joined us as the head of marketing and communications and Bryan Gross has taken over as the head of claims and underwriting.

I am privileged to work with a deeply talented and capable board and senior management team and I wish to express my personal gratitude for their tireless enthusiasm and dedication to our business and our members.

I would like to close by thanking all our employees for their hard work and I look forward to the continued success of our society.

Farrukh Mirza
Chief executive
21 March 2014

Financial review

Prudently managing our members' capital

Financial management framework

Our financial management framework seeks to maximise the value we deliver to our members and minimise the volatility in returns for our members. We seek to supplement our core premium income from members with high grade and diversified streams of other income. We add value by managing our expense base, so that the benefits of mutuality are not lost to inefficient business practices.

Financial performance

The group's financial performance in 2013 was strong, the net surplus before bonuses increased 35.8% to £23.9 million (2012: £17.6 million). The performance of our income protection insurance portfolio was lacklustre, coming under pressure from a 1.7% fall in premium income and a 6.7% increase in benefit claims. The fall in our premium income is largely attributable to one-off factors, like the removal of gender loadings from all our business and review of our premium rates, which resulted in a reduction in premiums at later ages.

The key driver of the group's performance has been our investment portfolio. Group total investment income grew 32.2% to £20.9 million (2012: £15.8 million), driven higher by the strong performance of our equity portfolio and gains on the property investments made by the group over the last three years.

As noted above, claims rose 6.7% to £4.5 million (2012: £4.2 million). Over the last four years, sickness claims paid have increased steadily, driven higher by the rise in the average levels of cover held by our members.

Operating expenses fell 7.4% to £3.4 million (2012: £3.6 million) attributable to broad savings across the board, with the most significant element being lower new business commission payments.

Capital position

The group actively manages its capital to ensure it is used effectively and maximises the benefits accruing to our members. Following on from the lessons learnt in the recent financial crisis, the group has bolstered its capital base to cope with any unanticipated shocks. A summary of the group's capital position is as follows:

Capital resources

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Available capital resources	89,921	72,982	62,243	55,532	48,022
Capital resource requirements	(9,570)	(9,712)	(12,917)	(14,379)	(18,342)
Surplus capital	80,351	63,270	49,326	41,153	29,680

Asset allocation

Our investment management approach is driven by the profile of our liabilities and our investment risk appetite, which in turn is shaped by our views on the future performance of our insurance book and our view of the economic outlook. The group does not have a precise investment return target, instead we focus on opportunities, which, in our view, represent attractive risk-adjusted propositions, whilst:

- maintaining an acceptable overall level of risk (having regard to the currency, nature and duration of the liabilities)
- maintaining an appropriate and broad mix of suitable investments
- protecting adequately the interests of the members

Our investment strategy permits the use of any investment instrument approved by the board.

The investment committee oversees the investment policy and strategy, which is implemented using investment mandates. The investment mandates include:

- details of the approved investments
- defined performance benchmarks
- benchmarks for asset allocation by asset type, market capitalisation and geographical spread
- counterparty and credit limits
- benchmarks for duration of the fixed interest portfolio

Asset allocation

	2013 %	2012 %	2011 %	2010 %	2009 %
Equities	46	46	55	48	58
Fixed Interest securities	19	21	23	24	30
Alternative assets and cash	35	33	22	28	12

Investment performance

	2013 %	2012 %	2011 %	2010 %	2009 %
Dentists' Provident	11.4	10.4	3.6	12.2	16.0
Benchmark portfolio[1]	11.4	8.4	2.9	10.9	17.8

Note:
1. Benchmark based on a portfolio comprising 60% UK equities, 30% Gilts and 10% cash.

Sickness business provision

Estimation of the sickness business provision is critical to the group, as it affects the assets we hold to match our liabilities and the overall surplus available for distribution to our members.

Our income protection business is subject to considerable uncertainty in terms of the time, level and duration of claims. This makes estimating the sickness business provision subject to a number of assumptions. However, we have always adopted a conservative approach to estimating our sickness business provision. As at 31 December 2013, the sickness business provision stood at £37.2 million (2012: £34.9 million). This amount is significantly in excess of the provision calculated under individual capital assessment methodology.

Underwriting and claims review

Doing right by our members

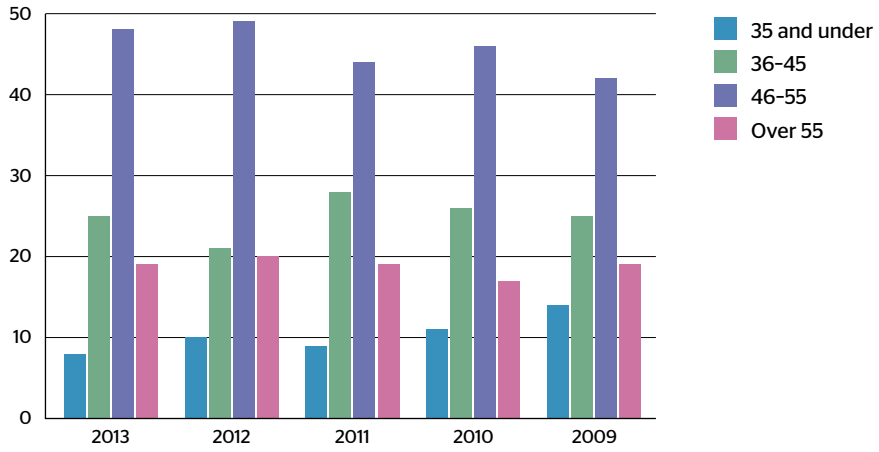
We believe that the long term success of the society and the competitiveness of our proposition depends crucially on how effectively we underwrite new risks and the diligence with which we manage claims.

We have a robust system of internal controls in place, to ensure that the decisions we make, are consistent with internal and market practice and produce the fairest outcome for the individuals and the membership as a whole. Each underwriting and claims decision is fully evaluated in light of available information and any adverse decisions are subject to an additional review process, to ensure that an individual member's interests are protected.

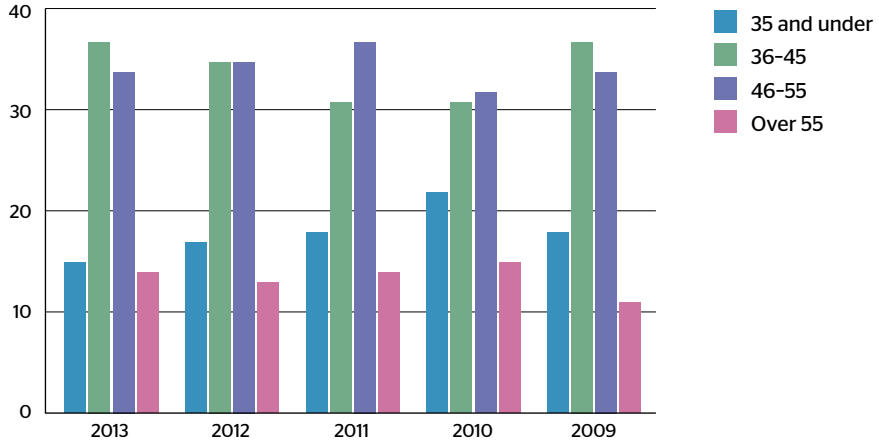
As a matter of principle, in cases where an adverse decision is under consideration, our processes provide for an opportunity for the member to have an input into the process, to ensure relevant facts have been considered fully and they have an understanding of our decision.

Total sickness claims paid in the year were £4.5 million (2012: £4.2 million), reflecting the higher levels of cover held by our members. The analyses of claims by gender and incapacity over the previous five years are detailed below.

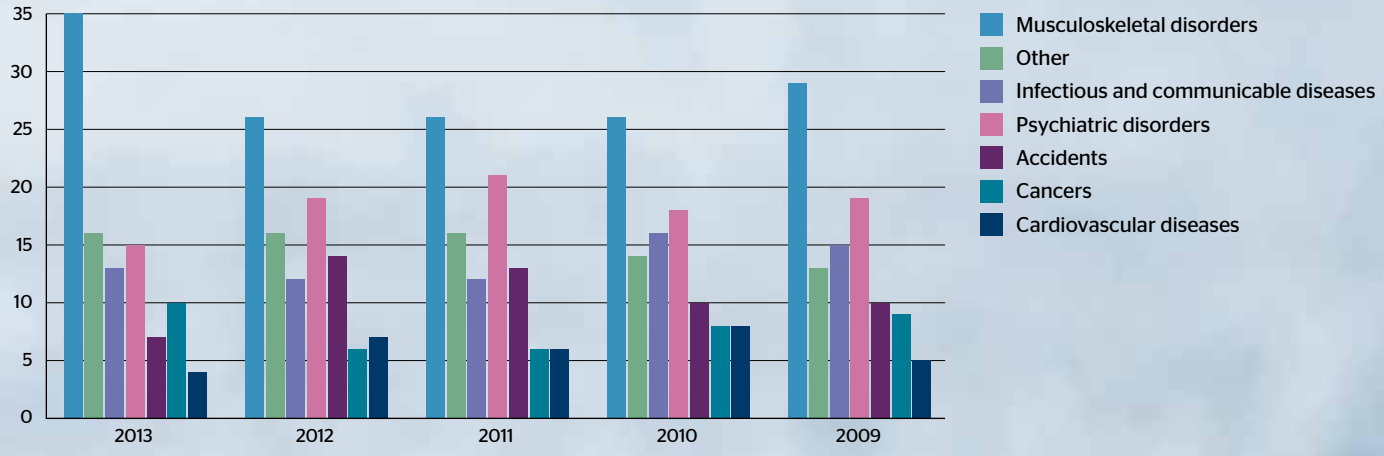
Age distribution of claims by gender – male (%)



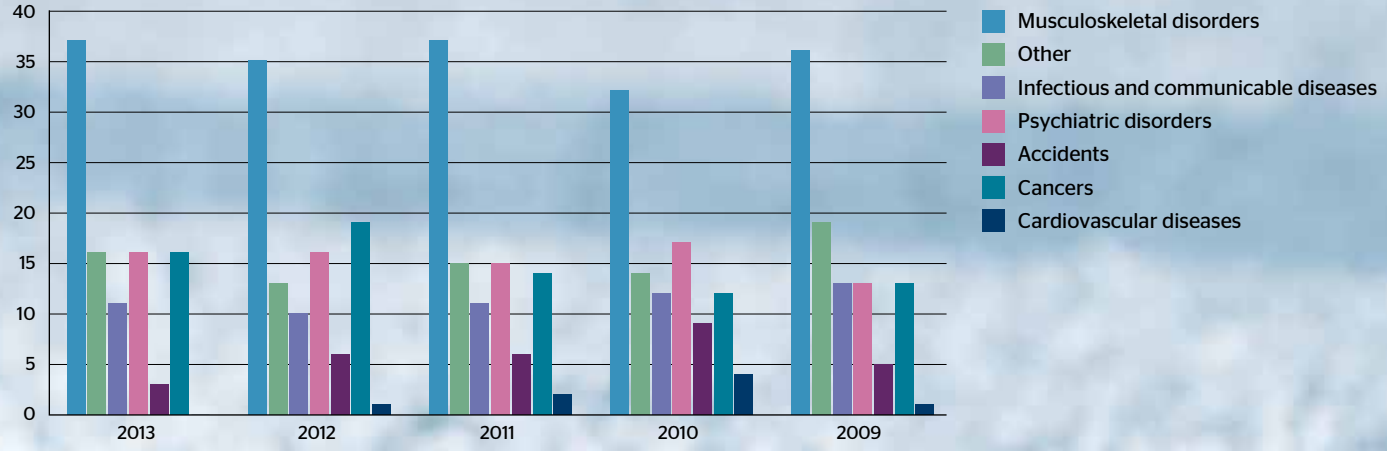
Age distribution of claims by gender – female (%)



Distribution of claims by incapacity – male (%)



Distribution of claims by incapacity – female (%)



Risk management
Building on solid foundations

Risk management

A robust risk management framework underpins our business. We have predefined risk appetites for all key risk areas and our risk management policies and procedures are regularly reviewed and updated, under the guidance of the board and its various committees. Our internal control environment is further buttressed by reviews of key activities by external experts.

Risk management framework

Effective risk management is a core agenda item for the group. We consider that the proper management of risks will allow the group to allocate resources more effectively and use its capital intelligently.

Over the years, we have sought to integrate our risk management and business processes. We have worked hard at increasing risk awareness amongst staff, through a combination of training and encouraging them to think of the business issues more holistically and about the long term effects of inadequate risk management.

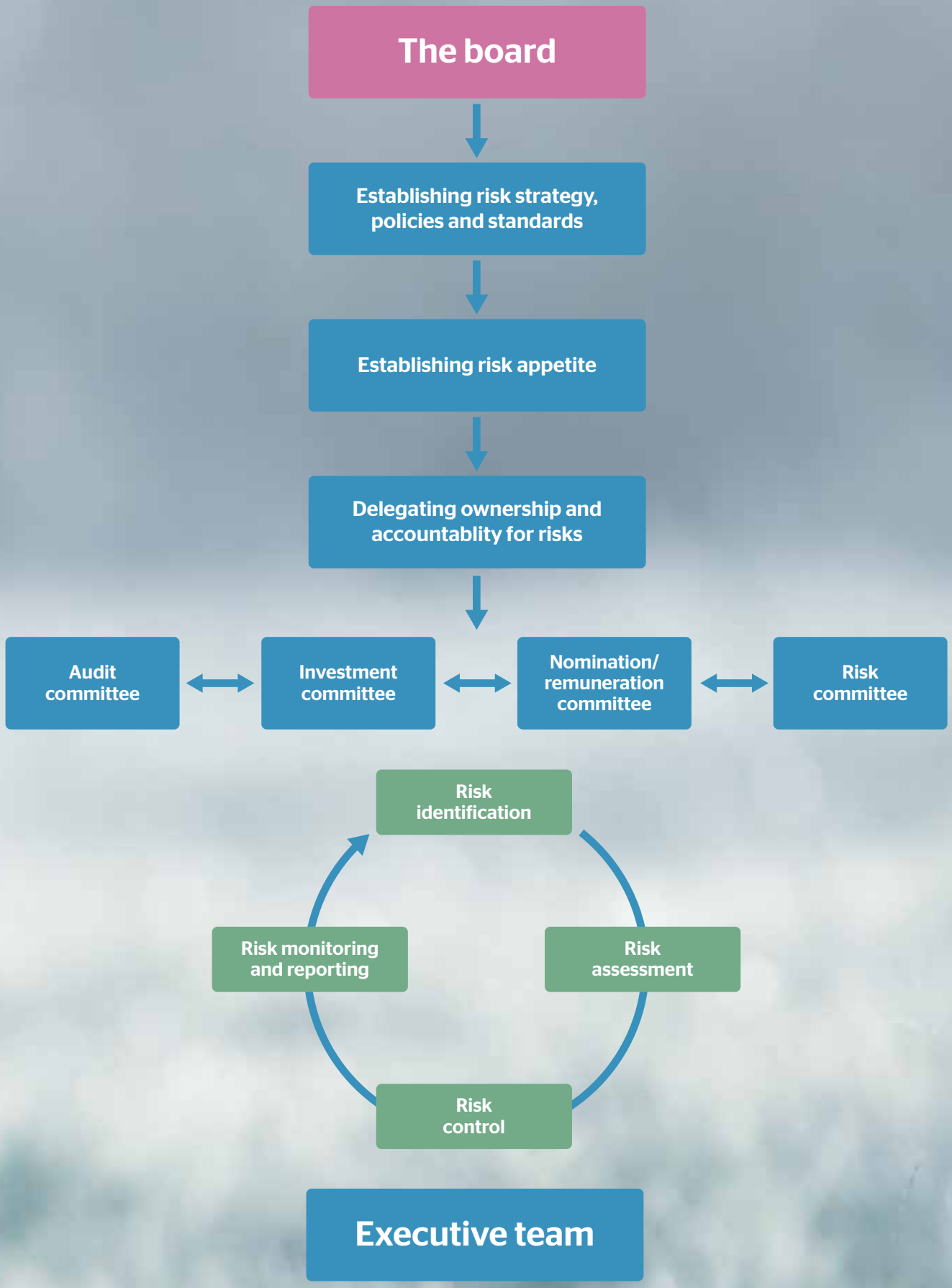
The key objectives of our risk management process are to:

- protect and enhance our reputation
- protect the group's capital base to ensure its long term financial strength for the benefit of our members
- support the group's decision making by providing timely and appropriate risk information

The ultimate oversight for risk management remains with the board. However, it has delegated some risk management areas to its committees, who provide regular updates to the board on those risk matters which fall within their remit.

The responsibility for day to day risk management lies with the executive team, who work alongside the heads of department. The heads of department are responsible for implementing the risk management policies and procedures and reacting to new and emerging risk issues.

The risk identification and management process ensures all key risks are centrally collated within the risk register, which clearly identifies the risk owners. Regular monitoring, augmented by internal audit and compliance reviews, is designed to identify the effectiveness of the control environment. The status of the risks is reviewed periodically and a comprehensive reporting process is in place, to communicate key risk information and other relevant information to the committees and the board.


The board
Establishing risk strategy, policies and standards
Establishing risk appetite
Delegating ownership and accountablity for risks
Audit committee
Investment committee
Nomination/ remuneration committee
Risk committee
Risk identification
Risk assessment
Risk control
Risk monitoring and reporting
Executive team

Principal risks

The risks and uncertainties described below are considered to have the most significant effect on the group's business, financial results and prospects. This list is not intended to be exhaustive.

Strategic risk

Risk description	Potential impact	Current mitigation
Inappropriate business strategy damages long term value for the members	The group makes a number of long term decisions based on assumptions about the future environment within which it will operate. If the actual outcomes are substantially different from our projections, this could have an adverse effect on our business.	Long term strategic plans are reviewed regularly, to reflect the revised views on the group's longer term competitive and market position. The group monitors the progress of the business against its strategic agenda at its regular board meetings.
Ineffective or non delivery of the group's business strategy	A number of projects have been set up to deliver key elements of the strategy. If these projects do not deliver as planned, the group could fail to meet its objectives for its members.	Experienced teams oversee the delivery of all key projects. Senior management provides challenge, monitors progress and ensures that key decisions are being made appropriately.

Insurance risk

Risk description	Potential impact	Current mitigation
Inappropriate pricing of our contracts damages long term value for the members	The pricing of our proposition takes into account not only our experience and expectations, but also external factors like the behaviour of our competitors. If we do not price our contracts appropriately, this could have an adverse impact on our business, through declining persistency or reduced underwriting surpluses for our members.	Actuarial models are the primary tool for objectively deriving the pricing of our contracts. The models and the underlying assumptions are subject to regular monitoring and challenge. The group also regularly benchmarks its pricing against its competitors, to identify any headline inconsistencies. Senior management work closely with operational staff, to ensure the pricing assumptions are supported by actual events and to identify early indicators of any divergence.
Our claims experience is significantly different from our expectations	If our claims experience is materially worse than what we have assumed in pricing our contracts, this could have an adverse effect on our members, through a combination of higher future cost of membership and reduced future bonuses.	Strong operational controls are the primary mechanism for managing our claims experience. Detailed trend analysis is undertaken by the finance and actuarial teams and the results are fed back into the actuarial pricing models and into the operational decision making processes.

Insurance risk continued

Risk description	Potential impact	Current mitigation
The persistency of our business is significantly lower than our expectations	Lower than expected rates of persistency will lead to a fall in the value of future surpluses earned on our long term insurance business. This could feed through into higher than expected costs of managing our business and lower long term returns for our members.	We remain focused on continually developing our proposition, so that it remains competitively priced and our product features and service standards not simply meet but exceed the reasonable expectations of our key stakeholders. The core emphasis of our marketing and business development teams is to enable our key stakeholders to understand our business philosophy and make better informed decisions regarding their insurance needs than focusing on price alone.
Our future expense experience is significantly different from our expectations	If our expenses are materially higher than what we have assumed in pricing our contracts, this could have an adverse effect on our members, through a combination of higher future cost of membership and reduced future bonuses.	Strict processes for the authorisation and approval of costs is the primary mechanism for managing our expenses. These processes are further supplemented by detailed budgets, variance reporting and senior management reporting.

Operational risk

Risk description	Potential impact	Current mitigation
Information systems failure	The group is dependent on a number of key information systems and processes. A loss of systems and access to facilities, including the website, could lead to significant disruption and could have an adverse operational, reputational and financial impact.	A business continuity programme, including disaster recovery arrangements, is in place. This is reviewed regularly, to identify areas for improvement and to ensure that arrangements are adequate and appropriate. An experienced technology team is in place, who can respond rapidly to any unforeseen incidents that may arise. An alternative site is available should there be a need to relocate critical staff at short notice, due to a loss of facilities.
Flexibility of key IT systems	The introduction of new initiatives creates additional complexity in information systems. If not managed effectively, the core applications could lose their flexibility and create issues, which could increase costs and cause delays when implementing the required business change.	Systems architecture is reviewed continuously and improvements are made where opportunities arise. Structured testing is in place for key systems, where required. We hold periodic meetings with key vendors.

Operational risk continued

Risk description	Potential impact	Current mitigation
Dependence on third party service providers	The group has entered into agreements with third party service providers for services covering a significant proportion of its operations. Failure to adequately manage third party performance could affect the group's reputation and its operational and financial performance. Loss of these contracts, or inability to renew or negotiate favourable replacement contracts, could have an adverse effect on future operating performance.	Processes are in place to manage third party service provider performance. The group has centralised processes for negotiating contracts.
Implementation of Solvency II requirements	Solvency II is the new proposed European framework for insurance supervision. It proposes a fundamental change to the way in which insurers calculate their prudential capital requirement. While the high level regulation is in place, some of the finer details are yet to be finalised.	The group has set up an implementation team and is well advanced in becoming compliant in the calculation of own funds, technical provisions and SCR under the new regulations. The society's board has agreed that the Standard Formula is appropriate to the society and our calculations have been aligned to this, where appropriate. The group has started implementing the ORSA and governance related changes and we expect to be substantially compliant by the end of 2014.
Compliance with legal and regulatory requirements	The group is subject to a comprehensive set of legal and regulatory requirements. Non compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme circumstances, withdrawal of regulatory authorisation. Non compliance may also lead to costs relating to investigations and compensation of affected members. In addition, reputational damage may adversely affect the long term future of the society.	The group has dedicated significant internal resources to this area. The work of the group's compliance function is supplemented by regular internal audit reviews. In addition, the employee rewards scheme places, significant emphasis on legal and regulatory risks being mitigated.
Conducting our business fairly and ethically	The success of the group is built of a foundation of fairness and honesty in our dealings with our key stakeholders. A breakdown in the group's cultural values could expose it to the risk of reputational damage and contribute to an increase in a range of other business risks.	The group has put in place a range of controls and processes to manage this risk. The key decision makers are encouraged to take a holistic view and not simply focus on narrow commercial factors.

Counterparty risk

Risk description	Potential impact	Current mitigation
Risk of a counterparty being unable to perform its obligations	The group is exposed to the risk of failure or default of one or more of its counterparties. As part of its business, the group invests in debt securities and other assets, in order to meet its obligations to its members. As a result of this activity, exposures can arise to issuers of debt and other financial instruments. The group's day-to-day activities also mean that it has exposures to banking counterparties, as well as third party providers of services.	The group manages its significant counterparty exposures by the application and monitoring of counterparty limits. Material contracts with third parties are governed by service level agreements, which are monitored and discussed.

Liquidity risk

Risk description	Potential impact	Current mitigation
The group has insufficient liquid assets to meet its financial obligations	A misjudgement in the level of liquidity required could result in business disruption and have an adverse effect on the group's financial performance.	The group maintains a buffer over its expected routine cash requirements, investing the majority of its funds in readily realisable assets. We also undertake regular stress tests, to ensure that the group continues to have sufficient liquidity to meet its needs.

Market risk

Risk description	Potential impact	Current mitigation
The value of group's investments will fluctuate as a result of factors other than changes in interest and currency rates	The group invests in a range of asset classes where valuations can be affected by non-technical factors, like market sentiment, geo political uncertainty or issuer specific issues.	The group manages asset price risk by maintaining a highly diversified portfolio of assets and by setting asset allocation and performance benchmarks, which ensure that it has an appropriate mix of assets and is not over or under exposed to a particular asset category or specific investment. The investment committee monitors the actual asset allocation and performance against benchmark.
The value of the group's assets and liabilities and the associated cashflows will fluctuate as a result of changes in interest rates	The group holds assets and liabilities with different maturities, creating exposure to changes in the level of interest rates. It mainly arises from the group's investments in debt and fixed-income securities and the rates used to calculate the sickness business provision, which are exposed to changes in interest rates.	Exposure to interest rate risk is monitored using stress testing and duration benchmarks. The group also uses its cash holdings to manage duration, thereby indirectly managing interest rate risk.
The value of the group's assets will fluctuate as a result of changes in exchange rates	The group holds assets in funds which invest in overseas debt and equity markets, creating exposure to changes in exchange rates.	Exposure to currency risk is managed primarily by authorisation controls. The investment committee monitors the currency exposures on a regular basis.

Board of directors
Experience and commitment

Kathryn Woolass (59)
Chairman

Kathryn was appointed to the board as a non executive director in 1984 and as chairman in 2010. She is also a director of 1908 Property Holdings Limited, a member of the nomination/remuneration committee and the investment committee and has previously been a member of the audit and risk committees. She recently retired from full time orthodontic practice in South Yorkshire. She is also an examiner for the Royal College of Surgeons for the Diploma in Orthodontic Therapy.

She has previously served in senior roles in various dental bodies, including treasurer and chair of the Rotherham Local Dental Committee, member of the South Yorkshire Council of the British Dental Association, secretary of the South Yorkshire branch of the British Society for Paediatric Dentistry, secretary of the Local Orthodontic Committee of the South Yorkshire Strategic Health Authority, postgraduate dental tutor for Doncaster, Barnsley and Rotherham and a member of the Rotherham Oral Health Advisory Group.

Farrukh Mirza (43)
Chief executive

Farrukh joined the society as head of finance in 1999. He was appointed as deputy chief executive in 2003 and to the board and as chief executive in 2008. He chairs the investment committee and is a director of 1908 Property Holdings Limited. Since qualifying as a chartered accountant in 1995, he has worked with Baker Tilly, BayernLB and PricewaterhouseCoopers, specialising in banking and insurance.

Davinderpal Kooner (58)
Vice chairman

Davinderpal was appointed as a non executive director in 2004 and as vice chairman in 2011. He is also a member of the nomination/remuneration committee and the audit committee. He is a fellow of the Pierre Fauchard Academy and a member of the Ealing, Hammersmith and Hounslow Local Dental Committee. He is also a Justice of the Peace, director of Dental Protection Limited, and has a general practice in North London.

He has worked extensively in the training of dentists and complementary professionals. He is an examiner for the National Examination Board for Dental Nurses and the Royal College of Surgeons of England for the Diploma of Membership of the Faculty of General Dental Practice. He was previously a regional advisor in general dental practice and DF1 vocational training programme director for the London Deanery. He was also a professional member of the Fitness to Practise Panel of the General Dental Council, a general commissioner of Income Taxes and a member of the Health, Education and Social Care Chamber of the First-tier Tribunal.

Martyn Green (60)
Independent non executive director

Martyn was appointed to the board in 2010. He is the chairman of the nomination/remuneration committee and a member of the risk committee. He is also on the Advisory Board of the dental charity Bridge2Aid, a member of the Health, Education and Social Care Chamber of the First-tier Tribunal, a member of the General Medical Council's Medical Practitioners Tribunal Service, and a member of the Institute of Chartered Accountants in England and Wales' probate committee. He recently retired from general practice.

He was previously a member of the General Dental Council's Fitness to Practise Panel. He has worked extensively in the training of newly qualified dentists, having been in various roles including regional advisor in general dental practice and associate postgraduate dental dean.

Helen Harrison (50)
Independent non executive director

Helen joined the board in 2004. She is the chairman of the risk committee. She is the principal of a multi-disciplinary general and specialist dental practice in Cambridge. She has previously been a member of the representative body of the British Dental Association and its Council, Ethics, Practice Management and Healthcare Policy Committees and chairman of the Eastern Counties Branch. She has also previously been a member of the Cambridgeshire Local Dental Committee, the Cambridge Postgraduate Education Committee and a dental nursing tutor and examiner.

Giles Kidner (48)
Independent non executive director

Giles was appointed to the board in 2004. He is the chairman of the audit committee. He is a consultant orthodontist at the Buckinghamshire Healthcare and Oxford University Hospitals NHS Trusts and also works part-time in private practice. He is also a lead orthodontist for the regional cleft lip and palate service and an examiner for the Intercollegiate Membership in Orthodontics.

Trevor King (65)
Non executive director

Trevor was appointed to the board in 1998. He was a dental surgeon with the Royal Navy for 15 years and later ran a successful locum service in Peterborough. He subsequently joined the financial services industry and worked as an independent financial advisor for over 20 years.




1 Kathryn Woolass
2 Farrukh Mirza
3 Davinderpal Kooner
4 Martyn Green
5 Helen Harrison
6 Giles Kidner
7 Trevor King
8 Raj Raja Rayan OBE
9 Alister Weightman





Raj Raja Rayan OBE (60)
Independent non executive director

Raj was appointed to the board in 1989. He is a member of the risk committee. He is also an associate dean at the London Deanery and the chairman of the charity AOG Foundation Limited. He was previously dean of the Faculty of General Dental Practice of the Royal College of Surgeons of England and has served as chairman of finance, chairman of examinations and vice dean. He was also an elected council member of the General Dental Council and on the Standing Dental Advisory Committee to the Secretary of State for Health and advisor to the Lord Chancellor on Judicial Appointments.

Alister Weightman (49)
Independent non executive director

Alister was appointed to the board in 2011. He is a member of the audit committee and has been in general practice since 1987. He is a dental practice advisor for the South Yorkshire Area Team of the National Commissioning Board and is a clinical support manager for Integrated Dental Holdings in the North East region. He is a member of the Doncaster Local Dental Committee and a past treasurer of the North Lincolnshire Local Dental Committee and dental practice advisor for Doncaster and North Lincolnshire Primary Care Trusts. He also has been a clinical assistant in orthodontics and a vocational trainer.

Committees at a glance

Audit committee
Giles Kidner
Davinderpal Kooner
Alister Weightman

Investment committee
Farrukh Mirza
Simon Elliott[1]
Kathryn Woolass

Nomination/remuneration committee
Martyn Green
Davinderpal Kooner
Kathryn Woolass

Risk committee
Helen Harrison
Martyn Green
Raj Raja Rayan OBE

[1] Simon Elliott is the group's secretary

Senior management
Competence and team work






1 Simon Elliott
2 Sarah Bradbury
3 Bryan Gross
4 Kirby Mardle
5 Declan Martin
6 Sarah Martin

Simon Elliott
Simon is the head of actuarial services, the group's secretary and a member of the group's investment committee. Simon joined the society in 2007 after working for 11 years at Deloitte LLP in their actuarial practice, advising and working with friendly societies and insurance companies within the UK and Europe.

Sarah Bradbury
Sarah joined the society as head of marketing and communications in 2013. She has worked in service marketing and public relations in education, leisure and the dental industry for over 20 years. She has previously worked for the British Dental Association as the student/young dentist manager, Dental Protection Limited as marketing manager and as strategic partnerships and brand manager at Denplan.

Bryan Gross
Bryan joined the society as a senior underwriter in 2008. He was appointed as head of claims and underwriting in 2013. Bryan has over 13 years of experience in the insurance industry covering a variety of roles. He has previously worked at The Prudential and Gen Re.

Kirby Mardle
Kirby joined the society in 2006 as a member services consultant. She later moved into the finance department. Following her qualification as a Certified Chartered Accountant, she was appointed head of finance in 2012. She is also the company secretary of 1908 Property Holdings Limited.

Declan Martin
Declan joined the society in 2009 as head of information systems. He has been delivering IT solutions to the Insurance sector for over 30 years and has a proven record in making technology deliver value to the business. He has held senior positions at Canada Life, Aviva and Standard Life, as well as software suppliers and consultancies.

Sarah Martin
Sarah joined the society as head of compliance and risk in 2008. A solicitor, with a background in insurance and regulation, she has previously worked for Legal & General, Financial Services Authority and Lloyd's of London.

Corporate governance report

Board membership and attendance at scheduled meetings

Kathryn Woolass chairman	4/4
Farrukh Mirza chief executive	4/4
Davinderpal Kooner vice chairman	4/4
Martyn Green	4/4
Helen Harrison	4/4
Giles Kidner	4/4
Trevor King	3/4
Raj Raja Rayan OBE	4/4
Alister Weightman	4/4

Key items in the terms of reference

- agreement of strategic objectives, annual plans and targets
- monitoring performance against key financial and non-financial objectives
- approval of financial statements and key reserving and valuation assumptions
- overseeing the systems for internal controls and risk management
- setting standards in governance matters
- review of the performance of the various committees of the board
- authorisation of senior appointments

Key items considered in 2013

Q1	Q2	Q3	Q4
Business performance for Q4 2012	Business performance for Q1 2013	Business performance for Q2 2013	Business performance for Q3 2013
Approval of the group's financial statements	ICA and Solvency II	Succession	Succession
Approval of the valuation report	Proposed changes to the rules	Proposed changes to the rules	Valuation assumption and bonus rates
Reports from the board committees	Reports from the board committees	Reports from the board committees	Reports from the board committees
	Employee bonus plan	Directors' evaluations and board self assessment	2014 Business plan
	Investment in new asset classes	Review of premium rates	Compliance and MLRO report
		Review of the board's terms of reference	Changes to investment portfolio
		Sessions without chairman and chief executive	

Role of the board

The board's role is to oversee and direct the affairs of the group, so as to further the best interests of the members, in accordance with the relevant law and our memorandum and rules. The board meets at least four times a year and its responsibilities are set out in its terms of reference, which also details the matters that are reserved specifically for the board. These include responsibility for:

- the development and implementation of the group's overall strategy and business plans
- bonus distribution policy
- financial reporting and key actuarial and financial assumptions
- risk management, including risk strategy, appetite and delegation of risk ownership
- the group's internal control environment
- significant transactions, including acquisitions, mergers and disposals
- terms of reference of the various committees
- appointment and removal of directors and secretary

The board receives and reviews regular reports from the senior management and committee chairmen on progress against approved strategies, plans and budgets.

Board composition

At the date of this report, the group's board comprised: the non executive chairman, the chief executive and seven non executive directors. There were no changes to the board in 2013.

At the forthcoming annual general meeting, all the directors will be offering themselves for re-election, with the exception of Trevor King who will be retiring at the end of the annual general meeting.

Chairman and chief executive

The roles of the chairman and chief executive are separate. Each has clearly defined responsibilities, which are set out in writing.

The chairman:

- leads the board, ensuring it operates effectively and in the best interest of the members
- sets the agenda for the board meetings in consultation with the chief executive and the group's secretary
- ensures the directors receive accurate, timely and clear information, which is fit for the purpose of enabling them to make informed decisions
- ensures open and honest discussions and considered decision making
- ensures we communicate effectively with our members
- leads performance evaluation of the directors
- represents the group to the members

The chief executive:

- leads the senior management team in the day-to-day management of the group
- formulates strategy proposals for consideration by the board
- implements the agreed strategy and policies
- makes operational decisions
- reports to the board on the progress by the group against the strategic agenda and on the performance of the group
- works with the chairman in representing the group to the members and other key stakeholders

Vice chairman

The vice chairman acts as the group's senior independent non executive director.

The vice chairman:

- acts as a sounding board for the chairman
- acts as an intermediary for the other directors, when necessary
- listens to the concerns of our members, if the traditional reporting lines of chairman, chief executive or other directors are ineffective or inappropriate

Secretary

The group's secretary acts as the secretary to the board and its committees and ensures that the board complies with all appropriate procedures.

Board independence

The group believes that the most effective way to ensure the reality of independence is to provide guidance based on a framework of principles, rather than a prescriptive set of rules, which can be complied with to the letter, but circumvented in substance. The group believes that fundamental to independence is the personal integrity and objectivity of individuals. The main sources of threat to independence arise from conflicts of interest, financial dependence and over familiarity.

The overarching goal of the group's independence policy is to ensure that the relationship between the non executive directors and the group and its executive directors is kept on an arms length basis. To this end, the group annually assesses the independence of each of its non executive directors against highly conservative benchmarks, covering conflicts of interest and financial integrity. The group also has detailed policies in place covering personal relationships between staff.

For the above reasons, the group does not strictly apply the nine-year independence provision in the Corporate Governance Code for Mutual Insurers, primarily because it considers this to be an arbitrary figure. In addition, the complexity of the business means that it takes time for our new directors to begin delivering to their full potential. A nine-year limit on non executive appointments would deprive the group of a proper payback on its investment in the training of its directors and would be detrimental to its long term interests, by removing the stability, knowledge and insight offered by long-serving directors.

However, the group acknowledges that periodic refreshment of the board is essential in order to avoid the risks of complacency and group thinking and appropriate caps on tenure are in place to manage these risks.

The nomination/remuneration committee has considered the annual declarations for all non executive directors and has concluded that, with the exception of the chairman and Trevor King, all non executive directors remain independent. The chairman was independent on her appointment to the board in 1984; in line with common practice, following her appointment as chairman in 2010, she has not been classified as independent. Trevor King has not been classed as an independent non executive director as he has undertaken remunerated marketing and promotional activities on behalf of the group within the last three years.

Conflicts of interest

The board is aware that its directors have other commitments. However, it is satisfied that these do not conflict with their duties as directors. The group has a robust set of procedures in place for the disclosure of any actual or potential conflicts of interest:

- an annual declaration to be signed by each member confirming that they consider themselves free of conflict
- ongoing responsibility for each director to disclose immediately any changes in circumstances which may give rise to a conflict of interest, e.g. a new office or property
- restriction on attendance at any part of a board meeting or vote on any agenda item in which they have a material personal interest, unless the other directors unanimously agree otherwise

The nomination/remuneration committee has reviewed the external commitments of the non executive directors and has concluded that there are no material conflicts of interest which would preclude any director from continuing in office.

Board diversity

The group is committed to ensuring that it appoints and retains non executive directors who bring experience, expertise and a range of opinions to the board. The board is committed to:

- the principles of equal opportunity
- avoiding group think
- ensuring that it has a range of knowledge, skills and experience

The board is of the opinion that the principles of diversity cannot be distilled down to a discussion about gender, race, disability, age, sexual orientation or religious or political beliefs. In addition, we draw our directors from a membership pool of highly educated and skilled individuals, who would find it unacceptable to be appointed to our board under any quota.

The group has been scrupulous in ensuring it makes all its appointments across the spectrum on merit alone. We believe that the key to realising the benefits of diversity lie in ensuring that our board represents the views and opinions of the different strands of the dental profession and our discussions cover the widest range of thoughts, ideas and opinions. This is only possible by selecting the most able candidates, united by a common purpose of doing the right thing for the society and our members, in an environment that encourages the directors to express their views openly and honestly.

The group encourages and welcomes interest from all candidates who would add to the quality of the board's discussions. With this in mind, the board has considered whether it should introduce formal diversity targets in the context of its existing meritocratic process for the appointment of non executive directors. Against this overriding objective, the society does not currently propose to set targets for diversity on the board.

Board appointment and term

The nomination/remuneration committee evaluates the board's balance of knowledge, skills and experience and uses this information to guide its recruitment activities and recommendations for the appointment of directors. The committee uses open advertising in dental publications as the primary means of attracting applications from interested candidates.

The committee reviews the details submitted by the interested candidates and agrees a shortlist to be interviewed and the preferred candidate recommended to the board for appointment. As part of the recruitment process, the committee considers the other commitments of the candidates to ensure they are able to devote sufficient time to the role and whether there are any conflicts of interest.

All non executive directors are reappointed annually by the members, subject to the board being satisfied with their performance and commitment to the role. The nomination/remuneration committee oversees the process of continued appointments.

Non executive directors appointed after 31 December 2003 must retire from the board after 15 years of service. The other non executive directors have a mandatory retirement age of 65 years.

The terms and conditions of appointment of directors are available for inspection at the group's registered office during normal business hours and at the annual general meeting.

Director induction

The chairman, supported by the chief executive and group secretary, is responsible for arranging a comprehensive and structured induction programme for new directors. The formal induction programme includes:

- meeting with the chief executive, other non executive directors and senior management
- attendance of at least one board meeting as an observer
- technical briefing on legal, regulatory, financial management and actuarial matters
- briefings on the group's governance and risk management framework and the responsibilities of the board and its committees
- key governance and management documentation
- the group's structure, strategy and business plans
- specimen reporting packs, detailing financial and operational measures

The induction programme provides the background knowledge directors need to perform their duties effectively as soon as possible after joining the board. When non executive directors are appointed to a board committee, they are provided with further induction on the role of the committee and their additional duties.

Continuing professional development

The group strongly believe that keeping up to date with key business issues is vital for each director, to improve and maintain their knowledge and skills so they are able to discharge their duties effectively. Therefore, the group ensures:

- the non executive directors receive regular internal training sessions on areas of significance including insurance, investment management, actuarial, compliance and finance
- external training courses covering their duties as directors
- formal briefings by external independent experts during board meetings

During 2013, specific sessions took place on regulation and compliance and actuarial modelling.

As part of each director's performance appraisal, they are given the opportunity to discuss and address any training and development needs. Each individual director is responsible for ensuring they remain up to date with the issues affecting the group and their responsibilities as a director.

Performance evaluation

Performance evaluation of the directors is a key component in the delivery of the group's objectives.

Each year, all directors are required to undergo a formal appraisal, covering their work on the board and any relevant committees. In addition, led by the chairmen, the various committees evaluate their own performance as a whole. Every third year, an externally facilitated review is carried out by an independent expert.

The 2013 review comprised of each director completing a confidential questionnaire, which formed the basis for a formal one-to-one meeting between the chairman and the director. The areas covered included independence, external commitments, performance, roles and responsibilities, achievements, skills and development objectives.

The appraisal of the chairman was undertaken by the vice chairman, in consultation with other non executive directors.

The chairman presented a report to the whole board on the key themes emerging from the 2013 evaluation process at the board's September meeting.

Following the 2013 review, the board is confident that all members have the necessary knowledge, skills and experience to perform their duties effectively.

Succession

The board is aware of the need for effective succession planning in securing the group's long term success. The nomination/remuneration committee regularly discusses succession planning for all key individuals. These discussions take into account the skills and experience required by the group at present and in the future. The committee recognises the need to develop internal talent as well as the need to recruit externally.

During 2013, the committee discussed the development of members of the senior management team and began work on identifying suitable candidates to replace Trevor King following his mandatory retirement in 2014.

Independent advice

The group recognises that, from time to time, the directors may require additional independent expert professional advice at the group's expense. No such requests were received during the year.

Board committees

The board has established various committees to assist it in effectively discharging its governance responsibilities. Information on the role and work of these committees is detailed on pages 32 to 39.

Compliance with the corporate governance code for mutual insurers

The directors consider that the society has complied with the code *(The UK Corporate Governance Code – An Annotated Version for Mutual Insurers)* throughout the year, subject to the comments in this report regarding diversity and independence.

The audit committee

Committee membership and attendance at scheduled meetings

Giles Kidner chairman	4/4
Davinderpal Kooner	4/4
Alister Weightman	4/4

Key items in the terms of reference

- monitoring the integrity of the group's financial statements and any formal announcement relating to its financial performance
- monitoring the effectiveness of the group's internal controls and risk management systems
- reviewing the arrangements for employees to raise concerns confidentially about possible wrongdoing in financial reporting or other matters
- monitoring and reviewing the effectiveness of the internal audit function, in the context of the overall risk management system
- considering and making recommendations to the board, to be put to members for approval at the annual general meeting, for the appointment, reappointment and removal of the society's external auditor

Key items considered in 2013

Q1	Q2	Q3	Q4
Management accounts for Q4 2012	Management accounts for Q1 2013	Management accounts for Q2 2013	Management accounts for Q3 2013
Group report and financial statements	Internal audit planning and fees	Review of terms of reference	External audit planning memorandum and fees
Effectiveness of external audit and key issues memorandum	Reappointment of auditors	Committee performance evaluation	Review of the internal audit report
Rotation of external auditors			Technical update on UK GAAP
Session with statutory auditors, without management present			

Role of the audit committee

The role of the audit committee is to assist the board on matters of financial reporting, risk management and internal control.

Whilst all directors have a statutory duty to act in the best interest of the society, the audit committee has a particular role, to act independently of the management. To this end, all members of our audit committee are independent non executive directors, who collectively possess the requisite recent and relevant experience.

The committee is scheduled to meet four times a year, to discuss items such as internal and external audit plans, the financial statements of the group, effectiveness of internal controls, governance (including its own terms of reference), regulatory and actuarial matters, and the performance, qualifications and independence of the internal and external auditors, including their remuneration for audit services. It is the group's policy not to use its statutory auditors in the provision of non audit services.

Only members of the committee are entitled to attend the meetings however, the chief executive, head of finance and head of actuarial services attended all four meetings during the year by invitation from the chairman.

Throughout the year, both the internal and external auditors had unfettered access to our audit committee.

Key items discussed during 2013

Financial reporting and external audit

During the first quarter of 2013 the audit committee focussed on the annual report and financial statements for 2012, along with the effectiveness of the external audit. Following the discussions, the committee was satisfied with the integrity of the financial statements and approved them for submission to the board.

The committee also discussed auditor independence and agreed that the group would require mandatory tendering of the statutory audit function every seven years.

The committee formally recommend to the board and the members the reappointment of Buzzacott at the annual general meeting on 17 May 2013.

The fourth meeting of the year concentrated on the forthcoming statutory audit, which included a full review and approval of the scope of the audit plan, ensuring it remained consistent with the terms of the current audit engagement.

Internal audit

The committee's second meeting of the year focussed on the internal audit for 2013. The committee agreed to continue with the previously agreed internal audit approach and discussed the scope of the work to be undertaken.

The results of the internal audit were discussed later in the year, and the committee were unanimously of the opinion that internal audit provided an effective tool in the group's overall risk management system.

Performance evaluation

As part of the group's commitment to the highest standards of corporate governance, the committee spent its third meeting discussing and analysing its own overall effectiveness as a committee. The results of the evaluation were generally positive and identified scope for further improvements in the committee induction process. As a result of the recommendations, changes will be made to the induction process during 2014.

2013 annual report and financial statements

The committee has considered the annual report and financial statements for 2013 and has recommended them for approval by the board.

As part of this process, the committee reviewed the accounting policies used by the group and confirmed their continued appropriateness. The committee also considered the valuation bases for assets and liabilities, including the key assumptions used and agreed with the approach taken.

The committee discussed the following key areas of judgement:

- calculation of the fair value of investments in private debt investments
- calculation of the fair value of properties, including those occupied by the group
- recognition of income from investments in the financial statements
- valuation assumptions used in calculating the long term business provision

For each key area of judgement, the committee considered the information and explanation provided by the management and sought clarification from the auditors regarding their opinion of management's judgement and its impact on the audit.

The committee also considered and discussed the clarity of disclosure within the annual report and financial statements, compliance with reporting guidelines and basis of preparation of the financial statements.

Giles Kidner
Audit committee chairman
21 March 2014

The investment committee

Committee membership and attendance at scheduled meetings

Farrukh Mirza chairman	4/4
Simon Elliott	4/4
Kathryn Woolass	4/4

Key items in the terms of reference

- reviewing and reporting to the board on the credit, market and liquidity risks facing the society
- recommending investment strategies, guidelines and policies for the board's approval
- recommending the appointment and removal of investment advisors
- recommending the appointment and removal of fund managers to the board
- monitoring the performance of the investments against benchmarks and limits

Key items considered in 2013

Q1	Q2	Q3	Q4
Review the performance of the investment portfolio	Review the performance of the investment portfolio	Review the performance of the investment portfolio	Review the performance of the investment portfolio
Review of fund managers for new asset class	Recommendation of fund manager for new asset class.	Investment in new fund manager for new asset class	Review of special report on concentration risk
	Review of investments in alternative asset	Review of the terms of reference	Full disinvestment from a fund
		Committee performance evaluation	

Role of the investment committee

The investment committee assists the board in discharging its duty to effectively identify, assess and manage potential risks.

Its focus is on the credit, market and liquidity risks facing the group.

The committee is responsible for the stewardship of the group's investment strategy and is scheduled to meet at least once a year, to discuss items such as investment strategy, tactical asset allocation, the performance of investment managers and investment consultants, making recommendations regarding their appointment, continued effectiveness and removal.

The speed at which investor information disseminates through the financial markets means that our committee must be structured such that decisions can be made in a timely and efficient manner. As such, the committee is made up of the group's chairman, chief executive and another senior member of the staff appointed jointly by the chairman and the chief executive, to enable quorate meetings at short notice.

The committee members are the only individuals who have the right to attend the committee meetings. However the head of finance attended the majority of the meetings during 2013, by way of invite from the chairman.

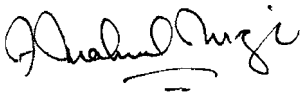
Throughout the year, the committee had unconstrained access to the group's investment consultants.

Key items discussed during 2013

During 2013, the committee met four times to discuss and review key items including: the results of the due diligence investigations following the decision to expand into new asset classes, monitoring and investigating under performance of one fund manager, to understand the underlying cause. The committee also commissioned the internal auditors, to review key dependencies and potential concentration risks within the portfolio as whole and reviewed the results of this work in Q4.

Performance Evaluation

During the Q3 meeting, the committee reviewed its terms of reference and carried out a review of its own performance. All members of the committee were broadly satisfied with the committee's performance. As a result of the review, the committee proposed certain additional changes to its terms of reference, to enable it to discharge its duties more effectively and these are expected to be made in 2014.



Farrukh Mirza
Investment committee chairman
21 March 2014

The nomination/remuneration committee

Committee membership and attendance at scheduled meetings

Martyn Green chairman	4/4
Davinderpal Kooner	4/4
Kathryn Woolass	4/4

Key items in the terms of reference

- regularly reviewing the structure, size and composition (including the skills, knowledge and experience) required of the board compared to its current position and make recommendations to the board with regard to any changes
- giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the society, and what skills and expertise are therefore needed on the board in the future
- responsibility for identifying and nominating for the approval by the board, candidates to fill board vacancies, as and when they arise
- determining and agreeing with the board the framework or broad policy for the remuneration of the chief executive and any executive directors

Key items considered in 2013

Q1	Q3(1)	Q3(2)	Q4
Director's succession planning	Succession planning of Trevor King	Succession planning of Trevor King	Succession planning of Trevor King
Directors' remuneration report		Director performance appraisals	Chief executive's remuneration for 2014
Policy for reimbursement of business expenses of the non executive directors		Approval of the employee incentivisation scheme	
		Review of the terms of reference and committee self evaluation	

Role of the nomination/remuneration committee

The nomination/remuneration committee hold a dual role within the group. Their nomination duties focus on the structure, size and composition of the board and making recommendations regarding the appointment and reappointment of the directors.

Their remuneration duties focus on recommending the overall policy for remunerating executive directors and making formal recommendation to the board on such matters.

In addition to the above, the committee is also responsible for establishing, approving and implementing succession plans for the board.

None of the members of the nomination/remuneration committee has any personal financial interest (other than as a member of the society) or conflicts of interest, or day to day involvement in the running of the group. The chief executive is usually invited to attend all or part of the committee meetings. However, as a rule, no director participates in any part of the meeting covering their own remuneration.

The committee comprises the group's chairman, the vice chairman and an independent non executive director jointly appointed by the chairman and vice chairman. The committee is scheduled to meet at least once a year

Key items discussed during 2013

The nomination/remuneration committee met four times in the year under review, primarily to discuss Trevor King's succession, who will retire from the board following the close of the annual general meeting on 16 May 2014.

The group advertised for the vacancy openly in dental publications. The committee received expressions of interest from 21 excellent candidates. The committee then chose five candidates to meet with the chairman, vice chairman and the chief executive for a formal interview.

The committee made its formal recommendations to the board at its Q4 meeting.

The committee also considered the performance, independence and commitments of the existing directors standing for re-election at this year's annual general meeting. It unanimously recommends to the members, that all those directors listed within the notice of the annual general meeting, should be re-elected.

The report of the committee on remuneration, on behalf of the board, is set out on pages 40 and 41.

Martyn Green
Nomination/remuneration committee chairman
21 March 2014

The risk committee

Committee membership and attendance at scheduled meetings

Helen Harrison chairman	4/4
Martyn Green	4/4
Raj Raja Rayan OBE	3/4

Key items in the terms of reference

- monitoring the adequacy of the risk systems and making appropriate recommendations to the board
- reviewing and reporting to the board on the systems governing the identification and management of insurance and operational risks
- receiving and reviewing regular reports from the executive and making appropriate recommendations to the board
- receiving and reviewing reports on legal and regulatory compliance and make appropriate recommendations to the board

Key items considered in 2013

Q1	Q2	Q3	Q4
Risk report from head of compliance and risk	Risk report from head of compliance and risk	Risk report from head of compliance and risk	Risk report from head of compliance and risk
Reappointment of arbitrators	Changes due the Consumer Insurance Act	Effectiveness of claims and underwriting audits	Effectiveness of claims and underwriting audits
Review of the disclosures in the annual report and financial statements		Review of the proposed changes to the rules	Discussion of performance evaluation
		Review of terms of reference and committee performance evaluation	

Role of the risk committee

The role of the risk committee is to support the work of the other committees in identifying, assessing and monitoring the new and emerging risks facing the group, as well as overseeing the adequacy of the operational risk management processes in place.

They regularly report to the board on the systems governing the management of key risks and make appropriate recommendations, when required.

The committee is made up of three independent non executive directors, who are the only individuals who have the right to attend the committee meetings. During the year, the chairman extended invitations to the chief executive and head of compliance and risk to all four scheduled committee meetings. At each of its meetings, the committee received full updates from the chief executive and head of compliance and risk on key developments.

Key items discussed during 2013

The first meeting of the year focused on, amongst other things, the reappointment of the panel of arbitrators. Following the committee's review of each member's declaration of independence, potential conflicts were identified and resolved as negligible. Based on the discussions, the committee recommended that the full panel of arbitrators to be reappointed at the AGM in May 2013.

The second meeting focussed on discussing the changes due to the Consumer Insurance (Disclosure and Representations) Act 2012.

The discussions during the third meeting covered the proposed changes to the rules, the results of the underwriting audit conducted by an independent external expert and the annual review of the committee's terms of reference.

The final meeting of the year reviewed the effectiveness of the society's audits on claims and underwriting standards and decisions. The committee also approved changes to the audits, to improve the timeliness and quality of the reviews.

Helen Harrison
Risk committee chairman
21 March 2014

Directors' remuneration report
Ensuring an alignment of interests

The remuneration policy

The objectives of any good remuneration policy are to attract, motivate and retain effective people. The key features of our remuneration policy, in relation to our executive directors, can be summarised as follows:

- it rewards genuine contribution to the long term success of the society with packages aligned to the interests of the members
- it gives due consideration to the market environment, but is largely driven by the individual's level of responsibility, competence and contribution to the success of the group
- it makes commuted membership mandatory for executive directors, to assist in aligning their long term financial interests with those of the society's members
- it ensures that notice periods are in accordance with general market practice

Executive directors' base salary

The executive directors' base salary is designed to provide the core reward for the role and is set at a level designed to recruit, retain and motivate the skilled individuals required to deliver the group's strategy. The committee (without any input from executive directors) reviews the base salaries annually. When doing so, they take into account such factors as:

- inflation data
- the individual's responsibilities, skills and experience
- the competitiveness of the salary, by reference to other organisations of similar size and industry, and, most importantly
- the results of the annual performance reviews

Taking into account Farrukh Mirza's contribution to the society, and his remuneration compared with his peers, it was agreed that he be awarded a 12.5% salary increase with effect from 1 July 2013.

Executive bonuses

The committee has recognised for many years the asymmetric nature of the risk/reward relationship, especially in relation to bonuses, and the logistical difficulties of implementing a plan which fits appropriately with the group's not-for-profit objectives. For this reason, the group continues to shun bonuses for executive directors. The primary component of executive directors' reward is therefore the base salary.

Fees for the chairman and non executive directors

The executive directors are charged with the responsibility of setting and reviewing the fees of the non executive directors each year.

The chairman is consulted on the fee arrangements generally and the vice chairman on the fees for the chairman. Changes to the fees normally take effect from 1 January each year.

Non executive directors receive a basic fee and additional fees are payable for membership and chairmanship of the various committees.

Non executive directors may still claim session charges based on the British Dental Guild rate, but only for such duties as those not forming part of their normal duties and responsibilities.

Taking into account the current economic environment, the performance of the society, and non executive directors' remuneration compared with their peers, it was agreed to maintain the fees at the same level as 2012.

Benefits

The group's benefits package is designed to provide competitive monetary and non monetary benefits to assist the employees in carrying out their duties efficiently. Benefits are set within agreed parameters and consistent across the group. The benefits package for executive directors includes health insurance, life insurance and critical illness cover. Non executive directors are not entitled to any contractual benefits.

Retirement benefits

The chief executive is a member of the society's targeted final salary, defined contribution pension scheme, which is closed to new entrants.

The chairman and non executive directors do not have any pension benefits.

During the year under review, the society made regular contributions totalling £40,040 (2012: £78,929) into the chief executive's pension scheme.

Service contracts

Subject to the requirements of the law and best practice, the directors' service contracts and terms and conditions of employment aim to strike the appropriate balance between those of the group and the individuals. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the society.

The current notice period for non executive directors is six months and nine months for executive directors, which can be given by either party.

Non executive directors are not entitled to any compensation for loss of office and executive directors' compensation is limited to any contractual notice pay entitlement.

External directorships

The executive directors are permitted to hold appropriate external commercial non executive director appointments, provided they do not conflict with their commitments to the group. The executive directors may retain the fees paid for these services, subject to prior approval by the chairman. No non executive directorships were held by the chief executive during the year.

Directors' remuneration

	2013 Fees and Salaries £000	2013 Benefits in Kind £000	2013 Total £000	2012 Fees and Salaries £000	2012 Benefits in Kind £000	2012 Total £000
Non executive directors						
Kathryn Woolass	14	–	14	14	–	14
Martyn Green	10	–	10	10	–	10
Helen Harrison	10	–	10	10	–	10
Giles Kidner	10	–	10	10	–	10
Trevor King	4	–	4	4	–	4
Davinderpal Kooner	10	–	10	9	–	9
Raj Raja Rayan, OBE	8	–	8	8	–	8
Alister Weightman	8	–	8	8	–	8
Executive directors						
Farrukh Mirza	200	3	203	189	2	191
	274	**3**	**277**	**262**	**2**	**264**

Martyn Green
Nomination/remuneration committee chairman
21 March 2014

Directors' report

This report is to be read in conjunction with the strategic review on pages 4 to 10

Principal activity and objectives

Dentists' Provident is a not for profit mutual, incorporated under the Friendly Societies Act 1992. The group's principal business activity is the provision of income protection insurance to dentists in the UK and Ireland under the Holloway Contract principles.

A full discussion of the group's strategy is contained in the 'our business model' part of the strategic report.

The group did not undertake any activities which were outside its powers.

Business review and future developments

An analysis of the future development and performance of the business can be found within the chairman's statement, the chief executive's report and the financial review sections of the strategic report.

A description of the material risks facing the group are set out in the risk management part of the strategic report.

Cautionary statement regarding forward looking information

This annual report and financial statements contains forward looking statements. These are made by the directors in good faith, based on the information available at the time of the approval of the annual report and financial statements. The statements should be treated with caution, due to the inherent risks and uncertainties underlying such forward looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward looking statement.

The society does not intend to update any of these statements.

Bonuses

The board has decided to recommend dividends for insured and commuted members be maintained at £1.44 and £1.80 per share respectively. Interest and terminal bonus rates remain unchanged at 5% and 15% respectively. Total bonuses allocated to members in 2013 amounted to £6.8 million (2012: £6.6 million).

Directors

The names and biographies of the individuals who served as directors of the society during the year are set out on pages 24 and 25.

Indemnification of directors

In accordance with the society's memorandum and rules and applicable laws in England and Wales, the group provided an indemnity to the directors of the society and its subsidiary. In addition, the group maintained a directors' and officers' liability insurance, for the benefit of its directors and officers during the year under review.

Donations

Charitable donations totalled £2,300 (2012: £2,354). The group's policy on donations is to provide assistance to small local charities, bodies involved in improving dental health and those providing services to members of the dental profession facing financial and health issues.

Changes in fixed assets

Details of significant changes in the fixed assets of the group are detailed in Note 14 to the financial statements.

Solvency

Throughout the financial year, the society maintained its solvency in excess of the required margin for its relevant class of business.

Accountability and internal controls

The board acknowledges its overall responsibility for the group's system of internal controls and for reviewing its effectiveness. On a day to day basis, the group's senior management is responsible for the operation, management and effectiveness of the system of internal controls. No material changes have been made to the internal controls system in the year.

The board has reviewed the effectiveness of internal controls during the year, including financial and operational controls. The board confirms that there is a continuous process for the identification, evaluation and management of the key risks facing the group, which were in place throughout the year and up to the date of the approval of the annual report and financial statements.

The board acknowledges that it is neither possible nor operationally efficient to eliminate risk completely. The group's system of internal controls is designed to manage, as opposed to eliminate, control risk and can only provide reasonable assurance against material misstatement, loss or error. Significant effort is dedicated to being fully aware of the risks to the group and managing these to an acceptable level.

Going concern

The group has sufficient resources, together with sufficient recurring income from members. The group meets its operational capital requirements through maintaining part of its assets in suitably liquid assets such as cash and cash equivalents. The board believes the group has adequate resources to manage its business risks and the directors believe the society and the group have sufficient resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been used in the preparation of the financial statements.

On behalf of the board

Simon Elliott
Group secretary
21 March 2014

Statement of the responsibilities of the directors

Directors' responsibilities for preparing the financial statements

The following statements should be read with the statement of auditor's responsibilities included in the independent auditor's report. They are made to help members distinguish between the responsibilities of the directors and those of the auditors in relation to this year's financial statements.

The directors are responsible for preparing the annual report and financial statements. It is also their responsibility to state that they consider that the annual report and financial statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the society's performance, business model and strategy.

Under the Friendly Societies Act 1992, the directors are required to prepare and approve financial statements for each financial year. The directors must only approve the financial statements when they are satisfied that they give a true and fair view of how the group and the society have performed at the end of the financial year, and that they give a true and fair view of the surplus or deficit, of the group and the society for that year. The financial statements of the group and, where relevant the society, have been prepared in accordance with:

- United Kingdom generally accepted accounting principles (UK GAAP)
- The Friendly Societies Act 1992

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

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

The directors are responsible for ensuring that proper accounting records are maintained. These must disclose, with reasonable accuracy at any time, the financial position of the group and the society and enable the directors to ensure that the financial statements comply with the Friendly Societies Act 1992.

The directors are also responsible for:

- safeguarding the assets of the society and the group
- taking reasonable steps to prevent and detect fraud and other irregularities
- ensuring the maintenance and integrity of the corporate and financial information included on the society's website

UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, whose names and functions are listed in the board of directors section on pages 24 to 25, confirms that to the best of their knowledge and belief, the group and the society financial statements, which have been prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and surpluses of the group and of the society and taken as a whole, are fair, balanced and understandable.

On behalf of the board

Simon Elliott
Group secretary
21 March 2014

Independent auditors' report

To the members of Dentists' Provident Society Limited

We have audited the financial statements of Dentists' Provident Society Limited for the year ended 31 December 2013 which comprise the group and society income and expenditure accounts, the group and society balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) having regard to the statutory requirement to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2013, and the effect of the movement in those provisions during the year on the fund for future appropriations, the balance on the long term business technical account and on excess of income over expenditure before tax are disclosed in notes 16 and 17.

This report is made solely to the society's members, as a body, in accordance with 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.

Respective responsibilities of the directors and auditor

As explained more fully in the statement of the responsibilities of the directors, the directors are responsible for preparing financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the society's and the group's affairs as at 31 December 2013 and of the income and expenditure of the society and the group for the year then ended; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on our audit strategy, allocation of resources in the audit and directing the efforts of the audit team:

- revenue recognition, with particular regard to premium income
- the timing and validity of claims and surrenders
- the valuation of investments and the appropriateness of estimation techniques in this area
- the valuation of the long term business provision

Our application of materiality

The concept of materiality was applied in planning and performing our audit. The threshold at which we consider an amount as being material to the financial statements as a whole was set at £2.3 million. This is based on the gross assets of the society at 31 December 2013. We also applied a lesser level of materiality of £0.135 million to income and expenditure items, except for investment income and movement on the sickness business provision. This is based on the premium income of the society for the year ended 31 December 2013. We report individual unadjusted differences on the financial statements over £0.1 million to the audit committee, as well as differences below that amount that, in our view, warranted reporting on qualitative grounds. Materiality is used as guidance for the

audit team in exercising judgement over their approach to audit testing and interpretation of the results. The level of materiality should not be interpreted as an absolute limit but as a guide to values that may be considered to have an impact on the view given by the financial statements.

An overview of the scope of our audit

The way in which we scoped our response to the risks of material misstatement as identified above was as follows:

- our audit work on revenue recognition involved using the society's membership records to develop an expectation of premium income, as well as tests of detail
- we examined claims and surrenders on a sample basis, and ensured that these were supported by appropriate evidence. We reviewed post balance sheet claims and surrenders to ensure they had been recognised in the appropriate accounting period
- we agreed the valuation of investments to independent third party confirmations and other evidence. We considered the appropriateness of estimation techniques, challenging management's assumptions
- we placed reliance on the work of a suitably qualified actuary, engaged by us, giving due regard to the nature, scope and objectives of their work

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion the directors' report 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

(i) under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit
- is otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statements that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

(ii) under the Friendly Societies Act 1992 we are required to report to you if, in our opinion:

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

(iii) in accordance with our instructions from the society we review whether the corporate governance statement reflects the society's compliance with the nine provisions of the Annotated UK Corporate Governance Code specified by the Association of Financial Mutuals

Peter Chapman
Senior statutory auditor

For and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London EC2V 6DL

21 March 2014

Consolidated income and expenditure account

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Earned premiums	2	13,354	13,583
Investment income	3	5,617	3,445
Unrealised gains on investments	4	15,283	12,394
Total income		**34,254**	**29,422**
Claims incurred	5	(9,206)	(8,341)
Withdrawals from bonus accounts by members	16	4,713	4,130
Sickness business Provision	16	(2,313)	(3,766)
Changes in long term business provisions		**2,400**	**364**
Bonuses	6	(6,764)	(6,632)
Net operating expenses	7	(3,353)	(3,621)
Investment management expenses		(225)	(249)
Total expenses		**(3,578)**	**(3,870)**
Transfer to fund for future appropriations	**15**	**17,106**	**10,943**

The attached notes form an integral part of these financial statements.

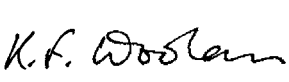
Consolidated balance sheet

31 December 2013

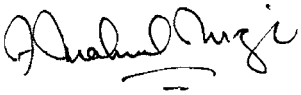
	Note	2013 £000	2012 £000
Assets			
Land and buildings	10	12,575	9,763
Other financial investments	12	191,312	163,157
Total investments		**203,887**	**172,920**
Debtors	13	60	131
Tangible fixed assets	14	532	474
Cash at bank and in hand		8,039	17,655
Total other assets		**8,571**	**18,129**
Prepayments and accrued income		48	201
Total assets		**212,566**	**191,381**
Liabilities			
Fund for future appropriations	15	91,580	74,474
Long term business provision	16	118,946	115,218
Accruals and deferred income		2,040	1,689
Total liabilities		**212,566**	**191,381**

The attached notes form an integral part of these financial statements.

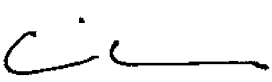
The financial statements were approved by the board of directors and authorised for issue on 21 March 2014.



Kathryn Woolass
Group chairman



Farrukh Mirza
Group chief executive



Giles Kidner
Chairman of the audit committee

Society income and expenditure account

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Earned premiums	2	13,354	13,583
Investment income	3	5,527	3,290
Unrealised gains on investments	4	12,471	12,394
Total income		**31,352**	**29,267**
Claims incurred	5	(9,206)	(8,341)
Withdrawals from bonus accounts by members	16	4,713	4,130
Sickness business provision	16	(2,313)	(3,766)
Changes in long term business provisions		**2,400**	**364**
Bonuses	6	(6,764)	(6,632)
Net operating expenses	7	(3,248)	(3,489)
Investment management expenses		(224)	(249)
Total expenses		**(3,472)**	**(3,738)**
Transfer to fund for future appropriations	**15**	**14,310**	**10,920**

The attached notes form an integral part of these financial statements.

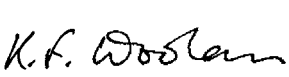
Society balance sheet

31 December 2013

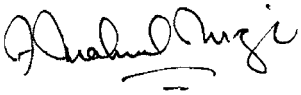
	Note	2013 £000	2012 £000
Assets			
Investment in subsidiary	11	4,600	4,600
Other financial investments	12	190,312	163,157
Total investments		**194,912**	**167,757**
Debtors	13	7,000	7,068
Tangible fixed assets	14	514	453
Cash at bank and in hand		7,531	16,135
Total other assets		**8,045**	**16,588**
Prepayments and accrued income		48	89
Total assets		**210,005**	**191,502**
Liabilities			
Fund for future appropriations	15	89,143	74,833
Long term business provision	16	118,946	115,218
Accruals and deferred income		1,916	1,451
Total liabilities		**210,005**	**191,502**

The attached notes form an integral part of these financial statements.

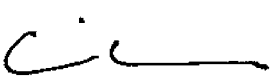
The financial statements were approved by the board of directors and authorised for issue on 21 March 2014.



Kathryn Woolass
Society chairman



Farrukh Mirza
Society chief executive



Giles Kidner
Chairman of the audit committee

Notes to the financial statements

For the year ended 31 December 2013

1.a General information

The Dentists' Provident Group, resident in the United Kingdom, comprises Dentists' Provident Society Limited (the parent undertaking) and its subsidiary, 1908 Property Holdings Limited. The Principal activity of the group is the provision of income protection insurance to dentists in the UK and the Republic of Ireland under the Holloway Contract principles.

The parent undertaking is a not for profit mutual managed for the benefit of its members. The consolidated accounts for the group include the results of the subsidiary. All amounts stated in the financial statements relate to the continuing operations of the group.

1.b Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and are consistent with those of the previous year.

Recognition of assets and liabilities

Assets and liabilities are recognised when the group becomes a party to the contractual provisions of the contract. An asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests. A liability is derecognised when it is extinguished, which is when the obligation in the contract is discharged, cancelled or expires.

Basis of preparation

The financial statements have been compiled on a going concern basis and prepared under the historical cost convention, except that investments and land and buildings are measured at fair value. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the UK, applicable accounting standards and the guidance on Accounting for Insurance Business issued by the Association of British Insurers and presented in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994.

Certain amounts reported in the financial statements include estimates and judgements made by the management, particularly in relation to the calculation of the sickness benefit reserve and the valuation of certain investments. The actual results may differ from the estimates made.

Basis of consolidation

The consolidated financial statements include the results of the society and its subsidiary, which prepares its financial statements to 31 December each year. The subsidiary has been consolidated from the date it commenced trading and all intercompany balances, profits and transactions are eliminated.

Premium income

The Holloway Contract is a long term insurance contract and premium income is recognised in the income and expenditure account when due from the members of the society. Where memberships lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Investment income

Investment income includes dividends, interest, rent, gains and losses on realisation of investments and related expenses. Dividends, interest and rent are recorded on an accruals basis. Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost in the case of investments purchased in the year and otherwise as the difference between the net sales proceeds and prior year's valuation.

Unrealised gains and losses

Unrealised gains and losses on investments are calculated as the difference between the year end valuation and the previous year end valuation or purchase price, if acquired in the year. Unrealised gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and have been reported as realised gains and losses.

Claims

Claims incurred comprise sickness benefit and withdrawals of capital by the members of the society.

Acquisition costs

Acquisition costs represent the direct and indirect costs relating to the obtaining and processing of new business. Having regard to the future premium levels, the directors do not consider the deferred acquisition costs to be material. As a consequence, all acquisition costs are recognised in the income and expenditure account in the period they are incurred.

Foreign currencies

The functional currency of the group is Pounds Sterling. Foreign currency transactions are translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange prevailing at the balance sheet date. All exchange gains and losses are included in the income and expenditure account.

Land and buildings

Land and buildings are included in the financial statements at fair value on the basis of independent valuations. No depreciation is provided on land as it is deemed to have an indefinite useful economic life. The directors consider the useful economic life of the buildings to significantly exceed 50 years. In addition, the current estimate of residual value is such that any accumulated depreciation and annual depreciation charge would be immaterial. Subsequently, no provision for depreciation on buildings has been provided for in these financial statements.

Other financial investments

Other financial investments are initially recognised in the financial statements at fair value. For investments quoted on active markets, fair value is deemed to be the bid price, exclusive of any transaction costs. For investments in collective investment schemes, the fair value is based on the pricing and valuation information provided by the third party investment managers. Loans and other receivables are carried at cost less any provision for impairment in value.

Tangible fixed assets

Tangible fixed assets comprising fixtures, fittings, plant and equipment and computer equipment and software are carried at historical cost less depreciation and any impairment losses. Historical cost includes any associated expenditure directly attributable to the acquisition of the asset. Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value at the following rates:

Fixtures, fittings, plant and equipment at 10% and 12.5% per annum on a straight line basis. Computer equipment and software at 20% and 25% per annum on a straight line basis.

No depreciation is provided on assets in the course of construction.

Impairment of assets

Where the carrying value of an asset is impaired, its carrying value is immediately reduced to the recoverable amount by an immediate charge to the income and expenditure account. The recoverable amount is the higher of an asset's value in use to the group or the open market disposal value, excluding the costs of sale.

Long term business provision

The long term business provision has been calculated by the actuarial function holder, having due regard to the requirements of the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and the appropriate UK prudential regulations.

Pension scheme

The group operates two defined contribution plans for the benefit of its employees. The group pays contributions to independent third party administered pension insurance plans on a contractual basis. The contributions are recognised as an employee benefit expense when they are due.

2. Earned premiums

Group and society	2013 £000	2012 £000
Holloway income protection insurance – gross premiums written	13,354	13,583
Total earned premiums	13,354	13,583

The premiums arise from direct insurance business relating to individual premiums primarily from within the UK, but also from the Republic of Ireland, the Channel Islands and the Isle of Man.

3. Investment income

Group	2013 £000	2012 £000
Income from land and buildings	410	334
Income from other financial investments	1,128	1,642
Gains on realisation of investments	4,079	1,469
Total investment income	5,617	3,445

Society	2013 £000	2012 £000
Income from subsidiaries	311	170
Income from land and buildings	3	5
Income from other financial investments	1,134	1,647
Gains on realisation of investments	4,079	1,468
Total investment income	5,527	3,290

4. Unrealised gains on investments

Group	2013 £000	2012 £000
Freehold land and buildings	2,812	–
Other financial investments	12,471	12,394
Total unrealised gains on investments	15,283	12,394

Society	2013 £000	2012 £000
Other financial investments	12,471	12,394
Total unrealised gains on investments	12,471	12,394

5. Claims incurred

Group and society	2013 £000	2012 £000
Withdrawals from bonus accounts by members	4,713	4,130
Sickness claims paid	4,493	4,211
Total claims incurred	9,206	8,341

6. Bonuses

Group and society	2013 £000	2012 £000
Dividend and interest to members on withdrawals	124	109
Annual interest to members	3,781	3,725
Annual dividends to members	2,223	2,243
Terminal bonuses to members on withdrawals	636	555
Total bonuses	6,764	6,632

7. Net operating expenses

Group	2013 £000	2012 £000
Acquisition costs	866	1,148
Administrative expenses	2,487	2,473
Total operating expenses	3,353	3,621

Society	2013 £000	2012 £000
Acquisition costs	866	1,148
Administrative expenses	2,382	2,341
Total operating expenses	3,248	3,489

Net operating expenses include:

Group	2013 £000	2012 £000
Commissions on direct business	274	584
Auditors remuneration – audit services	43	44
Actuarial fees	113	153
Depreciation and loss on disposal of fixed assets	95	185

Society	2013 £000	2012 £000
Commissions on direct business	274	584
Auditors remuneration – audit services	34	36
Actuarial fees	113	153
Depreciation and loss on disposal of fixed assets	92	182

8. Staff costs

Group and society	2013 £000	2012 £000
Wages and salaries	1,263	1,128
Social security costs	130	128
Other pension costs	138	209
Total staff costs	1,531	1,465

The aggregate remuneration of the directors was:

Group and society	2013 £000	2012 £000
Remuneration of executive directors	203	191
Remuneration of non executive directors	74	73
Pension contributions	40	79
Total directors' remuneration	317	343

Details of directors' remuneration and pension benefits, including those of the chairman and the highest paid director, are included in the remuneration report.

The average number of employees employed including directors was:

Group and society	2013	2012
Acquisition	7	7
Management and administration	19	19
Total	26	26

9. Taxation

The existing activities of the society are not chargeable to income or corporation tax in the UK.

10. Land and buildings

Group	2013 £000	2012 £000
Freehold land and buildings at valuation	12,575	9,763
Freehold land and buildings at cost	9,763	9,763

The land and buildings were revalued as at 31 December 2013 by Tuckerman Chartered Surveyors on an open market basis and in accordance with the RICS Appraisal and Valuation Manual. The value of land and buildings occupied by the group for its own use amounted to £1.817 million (2012: £1.411 million).

The value of land included in the valuation amounted to £4.597 million (2012: £3.569 million).

11. Investments in subsidiary

Society	2013 £000	2012 £000
Shares in group undertakings	4,600	4,600

The society owns 100% of the ordinary share capital of 1908 Property Holdings limited, a company registered in England. The group is of the opinion that the aggregate value of the investment is not materially different from the amounts stated above.

12. Other financial investments

Group	Valuation 2013 £000	Valuation 2012 £000	Cost 2013 £000	Cost 2012 £000
Shares and other variable yield securities	122,187	105,224	93,611	83,865
Debt and other fixed interest securities	69,125	57,885	63,711	51,486
Loans to employees secured by mortgages	–	48	–	48
Total other financial investments	191,312	163,157	157,322	135,399

Society	Valuation 2013 £000	Valuation 2012 £000	Cost 2013 £000	Cost 2012 £000
Shares and other variable yield securities	122,187	105,224	93,611	83,865
Debt and other fixed interest securities	68,125	57,885	62,711	51,486
Loans to employees secured by mortgages	–	48	–	48
Total other financial investments	190,312	163,157	156,322	135,399

The group and the society have a portfolio of investments in private equity and debt funds. The structure of these funds is such that the commitment is drawn down over the investment period. The total amount committed, net of drawdown, at the balance sheet date for the group and the society was £7.018 million (2012: £Nil)

13. Debtors

Group	2013 £000	2012 £000
Other debtors	60	131
Total debtors	60	131

Society	2013 £000	2012 £000
Other debtors	38	124
Amounts owed by group undertakings	6,962	6,944
Total debtors	7,000	7,068

14. Tangible fixed assets

Group	Fixtures, fittings, plant and equipment £000	Computer equipment and software £000	Total £000
Cost			
At 1 January 2013	462	3,509	3,971
Additions	7	146	153
At 31 December 2013	**469**	**3,655**	**4,124**
Depreciation			
At 1 January 2013	89	3,408	3,497
Charge for the year	58	37	95
At 31 December 2013	**147**	**3,445**	**3,592**
Net book value			
At 31 December 2013	**322**	**210**	**532**
At 1 January 2013	373	101	474

Society	Fixtures, fittings, plant and equipment £000	Computer equipment and software £000	Total £000
Cost			
At 1 January 2013	437	3,509	3,946
Additions	7	146	153
At 31 December 2013	**444**	**3,655**	**4,099**
Depreciation			
At 1 January 2013	85	3,408	3,493
Charge for the year	55	37	92
At 31 December 2013	**140**	**3,445**	**3,585**
Net book value			
At 31 December 2013	**304**	**210**	**514**
At 1 January 2013	352	101	453

15. Fund for future appropriations

Group	2013 £000	2012 £000
At 1 January	74,474	63,531
Transfer from income and expenditure account	17,106	10,943
At 31 December	91,580	74,474

Society	2013 £000	2012 £000
At 1 January	74,833	63,913
Transfer from income and expenditure account	14,310	10,920
At 31 December	89,143	74,833

16. Long term business provision

Group and Society	Bonus accounts – insured members 2013 £000	Bonus accounts – commuted members 2013 £000	Sickness business provision 2013 £000	Total 2013 £000
At 1 January	41,429	38,884	34,905	115,218
Bonus accounts transferred	(1,337)	1,337	–	–
Bonuses	3,414	2,714	–	6,128
Withdrawals from bonus accounts by members	(1,810)	(2,903)	–	(4,713)
Transfer from income and expenditure account	–	–	2,313	2,313
At 31 December	41,696	40,032	37,218	118,946

Group and Society	Bonus accounts – insured members 2012 £000	Bonus accounts – commuted members 2012 £000	Sickness business provision 2012 £000	Total 2012 £000
At 1 January	41,129	37,237	31,139	109,505
Bonus accounts transferred	(1,323)	1,323	–	–
Bonuses	3,455	2,622	–	6,077
Withdrawals from bonus accounts by members	(1,832)	(2,298)	–	(4,130)
Transfer from income and expenditure account	–	–	3,766	3,766
At 31 December	41,429	38,884	34,905	115,218

17. Insurance liabilities

Group	2013 £000	2012 £000
Available capital resources at 1 January	72,982	62,243
Expense surpluses (including acquisition and non recurring costs)	(732)	(975)
Investment surpluses	15,978	9,508
Difference between actual and expected morbidity experience	1,863	4,670
Movements in premium rates	465	(1,931)
Other surpluses and deficits	(635)	(533)
Available capital resources at 31 December	**89,921**	**72,982**
Other adjustments	1,659	1,492
Fund for future appropriations at 31 December	91,580	74,474

Society	2013 £000	2012 £000
Available capital resources at 1 January	72,982	62,243
Expense surpluses (including acquisition and non recurring costs)	(732)	(975)
Investment surpluses	13,541	9,508
Difference between actual and expected morbidity experience	1,863	4,670
Movements in premium rates	465	(1,931)
Other surpluses and deficits	(635)	(533)
Available capital resources at 31 December	87,484	72,982
Other adjustments	1,659	1,851
Fund for future appropriations at 31 December	89,143	74,833

Summary

As at 31 December 2013, the total available capital resources of the group amounted to £89.921 million (2012: £72.982 million), its capital resource requirements amounted to £9.570 million (2012: £9.712 million), resulting in a surplus of available capital resources over regulatory capital of £80.351 million (2012: £63.270 million).

Set out below are details of how the available capital resources have been calculated, the restrictions in place over the available capital resources, the basis of calculating the regulatory capital requirements and an explanation of the change in available capital.

Basis of calculation of available capital resources

The available capital of the group has been determined in accordance with the UK prudential regulations and includes the funds for future appropriations (FFA). The FFA represents surplus funds which have not been allocated to members and are available to meet regulatory and solvency requirements. Adjustments have been made to restate the assets and liabilities in line with the appropriate prudential regulations.

The significant assumptions used to determine the sickness provision are set out in the table below. These assumptions have been derived based on recent operating experience with appropriate allowances for prudence, as well as any prudential requirements within IPRU(INS), GENPRU and INSPRU.

	Deferred 0 weeks reducing benefits	**Deferred 0 to 52 weeks and 104 weeks level benefits**	**Options reserve**
Method	Gross premium	Gross premium	1 year's gross premiums
Interest rate	1.5%	1.5%	N/A
Mortality	Nil	Nil	N/A
Morbidity	Prudent assessment based on recent experience	Prudent assessment based on recent experience	N/A

Restrictions on available capital

The available surplus held in the Holloway Business Fund can only be applied to meet the requirements of the society or be distributed to the members.

Basis of calculation of capital requirements

The capital resource requirements amounted to £9.570 million (2012: £9.712 million) and are determined in accordance with capital requirements as defined by UK prudential regulations, namely the resilience capital requirement and the long term insurance capital requirement.

18. Risk Management Objectives and Policies

The business activities of the group expose it to a number of potential risks which can impact its abilities to meet its business objectives. The board is responsible for the group's internal control systems and for reviewing their effectiveness. The systems are designed to manage, as opposed to eliminate, risk and aim to provide reasonable and not absolute assurance.

The group's overall appetite for accepting and managing risks is set by the group board. The group's risk management policies and procedures cover areas such as risk identification, management and reporting. The primary objective of the risk management framework is to protect the members, employees and other key stakeholders from consequences which could negatively affect the group's ability to meet its contractual, business and social objectives.

This section covers the risks relevant to the group's operations and financial statements from a qualitative and quantitative perspective.

Insurance risk

The risk under a contract of insurance with a member is the possibility that an insured event will occur and a claim become payable. The very nature of insurance is based on the unpredictability of the timing and severity of events. The principal risks the group faces in this area of business activity comprise the risk of adverse financial impact on the group due to inappropriate pricing of the income protection insurance contracts and the risk of claims experience being worse than anticipated and the associated impact on the sickness benefit reserve. Other less significant, but nonetheless material risks under this heading include the loss of future premium income from lower than expected renewal of insurance business and higher than expected costs of managing the insurance portfolio.

The society manages insurance risk by following standard underwriting policies which take into account the risks the group is prepared to accept, adopting a structured approach to underwriting and regular, formal analysis and monitoring of the insurance portfolio.

The society does not have, within its product range, any embedded options or guarantees.

The two key drivers of the group's claims experience are the inception rates for claims and the recovery rates for claimants. Part of these risks are mitigated by the fact that the society's income protection contracts allow for the premiums to be reviewed. Additional mechanisms for managing these risks include a structured approach to assessing and managing claims.

The impact of a 5% increase in the valuation assumption for morbidity would be to increase the sickness provision by £7.686 million (2012: £7.730 million).

The persistency experience of the society varies over time but has remained high in the past. Factors affecting persistency include the effectiveness of the sales process of the independent financial advisors, members' perception of the society and the insurance industry, regulatory changes in the dental profession, investment performance and the general economic environment.

Given the high level of persistency, a large proportionate increase in lapses is unlikely to have a material effect on the society.

The members of the society bear the impact of any changes in expense levels, as the expenses affect the amounts available for distribution to members as bonuses. An increase in the allowance for expenses from 25% to 30% of premiums would increase the sickness provision by £8.889 million (2012: £8.870 million).

The valuation rate of interest to determine the sickness provision has been calculated in accordance with UK prudential regulatory requirements. A decrease in the valuation rate of interest of 75 basis points would increase the sickness provision by £3.083 million (2012: £2.961 million).

Equity risk

The group is exposed to equity risk through its holdings in collective investment schemes. This risk affects a significant but tightly controlled proportion of the overall investment portfolio and the holdings involved are well diversified across companies, industries and geographical regions. The board keeps the investment strategy under review to ensure the group's ability to write business and settle claims is not adversely affected by falls in the market value of equities. The fair value of equity type investments in the group's financial statements at 31 December 2013 was £103.949 million (2012: £87.425 million).

The equity risk is borne by the members of the society, as changes in equity valuations and income would directly impact the amounts available for distribution to the members. A 10% reduction in equity valuations would reduce the group's surplus for the year by £10.395 million (2012: £8.742 million).

Interest rate risk

The group's exposure to fixed income investments is principally through collective investment schemes. These investments also represent a significant part of the group's investment portfolio and are kept under regular review by the board. The fair value of fixed interest securities is normally inversely correlated to market interest rates, assuming credit and liquidity premia remain unchanged.

The holdings within the collective investment schemes are primarily within highly rated government and corporate debt and asset backed securities. The group's fixed interest portfolio tends to have a relatively short duration, which provides a degree of protection against movements in the longer end of the yield curve. The fair value of fixed interest securities in the group's financial statements at 31 December 2013 was £69.125 million (2012: £57.885 million).

Although the group attempts to manage interest rate risk by broadly matching the duration and profile of the assets with underlying member liabilities, the interest rate risk is borne by the members of the society, as changes impacting the effective yield and valuations would directly impact the amounts available for distribution to the members. A 100 basis points decrease in the market interest rates would reduce the group's surplus for the year by £0.999 million (2012: £0.503 million reduction in surplus from a 100 basis point increase in market interest rates).

Property risk

The group also has a significant exposure to property and property related assets, the majority of which is through holdings in collective investment schemes. The rental income and valuation are affected by the general conditions in the economy, such as GDP growth, employment trends, inflation and interest rates. In addition, local factors such as competition in the area from other landlords, attractiveness of the properties to prospective tenants, the state of repairs of the premises and the costs of maintenance and insurance impact the valuation and rental income from individual properties.

The group manages the risks associated with its own direct investments in property by effective management of the premises, credit evaluations of prospective tenants, application of appropriate lease covenants and on going monitoring of existing tenants.

A 10% reduction in the valuation of property and property related assets would reduce the group's surplus for the year by £3.081 million (2012: £2.756 million).

Currency risk

The group's exposure to foreign exchange arises primarily through entering into insurance and investment contracts denominated in currencies other than Pounds Sterling. Currency risk is controlled as part of the group's day to day operations. A number of arrangements have been put in place that provide a partial, non qualifying hedge against currency risk. At the 2013 and 2012 year ends, the board did not consider the residual currency risk to be material to the group's operations.

Credit risk

This is the risk that one party to a financial transaction will fail to discharge its obligations, causing the other party to incur a loss. Credit risk in relation to financial investments and cash and cash equivalents is managed by the investment committee. The group's investment guidelines are constructed to avoid excessive exposure to any single counterparty and by ensuring that debt and fixed income investments are concentrated in high quality investment grade holdings. In addition, the group investment committee has the right to impose stricter credit risk limits where it deems it appropriate.

The group credit risk in respect of balances with members is managed primarily by the terms and conditions set out in the society's rules, which allow it to cancel the membership of individuals in the event of non payment of premiums. In addition, the balance on the member's bonus account provides a method of recovering unpaid premium arrears.

As at 31 December 2013, the group had no material debt or fixed income assets that were impaired beyond their reported fair values (2012: £Nil).

Liquidity risk

The group is exposed to the daily need for cash resources mainly from claims for sickness benefits and capital withdrawals. Liquidity risk is the risk that the group, although solvent, is unable to meet its obligations associated with financial liabilities that are settled by cash and cash equivalents.

A significant part of the group's investments are in highly liquid assets which can be converted into cash swiftly and at minimal cost. In addition, the use of budgets and business plans allows the group the ability to realistically estimate its liquidity requirements.

Capital risk management

The board is responsible for ensuring that the group holds an appropriate level of surplus capital. The society is also subject to an externally imposed capital requirement by the UK regulatory authorities. It is the group's policy to maintain capital in excess of the amounts determined under the statutory framework and the individual capital assessment framework.

19. Pension contributions and related costs

The group operates defined contribution pension schemes for the benefit of its employees. The contributions for the year amounted to £0.138 million (2012: £0.209 million).

20. Actuaries

The actuarial function holder of the society is Mr John O'Neill, a partner in Barnett Waddingham LLP. The society has requested that Mr O'Neill furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. He has confirmed that neither he nor his family, nor any of the partners in Barnett Waddingham LLP were members of the society, nor have they any financial or pecuniary interest in the society, with the exception of fees paid to Barnett Waddingham LLP for professional services, which amounted to £0.113 million (2012: £0.153 million).

21. Related party transactions

All members of the board are members of the society and are required to pay premiums to the society. Individuals practising dentistry are entitled to claim sickness benefits in the event of being unable to carry out their normal duties. Any such payment would be made under the same terms and conditions as those applicable to all other members of the society. Premiums paid by the directors amounted to £40,693 (2012: £41,021). Sickness payments to the directors amounted to £Nil (2012: £1,000). Capital withdrawals by the directors in the year amounted to £6,000 (2012: £15,000). The group has taken advantage of the exemptions conferred by Financial Reporting Standard No.8, from reporting details of transactions between the society and its subsidiary undertaking.

22. Valuation report

The actuarial valuation required under the UK prudential regulations has been prepared as at 31 December 2013. The valuation report is available for inspection at the registered office of the society.

Notice of annual general meeting

Notice is hereby given that the twenty first annual general meeting of the members will be held at 91–94 Saffron Hill, London EC1N 8QP on Friday 16 May 2014 at 1.00 p.m. (the 'AGM') for the purposes set out below:

1. To elect the officers of the society

The following directors retire by rotation and have indicated their willingness to offer themselves for re election:

1.1 Kathryn Woolass BDS, FDS, DDorth
1.2 Farrukh Mirza FCA
1.3 Martyn Green BDS, FDSRCPS, MFGDP(UK), DPDS
1.4 Helen Harrison BDS, MFGDP
1.5 Giles Kidner BDS, MSc, LDS, FDS(Orth), MOrthRCS
1.6 Davinderpal Kooner JP, BDS, LDSRCS, MGDSRCS, DGDP(UK), DipMDE(Lond)
1.7 Raj Raja Rayan, OBE, MA, MSc, BDS, FDS, FFGDP, MRD, MGDS, DRD, LDS
1.8 Alister Weightman BDS

2. To appoint the following as arbitrators of the society:

2.1 Ruby Austin
2.2 Helen Cain
2.3 Damon Lambert
2.4 Prof Robert Lee
2.5 Sunit Malhan
2.6 Salim Malik
2.7 Shiv Pabary
2.8 Paul Protheroe
2.9 Raj Rattan
2.10 Susie Sanderson
2.11 Jerry Staffurth
2.12 Richard Toone

3. To adopt the remuneration report of Dentists' Provident Society Limited for the year ended 31 December 2013.

4. To adopt the annual report and financial statements of Dentists' Provident Society Limited for the year ended 31 December 2013.

5. To appoint Buzzacott LLP as auditors and to authorise the board of directors to fix their remuneration.

6. To consider and if thought fit, to pass as a special resolution the adoption of the memorandum and rules set out in the booklet 'Proposed changes to our memorandum and rules', in place of the existing memorandum and rules of the society.

By order of the board

Simon Elliott
Group secretary
21 March 2014

Arbitrators

Complaints procedure

We take all complaints extremely seriously and formal procedures are in place for handling them. We deal with all complaints as a matter of urgency and they are handled by suitably qualified employees within the society. We aim to resolve all complaints usually within four weeks of being notified.

Serious complaints are dealt with by the head of compliance and risk. If a complaint is not resolved to the complainant's satisfaction, they can refer the matter to County Court, but only if both parties agree to this method. We will normally only agree to this course of action on disputes regarding a point of law. Alternatively, they can refer the matter to a panel of three independent arbitrators or refer the matter to the Financial Ombudsman Service within six months of our final response.

If a member refers the matter for arbitration, they have the right to select the members of the panel, provided they choose one dentist and one with relevant financial experience from the individuals listed below. Both parties will be bound by the decision of the panel and there is no further right of appeal to the Financial Ombudsman Service.

Ruby Austin MBE – dentist

Ruby qualified in 1960 and subsequently worked in general practice and the hospital service. He also spent twenty years working as an industrial and later inspecting dentist for Marks and Spencer.

Since 1996, Ruby has been a vocational training advisor and course organiser for the London Postgraduate Medical and Dental Deanery, advising the Dean on matters regarding vocational training and continuing professional development of practitioners within London.

His previous involvements include being vice dean of the faculty of General Dental Practitioners, treasurer for the British Dental Association (Bromley and Beckenham), president of the British Society for General Dental Surgery, president of the Anglo-Asian Odontological Group, core examiner for the DGDP Exam, examiner for the MFGDP(UK) Exam, advisor on the NHS Oral Hearing Appeals Panel, NHS Tribunal as well as the Oral Health Unit of Primary Care R&D Centre.

In 2000, the Queen awarded Ruby with the MBE for his services to dentistry. He is also a lecturer, author and reviewer.

Helen Cain – chartered accountant

Helen is a fellow of the Institute of Chartered Accountants in England and Wales and has been a partner in general practice for more than ten years. During her time in practice, she has advised many owner-managed businesses as well as UK subsidiaries of multinational organisations.

Helen has assisted and advised clients in all accounts and audit compliance matters and has helped clients analyse, from a financial perspective, their short and long term strategies. Having dealt with many clients, she has been exposed to a number of sectors and industries, such as property investment, publishing, architecture and insurance brokerage.

Damon Lambert – chartered accountant

Damon is the head of European taxes for the global reinsurer Swiss Re and former UK corporate tax director of Allied Irish Banks Plc. He also worked for 11 years in KPMG's financial sector practice where he specialised in advising on mergers and acquisitions, primarily for financial sector multinationals. Damon is a qualified chartered accountant. He was a member of the working party on the Tax Reform Commission instigated by George Osborne, co-authoring the chapters on business taxation and tax reforms in other jurisdictions.

Prof Robert Lee – dentist

Robert is an honorary professor/consultant in orthodontics at Barts and The London Dental Hospital. He is also honorary professor in the Department of Oral Growth and Development at Queen Mary, University of London. He has been a consultant orthodontist since 1980. He trained as an orthodontist at The Eastman Dental Hospital, Royal Dental Hospital and Great Ormond Street Hospital. He founded the orthodontic training programme at The Royal London Hospital in 1985, and is a presenter of annual postgraduate courses for all UK dental trainees. His previous posts included chairman of specialty advisory committee in orthodontics, and chairman of the examination board for membership in orthodontics, as well as clinical director of the Dental Hospital.

Sunit Malhan – dentist

After qualifying from The University of London in 1985, Sunit worked at Eastman Dental Hospital for 6 months as an SHO in oral surgery. Initially, he was an associate in general practice and then purchased a practice in Hendon in 1988, followed by an Enfield practice in 1997. In 2001, he gained an additional qualification (DPDS) from the University of Bristol. Cosmetic dentistry and nervous patients are Sunit's areas of special interest.

Salim Malik – barrister

Salim qualified as a lawyer over 25 years ago and during that time he has worked in-house and for major City law firms. His specialisation is banking law. He is recognised by leading legal directories as a leading lawyer in the field of Islamic Finance, an area in which he has practiced for over 16 years.

For the past ten years he has been an advisor to a leading City law firm and has his own practice serving private clients. He is experienced in Islamic Finance, as well as conventional banking and asset finance and in structuring products and services that meet both Shari'a and conventional banking requirements. He has worked with clients on transactions in England, the Middle East and Far East.

He represents a number of Islamic and non-Islamic financial institutions in the structuring of conventional and Islamic financial products and the application of Shari'a techniques, including innovative structures.

Salim works closely with other core practice areas such as asset finance, corporate, capital markets, real estate, banking, funds, tax etc. He lectures and writes regularly on the subject of Islamic finance and has been a contributor to a number of publications.

Shiv Pabary MBE – dentist

Shiv is a graduate of Newcastle Dental School and qualified in 1985. Becoming a principal in 1988, he now works between three NHS practices as a general dental practitioner. He is also a dental advisor for Gateshead and South Tyneside Primary Care Trusts and chairman of the GDC's professional conduct committee and health committee.

Having obtained his membership of the faculty of general dental practitioners in 1992, Shiv has held a part-time teaching post at Newcastle Dental Hospital in the restorative dentistry department since 1996. He has been a member of the British Dental Association's general dental practice committee since 1996 and sits on the education sub-committee. He is also vice chair of the British Dental Guild. He has been a vocational trainer for 12 years and has been a postgraduate dental tutor since 1995. He is currently the tutor in Clinical Governance for the Northern Deanery and is past chairman of the Oral Health Improvement Group in Newcastle. He has been a lay magistrate since 1995 and holds a Law Degree (LLB Hons) from Northumbria University.

In 2009, the Queen awarded Shiv with the MBE for his services to NHS dentistry.

Paul Protheroe – management consultant

Paul has had considerable experience over 30 years as a senior executive in financial services, including positions held at chief executive and main board director level.

He is currently managing director of Positive Insight Limited, a management consultancy focussed on the mutual sector and Friendly Societies in particular.

Paul spent over 12 years as chief executive of a Holloway Friendly Society, specialising in income protection insurance. He has also been vice president of the Association of Friendly Societies (now the Association of Financial Mutuals).

Raj Rattan MBE – dentist

Raj is a graduate of University College Hospital, London. He is a general dental practitioner and maintains his commitment to clinical dentistry at his practices, combining this with his role of associate dean in the London Deanery. He has considerable experience of the NHS and the private sector. A member of the original Options for Change task group in 2001, he was then appointed as a policy advisor to the Department of Health where he served his three-year term and continues to act as a professional advisor to NHS and private sector organisations on a consultancy basis.

Raj has authored/co-authored several text books, published numerous articles in the dental press, and been involved in new media publishing initiatives involving e-learning and CD-ROM based materials for general dental practice. He is a former examiner for the FGDP and a visiting lecturer/teaching fellow to a number of postgraduate teaching programmes, and has lectured widely in the UK and overseas. He has worked as a dento-legal advisor for Dental Protection (DPL) since 1993. In addition to working with members, he is monitoring the introduction of foundation training on behalf of DPL.

In 2008, the Queen awarded Raj with the MBE, for services to dentistry.

Susie Sanderson OBE – dentist

Susie is a member of the BDA's principal executive committee, a member of both the BDA's finance committee and the international delegation. She is also the treasurer and a board member of the Council of European Dentists. She is the former chair of the BDA's executive board (2006–2012). She is an associate dento-legal advisor for Dental Protection Ltd. She is a GDP in a mainly NHS family practice in Yorkshire. She has been involved in the BDA and LDC at local and national level for a number of years and has enjoyed a wide scope of involvement, including education, finance, healthcare policy, GDPC, DCPs, students and young dentists.

In 2012, the Queen awarded Susie with the OBE, for services to dentistry.

Jerry Staffurth – actuary

Jerry is an actuary, employed by reinsurer Pacific Life Re, with responsibility for its corporate actuarial, research and actuarial modelling functions. He is the company's actuarial function holder. He qualified as an actuary in 1990 and has over 20 years' experience of actuarial roles in the insurance market. He started his actuarial career with Equity & Law (now part of the Axa Group) and also spent three years working for Colonial Mutual in New Zealand. More recently, Jerry worked for Swiss Life (UK) for 13 years up to the end of 2004, including eight years as appointed actuary. He subsequently joined Deloitte as a director in their actuarial and insurance practice. At Deloitte, he was responsible for a diverse range of projects in the UK life market, including capital management, product strategy, audit and M&A. He has been involved in a number of actuarial working parties and has contributed to papers on critical illness and treating customers fairly.

Richard Toone – chartered accountant

Richard is an insolvency partner at Chantrey Vellacott DFK. He is a qualified accountant with twenty years' experience in the field of business recovery. He has conducted a wide range of appointments dealing with a variety of assignments including independent business reviews, expert witness, prosecuting claims, asset valuation, asset recovery and fraud investigations.

He previously worked at PricewaterhouseCoopers, before working at the largest specialist recovery firm in the country, Begbies Traynor. He has also contributed to, and is on the editorial board of 'International Corporate Rescue'.

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Registered office: 91-94 Saffron Hill, London, England, EC1N 8QP
Telephone: +44 (0) 20 7400 5700 We may monitor calls to improve our service.
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