Solvency and Financial Condition Report

For the year ending 31 December 2024

Dentists' Provident

Protecting your lifestyle. Securing your future.

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SUMMARY

1. BUSINESS AND PERFORMANCE SUMMARY

BACKGROUND

Dentists' Provident Society Limited ("Dentists' Provident") is a Friendly Society authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom (Firm Reference Number 110015) and regulated in the Republic of Ireland by the Central Bank of Ireland for conduct of business rules (Firm Reference Number C33946).

Dentists' Provident was founded as a Holloway Friendly Society, based on the concepts set out by the Stroud MP George Holloway, who in 1875 wrote a prize-winning essay on the best way in which working people could provide not only for times of sickness, but also for old age.

This model was used as a basis by a number of Friendly Societies, demonstrating the historic importance of this unique proposition and its pivotal role in the development of the UK insurance industry, by providing sickness and investment benefits to specific groups.

BUSINESS REVIEW AND OUTLOOK

Morbidity experience continues to decrease, with recent experience now lower than before the pandemic. Persistency continues to be high, which demonstrates the society's strategy of focussing on high quality business rather than quantity.

The group's investment strategy, along with its capital management policy, has continued to improve own funds and allows it to be resilient across a variety of stress and scenario tests, performed as part of its Own Risk and Solvency Assessment. This improvement also allowed the society to increase declared bonuses at the end of 2024, with declared interest rates increasing by 0.5 percentage points and the loyalty bonus increasing by 2.5 percentage points.

In summary, in 2024, the group paid £4.9m in sickness claims (2023: £5.2m) and allocated a total of £7.9m as bonuses to members (2023: £7.5m). The following table summarises the sickness claims paid expressed as a percentage of premium income for the past five years.

Table 1: Sickness claims as a percentage of premium income

	2024	2023	2022	2021	2020
Benefits paid to premium income ratio	**36.9%**	38.4%	41.5%	39.8%	43.6%

The group's 2024 annual report shows the total investment income was £7.1m, including realised gains of £2.3m. Total unrealised gains were £19.9m. The investment management expenses totalled £0.1m.

2. SYSTEM OF GOVERNANCE SUMMARY

The group's administration, management or supervisory body is a board of directors and various committees, which assist it in effectively discharging its governance responsibilities. The board is unique in having a majority of directors who are dentists. All these directors are independent non-executive directors with diverse backgrounds and skills, which helps bring a broad and deep understanding of the needs and expectations of current and potential members. In addition, there are four executive directors who have responsibility for the day to day management of the group.

An overview of the board and committees is shown below.

The group's chairman is a non-executive director and there is clear segregation of duties between the chairman and chief executive. The offices of chairman and chief executive cannot be held by the same person simultaneously. The role of the group's senior independent director is fulfilled by the vice chairman.

All committees have their own terms of reference and there is a clearly defined list of items that is reserved for the board. The matters reserved for the board include:

- determining the group's strategies, risk appetite and objectives
- determining capital adequacy, including bonus declarations and premium rates
- overseeing the group's operations
- approving the group's annual report and regulatory reports
- approving any changes to the group's corporate governance framework
- approving any material transactions
- approving the remuneration of directors

The board has recognised for many years the asymmetric nature of the risk/reward relationship, especially in relation to directors' bonuses, and the logistical difficulties of implementing a reward plan that fits appropriately with the group's not for profit objectives. For this reason, there is no variable component in directors' remuneration. The primary component of executive directors' reward is therefore their base salary and for non-executive directors, their fees.

The group's minimum fit and proper requirement is similar to the standard required by the regulator when considering individuals for controlled functions.

RISK MANAGEMENT FRAMEWORK

A robust risk management framework underpins the group's business. There are predefined risk appetites for all key risk areas and the risk management policies and procedures are regularly reviewed and updated under the guidance of the board and its various committees. The group's internal control environment is enhanced further by reviews of key processes and controls by external experts.

The key objectives of the risk management processes are to:

- protect and enhance the group's reputation
- protect the solvency position, to ensure long term financial strength, for the benefit of the 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, some risk management areas have been delegated to board committees, who provide regular updates to the board on matters which fall within their remit.

ORSA

The group has a fully documented risk management policy, which includes the **ORSA** Policy. An overview of the risk management process is shown below.

The effectiveness of the risk management framework is highlighted through the group's **ORSA** report, which is normally presented once a year to the board, although the board may request an **ORSA** at any time.

INTERNAL AUDIT FUNCTION

The group's internal audit function during the reporting period was outsourced to Buzzacott LLP, an accountancy firm. The audit committee is responsible for approving the scope of the work to be undertaken by the internal auditors, with the terms of reference contained within the Internal Audit Charter.

ACTUARIAL FUNCTION

The group has an in-house actuarial resource who manages the actuarial role on a day-to-day basis, including performing all the actuarial calculations and monitoring of solvency. The role of the actuarial function and position of Chief Actuary is carried out by Miss Alexandra Durniat, a Fellow of the Institute and Faculty of Actuaries and a partner of Barnett Waddingham LLP.

OUTSOURCING

The group outsources operational activities to external providers where it believes it is appropriate to do so, having regard to the cost and benefits of doing so and the group's operational needs, risk appetite and strategy. The most significant activities that are outsourced are investment management and consultancy, internal audit and the actuarial function.

ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE

The group's system of governance is reviewed on a regular basis and, where appropriate, recommendations are made to the board to enhance the system further. The risk management process is important in ensuring the group's risk profile is within agreed risk tolerances based on the risk appetite. The size of the group allows it to identify, review and assess risks as they emerge using a mix of qualitative and quantitative methods.

3. RISK PROFILE SUMMARY

UNDERWRITING RISK

Since the group's strategy is to cover its members against the risks associated with illness or incapacity, income-protection morbidity risk is one of the largest underwriting risks accounting for 45% of the undiversified underwriting risk.

The group monitors and controls underwriting risk on a continuous basis. For income protection morbidity risk the group uses the following internal controls:

- medical underwriting at the application stage, in order to assess the underlying risk and charging an appropriate premium to reflect the risk
- detailed medical and financial assessment to validate the claims and ongoing management to ensure sickness payments are properly paid in a timely manner
- regular audits of the underwriting and claims management functions in order to identify trends
- quarterly review of underwriting risks with a comparison to the assumptions used in the **BEL**
- the production of the **ORSA**, which includes sensitivity analysis of a deterioration in underwriting risks – both individually and simultaneously.

MARKET RISK

The main component of market risk is from equity risk. The main quantitative measure to assess market risk is to calculate the **SCR** regularly, with the ability to calculate the **SCR** at any date, if required. This calculation is done using a bottom-up approach, calculation of the technical provisions using individual membership data and the latest available valuations from the **CIS**. The group only uses estimates to determine the **SCR** in exceptional circumstances, but not at a quarter or year end.

To supplement this risk assessment, the group's **ICMC** receives a risk scorecard every quarter, which includes metrics such as

- expected return
- expected volatility
- 1-year VaR downside risk
- overall asset allocation across all **CIS**
- risk and return contributors.

In addition to these risk metrics, a summary of each **CIS** is also included alongside the risk dashboard, to identify any emerging risks unique to the **CIS**.

The group carries out stress and scenario testing as part of its annual **ORSA**, which includes stress testing of a decrease in equity valuations and foreign exchange movements. For all stress and scenarios tests, the solvency after the stress test is projected for five years, to assess the current and future solvency position after the occurrence of the stress event or scenario. The stress tests did not identify a need for any exceptional management actions to support an increase in market risk.

CREDIT RISK

At 31 December 2024, credit risk in the form of counterparty default risk, spread risk and concentration risk comprised 2% of the group's undiversified market risk and counterparty modules. Credit risk is not a material risk for the group, with the main risk being a downgrade of the group's counterparties, in particular its transactional and short-term banking counterparties.

LIQUIDITY RISK

Dentists' Provident

Liquidity is defined as the extent to which the group is able to realise assets at their current market value in order to meet immediate or imminent financial transactions. Generally, assets which are not liquid carry an "illiquidity premium" to compensate the owner for the loss of this ability should the asset need to be sold.

Given the nature of the group's investment approach, only a limited number of **CIS** may be considered illiquid in the normal course of business, although this situation can change through the use of a redemption gate by the **CIS** in stressed scenarios.

OPERATIONAL RISK

At 31 December 2024, operational risk comprised less than 1% of the group's undiversified **SCR**. The group has appropriate procedures in place to measure operational risk. All operational risk events, including near misses, are recorded centrally and overseen by the Chief Risk Officer. Every quarter the risks are reviewed as a whole in order to categorise them holistically to identify emerging issues. This categorisation is then presented to the **ORRC** for discussion and review.

PRUDENT PERSON PRINCIPLE

The group's approach to investment is to use the **CIS** to invest in a range of different asset classes. This allows the group to benefit through diversification, as well as getting exposure to asset classes where economies of scale reduce costs. The group does not normally invest directly in any investments, with the exception of its ownership of **PHL**.

When considering a new **CIS** the **ICMC** discusses with its investment consultant, the appropriateness of the asset classes given the economic environment and the group's current and projected future liability and capital requirement profile.

There then follows a detailed due diligence process to ensure the **CIS** meets the requirements of the group's investment policy, including its appropriateness given the groups existing investments. In addition, all significant new **CIS** must provide sufficient information on a timely basis to allow the group to identify and measure material risks effectively.

For ongoing monitoring of the **CIS**, the **ICMC** receives a quarterly report, which includes the risk dashboard as well as quantitative and qualitative information on each of the **CIS**.

Although the group considers the performance and risk of each **CIS**, strategic or tactical change in investments are considered on an aggregate basis.

4. VALUATION FOR SOLVENCY PURPOSES SUMMARY

Assets have been valued using the same principles and policies used in the group's financial statements with the exception of the group's capitalised software costs, including the new policy administration system, which are carried at nil valuation for solvency purposes.

The technical provisions of this business comprise of the following components:

- **BEL**
- risk margin

The technical provisions at the end of the **reporting period** are as follows:

Table 2: Composition of technical provisions

£m	2024	2023
BEL	103.7	99.9
Risk margin	4.9	5.6

Total technical provisions	**108.6**	**105.5**

The **BEL** is calculated separately for each plan and then aggregated. Future morbidity is determined using a prevalence approach, while existing claims in payment are determined using a recovery annuity approach. The group uses the prevalence approach to calculate future morbidity given the majority of insurance business does not have a waiting period. The discount rate used is the UK and Euro spot yield curves produced by the **PRA**.

The **BEL** in respect of bonus account for the **Income security plans** is projected to the member's retirement date allowing for appropriate bonus rates, which take into account the discount rate used to discount cashflows with allowance for a loyalty bonus.

The **BEL** for **Lifetime membership plans** are equal to the member's bonus account at 31 December 2024 plus the prevailing loyalty bonus.

The **BEL** in respect of the **Paid up membership plans** is calculated in a similar way to the **Income security plan.** For plans which were incepted before 1 January 2018 the bonus account is projected to the member's 100th birthday to reflect the open ended nature of these plans. For these plan that incepted on or after 1 January 2018 the bonus account is projected to the member's 65th birthday since these plans may only be held while the member holds other plans that have income protection cover.

The risk margin has been assessed in accordance with the methodology set out in the Delegated Regulation as the cost of holding an adjusted **SCR** over the projected run-off of the business. The adjusted **SCR** allows for the fact that, upon transfer of engagements, the group could change its investments to hedge against market risks and counterparty default risk.

5. CAPITAL MANAGEMENT SUMMARY

The group's capital management objective is to ensure own funds are sufficient to cover the **SCR** with a buffer relating to the total value of the group's assets. The calculation of own funds is performed every quarter based on underlying asset and liability data, without employing techniques such as rolling forward results from a previous valuation. As a mutual organisation, the group's only source of own funds is assets in excess of technical provisions and **SCR**.

The financial statements are prepared under UK GAAP. The main difference between the **FFA** and own funds is due to the different valuation methods used in determining the carrying value of capitalised software costs under UK GAAP and Solvency regulations.

The amount of the group's **SCR** and **MCR** at the end of the **reporting period** and previous reporting period is shown in the table below.

Table 3: SCR and MCR

£m	2024	2023
SCR	164.1	146.8
MCR	41.0	36.7

The final amount of the **SCR** and **MCR** is still subject to supervisory assessment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the SFCR in accordance with the PRA rules and Solvency II regulations.

The PRA Rulebook for Solvency II firms, Reporting section, Rule 6.2(1) and Rule 6.1(2) requires the group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and the group must ensure that its SFCR is subject to approval by the directors.

The directors confirm that to the best of their knowledge:

a) Throughout the financial year ended 31 December 2024, the group has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable; and

b) It is reasonable to believe that, at the date of publication of the SFCR, the group continues to comply, and will continue to comply in future.

On behalf of the board of Dentists' Provident

Farrukh Mirza
Chief Executive

21 March 2025

DEFINITION OF TERMS

Table 4: Definitions

BEL	Best Estimate Liability
CIS	Collective Investment Scheme(s)
FFA	Fund for Future Appropriations
ICMC	Investment and Capital Management Committee
Income security plans	Holloway system plans with income protection and savings element
Lifetime membership plans	Holloway system plans without income protection but with savings element
MCR	Minimum Capital Requirement
ORRC	Operational Risk and Reputation Committee
ORSA	Own Risk and Solvency Assessment
Paid up membership plans	Holloway system plans without income protection or future savings element
PHL	1908 Property Holdings Limited
PHL1	1908 Property Holdings (No.1) Limited
PRA	Prudential Regulation Authority
reporting period	Year to 31 December 2024
SCR	Solvency Capital Requirement
VaR	Value at Risk

A. BUSINESS AND PERFORMANCE

A1. BUSINESS

Dentists' Provident Society Limited ("Dentists' Provident") is a Friendly Society authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom (Firm Reference Number 110015) and regulated in the Republic of Ireland by the Central Bank of Ireland for conduct of business rules (Firm Reference Number C33946).

Dentists' Provident was founded as a Holloway Friendly Society, based on the concepts set out by the Stroud MP George Holloway, who in 1875 wrote a prize winning essay on the best way in which working people could provide not only for times of sickness, but also for old age.

This model was used as a basis by a number of Friendly Societies, demonstrating the historic importance of this unique proposition and its pivotal role in the development of the UK insurance industry, by providing sickness and investment benefits to specific groups.

NAME OF SUPERVISORY AUTHORITIES

The addresses of the supervisory authorities are set out below:

Prudential Regulation Authority

Bank of England
Threadneedle St
London
EC2R 8AH

Financial Conduct Authority

12 Endeavour Square
London
E20 1JN

Central Bank of Ireland

New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3.

NAME OF EXTERNAL AUDITORS

The external auditors are MacIntyre Hudson LLP (MHA) and their registered address is:

MHA
201 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 1LZ

LEGAL STRUCTURE

Dentists' Provident does not belong to part of an insurance group. It does, however, have a two wholly owned property holding subsidaries called 1908 Property Holdings Limited (**PHL**), 1908 Property Holdings (No.1) Limited

(**PHL1**). The group also has a non-trading company, CMDH Limited, in the Republic of Ireland which is its European representative for data protection.

Dentists' Provident is a Friendly Society incorporated under the Friendly Societies Act 1992 and both **PHL** and **PHL1** under the Companies Act 2006.

In this report, reference to group means the consolidation of Dentists' Provident and its subsidiaries with the elimination of all intercompany transactions in accordance with UK GAAP.

The group is led by a not for profit friendly society, which offers insurance under the Holloway system. As mentioned earlier, the Holloway system provides income protection benefits and, in addition, investment benefits, which are derived from the surpluses accruing across the group.

As a Friendly Society, there were no holders of qualifying holdings during the **reporting period**.

SIGNIFICANT BUSINESS EVENTS DURING THE REPORTING PERIOD

Morbidity experience continues to decrease, with recent experience now lower than before the pandemic. Persistency continues to be high, which demonstrates the society's strategy of focussing on high quality business rather than quantity.

The group's investment strategy, along with its capital management policy, has continued to improve own funds and allows it to be resilient across a variety of stress and scenario tests, performed as part of its Own Risk and Solvency Assessment. This improvement also allowed the society to increase declared bonuses at the end of 2024, with declared interest rates increasing by 0.5 percentage points and the loyalty bonus increasing by 2.5 percentage points. A2. Underwriting performance

The group has a robust system of internal controls, to ensure that the decisions it makes are consistent with internal and external best practice and produce fair outcomes for individuals and the membership as a whole.

Each underwriting and claims decision is fully evaluated in light of the available information and adverse decisions are subject to an additional layer of review, to ensure that an individual member's interests are protected. The processes also allow for detailed member engagement, to ensure all relevant facts are considered and members have insight into the reasons and basis of the underwriting decisions.

In 2024, the group paid £4.9m in sickness claims (2023: £5.2m) and allocated a total of £7.9m as bonuses to members (2023: £7.5m). The following table summarises the sickness claims paid expressed as a percentage of premium income for the past five years.

Table 5: Sickness claims as a percentage of premium income

	2024	**2023**	2022	2021	2020
Benefits paid to premium income ratio	**36.9%**	38.4%	41.5%	39.8%	43.6%

A3. INVESTMENT PERFORMANCE

The group's investment strategy is to invest in a wide range of **CIS**. Depending on the nature of the holding, any income received is reported as part of investment income or unrealised gains on investments within the financial statements. Where investment management expenses are explictly charged, these are reported under investment management expenses within the income and expenditure account.

The group's 2024 annual report shows the total investment income was £7.1m, including realised gains of £2.3m. Total unrealised gains were £19.9m. The investment management expenses totalled £0.1m.

The following table summarises the investment performance by asset class for the **reporting period** and previous reporting period.

Table 6: Analysis of investment performance for 2024

£m	Investment income	Unrealised gains/(losses)	Realised gains/(losses)	Investment expenses
Equities	0.2	19.2	4.0	0.1
Fixed interest securities	0.0	1.0	0.0	0.0
Alternative and cash	4.6	(0.4)	(1.7)	0.0
Total	**4.8**	**19.9**	**2.3**	**0.1**

Table 7: Analysis of investment performance for 2023

£m	Investment income	Unrealised gains/(losses)	Realised gains/(losses)	Investment expenses
Equities	0.0	24.5	0.3	0.1
Fixed interest securities	0.0	1.8	0.1	0.0
Alternative and cash	4.4	(5.3)	0.2	0.0
Total	**4.4**	**20.9**	**0.6**	**0.1**

In the above tables the investment gains or losses are attributed to assets within the **CIS**. Other than inter-group items, the group does not have any direct investments in equities or fixed interest securities.

The group does not have any direct holdings of securitised assets.

A4. PERFORMANCE OF OTHER ACTIVITIES

In addition to investment expenses, the group's total expenses for the **reporting period** were £5.6m and £5.0m in the previous reporting period.

There was no other material income in the **reporting period** or the previous reporting period.

A5. ANY OTHER INFORMATION

There is no other material information to report in respect of the group's business and performance over the **reporting period**.

B. SYSTEM OF GOVERNANCE

B1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The group's administration, management or supervisory body is a board of directors and various committees which assist it in effectively discharging its governance responsibilities. The board is unique in having a majority of directors who are dentists. All these directors are independent non-executive directors with diverse backgrounds and skills, which help bring a broad and deep understanding of the needs and expectations of current and potential members. In addition, there are four executive directors who have responsibility for the day to day management of the group.

An overview of the board and committees is shown below.

The group's chairman is a non-executive director and there is clear segregation of duties between the chairman and chief executive. The offices of chairman and chief executive cannot be held by the same person simultaneously. The role of the group's senior independent director is fulfilled by the vice chairman.

All committees have their own terms of reference and there is a clearly defined list of items that is reserved for the board. The matters reserved for the board include:

- determining the group's strategies, risk appetite and objectives
- determining capital adequacy, including bonus declarations and premium rates
- overseeing the group's operations
- approving the group's annual report and regulatory reports
- approving any changes to the group's corporate governance framework
- approving any material transactions
- approving the remuneration of directors

The key items in the terms of reference for each of the committees are shown below.

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 group, the audit committee has a particular role to act independently of management. To this end, all members of the 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, the effectiveness of the 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.

Only members of the committee are entitled to attend the meetings. The audit committee also meets with the external and internal auditors, without management present at least once a year.

The key items in the terms of reference of the audit committee are set out below:

- oversight of regulatory reporting
- monitoring the integrity of the financial statements and any related announcements
- monitoring the effectiveness of the group's internal controls and risk management systems
- monitoring and reviewing the effectiveness, independence and objectivity of the internal audit function
- oversight of the relationship with the group's external auditors
- considering and making recommendations to the board for the appointment, reappointment and removal of the external auditor
- monitoring and reviewing the group's compliance with any tax obligations

THE ICMC

The role of the **ICMC** is to assist the board in discharging its duty and to effectively identify, assess and manage investment and capital management related risks.

In addition to focusing on credit, market and liquidity risks facing the group, the committee also oversees the group's capital management arrangements and the adequacy and sustainability of its bonus strategy.

The committee is responsible for the stewardship of the group's investment strategy and is scheduled to meet four times a year to discuss items such as capital adequacy, bonus rates, investment strategy, tactical asset allocation, performance of our investment managers and investment consultants and making recommendations regarding their appointment and removal.

The speed at which investor information disseminates through the financial markets means the committee must be structured in a way that decisions can be made in a timely and efficient manner. Therefore, the committee is made up of the group's chairman, chief executive and deputy chief executive to enable quorate meetings to be held at short notice.

Only members of the committee are entitled to attend the meetings.

The key items in the terms of reference of the **ICMC** are set out below:

- oversight of the group's investment strategy
- reviewing and approving the asset and liability management strategy
- oversight, appointment and removal of investment consultants and managers
- reviewing and monitoring the group's capital adequacy and capital management plans
- reviewing and monitoring liquidity, market and credit risk management strategies and policies
- agreeing the bonus recommendations with the chief actuary and making recommendations to the board

THE GOVERNANCE COMMITTEE

The governance committee's primary areas of responsibility are the oversight of the governance arrangements, board nomination duties, strategy and major infrastructure projects and enterprise risk management.

The nomination duties focus on ensuring the board has the appropriate mix of skills and knowledge to fulfil its responsibilities and that appropriate arrangements are in place for the succession of key personnel.

The oversight of strategy and major infrastructure projects involves monitoring progress on key strategic initiatives on behalf of the board. The committee also acts as the first line of challenge to the detailed strategy initiatives produced by the executive directors.

The committee is also responsible for supporting the work of other committees in identifying, assessing and monitoring the new and emerging risks facing the group and making recommendations regarding risk appetite to the board and evaluating the effectiveness of the group's governance and risk management framework.

The chief executive is normally required to attend all or part of the committee meetings. The committee comprises the group's chairman and two independent non-executive directors appointed by the board and is scheduled to meet at least four times a year.

The key items in the terms of reference of the governance committee are set out below:

- oversight of governance arrangements
- oversight of succession arrangements for executive and non-executive directors
- authorisation of senior appointments
- monitoring progress against the group's strategy and oversight of major infrastructure projects
- oversight of enterprise risk management

THE ORRC

The **ORRC** oversees the adequacy of the operational, conduct and reputational risk management processes in place.

The committee regularly reports to the board on the systems governing the management of key operational, reputational and conduct risks and makes appropriate recommendations, when required.

The committee is made up of three independent non-executive directors, who are the only individuals with the right to attend the committee meetings.

The key items in the terms of reference of the **ORRC** are set out below:

- 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 chief risk officer, and making appropriate recommendations to the board
- receiving and reviewing reports on legal and regulatory compliance and making appropriate recommendations to the board

THE REMUNERATION COMMITTEE

The remuneration committee has oversight of the group's remuneration related matters. It is made up of three independent non-executive directors who are the only individuals with the right to attend the committee meetings.

The committee is scheduled to meet at least once a year to review and set the remuneration policy for the directors as well as determining the total individual remuneration package for each executive director. As a rule, no director participates in any part of the meeting covering their own remuneration.

The committee also oversees the level and structure of the remuneration for the senior management team as well as approving any performance related pay plans operated by the group.

The key items in the terms of reference of the remuneration committee are set out below:

- oversight of remuneration arrangements for directors
- monitoring the structure of remuneration for the management team
- determining the targets for any performance related plans for the group
- oversee any changes in employee benefit structures for the group

MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE

There were no material changes in the system of governance during the reporting period.

REMUNERATION POLICY

The objectives of any good remuneration policy are to attract, motivate and retain effective people. The key features of the group's remuneration policy, in relation to our directors and employees, are:

- to reward genuine contribution to the long term success of the group with packages aligned to the interests of the members
- to give due consideration to the market environment, but be largely driven by an individual's level of responsibility, competence and contribution to the group's success
- encourage employees to join the **Lifetime membership plan** (mandatory for executive directors), to align their long term financial interests with those of the members
- to ensure that notice periods are in accordance with general market practice.

The board has recognised for many years the asymmetric nature of the risk/reward relationship, especially in relation to directors' bonuses, and the logistical difficulties of implementing a reward plan that fits appropriately with the group's not for profit objectives. For this reason, there is no variable component in directors' remuneration. The primary component of executive directors' reward is therefore their base salary and for non-executive directors, their fees.

The group operates a discretionary bonus scheme for all other employees. The scheme is specifically designed to reward improvements in areas of risk management, conduct and service.

The chief executive was a member of the group's targeted final salary, defined contribution pension scheme. The chief executive stopped accruing further benefits under the scheme from 1 January 2017 and the scheme was wound up in 2018. Instead, since that date, he is entitled to a cash allowance in lieu of pension. The other executive directors are members of the group's defined contribution arrangement, which is open to all employees. No pension benefits are available to non-executive directors, including the chairman.

MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD

With the exception of the remuneration and related party disclosures contained within the group's financial statements, during the **reporting period** there were no other material transactions between the group and:

- any person who exercises significant influence on Dentists' Provident, and
- any director.

B2. FIT AND PROPER REQUIREMENTS

The group's minimum fit and proper requirement is similar to the standard required by the regulator when considering individuals for controlled functions. The group also applies this requirement to anyone being considered as a new director or employee, via questionnaires and third party verifications where appropriate. Fit and proper requirements are also reviewed on a continual basis by:

- requiring board members to complete an annual declaration of independence and financial integrity

- requiring employees to complete periodic attestations which include confirming compliance with relevant internal control and policies.

The governance committee is responsible for the oversight of directors' compliance with the group's requirements and Human Resources are responsible for the oversight of employees' compliance.

B3. RISK MANAGEMENT SYSTEM INCLUDING ORSA

A robust risk management framework underpins the group's business. There are predefined risk appetites for all key risk areas and the risk management policies and procedures are regularly reviewed and updated under the guidance of the board and its various committees. The group's internal control environment is enhanced further by reviews of key processes and controls by external experts.

The key objectives of the risk management processes are to:

- protect and enhance the group's reputation
- protect the solvency position, to ensure long term financial strength, for the benefit of the 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, some risk management areas have been delegated to board committees, who provide regular updates to the board on 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 risks.

The risk identification and management process ensures all key risks are collated centrally and risk owners identified clearly. 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.

ORSA

The group has a fully documented risk management policy, which includes the **ORSA** Policy. An overview of the risk management process is shown below.

A high level summary of each of these stages of the risk management process is set out below.

Table 8: Risk management process

Risk appetite	The risk appetite defines the amount of risk the group is willing to accept. The risk appetite is based on a sliding scale and the group assigns a tolerance to each key risk based on this scale.
Risk assessment	The process of identifying, at a more granular level, the material risks the group is, or could be, exposed to and assessing whether these are consistent with the risk appetite and tolerances set for the categories within the risk appetite.
Risk management	The process of managing the risks the group is exposed to using a set of internal controls, which make reference to the risk appetite and tolerances.
Monitoring risk	The process of monitoring the group's ongoing exposure to risks that it is currently exposed to.
Capital management	The process of calculating an acceptable level of capital to be set aside to cover the expected cost of risks, should they materialise.
Review of risks	The process of reviewing the general environment over the year and the overall effectiveness of the risk management framework within this environment. This would be the formal component for preparing the **ORSA** report for the board.
Business strategy	The process of considering the group's strategy for the future.

The effectiveness of the risk management framework is highlighted through the group's **ORSA** report which is normally presented annually to the board, although the board may request an **ORSA** at any time. The **ORSA** determines the group's current and future solvency requirements over the next five years (through the forward looking assessment of own risks), taking into account the effectiveness of the group's internal controls as well as the current and expected business environment.

Presentation and discussion of the regular **ORSA** occurs alongside the board review of the group's business strategy, thus ensuring the risk management framework is effectively integrated into the system of governance.

B4. INTERNAL CONTROL SYSTEM

The group has a documented system of internal controls, which are used to manage the risk faced by the group. The documentation of these controls is contained within procedure manuals. In addition, the group has a comprehensive governance map, which clearly demonstrates accountability within the group.

Internal controls are constantly monitored by departmental heads, with a clear reporting process for controls related issues. In addition, the internal audit function and specialists in underwriting and claims management perform reviews of the different systems throughout the year. The effectiveness of the internal controls is also discussed by the relevant committees and the board on a regular basis.

The review of the internal control system is also included within the group's regular **ORSA**, which includes as a minimum:

- an explanation of the general environment and the impact of this on the risks to the group and the capital position
- a summary of the key material risks facing the group
- a review of the risk management framework and its effectiveness in identifying, managing and monitoring the group's material risks and its adherence to the risk management policy
- the capital impact of the group's quantifiable risks
- the ability of the group's internal controls to restrict non-quantifiable risks.

ROLE OF THE COMPLIANCE FUNCTION

The compliance function is the second line of defence in the group's governance, risk and compliance framework. The role of the compliance function within the group is to ensure that the group remains compliant with relevant regulation, legislation, relevant codes of practice and operational policies and procedures.

To this end, the function carries out a variety of duties that include monitoring of the regulatory and legislative developments, proposing changes to agreed codes of practice and ensuring timely changes are made to operational policies, procedures, systems and controls where they are found to be inconsistent, inaccurate or inadequate. Where necessary, the function also has an additional obligation to assist the group in influencing future regulatory change through our membership of trade associations.

B5. INTERNAL AUDIT FUNCTION

The group's internal audit function during the reporting period was outsourced to Buzzacott LLP, an accountancy firm. The audit committee is responsible for approving the scope of the work to be undertaken by the internal auditors, with the terms of reference contained within the Internal Audit Charter.

The results of the work of the internal audit function are discussed with the audit committee and they are of the opinion that internal audit provides an effective tool in the group's overall risk management system.

The group has a policy of not engaging its internal auditors for reasons other than review of internal controls, as a safeguard against risk to independence and objectivity.

B6. ACTUARIAL FUNCTION

The group has an in-house actuarial resource who manages the actuarial role on a day-to-day basis, including performing all the actuarial calculations and monitoring of solvency. The position of Chief Actuary is carried out by Miss Alexandra Durniat, a Fellow of the Institute and Faculty of Actuaries and a partner at Barnett Waddingham LLP.

It is the policy of the board to have an independent chief actuary function to oversee work carried out by the actuarial function throughout the group. The purpose, authority and responsibilities for the Chief Actuary are set out in the Chief Actuary's Charter.

B7. OUTSOURCING

The group outsources operational activities to external providers where it believes it is appropriate to do so, having regard to the cost and benefits of doing so and the group's operational needs, risk appetite and strategy. The most significant activities which are outsourced are investment management and consultancy, internal audit and the Chief Actuary.

ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE

The group's system of governance is reviewed on a regular basis and, where appropriate, recommendations are made to the board to enhance the system further. The risk management process is important in ensuring the group's risk profile is within agreed risk tolerances based on the risk appetite. The size of the group allows it to identify, review and assess risks as they emerge by using a mix of qualitative and quantitative methods.

The risk management process is supported by expert reviews of key functions as well as external actuarial support and internal audit, which ensures the group has a system of governance which is consistent with industry standards.

B8. ANY OTHER INFORMATION

There is no further information to report on the group's system of governance.

C. RISK PROFILE

SUMMARY OF RISK PROFILE

Income security plans (UK and Ireland (Irish plans are closed to new business))

These plans are products based on the Holloway principle. The group currently has two of these plans based on the geographic location of the member. The plan available to members resident in the UK is still open to new business while the plan for members resident in Ireland is closed to new business. Members can choose the level of income protection cover and investment level within a plan, subject to certain limits. The premiums for the income protection cover and investment element are calculated separately.

The group offers premiums on either an attained age or level bases, both of which are reviewable annually. Under the attained age basis, premiums increase with the member's age. The premium charged for income protection cover also reflects the member's health status when the plan starts and any optional features that have been chosen.

The income protection cover provides a regular amount when a member is unable to work due to illness or injury. These benefits are payable after the member has been unable to work for a chosen waiting period. Members can select whether benefits are paid at a constant level, reducing on a pre-defined basis or increase in line with the Consumer Prices Index.

Further options that are available, subject to medical underwriting, are:

- the option to escalate cover each year in line with CPI,
- the option to increase cover without further medical underwriting,
- the option to have claim payments increased if the reason for incapacity means the member is unable to perform certain activities of daily living,
- the option to have the final income protection benefit payment increased if a member dies from the same incapacity as that which led to the claim,
- the option to have a benefit paid if hospitalised as a result of incapacity during the waiting period, and
- the option to have a minimum level of benefit in the event of a claim.

This product is available to any person licensed to legally practice as a dentist at the time of application.

For members with a product written under the Holloway principle, a cash lump sum is also paid on a member's chosen retirement age, which is equal to the value of their bonus account. The bonus account represents the distribution of surpluses arising each year, declared through the dividend, and a return on past surpluses, called interest. On withdrawal of the bonus account, the group may pay a loyalty bonus, which represents any past undistributed surplus. The rates of interest, dividend and loyalty bonus are set by the board based on the advice of the Chief Actuary and the **ICMC**. The loyalty bonus can be reviewed and changed at any time and is not guaranteed. On reaching their selected retirement age, members may also be invited to extend their cover.

Select income protection plans (UK and Ireland(Irish plans are closed to new planholders))

These plans offer income protection cover similar to the Income security plans but are not written under the Holloway principle. These plans have a range of additional benefits and a policy term chosen by the member, with a maximum age of 65. These products are denominated in either Sterling, which is available to members who reside in the UK, or Euros for members who reside in Ireland. These plans are available on either an attained age or guaranteed level premium basis.

Essential protection plan (UK)

This plan offers income protection cover and is not written under the Holloway principle. These plans offer a limited payment term in the event of illness or incapacity. The length of the payment term available can be between 1-5 years on either an individual claim or total claim duration basis. This plan is only available to members in the UK and is available on either an attained age or guaranteed level premium basis.

Foundation protection plan (UK)

For individuals either in education to become a dentist or dental profession, or recently completed their education, this plan offers either a lump sum benefit or income protection cover at a discounted cost for a period of time. During education the plan pays a lump sum benefit of £45,000 if the member is unable to complete their education and start work as a dental professional. Upon completion of their education, this plan offers income protection cover with a policy term chosen by the member, with a maximum age of 65. This plan is only available to members in the UK and is available on either an attained age or guaranteed level premium basis.

Additional benefits

Further benefits are available dependent on the plan, some of which are included as standard and some which are optional and subject to medical underwriting.

- the option to increase cover without further medical underwriting,
- the option to not pay a premium during a claim,
- the option to have the regular claim payments increased if the reason for incapacity means the member is unable to perform certain activities of daily living,
- the option to have the final income protection benefit payment enhanced by 26 weeks' sickness benefit, if the member dies from the condition for which they started claiming, within 12 months of the start of the claim,
- the option to have a benefit paid if hospitalised as a result of incapacity during the waiting period, and
- the option to have a minimum level of benefit in the event of a claim.

All of these products are available to any person licensed to legally practice as a dentists, clinical dental technician, dental hygienist, dental technician, dental therapist or orthodontic therapist.

Lifetime membership plans (UK and Ireland (Irish plans are closed to new planholders))

On the expiry of the last of their plans which offer income protection benefits, a member may transfer their membership to this plan. Members with this plan pay premiums in respect of their participation units and interest and mutuality dividends continue to be added to their bonus account.

Under the society's rules, it is able to apply a bonus account reduction if members cancel their membership or withdraw their bonus account in distressed market conditions.

The UK version of this plan is only available to existing members in the UK and members of staff.

Paidup membership plans (UK and Ireland(Irish plans are closed to new planholders))

These plans are similar to the Lifetime membership plans except members do not pay a premium and only interest is added to their bonus account. A member can elect to transfer an existing plan to this plan when they amend their income protection cover which is not covered by the plan rules. In these circumstances, the existing plan is cancelled, the bonus account is transferred to this plan and a new income protection plan is incepted.

The group does not accept any transfers to the Paidup membership plan for members residing in Ireland.

Investment risk profile

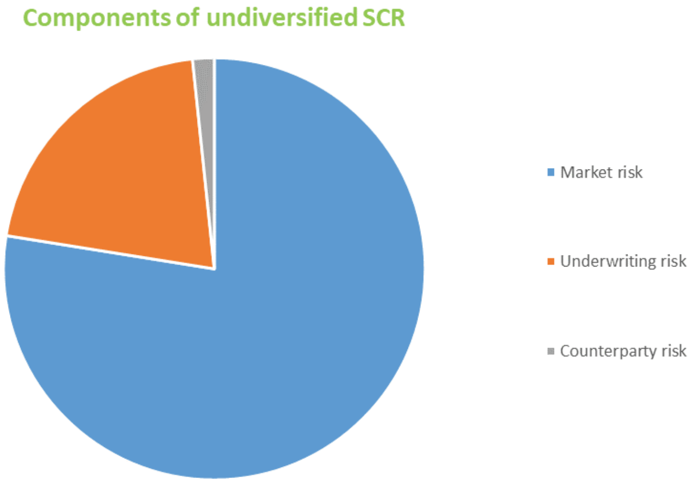
As noted earlier, the group's approach to investment is to use **CIS** to invest in a range of different asset classes. This allows the group to benefit through diversification, as well as getting exposure to asset classes where economies of scale reduce transaction costs. The group does not normally invest directly in any investments with the exception of its ownership of **PHL** and the underlying investments in property by that company.

The group's actual allocation of investments and liquidity as at 31 December 2024 compared to previous years is shown in the following table.

Table 9: Asset allocation

	2024 %	2023 %	2022 %	2021 %	2020 %
Equities	57	55	50	46	51
Fixed interest securities	12	12	14	13	11
Alternatives, other assets and cash	31	33	36	41	38

A quantitative analysis of the group's risk profile is given below, showing the composition of the risks considered under the standard formula and not allowing for any diversification between risks.



The risk profile is dominated by market and underwriting risk. The main elements of market risk are the risks of a fall in equity values and foreign exchange risk, while for underwriting risk, the main risks are income-protection morbidity and lapse risks.

C1. UNDERWRITING RISK

MATERIAL UNDERWRITING RISKS

Underwriting risk comprises 13% of the undiversified basic **SCR**. The significant underwriting risks which contribute to the overall underwriting risk are set out in the following table.

Table 10: Underwriting risks

Income-protection morbidity risk	Arises through a higher than expected incidence of sickness, which can manifest through a higher propensity to claim, or when sick, taking longer to recover. Higher morbidity risk can arise through under or over estimation of expected future experience as well as changes in the general economic environment and the government's provision of dentistry.
Lapse risk	Arises when lapses are either higher or lower than expected. The risk from higher lapses occurs at early durations when a membership lapses before acquisition costs have been recouped. At longer durations a lower than expected lapse rate is a risk as the expected sickness benefits will be higher, although this risk is partially offset by the attained age nature of premiums. The risk of a mass lapse arises where the **BEL** is negative, as immediate lapses mean this surplus is not recognised. Lapse risk can arise through under or over estimation, the general economic environment as well as the behaviour of financial intermediaries.
Expense risk	Arises when future maintenance expenses are higher than expected. Expense risk can arise through under or over estimation of the level of expenses as well as future inflation, regulatory changes and higher or lower expenses.
Mortality risk	Arises when future mortality is either higher or lower than expected. For income protection this is generally a minor risk since higher than expected mortality will reduce future premium income but also reduce future sickness claims.

Since the group's strategy is to cover its members against the risks associated with illness or incapacity, income-protection morbidity risk is one of the largest underwriting risks accounting for 45% of the undiversified underwriting risk.

In addition, the premium basis for the majority of the group's existing business is on an attained age basis. This means the premiums charged increase with age, which is broadly commensurate with the underlying risk. A consequence of this type of premium basis is the minimal prefunding of future increases in morbidity, which reduces the **BEL** but means the group is exposed to lapse risk, especially mass lapse risk as this is applied to those members who have a negative **BEL** in aggregate.

UNDERWRITING RISK ASSESSMENT AND MITIGATION

The group monitors and controls underwriting risk on a continuous basis. For income protection morbidity risk the group uses the following internal controls:

- medical underwriting at the application stage in order to assess the underlying risk and charging an appropriate premium to reflect the risk

- detailed medical and financial assessment to validate the claims and ongoing management ensuring sickness payments are properly paid in a timely manner
- regular audits of the underwriting and claims management functions in order to identify trends
- quarterly review of underwriting risks with a comparison to the assumptions used in the **BEL**
- the production of the **ORSA** which includes sensitivity analysis of a deterioration in underwriting risks – both individually and simultaneously.

For persistency risk, the group monitors experience on a regular basis, with changes in experience, as well as expected changes, being reflected in the calculation of the **BEL** and **SCR** where appropriate. Expense risk is primarily managed through a formal system of budgetary control, with regular reporting to the board on any material variances. In addition, significant items of expenditure require prior approval from the board.

UNDERWRITING RISK SENSITIVITY

The group carries out stress and scenario testing as part of its regular **ORSA**, which includes stress testing of a range of different sensitivities, including an increase in morbidity and changes in lapse experience. For all stress and scenario tests, the solvency after the stress test is projected for five years to assess the current and future solvency position after the occurrence of the stress event or scenario.

The stress tests did not identify a need for any exceptional management actions to support an increase in underwriting risk.

C2. MARKET RISK

MATERIAL MARKET RISKS

Under the standard formula, market risk comprises the following risks:

Table 11: Market risks

Equity risk	The risk from a change in the level of market prices of equities.
Property risk	The risk of a change in the level of market prices of real estate.
Currency risk	The risk of a change in the exchange rates relative to Sterling, or appreciation of Sterling.
Interest rate risk	The risk of a change in the term structure or volatility of interest rates.
Spread risk	The risk of a change in credit spreads over the risk-free interest rate term structure.
Concentration risk	The risk of a lack of counterparty diversification through a large exposure to a single counterparty. This is not considered part of the standard formula market risk module.

MARKET RISK ASSESSMENT AND MITIGATION

The main component of market risk is from equity risk. The main quantitative measure to assess market risk is to calculate the **SCR** regularly, with the ability to calculate the **SCR** at any date if required. This calculation is done using a bottom-up approach, calculating the technical provisions using individual membership data and the latest available valuations from the **CIS**. The group only uses estimates to determine the **SCR** in exceptional circumstances, but not at a quarter or year end.

To supplement this risk assessment, the group's **ICMC** receives a risk scorecard every quarter which includes metrics such as:

- expected return
- expected volatility
- 1-year **VaR** downside risk
- overall asset allocation across all **CIS**
- risk and return contributors.

In addition to these risk metrics, a summary of each **CIS** is also included alongside the risk dashboard, to identify any emerging risks unique to the **CIS**.

The group has a robust procedure in place to identify and evaluate the appropriateness of new manager appointments. This includes ensuring the investment complements the group's existing investments (such as avoiding concentration or ensuring suitable correlations with existing **CIS**) as well as a risk management process. In addition, every year the **ICMC** reviews relevant internal control reports (such as ISAE 3402 reports) to gain further assurance regarding the robustness of each **CIS** internal control systems.

There have been no material changes in the risk profile over the **reporting period**.

As described earlier, the group monitors market risk on a continuous basis, as it is able to obtain valuations of the vast majority of its investments when required. In addition to the quarterly risk scorecard noted above, the group calculates the market risk module of the **SCR** on a quarterly basis and the annual **ORSA** report includes market risk stresses and sensitivities.

MARKET RISK SENSITIVITY

The group carries out stress and scenario testing as part of its annual **ORSA**, which includes stress testing of a decrease in equity valuations and foreign exchange movements. For all stress and scenarios tests, the solvency after the stress test is projected for five years to assess the current and future solvency position after the occurrence of the stress event or scenario. The stress tests did not identify a need for any exceptional management actions to support an increase in market risk.

C3. CREDIT RISK

MATERIAL CREDIT RISKS

At 31 December 2024, credit risk in the form of counterparty default risk, spread risk and concentration risk comprised 2% of the group's undiversified market risk and counterparty modules. The group's material credit risk is in the form of spread risk.

With the **CIS** there is credit risk, in particular within the fixed interest securities **CIS**. Although these **CIS** will by their very nature be exposed to credit risk, their overall contribution to the **SCR** is reduced through diversification.

CREDIT RISK ASSESSMENT AND MITIGATION

Credit risk in relation to financial investments and cash and cash equivalents is managed by the **ICMC**. The group's investment guidelines are constructed to avoid excessive exposure to any single counterparty and ensure that debt and fixed income investments are mostly within high quality investment grade holdings. In addition, the **ICMC** has the right to impose stricter credit risk limits where it deems it appropriate.

Credit risk is also managed through the investment policy of restricting the amount of assets invested in any one individual **CIS** as well as overall limits for assets classes. If the proportion of assets with credit risk was to increase, then the group would invoke its policy of top-slicing, which is used for tactical purposes, as well as realignment of investments.

If there was a widening of credit spreads through the actions of the **CIS** fund managers, then this would be identified by the fund manager, the investment consultant, or the **ICMC** when the risk scorecard is reviewed. In such instances, the vast majority the group's **CIS** which are exposed to credit risk are easily realised in normal trading conditions and this would be an option for the **ICMC** if the credit risk breaches the group's risk tolerance.

CREDIT RISK SENSITIVITY

Credit risk is not a material risk for the group, with the main risk being a downgrade of the group's counterparties, in particular its transactional and short term banking counterparties. For credit risk within the group's investments, a doubling of the capital requirement for spread risk across the group's fixed interest **CIS** would increase the overall **SCR** by less than 2%**.**

C4. LIQUIDITY RISK

MATERIAL LIQUIDITY RISKS

Liquidity is defined as the extent to which the group is able to realise assets at their current market value in order to meet immediate or imminent financial transactions. Generally, assets which are not liquid carry an "illiquidity premium" to compensate the owner for the loss of this ability should the asset need to be sold.

Given the nature of the group's investment approach, only a limited number of **CIS** may be considered illiquid in the normal course of business, although this situation can change through the use of a redemption gate by the **CIS** in stressed scenarios.

In addition, the group's attained age premium basis means there is expected surplus in future premium for income-protection risks, which contributes to own funds by reducing the **BEL** in respect of the bonus account and future bonuses. This can be considered to be illiquid as the group is unable to realise this value in the short term.

There has been no material change in liquidity risk over the **reporting period**.

LIQUIDITY RISK ASSESSMENT AND MITIGATION

The group's investment policy means that the group is able to realise a large proportion of its assets in a relatively short period of time. The only significant assets held by the group which may be considered illiquid are the assets in **PHL** and **PHL1**, which represents 1.2% of the assets on a consolidation basis.

The group's **ICMC** is provided with a liquidity profile of all the group's investments every quarter, indicating the period of time and the proportion of investments which can be realised. In addition, the **ICMC** is also provided with an analysis of each **CIS**, including the following qualitative information which it uses to determine future liquidity of each **CIS**:

- soft closes
- hard closes
- change in key personnel
- decreases in assets under management.

Where appropriate, the committee may decide this qualitative information presents a liquidity risk in the future and consider mitigating actions such as top-slicing or disinvesting from the **CIS** altogether.

The group's liquidity policy is to maintain liquid assets in the form of cash deposits in order to meet the group's day-to-day transactions and, at certain times, liquidity to invest in asset classes. In addition, the liquidity policy also stipulates that the group must have liquidity in the form of cash, to finance the group's business for a period specified by the **ICMC**.

LIQUIDITY RISK SENSITIVITY

Given the group's internal controls around the management of liquidity risk, no specific sensitivity is assessed.

C5. OPERATIONAL RISK

MATERIAL OPERATIONAL RISKS

The key material operational risks faced by the group are:

- IT infrastructure - information systems fail on a regular or prolonged basis
- cyber risk - the group suffers from a malicious attack on our network/IT infrastructure
- our key information systems fail to adapt to changes within our business
- outsourcing risk - the group's third party service providers fail to meet the group's service expectations
- regulatory risk - the group fails to comply with its legal and regulatory requirements
- compliance with future regulatory and legislative changes may result in higher costs
- reputational risk - the group fails to conduct its business fairly and ethically.

OPERATIONAL RISK ASSESSMENT AND MITIGATION

The group has appropriate procedures in place to measure operational risk. All operational risk events, including near misses, are recorded centrally and overseen by the Chief Risk Officer. Every quarter the risks are reviewed as a whole in order to categorise them holistically to identify emerging issues. This categorisation is then presented to the **ORRC** for discussion and review.

Where operational risks are identified, the group has procedures to identify the root cause of the operational risk as well as systems to implement changes in policies or procedures, to manage or mitigate the risk.

The techniques the group uses to manage and mitigate operational risk include:

- documented policies and procedures which are reviewed by the internal audit function
- annual attestations from all members of staff
- a root-cause analysis procedure to identify and reduce the likelihood of an operational risk event recurring,
- structured testing for key systems, including penetration testing
- regular training for all members of staff
- policies and procedures to manage our third party services' performance as well as having a process for negotiating significant contracts.

Operational risk represents less than 1% of the group's undiversified **SCR** as at 31 December 2024, primarily due to the approach used in the standard formula, where operational risk **SCR** is a function of either the premium income or technical provisions.

OPERATIONAL RISK SENSITIVITY

Since operational risk makes a small contribution to the overall **SCR**, the **SCR** is not sensitive to changes in this risk. The group's **ORSA** measures operational risk using an approach which increases the amount of capital set aside when compared to the standard formula.

C6. ALL OTHER RISKS

All material risks have been reported in this section.

C7. ANY OTHER INFORMATION

PRUDENT PERSON PRINCIPLE

The group's approach to investment is to use the **CIS** to invest in a range of different asset classes. This allows the group to benefit through diversification, as well as getting exposure to asset classes where economies of scale reduce costs. The group does not normally invest directly in any investments with the exception of its ownership of **PHL and PHL1**.

When considering a new **CIS** the **ICMC** discusses, with its investment consultant, the appropriateness of the asset classes given the economic environment and the group's current and projected future liability and capital requirement profile.

There then follows a detailed due diligence process to ensure the **CIS** meets the requirements of the group's investment policy, including its appropriateness given the groups existing investments. In addition, all significant new **CIS** must provide sufficient information on a timely basis to allow the group to identify and measure material risks effectively.

For ongoing monitoring of the **CIS**, the **ICMC** receives a quarterly report which includes the risk dashboard as well as quantitative and qualitative information on each of the **CIS**.

Although the group considers the performance and risk of each **CIS**, strategic or tactical change in investments are considered on an aggregate basis.

D. VALUATION FOR SOLVENCY PURPOSES

D1. ASSETS

Assets have been valued using the same principles and policies used in the group's financial statements with the exception of the value of the group's capitalised software costs. There have been no changes to the recognition and valuation basis over the **reporting period**.

Judgement is applied in selecting appropriate valuation techniques. Where possible, prices quoted for identical assets in active markets are used. However, in certain instances, such price information is not available and the group uses alternative valuation techniques instead. Wherever possible, these techniques use market observable inputs derived from recent transactions for similar assets, in similar active markets. However, in the absence of such data, other observable market data is used.

The value of assets held at 31 December 2024 for the purposes of demonstrating solvency are as follows:

Table 12: Asset summary

£m	**2024**	**2023**
Collective Investments Schemes	345.7	321.3
Deposits other than cash equivalents	15.6	0
Cash and cash equivalents	1.6	11.3
Property (other than for own use)	1.6	8.1
Property, plant & equipment held for own use	3.4	5.3
Receivables (trade not insurance)	0.1	0.4
Insurance and intermediaries receivables	0.0	0.0
Total assets	**368.0**	**346.4**

The valuation bases, methods and assumptions used to value the material classes of assets are described below.

COLLECTIVE INVESTMENT SCHEMES

Where possible, the group will use the price quoted in an active market for an identical asset as at the measurement date as a measurement of fair value. If this information is not available, the board will follow the fair value hierarchy as set out by FRS 102. The group uses its judgement in selecting appropriate valuation techniques. Where possible, prices quoted for identical assets in active markets are used. However, in certain instances, such price information is not available and the group must use alternative valuation techniques instead. Wherever possible, these techniques use market observable inputs derived from recent transactions for similar assets, in similar active markets. However in the absence of such data, other observable market data is used.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are valued as the unadjusted cash balance at the valuation date.

PROPERTY (OTHER THAN FOR OWN USE)

This amount corresponds to the total property assets of **PHL** and **PHL1** less the value of the property used by the group. The properties held by **PHL** were last valued independently as at 31 December 2024 by Tuckerman

Chartered Surveyors on an open market basis and in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

PROPERTY, PLANT AND EQUIPMENT HELD FOR OWN USE

Property, plant and equipment include property occupied by and fixed assets used by the group for its own use. The financial statements include, as a fixed asset, the net book value of the group's policy administration system. As this system is used under license, the fair value of the asset under regulations is £Nil and as such has not been included in the valuation of assets to demonstrate solvency.

TECHNICAL PROVISIONS

The technical provisions shown as an asset represent the **BEL** in respect of the group's insurance business. Since this is negative, it is reported as an asset within the financial statements.

RECONCILIATION BETWEEN VALUATION OF ASSETS IN THE FINANCIAL STATEMENTS AND TO DEMONSTRATE SOLVENCY

A reconciliation between the valuation of assets disclosed in the financial statement and the assets used to demonstrate solvency is shown below.

Table 13: Reconciliation of assets

£m	2024	2023
Assets disclosed in financial statements	**379.6**	**361.6**
Technical provisions treated as an asset in the financial statements	(9.4)	(12.4)
Computer equipment and software valued at £Nil to demonstrate solvency	(2.2)	(2.8)
Assets used to demonstrate solvency	**368.0**	**346.4**

D2. TECHNICAL PROVISIONS

The technical provisions of this business comprise the following components:

- **BEL**
- risk margin

The technical provisions as at the end of the **reporting period** and previous reporting period are as follows:

Table 14: Composition of technical provisions

£m	2024	2023
BEL	103.7	99.9
Risk margin	4.9	5.6
Total technical provisions	**108.6**	**105.5**

There were no material changes in the assumptions made to calculate the technical provisions.

BEST ESTIMATE LIABILITY

The **BEL** is calculated separately for each plan using a cashflow projection model and then aggregated across all plans. Cashflows in relation to premiums, expenses and benefits paid to members are projected using best estimate assumptions. The cashflows are discounted using the prescribed UK and Euro spot yield curves produced by the **PRA**.

Future morbidity is determined using a prevalence approach while existing claims in payment are determined using a recovery-annuity approach. The group uses the prevalence approach to calculate future morbidity given the majority of insurance business does not have a waiting period.

The **BEL** in respect of bonus accounts for the **Income security plans** is projected to the member's chosen retirement date allowing for appropriate bonus rates, which take into account the discount rate used to discount cashflows with allowance for a loyalty bonus, if applicable.

The **BEL** in respect of the **Paid up membership plans** is calculated in a similar way to the **Income security plan.** For plans which were incepted before 1 January 2018 the bonus account is projected to the member's 100th birthday to reflect the open-ended nature of these plans. For plans incepted on or after 1 January 2018 the bonus account is projected to the member's 65th birthday since these plans may only be held while the member holds other plans that have income protection cover.

The **BEL** for **Lifetime membership plans** are equal to the member's bonus account at 31 December 2024 plus the prevailing loyalty bonus.

The main assumptions used in the calculation of the **BEL** are set out in the following table.

Table 15: Assumptions used to calculate the BEL

Assumption	Details
Short term and future morbidity	This represents expected future sickness and varies by age and gender. This is set with reference to the group's recent experience allowing for future sickness arising from the claims in payment reserve.
Claims in payment morbidity	This represents the recovery of currently sick members and varies by length of time a member has been sick. This is set with reference to the group's recent experience.
Persistency	This represents members choosing to terminate their policies. This is set with reference to the group's recent experience.
Inflation	This is set with reference to the market implied inflation curve published by the Bank of England.
Expenses	This is set with reference to the group's expected future costs in administering the policies and assets.
Future interest and dividend	This is set with reference to the prevailing interest rate with consideration of the UK spot yield curve produced by the **PRA.** The dividend rates are set assuming a continuation of the last declared dividend rates.
Loyalty bonus	This is set assuming a continuation of the prevailing loyalty bonus at 1 January 2025.
Discount rate	The UK and Euro spot yield curves produced by the **PRA**.

RISK MARGIN

The risk margin has been assessed as the cost of holding an adjusted SCR over the projected run-off of the business. The adjusted **SCR** allows for the fact that, upon transfer of engagements, the group could change its investments to hedge against market risks and counterparty default risk. The lapse risk component of the group's adjusted **SCR** has been estimated for each future year with reference to the projected **BEL**.

All other significant components of the group's adjusted **SCR** have been calculated explicitly for every future year for the purposes of the risk margin calculation.

UNCERTAINTY ASSOCIATED WITH VALUE OF TECHNICAL PROVISIONS

The methodology employed is proportionate to the nature, scale and complexity of the risk accepted by the group and there are no material deficiencies in the data used for the calculation of the technical provisions.

In determining the technical provisions, assumptions are made about future experience, as described in the previous section. Actual future experience may differ from these assumptions due to random fluctuations, changes in the operating environment and other factors. Such variations in experience could have a significant effect on the results.

By definition, the models used in the calculation of the technical provisions are a simplified version of real life but are designed to capture the key features of the cashflows being modelled. As such, it is possible that certain material features have not been allowed for in the calculation of the technical provisions and that the results therefore may not accurately reflect reality. However, the group is not aware of any material features that have been excluded from the calculations.

MATERIAL DIFFERENCES BETWEEN THE BASIS, METHODS AND ASSUMPTIONS USED FOR SOLVENCY AND DISCLOSED IN THE FINANCIAL STATEMENTS

The technical provision shown in the group's financial statements are materially similar to the basis, methods and assumptions used to demonstrate solvency.

ADJUSTMENTS, TRANSITIONAL ARRANGEMENTS AND REINSURANCE

A matching adjustment (as referred to in Article 77b of Directive 2009/138/EC) is not used.

A volatility adjustment (as referred to in Article 77d of Directive 2009/138/EC) is not used.

The transitional adjustment in respect of the risk-free interest rate term structure (as referred to in Article 308c of Directive 2009/138/EC) is not used.

The transitional deduction in respect of technical provisions (as referred to in Article 308d of Directive 2009/138/EC) is not used.

There are no reinsurance contracts in place and no risks have been transferred to special purpose vehicles.

D3. OTHER LIABILITIES

All other liabilities have been valued in the same manner as in the group's financial statements. No material assumptions or judgements have been used in the valuation of these liabilities.

D4. ALTERNATIVE METHODS FOR VALUATION

Alternative methods for the valuation have not been used.

D5. ANY OTHER INFORMATION

There is no other material information to report in respect of the valuation of assets and liabilities, in order to determine solvency.

E. CAPITAL MANAGEMENT

E1. OWN FUNDS

OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING OWN FUNDS

The group's capital management objective is to ensure own funds are sufficient to cover the **SCR** with a buffer relating to the total value of the group's assets. The calculation of own funds is performed every quarter based on underlying asset and liability data without employing techniques such as rolling forward results from a previous valuation. As a mutual organisation the group's only source of own funds is assets in excess of technical provisions and **SCR**.

In addition, the group also projects, every quarter, own funds for the next five years in order to ensure that there are sufficient own funds to meet the requirements of the capital management policy.

OWN FUNDS CLASSIFIED BY TIERS

As reported above, the group's only source of own funds are assets in excess of the technical provisions and other liabilities.

ELIGIBLE AMOUNT OF OWN FUNDS TO COVER THE SCR AND MCR

The eligible amount of own funds to cover the **SCR** and **MCR** at the end of the **reporting period** is £255.5m (£236.7m at the end of the previous reporting period).

DIFFERENCES BETWEEN THE FUND FOR FUTURE APPROPRIATION AND OWN FUNDS

The following table summarises the main differences between the **FFA** and own funds.

Table 16: Differences between the FFA and own funds

£m	2024	2023
FFA	**257.6**	**239.5**
Differences in valuation of assets	(2.2)	(2.8)
Own funds	**255.5**	**236.7**

The difference between the **FFA** and own funds is due to the differences in the valuation of assets in section D1.

OTHER INFORMATION ON OWN FUNDS

The group has not made use of the transitional arrangements referred to in Articles 308b (9) and 308b (10) of Directive 2009/138/EC.

ANCILLARY OWN FUNDS

None of the group's own funds can be considered ancillary own funds.

ITEMS DEDUCTED FROM OWN FUNDS

There has been no deduction of own funds to reflect the availability or transferability within the group. As the assessment of solvency is on a consolidated basis, part of the own funds does currently reside within **PHL** but there are no significant restrictions on the availability or transferability of capital.

E2. SCR AND MCR REQUIREMENT

The amount of the group's **SCR** and **MCR** is shown in the table below.

Table 17:SCR and MCR

£m	2024	2023
SCR	164.1	146.8
MCR	41.0	36.7

The final amount of the **SCR** and **MCR** is still subject to supervisory assessment.

The split of the **SCR** by the standard formula risk modules at the end of the **reporting period** and previous reporting period is shown in the table below.

Table 18: SCR split by risk modules

£m	2024	2023
Health underwriting risk	23.8	26.5
Market risk	155.7	137.1
Counterparty risk	1.2	0.8
Diversification benefit	(17.1)	(18.2)
Operational risk	0.5	0.5
SCR	**164.1**	**146.8**

USE OF SIMPLIFIED CALCULATIONS

No simplifications have been made in the calculation of the risk modules and sub-modules as set out in Articles 57-61 and Articles 89-112 of the Delegated Regulation 2015/35.

USE OF UNDERTAKING SPECIFIC PARAMETERS

The group's insurance business means it is unable to apply Undertaking Specific Parameters pursuant to Article 104(7) of Directive 2009/138/EC.

INPUTS USED TO CALCULATE THE MCR

The inputs to determine the **MCR** are as follows:

- the **BEL**, and
- capital at risk

The capital at risk is calculated as the sum of income protection benefits payable to all members from the valuation date until the contractual end of the group's obligation. No allowance has been made for the **BEL** held in respect of this liability since it is negative and also represents approximately -1% of the total capital at risk.

The result of the calculation of the **MCR** is then subject to a floor and a cap, which is 25% and 45% of the **SCR** respectively. As at 31 December 2024 the **MCR** has been set at the floor or 25% of the **SCR**.

E3. USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

The group has not used the duration based equity sub module in the calculation of the **SCR**.

E4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The group has not used an internal model.

E5. NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

Throughout the **reporting period** the group's own funds were at all times in excess of the **MCR** and **SCR**.

E6. ANY OTHER INFORMATION

The group has no further material information to disclose regarding capital management.

QUANTITATIVE REPORTING TEMPLATES

The following Quantitative Reporting Templates are required to be included within the Solvency and Financial Condition Report.

Table 19: SFCR Quantitative Reporting Temples

QRT	Description	Pages
IR.02.01.02	Balance sheet	2
IR.05.01.02	Premiums, claims and expenses by line of business	2
IR.05.03.2	Life income and expenditure	1
IR.12.01.02	Life and technical provisions	1
IR.23.01.01	Own funds	2
IR.25.04.21	Solvency Capital Requirement	2
IR.28.01.01	Minimum Capital Requirement – only life or non-life insurance or reinsurance activity	1

IR.02.01.02 - BALANCE SHEET

£000		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	3,406
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	362,904
R0080	Property (other than for own use)	1,583
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	0
R0140	Government Bonds	0
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	345,688
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	15,633
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	0
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	0
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	5
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	127
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,604
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	**368,046**

£000		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	108,640
R0510	Technical provisions - non-life	0
R0515	Technical provisions - life	108,640
R0542	Best estimate - total	103,742
R0544	Best estimate - non-life	0
R0546	Best estimate - life	103,742
R0552	Risk margin - total	4,898
R0554	Risk margin - non-life	0
R0556	Risk margin - life	4,898
R0565	Transitional (TMTP) - life	0
R0730	Other technical provisions	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	1,269
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	1,932
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	561
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	192
R0900	**Total liabilities**	**112,593**
R1000	**Excess of assets over liabilities**	**255,453**

IR.05.02.01 – PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

£000		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			0	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	0	0	0	0	0	0
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	0	0	0	0	0	0
R0200	Net	0	0	0	0	0	0	0
	Premiums earned							
R0210	Gross - Direct Business	0	0	0	0	0	0	0
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	0	0	0	0	0	0
R0300	Net	0	0	0	0	0	0	0
	Claims incurred							
R0310	Gross - Direct Business	0	0	0	0	0	0	0
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	0	0	0	0	0	0
R0400	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	0	0	0	0	0	0
R1200	**Other expenses**							0
R1300	**Total expenses**							0

£000		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0220	C0230	C0280
	Premiums written			
R1410	Gross	12,512	752	13,264
R1420	Reinsurers' share	0	0	0
R1500	Net	12,512	752	13,264
	Premiums earned			
R1510	Gross	12,512	752	13,264
R1520	Reinsurers' share	0	0	0
R1600	Net	12,512	752	13,264
	Claims incurred			
R1610	Gross	13,279	71	13,349
R1620	Reinsurers' share	0	0	0
R1700	Net	13,279	71	13,349
R1900	**Net expenses incurred**	5,731	0	5,731

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IR.05.03.02 – LIFE INCOME AND EXPENDITURE

£000s		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0010	Gross direct business	0	0	0	0	0	13,264	13,264
R0020	Gross reinsurance accepted	0	0	0	0	0	0	0
R0030	Gross	0	0	0	0	0	13,264	13,264
R0040	Reinsurers' share	0	0	0	0	0	0	0
R0050	Net	0	0	0	0	0	13,264	13,264
	Claims incurred							
R0110	Gross direct business	0	0	0	0	0	12,565	12,565
R0120	Gross reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross	0	0	0	0	0	12,565	12,565
R0140	Reinsurers' share	0	0	0	0	0	0	0
R0150	Net	0	0	0	0	0	12,565	12,565
	Expenses incurred							
R0160	Gross direct business	0	0	0	0	0	5,731	5,731
R0170	Gross reinsurance accepted	0	0	0	0	0	0	0
R0180	Gross	0	0	0	0	0	5,731	5,731
R0190	Reinsurers' share	0	0	0	0	0	0	0
R0200	Net	0	0	0	0	0	5,731	5,731
R0300	Other expenses							0
	Transfers an dividends							
R0440	Dividends paid							0

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IR.12.01.02 – LIFE AND TECHNICAL PROVISIONS

£000s		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Best Estimate								
Gross Best Estimate (direct business)	R0025	0	0	0	0	0	103,742	103,742
Gross Best Estimate (reinsurance accepted)	R0026	0	0	0	0	0	103,742	103,742
Gross Best Estimate	R0030	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0	0	0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	0	0	0	0	0	103,742	103,742
Risk Margin	R0100	0	0	0	0	0	4,898	4,898
Amount of the transitional on Technical Provisions								
TMTP - risk margin	R0140	0	0	0	0	0	0	0
TMTP - best estimate dynamic component	R0150	0	0	0	0	0	0	0
TMTP - best estimate non-dynamic component	R0160	0	0	0	0	0	0	0
TMTP - amortisation adjustment	R0170	0	0	0	0	0	0	0
Transitional Measure on Technical Provisions	R0180	0	0	0	0	0	0	0
Technical provisions - total	R0200	0	0	0	0	0	108,640	108,640

IR.23.01.01 – OWN FUNDS

£000s		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds					
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	255,453	255,453			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
R0290	**Total basic own funds**	255,453	255,453	0	0	0

£000s		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees	0			0	
R0350	Letters of credit and guarantees other	0			0	0
R0360	Supplementary members calls	0			0	
R0370	Supplementary members calls - other	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	255,453	255,453	0	0	0
R0510	Total available own funds to meet the MCR	255,453	255,453	0	0	
R0540	Total eligible own funds to meet the SCR	255,453	255,453	0	0	0
R0550	Total eligible own funds to meet the MCR	255,453	255,453	0	0	
R0580	**SCR**	164,096				
R0600	**MCR**	41,024				
R0620	**Ratio of Eligible own funds to SCR**	1.5567				
R0640	**Ratio of Eligible own funds to MCR**	6.2269				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	255,453
R0710	Own shares (held directly and indirectly)	0
R0725	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	255,453

IR.25.04.21 – SOLVENCY CAPITAL REQUIREMENT

£000s		C0010
Net of loss-absorbing capacity of technical provisions		
Market risk	R0140	155,657
Interest rate risk	R0070	924
Equity risk	R0080	122,532
Property risk	R0090	5,205
Spread risk	R0100	3,462
Concentration risk	R0110	0
Currency risk	R0120	60,002
Other market risk	R0125	0
Diversification within market risk	R0130	-36,468
Counterparty default risk	R0180	1,170
Type 1 exposures	R0150	1,155
Type 2 exposures	R0160	20
Other counterparty risk	R0165	0
Diversification within counterparty default risk	R0170	-5
Life underwriting risk	R0270	0
Total health underwriting risk	R0320	23,796
Health SLT risk	R0280	23,749
Health non SLT risk	R0290	0
Health catastrophe risk	R0300	182
Other health underwriting risk	R0305	0
Diversification within health underwriting risk	R0310	-136
Non-life underwriting risk	R0370	0
Intangible asset risk	R0400	0
Operational and other risks	R0430	531
Operational risk	R0422	531
Other risks	R0424	0

Total before all diversification	R0432	217,762
Total before diversification between risk modules	R0434	181,153
Diversification between risk modules	R0436	-17,057
Total after diversification	R0438	164,096
Loss-absorbing capacity of technical provisions	R0440	0
Loss-absorbing capacity of deferred taxes	R0450	0
Other adjustments	R0455	0
Solvency capital requirement including undisclosed capital add-on	R0460	164,096
Disclosed capital add-on - excluding residual model limitation	R0472	0
Disclosed capital add-on - residual model limitation	R0474	0
Solvency capital requirement including capital add-on	**R0480**	**164,096**
Biting interest rate scenario	R0490	Increase
Biting life lapse scenario	R0495	Mass

IR28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR NON-LIFE ACTIVITY

£000s

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	3,744

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	103,742	
R0250	Total capital at risk for all life (re)insurance obligations		2,236,750

	Overall MCR calculation	C0070
R0300	Linear MCR	3,744
R0310	SCR	164,096
R0320	MCR cap	73,843
R0330	MCR floor	41,024
R0340	Combined MCR	41,024
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	41,024

Dentists' Provident

20-21 Red Lion Court, London, EC4A 3EB
Telephone: +44 (0) 20 7400 5700
Calls are recorded for our mutual security, training and monitoring purposes.
Fax: +44 (0) 20 7400 5701 **www.dentistsprovident.co.uk** Dentists' Provident

14/04/25