



**RELIANCE**  
**MUTUAL**

## **Directors' Report to with profits policyholders**

Reliance Mutual maintains a set of Principles and Practices of Financial Management (the PPFM) that set out the way in which the with profits business of the company will be run. The PPFM was amended with effect from 1 August 2007. The amendments were made to deal with the transfers of the business of University Life Assurance Society and Hearts of Oak Insurance Company Limited in to the Society from 1 August 2007. At the time the opportunity was taken to correct some minor errors and inaccuracies. For business that was in force throughout the year there were no changes to the Principles, or to the way the Practices set out how bonus rates are determined.

Reliance Mutual has six separate with profit funds. Five of the funds were set up as a result of transfers of business and the PPFM allows the interests of policyholders in the separate funds to be preserved. Of these five sub funds, two (WPSF5 and WPSF6) were established as a result of the transfers of the business referred to above.

The main Reliance Mutual With Profits Sub Fund (RM WPSF) contains the remainder of the business. Within RM WPSF there are several distinct classes of with profits business. To ensure there is a consistent treatment between different classes and generations of policyholders, the PPFM prescribes an asset share approach to set appropriate final bonus rates and thus total policy payouts.

The practices used in setting the bonus rates are set out in the PPFM. These practices were followed during 2007 as follows:

- In February 2007 annual bonus rates were declared for all the funds. These were set at the same rates as in the previous year. These applied for the year 2006.
- For RM WPSF final bonus rates were set in February and applied from 1 March. A review of the augmentations to final bonus rates took place as required by the PPFM during the year. This review resulted in no changes to final bonus rates being necessary. Bonus rates were also monitored during the year as economic conditions changed, also as required by the PPFM, but no changes in rates were necessary.
- For the with profit sub funds, WPSF2, WPSF3 and WPSF4, final bonus rates were set in February based upon results at the end of 2006 and applied to claims from 1 March. These then applied for the rest of the year.
- For the with profit sub funds WPSF5 and WPSF6 final bonus rates were maintained at the rates adopted by the predecessor companies, and applied from the date of transfer of the business.

## **Report of the With Profits Actuary to with profits policyholders**

To all with-profit policyholders

I have considered the annual report from Reliance Mutual to with profit policyholders and the actions and decisions relating to with profits policyholders made by the company during 2007.

It is my opinion that:

- the report is a fair statement of the facts.
- the company has exercised its discretion in a reasonable manner over the period.
- the actions of the company have taken into account the appropriate rules and guidance.
- the interests of different classes of with profits policyholders have been fairly taken into account.

R J Houlston FIA

With-Profits Actuary