

# Reliance Mutual scheme – unique governance story or case study for mutuals?

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# Agenda

History

Reason for Scheme

Purpose of the Scheme

Process followed

Determining the basis for capital allocation

Approval process

Results and outcome

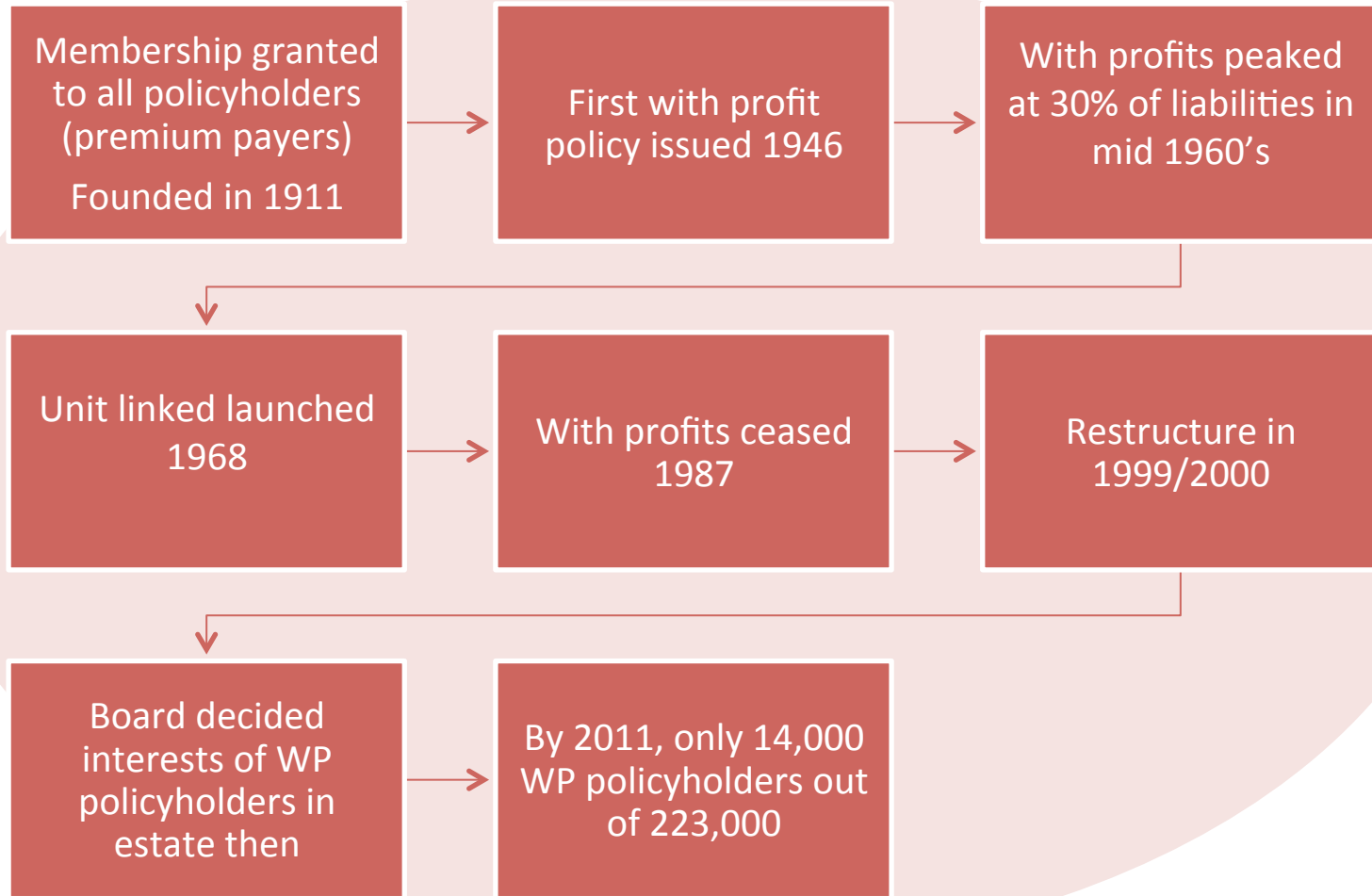
Summary



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# History



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# Reason for Scheme

Fairness determined by Board in 2000 – no COB rules

PPFM defined WP interest qualitatively

Allocation of capital to WP payouts from 2003

Board determined remaining open in members interests

Low cost operating model (closure levels)

Value being added through post 2000 activities – no method for distribution in PPFM

COB 6/COBS 20 reinforced need to resolve

Board wanted clear member mandate for resolution



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# Purpose of Scheme

Clarification of interests of various groups of members

Member endorsement of capital allocation and business strategy

More formal structure enabling more certain fairness

More certainty of expectation to WP members including limitation of risk exposure

Enhance the quality of governance through greater member engagement in key decisions

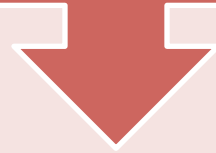


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# Process followed

Board committed to member vote – no consultation for 2000 changes  
Legal advice – member votes can be challenged later



Chose to use scheme of arrangement

Legal and actuarial review of all actions since 2000  
Interests of WP policyholders determined afresh  
Challenge was what to test against



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# Process followed

Grouped policyholders with similar interests – a fairness issue



Acquired policyholders in ringfenced subfunds

Non profit policyholders in open subfund

With profits policyholders in open subfund

Policyholder tracing, adverts to get register as up to date as possible  
*(Note – large back book of IB business)*

External assistance to make policyholder communications as straightforward as possible



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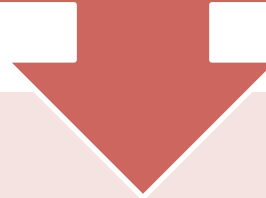
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# Determining the basis for capital allocation

Mem and Arts gives WP policyholders 100% interest in surplus on winding up but silent on going concern

Value of capital varies according to assumptions about the future

Board regularly reviews whether going concern or closed fund/transfer of engagement better for members



Proposition therefore was to ensure the split was at least as good as run off/transfer for WP policyholders

Important to also establish who has an interest in the remaining capital – we determined all members would have an interest in this

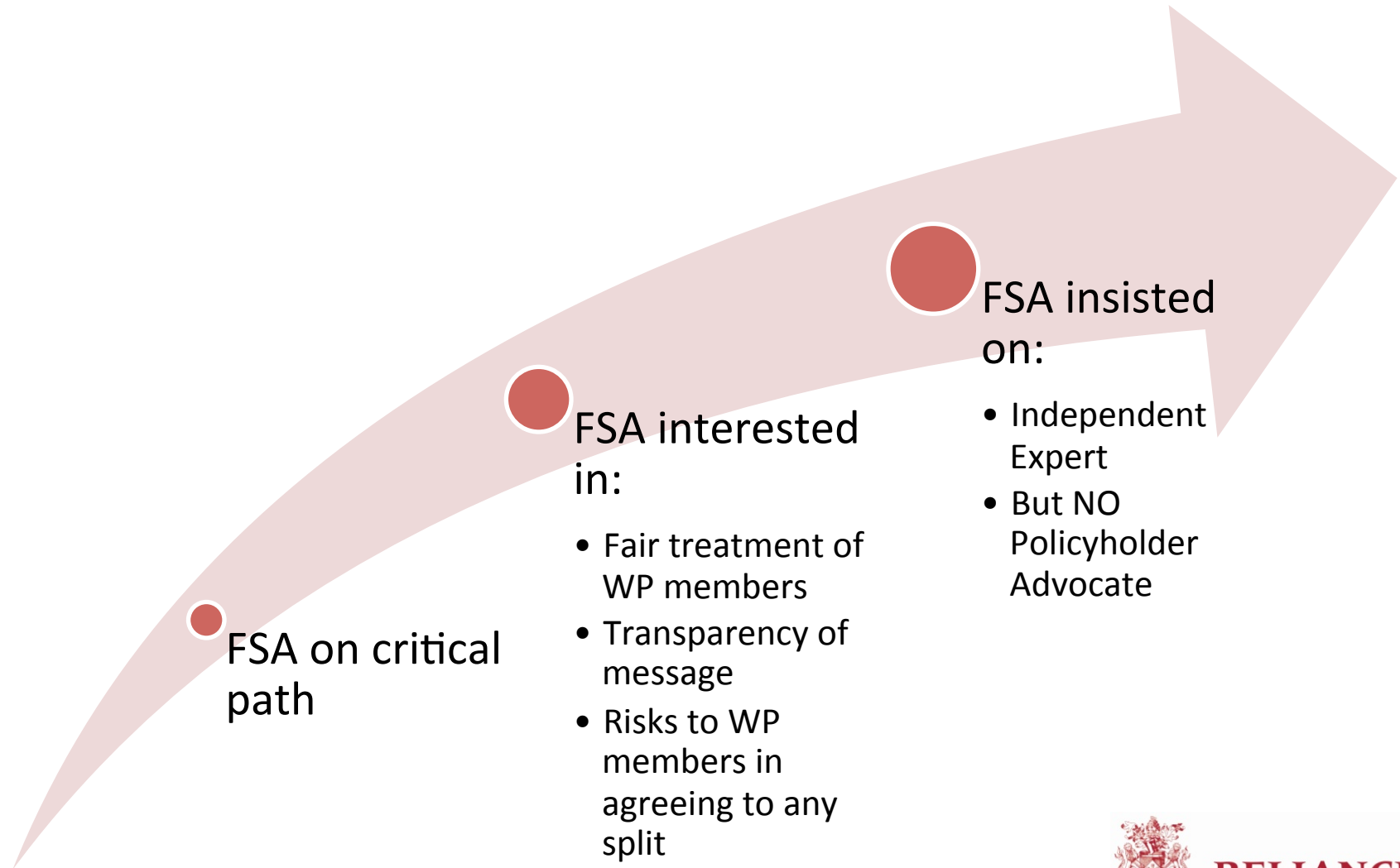


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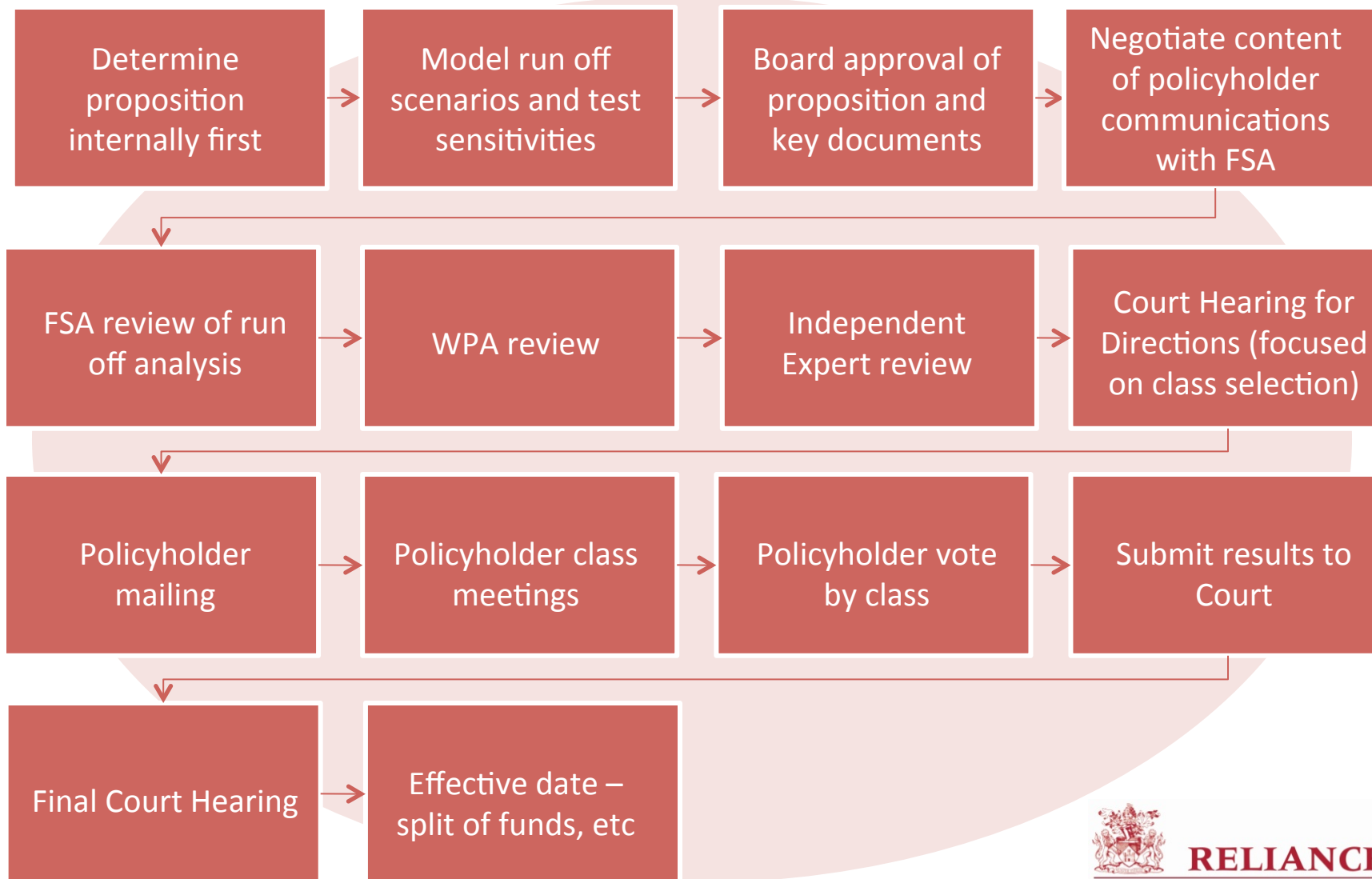
# Approval Process



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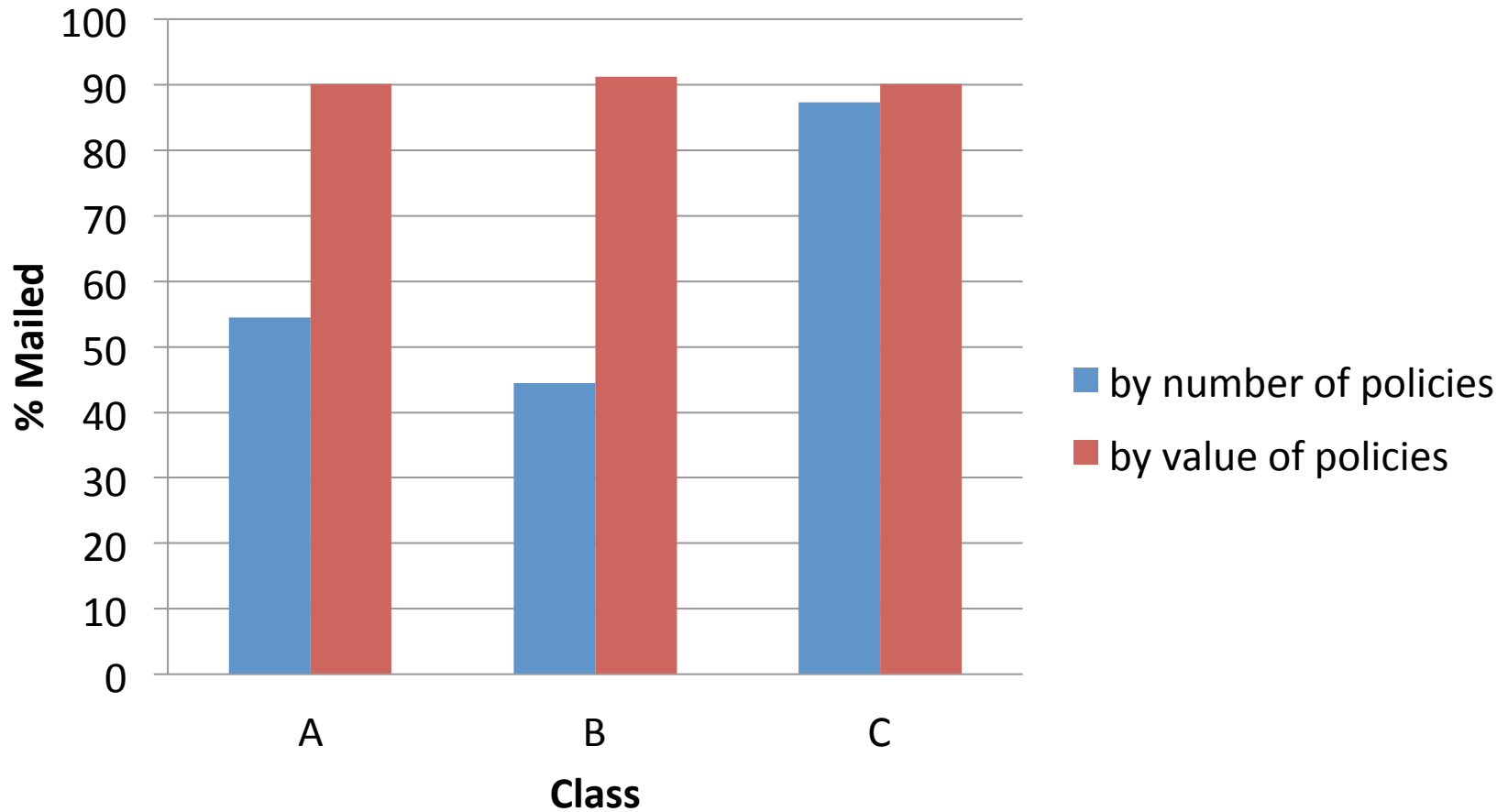
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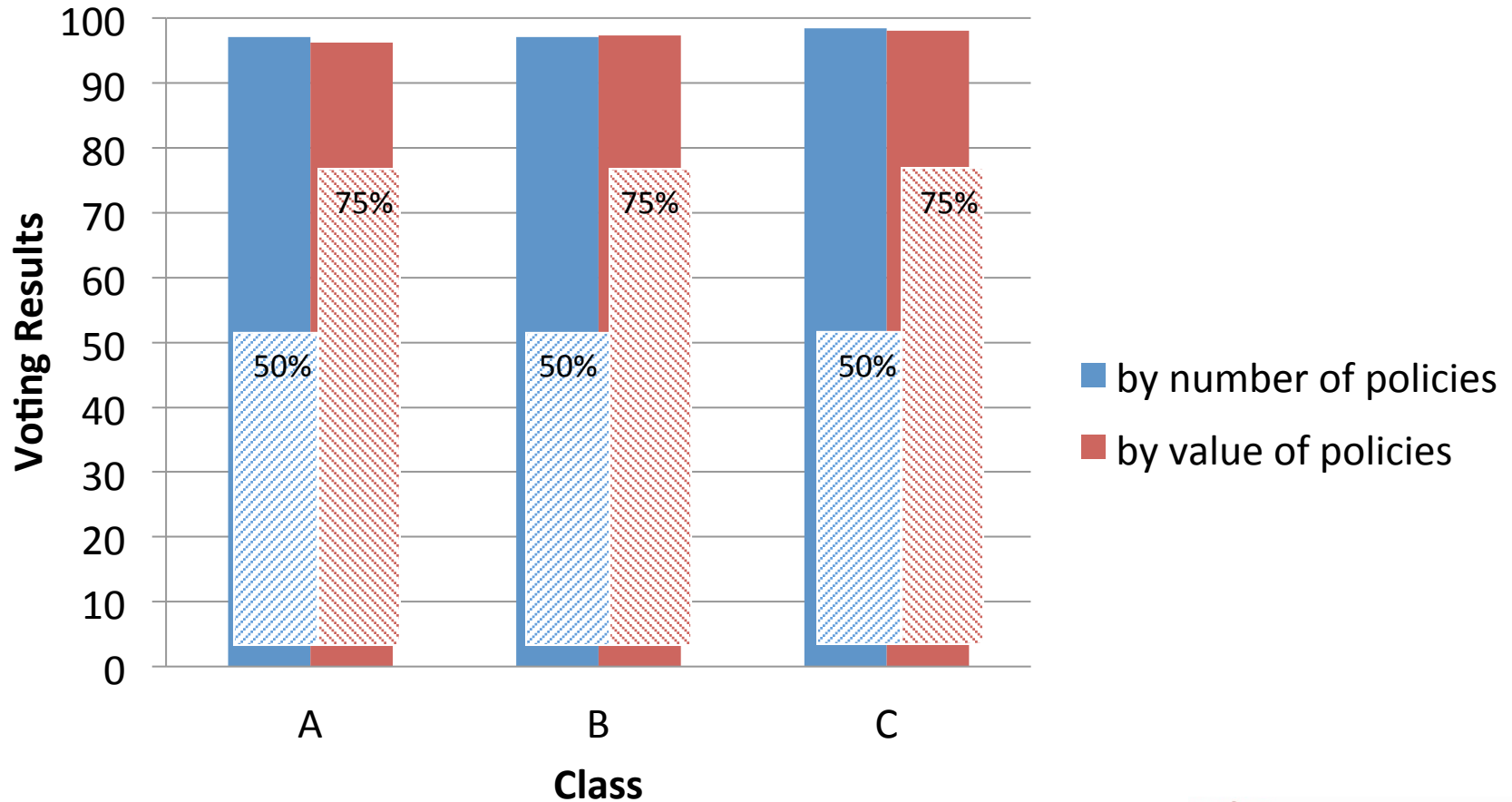
# Member Analysis



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# Voting Results



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# Results and outcome

## Split of capital

- With profit policyholders 51.25%
- Non profit policyholders 48.75%

Scheme sanctioned



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# Summary

Scheme gives clarity as to members interests in the capital of the Society

Member engagement in decisions improves **GOVERNANCE** - Board has an explicit mandate

Method used improves **TRANSPARENCY** of Society's strategy with its members

**FAIRNESS** of strategy has been reviewed and confirmed by FSA, WPA, Independent Expert and Courts – external validation



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