

MEDICAL PROTECTION SOCIETY LIMITED

COMPANIES HOUSE

# BY YOUR SIDE THROUGH CHANGE

ANNUAL REPORT 2015



[medicalprotection.org](http://medicalprotection.org) | [dentalprotection.org](http://dentalprotection.org)



## ABOUT MPS

The Medical Protection Society Limited ("MPS") is the world's leading protection organisation for doctors, dentists and healthcare professionals. We protect and support the professional interests of more than 300,000 members around the world. Membership provides access to expert advice and support together with the right to request indemnity for complaints or claims arising from professional practice.

Our in-house experts assist with the wide range of legal and ethical problems that arise from professional practice. This can include clinical negligence claims, complaints, medical and dental council inquiries, legal and ethical dilemmas, disciplinary procedures, inquests and fatal accident inquiries.

Our philosophy is to support safe practice in medicine and dentistry by helping to avert problems in the first place. We do this by promoting risk management through our workshops, E-learning, clinical risk assessments, publications, conferences, lectures and presentations.

MPS is not an insurance company. All the benefits of membership of MPS are discretionary as set out in the Memorandum and Articles of Association.

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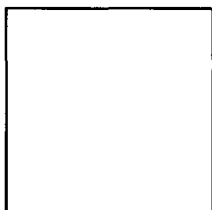


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# CHAIRMAN'S STATEMENT



**KAY-TEE KHAW**

Chairman of the Council

**A**s a healthcare professional, your world is constantly changing. Healthcare systems around the world are dealing with increasing costs, changing structures, new technologies, rising patient expectations and high levels of regulation. All this is happening at a time when demand for healthcare is rapidly rising. While these challenges often place increasing pressure on your work and personal life, it is good to know there is someone on your side and looking out for you.

Against this backdrop of change, we are continually adapting our services to help you navigate the pitfalls that can lead to a complaint or claim. This means offering more support, advice, and defence, that is tailored to your needs. I am pleased, then, to present this report which details how we have worked with members and on their behalf over the past year.

## **BY YOUR SIDE**

You carry big responsibilities and can be exposed to big risks. You are held to account, often publicly, for the decisions you make. Our priority is you, our members, and our aim is to offer the same level of attention, compassion and protection for you as you do for your own patients.

Although members have often associated us with assistance in difficult situations – handling claims, complaints and regulatory hearings – many more are now seeing us as their true partner in risk reduction, using our services throughout their career.

We do all we can to help you learn the skills you need to avoid situations that can result in complaints and claims, including: the opportunity to speak to an expert colleague through our confidential advice line; free, fully-accredited educational workshops; and a library of publications, factsheets, and guidance materials.





Against this backdrop of change, we are continually adapting our services to help you navigate the pitfalls that can lead to a complaint or claim

Your membership provides access to expert advice and support together with discretionary indemnity for complaints or claims arising from professional practice. If a problem should ever arise, we can offer impartial advice and a team that is here to support you when you need it. We can provide access to experts in the medicolegal and dentolegal field who can guide you through whatever situation in which you find yourself and explain what you can do to stop it escalating.

Inevitably, some cases do progress and we understand the detrimental effect this can have on your health and mental wellbeing. Some 72% of doctors and 95% of dentists whom we surveyed last year experienced mental health issues, such as stress, anxiety, and low self-esteem as a result of investigation. Remember, if you find yourself in this position, our counselling service offers immediate access to support 24 hours a day, seven days a week, and face-to-face counselling sessions can be arranged near to you and at your convenience.

#### **CAMPAIGNING FOR CHANGE ON YOUR BEHALF**

Like you, we believe prevention is better than cure. We work hard to promote and defend your legal interests in the regulatory and legislative environments. We seek to play an active role in shaping public policy and regulation that impact on you, using our considerable medicolegal and dentolegal expertise to inform debates about changes that affect your professional practice. We also strive to influence positive changes that will benefit the profession as a whole.

#### **PLANNING NOW FOR YOUR FUTURE NEEDS**

There is more we want to do to ensure that we are able to provide you with the best possible service, not just today but long into the future. Change brings an opportunity for growth. As a result, we are driving change on a number of fronts to deliver industry-leading, world-class service. We are continuing to

invest in our internal processes, expand our membership service and look at ways to develop new products. Our Chief Executive, Simon Kayll, will discuss this in more detail in his report.

My fellow Council members and I share a passion for this organisation and for the extraordinary members we serve, as well as an excitement for the future ahead. I would like to thank them and in particular, Professor Sir Peter Morris, who completed his term as President of MPS in 2015. We welcome Professor Sir Ravinder Maini as the incoming President, along with Mr Ian Eardley and Dr Jim McLenachan who both joined Council in 2015. I would also like to thank all the staff of MPS and our various partners around the world for the commitment they show to providing the best possible service to members.

Finally, I thank you for your continued membership and assure you that we will continue to earn your trust and respect every day not only for what we achieve, but for how we do it.

#### **Kay-Tee Khaw**

Chairman of the Council



# IN YOUR WORDS



**I** became a member of MPS fifteen years ago. At that time, I was considering all my medical insurance and indemnity options, and asked colleagues for advice. They pointed me towards MPS, saying it was the best I could do in regards to protection. And so, I joined.

My first years as a member went by without any problems or complaints, just the occasional calls for simple advice on issues such as consent and such. The advice I received was always timely, immensely helpful and, most importantly, in a language that was easy to understand and did not require a law degree to decipher.

Then one day, in what has become a common occurrence for many doctors in my specialty, I unexpectedly received my first complaint. It was not a serious matter, and it wasn't even related to my involvement with that patient's care; but, being named did raise my heart rate to an unhealthy level. MPS was immediately there to support me. After explaining the circumstances surrounding the matter, the adviser helped me draft a letter to the patient, which resulted in the patient actually apologising to me for having named me in the complaint. It was a great relief. Many years went by without further issues. In retrospect, it was merely the calm before the storm.

Then, a patient complained heavily about my care during an emergency procedure. This was a case in which I had to exercise my clinical judgment in deciding what one should do to avoid harm to the patient, while at the same time trying to get the patient through the procedure as comfortably as possible.

MPS's advisers and lawyers were of great help with creating a clear response letter to the patient's complaint, highlighting the absence of clinical negligence in this case. The MPS team sought expert evidence in relation to my clinical judgment in the case and used this as a basis to defend my actions. Unfortunately, and inexplicably, the case went on further.

At this point, I cannot tell you how distressing it was to be under investigation for questionable reasons. I was in a nightmare that would not end, like having the sword of Damocles hanging over me constantly.

With this case ever present in my mind, I found it difficult to focus on my daily work and worried about my patients. MPS once again were very helpful, supporting me morally and mentally, and reassuring me that they would do everything necessary to fight the case. It gave me comfort to know they were working to protect me.

Three years later, and the case was still ongoing. It drained my energy more and more. But with the continued help of MPS and my colleagues, I was able to cope with the pressure and keep working without any other problems.

Eventually, the case came to a successful end. The authority decided that it was a case in which I had reasonably exercised my clinical judgment, as MPS had stated from the beginning. However, having dragged on over such a long period of time, this case pushed me to the limit of what one can bear. It was MPS with their constant support that enabled me to continue working.

I cannot thank MPS enough for what they have done to help me through this difficult time.

And it was MPS, with all their resources, knowledge and experience, that I credit with my successful defence.

Thank you.

**Dr. A, anaesthetist**





This year has been an excellent experience, an opportunity, a moment to pause and think about the way I run my business and how I have developed as a dentist. All in all, it's probably been one of the most productive years for me. I have attended more CPD, read more journals, engaged with more people of much greater knowledge and been able to share it all with my peers and my colleagues. I have joined the LDC and hope to be an elected member, achieved BDA Good Practice at my surgery and have begun my journey towards IIP. More importantly than anything else, I feel I have become a much better individual and a more conscientious dentist.



Thank you for all your advice and support - I couldn't have got this far without you.



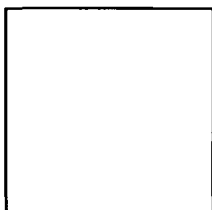
Thank you for your support, which was there when I needed or wanted it, without intruding or imposing. This single experience has made my 35 years of membership worthwhile.



...a major thank you to your organisation for providing a very supportive and professional framework throughout the difficult 18 month process. Worth every penny and more of a career-long membership of your organisation.



# CHIEF EXECUTIVE'S REPORT



**SIMON KAYLL**

Chief Executive

**I**n 2017, MPS will celebrate 125 years of service to members. In that time, our membership has grown from a small number of English doctors to over 300,000 doctors, dentists and other health professionals in a number of countries around the world. Our longevity, size and international experience give us unparalleled experience of medicolegal and dentolegal matters, meaning we are uniquely placed to understand and respond to your needs.

## **SUPPORTING MEMBERS THROUGH CHANGE**

In a fast changing environment, we are adapting our service to reflect your evolving needs.

In 2014, we embarked on a major change programme to improve the focus, efficiency and effectiveness of our service to you. This change programme has been wide ranging and should conclude in 2017.

As I reported last year, we chose to start this change programme with our claims management function, as claims are by far the largest area of cost to members. We have developed a new approach to triage claims that are notified. This has been operational for about a year and the results show improvements in the speed with which we are managing the early stages of claims, the speed with which we are resolving smaller claims, and have resulted in a saving in costs. The next stage, which is being rolled out in 2016, is to achieve similar results in the resolution of the more complex claims.

We are also undertaking a similar review of our approach to handling the other matters we assist with beyond claims. This can be any matter arising from a member's clinical practice, including: reports to the regulator, fatal accident enquiries, disciplinary hearings, clinical reports and much more. Improvements in our management of these cases will be realised in 2017.

A third area of our change programme is the development of a new membership administration system. The benefits of this project, which will be realised in 2017, will enable us to offer you a more flexible and tailored service, affording you greater accessibility and freedom to manage your own membership.





## On your behalf, we continue to advocate changes in legal processes and tort law to reduce the frequency of negligence claims and to reduce their size

These changes will also improve our ability to analyse member data and to assess risk both by speciality and defined areas of practice, ensuring that we continue to offer the most appropriate and comprehensive protection for members.

### THE COST OF CLINICAL NEGLIGENCE

The increasing number and cost of clinical negligence claims and, in many countries, the increasing demands of professional regulators have resulted in a growing demand for our services. This has caused us to increase subscriptions by, in many cases, more than the increase in your incomes. We are acutely aware that our subscriptions are becoming less affordable and, as a member-owned organisation, we are taking a number of steps to try and contain the size of possible future subscription rises.

We are a not-for-profit, mutual organisation, which means that all the subscriptions that you pay are retained within MPS for the benefit of members. We have no third party shareholders and pay no distributions to third parties.

As we have no third party shareholders, our only source of capital is from our members. To ensure the long-term viability of the organisation so that we can offer assistance to you in your time of need, we must charge subscriptions that we believe are necessary to cover the costs that we could potentially meet in the future on your behalf.

### CHAMPIONING CHANGE ON YOUR BEHALF

Costs relating to claims for clinical negligence make up the largest element of your membership subscription. We are doing all we can to ensure that when a member reports a claim to us, we can resolve it as quickly and as expediently as possible. In resolving claims we always ensure we act in your best interest and where applicable, defend that interest robustly.

The other side of the equation is trying to influence the number and size of claims. In this respect we have done a lot of work, primarily in the UK, Ireland and South Africa, to argue for changes in both the legal system and the tort law system, to reduce the number and the size of claims.

The overall cost of clinical negligence claims is a significant drain on the funding of public healthcare systems, and there needs to be a balance between the interests of individual patients, who are deserving of compensation following negligent treatment, and the interests of the wider society. We have done much in 2015 to lay out the problem, to suggest changes and to advocate change; this includes launching *Challenging the Costs of Clinical Negligence: The Case for Reform* in South Africa. This is a long term strategy that will take time.

Our advocacy work continues in other areas too, for the benefit of the wider membership and the medical and dental professions. In 2015, we gave evidence to a meeting of the Health Select Committee in Ireland and submitted written evidence to a Health Select Committee inquiry in the UK. We are also working with NHS England to understand the indemnity needs for the new models of care that are being developed.

### MATCHING RISK AND PRICE

As the cost of professional protection rises, we find that members are keen to ensure that the cost they pay represents the risk of their particular practice. We continually review our analysis of practice risk and try and create ever greater differentiation in our pricing to meet this growing demand from members. For example, in dentistry we introduced a new, higher subscription for members undertaking implants, and in medicine, we introduced a higher rate for ophthalmic surgeons carrying out refractive laser surgery. These changes benefit the wider membership who are not involved in this work by keeping their subscriptions lower than would otherwise have been the case without such differentiation.



### MANAGING ADVERSE MEMBER RISK

On a similar theme, we have a very small number of members, a fraction of one percent, whose risk profile is significantly worse than that of their peers and who incur a significant cost, which has to be borne by the wider membership. Our practice is to increase the member's subscription and work with them to try and reduce their risk for the future. In the most extreme cases, we will decline to offer terms for the renewal of their membership.

### FINANCIAL REVIEW

Whilst it is important that we focus on our internal costs, they make up only a fraction of your membership subscription. The majority relates to the anticipated cost of clinical negligence and there are two elements that influence this part of your subscription: the expected cost of clinical negligence claims and the investment performance of the funds we hold on your behalf to meet future claims. Currently this amounts to approximately £2.1bn.

In the past eight years, we have seen the costs of clinical negligence claims rising faster than anticipated; but with investments performing at least in line with expectation. However, as the Finance Director's report shows in more detail, 2015 has seen a reversal of this with claims costs performing closer to expectation whilst investment performance has been well below expectations.

### IN SUMMARY

I am acutely aware that the current high cost of clinical negligence claims in many countries around the world means that members are finding membership subscriptions increasingly difficult to afford. We are working hard to do what we can to address the escalating costs that drive subscriptions.

To ensure that we are delivering the best service possible, we continue to improve our internal processes so that claims and cases can be resolved as quickly and cost effectively as possible, without compromising MPS's reputation for robust defence of members when appropriate. On your behalf, we continue to advocate changes in legal processes and tort law to reduce the frequency of negligence claims and to reduce their size. In addition, we are carefully managing the risk that a very small minority of members pose to the wider membership and are proud to provide an extensive range of education and risk management, to support our members in understanding and managing their own risk.

I feel enormously fortunate to be part of the remarkable work of this organisation. Each day, I have the great honour of working for you, the 300,000 plus members, who entrust us with your professional indemnity and support. On behalf of my colleagues and myself, I want to thank you for your continued membership and assure you that we will continue to challenge ourselves to set the standard for excellence for medical and dental defence.

**Simon Kayll**  
Chief Executive

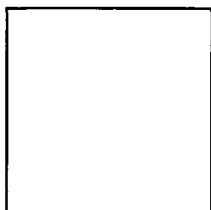


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# FINANCE DIRECTOR'S REPORT



## HOWARD KEW

Executive Director – Finance and Risk

**I** am pleased to be able to report a sum of £97.2m as total comprehensive income in 2015 (compared to £11.8m in 2014), after a year which has seen some encouraging signs in the area of claims development, but volatile, and in many cases, declining investment markets.

The overall size of the balance sheet (total assets less current liabilities) has increased by 4.1% to £2,345.4m as at 31 December 2015 from £2,252.5m at the end of the previous year, whilst the funds available to members have also increased from £1,206.5m at the end of 2014 to £1,303.8m (+8.1%) at the end of 2015.

Income from members' subscription and other miscellaneous sources has grown by 8.6% from £390.5m to £423.9m.

Our other principal source of income is investments where income is down from £39.4m in 2014 to £25.7m in 2015, a reduction of 34.7%. And whilst the overall size of our invested assets has grown modestly to £2,132.6m (from £2,099.1m at the end of 2014), this outcome is considerably lower than we would have expected when setting our subscriptions.

It is also important to note that MPS is an international organisation, and whilst the UK generates the majority of the income and the costs, a significant proportion of our members are not UK based. When viewing this from a financial perspective, this helps diversify the risks we carry but also can create volatility in the reported numbers. In particular, the currency markets in 2015 showed a considerable appreciation in the value of sterling against the Euro and the Rand. This had the effect of reducing the value of our liabilities in these currencies but also reduced the value of both our income and our assets too.

## THE COST OF CLINICAL NEGLIGENCE CLAIMS

Looking at the numbers in more detail, it is encouraging to see a reduction in our most significant cost line, the reported claims and associated legal costs in the year, which fell to £165.4m in 2015, some £109.7m lower than the equivalent figure of £275.1m in 2014.

This is reflected in the balance sheet position which shows our overall provision for liabilities falling very slightly to £971.4m at the end of 2015, compared to £979.3m and the end of the previous year.

The £165.4m figure for reported claims is made up of a number of different elements, and reflects not just claims we have settled in 2015, but also estimates of the ultimate costs of new claims received in the year, and the changes in value of estimates of cases that remain unsettled. This is the first time in recent years that we have seen a year-on-year reduction in this area, and whilst we cannot directly attribute cause and effect with any certainty, it is valuable to consider the possible reasons.

Firstly, we have been able to refine our assessment of the surge of claims that were reported around the time of the introduction of the UK tort law reforms in April 2013, known as The Legal Aid, Sentencing and Punishment of Offenders Act (LASPO). From the outset we believed that a significant number of these claims were potentially unmeritorious and, having mounted a robust defence, it has become clear that many are indeed without merit. Consequently, we have been able to reduce or even remove the estimates we held against these claims.

As almost all claims brought after April 2016 will be under the new regulations we should soon have a clearer picture of whether the



introduction of LASPO will reduce the number of unmeritorious claims brought. We incur significant costs repudiating such claims against members and we are only too aware of the personal impact claims can have; so not only do we keenly await evidence of this long sought outcome, we are also seeking further tort reform to reduce the overall burden of claims on members.

As referred to earlier, it is important to note that our Euro and Rand denominated claims will have reduced in value over the year due to the relative weakening of those currencies against sterling.

Also, 2015 saw the first year when we could expect to see benefits from our investment in the way in which we process claims on behalf of members. In part, this is to meet the increased sophistication of claimant lawyers who often look to maximise their own income at our members' expense. As the costs of claims are closely related to the time it takes to settle them, we are focussed on early assessment and decision making on how we should proceed. We expect further benefits to be realised in 2016.

Finally relating to claims, 2015 was a year in which we saw a little less development of very large claims. In proportion to our overall number of claims, the frequency of very large claims is relatively small, but as they are of very high value, they are of considerable importance. Any variance from the expected number will have a disproportionate effect and in 2015 this was helpful to the financial position.

### LONG TERM CONSIDERATIONS

However, the 2015 statements only relate to a single calendar year and it is critical to understand that MPS is managed on a long term basis, to ensure that our finances do not prevent us exercising our discretion to support members and meet future potential obligations.

The vast majority of members are entitled to seek assistance on the "occurrence based" principle. This means that the income we collect in 2015 is held on behalf of members to meet the risks arising from their clinical activities in 2015, acknowledging that these funds need to be invested in anticipation of the costs crystallising in future years. Consequently, we must always consider the longer term future position of the organisation when setting subscriptions and managing the financial position.

When looking out further we have concerns in several areas, including the total cost of settlement as discount rates are reduced, the propensity for patients to sue for damages against clinicians and claimant lawyers becoming ever more skilled and resourceful. This leads us to increase our estimates of potential future costs, and hence affects the cost of subscriptions in general.

### INVESTMENT MARKET

Turning to the organisation's assets, many members will know that whilst 2014 was challenging, 2015 proved to be an even more difficult year in investment markets. We operate with a modest investment risk appetite and seek to protect members' capital value, but because we have a very large and diversified fund of invested assets, it was difficult to avoid the decline experienced in most major asset classes globally. This is clearly shown when analysing income and the change in fair value which show a combined loss of £50.4m in 2015 (compared to a contribution of £33.4m in 2014). Whilst some of this loss can be attributed to exchange rates, and therefore be offset by reductions in claims reserves, there was an underlying reduction in the value of investments and hence significant underperformance relative to that which would have been anticipated when setting membership subscriptions.

We continually review how we can best protect members' capital whilst seeking an appropriate level of return, but in 2015 this did not prove to be possible, though the improved position on claims development means we are able to report a positive net result and have some guarded optimism for the future.

### NEW FINANCIAL REPORTING STANDARDS

For the first time, the 2015 financial statements are presented under the requirements of the new UK Financial Reporting Standard 102 (FRS 102), the adoption of which is now mandatory for companies such as MPS. The objective of the new standard is to enable users of accounts to receive high-quality understandable financial reporting consistent with the size and nature of the entity and the needs of the user.

Adoption of these new reporting standards has required us to revise certain accounting policies, which in turn have an impact on some of the reported numbers when compared to prior years. We are also required to restate our 2014 results under the new requirements. The most significant area of impact is around investments; FRS 102 requires changes in fair value of investments to be recognised in the statement of comprehensive income, whereas previously such movements went directly to balance sheet reserves. In addition, deferred tax relating to certain investment fair value movements is now required to be fully provided for within the financial statements. The impact of these changes, along with all other relevant items, is covered in more detail in note 25 to the financial statements.

### Howard Kew

Executive Director – Finance and Risk



# OFFICERS AND MEMBERS OF THE COUNCIL AND COMMITTEES

## PRESIDENT

**Professor Sir Peter Morris** AC FRS FRCS FMedSci <sup>2,3</sup>  
(retired 10 June 2015)

**Professor Sir Ravinder Maini** BA MB BChir FRCP FRCPE Hon DSc (Glasg)  
FMedSci FRS <sup>2,3</sup> (appointed 10 June 2015)

## VICE-PRESIDENT

**Professor John Bonnar** MA MD FRCPI FRCOG

## CHAIRMAN

**Professor Kay-Tee Khaw** CBE MA MB BChir MSc FRCP FFPHM FMedSci

## VICE-CHAIRMAN

**Mr Simon Pashby** BA(Hons) FCA

## CHIEF EXECUTIVE

**Mr Simon Kayll** BA(Hons) FCA MBA

## MEMBERS OF THE COUNCIL

**The Lord Bradley** PC BA(Hons) MPhil <sup>1,2,3</sup>

**Richard Brennan** MB BCh MICGP FRCGP LRCP&SI <sup>1</sup>

**Ian Croxford** QC LLB <sup>1,3</sup>

**Mark Davis** MB ChB MRCP DRCOG DOccMed FRCPEd <sup>3</sup>

**Yasmin Drabu** MB ChB DCH FRCPATH FRCP <sup>1</sup>

**Ian Eardley** BA(Hons) MB BChir MA FRCS MChir FRCS (Urol) (appointed 1 November 2015)

**Patrick Forbes** MB ChB FRCOG <sup>7</sup>

**John Gibson** BDS MB ChB PhD FRCP(Glas) FDS(OM) RCPS(Glas) FFDRC(S)(Irel)  
FDSRCS(Edin) (ex officio) <sup>6</sup>

**Simon Kayll** BA(Hons) FCA MBA Chief Executive (ex officio) <sup>4,5,6,7</sup>

**Howard Kew** BSc(Hons) PGCE <sup>4,5,7</sup>

**Kay-Tee Khaw** CBE MA MB BChir MSc FRCP FFPHM FMedSci Chairman <sup>2,3,4,6,7</sup>

**Kevin Lewis** BDS LDSRCS FDSRCS(Eng) FFGDP(UK)

**Jim McLenachan** MB ChB MRCP FRCP (appointed 1 November 2015)

**Simon Pashby** BA(Hons) FCA <sup>1,2,4,7</sup>

**Sally Scutt** BA(Hons) MBA MA <sup>1,2</sup>

1. Members of the Audit and Risk Committee
2. Members of the Remuneration Committee
3. Members of the Nominations Committee
4. Members of the Board of MPI (London) Limited
5. Members of the Board of MPS Risk Solutions Limited
6. Members of the Board of Dental Protection Limited
7. Members of the Assets and Liabilities Committee

## PROFESSOR KAY-TEE KHAW (CHAIR)

CBE MA MB BChir MSc FRCP.  
FFPHM FMedSci

Kay-Tee Khaw was elected to the Council as a non-executive director of MPS in June 2011, and was appointed Chairman in June 2012.

She is Professor of Clinical Gerontology at Cambridge University and Fellow of Gonville and Caius College. She is a Fellow of the Academy of Medical Sciences and past chair of the International Society of Cardiovascular Epidemiology and Prevention. She has served as a board member of the Higher Education Funding Council for England, NHS Central Research and Development Committee, MRC Health Services and Public Health Research Board, Cambridgeshire Health Authority, Wellcome Trust Population Sciences Panel, and the World Heart Federation Council on Epidemiology and Prevention. She has also served as a Trustee of the Kennedy Memorial Trust, Help the Aged (now Age UK) and the British Heart Foundation.

## LORD KEITH BRADLEY

PC BA(Hons) MPhil

Keith Bradley joined the Council as a non-executive director of MPS in July 2007 and was elected by the membership at the Annual General Meeting in June 2008.

He is a member of the House of Lords, is Chair of Manchester Salford and Trafford LIFT Company, Chair of Bury, Tameside and Glossop LIFT Company, non-executive director of Pennine Care NHS Foundation Trust, and is Honorary Special Adviser to the University of Manchester. He was formerly member of Parliament for Manchester Withington (1987–2005), served as a Government Minister and a member of the Health Select Committee. He is a member of the Privy Council.



**DR RICHARD BRENNAN**

MB BCh MICGP FRCGP LRCP&amp;SI

Richard Brennan joined the Council as a non-executive director of MPS in July 2013 and was elected by the membership at the Annual General Meeting in June 2014.

He is a rural general practitioner in Ballyhale and Stoneyford, Co Kilkenny. From a medical family, he is a graduate of the Royal College of Surgeons in Ireland. He is a member of the Irish College of General Practitioners and a Fellow of the Royal College of General Practitioners (UK). He is a founding member of the South Eastern General Practice Training Programme and is an active trainer on the programme. He is a former ICGP Chairman of Council and has represented the ICGP on: The National Taskforce on Medical Staffing (Hanly Report); The Medical Education and Training Group (Buttimer Report); and The National Primary Care Steering Group. He has also been a member of the Commission on Patient Safety and Quality Assurance, and was a member of the HSE Task Force on Emergency Departments. He has a keen interest in the general practice-hospital interface and the development of more integrated care for patients. He has recently completed his term as the ICGP nominee on the Irish Medical Council (2008-2013). Whilst on the Council, he was also Chairman of the Medical Council's Health Committee and a member of the Standards in Practice and the Fitness to Practice Committees.

**DR MARK DAVIS**

MB ChB MRCGP DRCOG DOccMed FRCPEd

Mark Davis was elected to the Council as a non-executive director of MPS in June 2009.

Until the end of 2014 he was a principal in general practice in Leeds, where he had worked since 1984. He continues to practise as an occupational physician and is a consultant to a number of OH companies. Until April 2013 he was on the Executive of Leeds South and East CCG, with responsibility for long term conditions. Between 2007 and 2012, he was a board member of a practice-based Commissioning Consortium, and from 2002 to 2006 was a member of the Professional Executive Committee of the East Leeds Primary Care Trust. He has a special interest in cardiovascular medicine and has served on a number of Department of Health, Primary Care and NIHC committees and working groups related to this clinical area.

**MR IAN CROXFORD**

QC LLB

Ian Croxford joined the Council as a non-executive director of MPS in November 2007 and was elected by the membership at the Annual General Meeting in June 2008.

He is a barrister, being called to the Bar in 1976 (Gray's Inn), was appointed a QC in 1993, became a Bencher at Gray's Inn in 2001 and was appointed as a Deputy High Court Judge (Chancery Division) in 2007. Ian's professional practice is mainly substantial commercial and professional negligence (non-medical) litigation. He has, since 1990, served as a Governor of Westcliff High School for Boys and became Chairman of Governors in 1995.

**DR YASMIN DRABU**

MB ChB DCH FRCPath FRCP

Yasmin Drabu was elected to the Council as a non-executive director of MPS in June 2009.

She has over 35 years of experience in the NHS. She was appointed as a Consultant Microbiologist in the Health Service in 1982. In 2000, she became Medical Director at North Middlesex University Hospital (NNUH). In March 2006 she moved to Barking Havering and Redbridge University Hospital NHS Trust (BHRUT) as a full time Medical Director. She implemented major programmes of developing clinicians as leaders in both of these Trusts. In 2009, BHRUT was voted the top NHS Trust for Innovation in London. In February 2010, she was seconded to the Blood Policy and Infectious Diseases Division of the Department of Health. In 2004, she was awarded the Asian Professional Woman of the Year, and in 2007 she was awarded an Honorary Fellowship of the Royal College of Physicians. She is currently on the Medical Council of the Joseph Foundation.





## MR IAN EARDLEY

BA(Hons) MB BChir MA FRCS MChir FRCS (Urol)

Ian Eardley joined the Council as a non-executive director in November 2015 and submits himself for formal election by the membership at the Annual General Meeting in June 2016.

He studied medicine at Sidney Sussex College, Cambridge and at Addenbrooke's Hospital, and undertook urological training in St Bartholomew's Hospital, Portsmouth, Cambridge and Norwich. He was appointed to the post of Consultant Urologist in Leeds in 1993 where he has worked ever since, specialising in andrology, reconstruction of the urinary tract and genital surgery.

In 2014 he was awarded the St Peter's medal by the British Association of Urological Surgeons for his contributions to the advancement of Urology. He has extensive experience in surgical education and training, and has been Chairman of the Joint Committee for Surgical Training. He was elected to the Council of the Royal College of Surgeons in 2010, and became Vice President of the College in July 2015.



## PROFESSOR JOHN GIBSON

BDS MB ChB PhD FRCP(Glas) FDS(OM)  
RCPS(Glas) FFDRCS(Irel) FDSRCS(Edin)

John Gibson joined the Council as a non-executive director of MPS in October 2014 and as Chairman of MPS's subsidiary, Dental Protection Limited. His position on Council is ex officio and thus he is not elected by the membership.

He is qualified in both medicine and dentistry and is Professor of Medicine in Relation to Dentistry at the University of Glasgow; he is also Honorary Consultant in Oral Medicine within NHS Greater Glasgow & Clyde. He has a long-standing interest in medicolegal practice and was an expert witness for many years within the UK court system, particularly in mouth cancer, for which he maintains a research interest, alongside allergy and orofacial granulomatosis. He was a member of the General Dental Council's Fitness to Practice Panel for ten years and chaired its Professional Conduct and Health Committees. He has established interests in ethics and professionalism as well as mediation and mentorship.



## MR PATRICK FORBES

MB ChB FRCOG

Patrick Forbes was elected to the Council as a non-executive director of MPS in June 2011.

He is a Consultant Urogynaecologist at Addenbrooke's Hospital, Cambridge, and previously a Consultant in Obstetrics & Gynaecology in the RAF and at Hinchingbrooke Hospital, where he has also been Clinical Director and Royal College Tutor. He has been a regional panellist for the Confidential Enquiry into Stillbirths and Deaths in Infancy. He serves as an examiner for Final MB at Cambridge University, is a member of the Academy of Experts and regularly gives evidence at Coroners' Inquests and on behalf of doctors at the GMC.



## MR SIMON KAYLL

BA(Hons) FCA MBA

Simon Kayll was elected to the Council as an executive director in June 2003.

He is a Fellow of the Institute of Chartered Accountants in England and Wales. He joined MPS in February 1994 as Chief Accountant and was successively appointed as Financial Controller and then Finance Director in January 1999, also serving as Company Secretary for MPS and most of its subsidiary companies from March 2000 until December 2011. He was appointed Chief Executive of MPS on 1 January 2012, at which time his position on Council became ex officio and thus he is not elected by the membership.



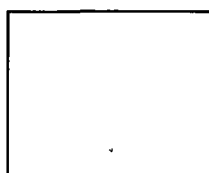


## MR HOWARD KEW

BSc(Hons) PGCE

Howard Kew was elected to the Council as an executive director in June 2012.

He has over 20 years' experience in financial services, having originally graduated in Mathematics from the University of Leeds. Howard also has experience in the mutual sector and with one of the UK's leading insurance companies where he was finance director of their personal finance subsidiary. He has had extensive involvement in investment, credit management and capital markets and is a qualified corporate treasurer. He has been closely involved in economic development in the Leeds city region and has promoted the financial and professional service sector internationally, including lobbying at local and national government level. Howard is also MPS's Executive Director – Finance and Risk and is responsible for overseeing all aspects of finance, investment, risk, internal audit and compliance.



## DR JIM McLENACHAN

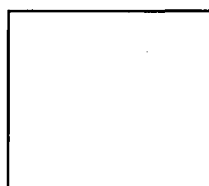
MB ChB MRCP FRCP

Jim McLenachan joined the Council as a non-executive director in November 2015 and submits himself for formal election by the membership at the Annual General Meeting in June 2016.

He graduated in medicine from Glasgow University in 1980. He then trained in cardiology in Glasgow and in Boston, Massachusetts (Harvard Medical School). He took up his post as consultant cardiologist at Leeds General Infirmary in 1992.

His main interest is in the treatment of angina and heart attack. He was an early adopter of coronary artery stents and contributed to the rapid national uptake of this new technology from 1992 onwards. Between 2004 and 2007, he led on the development of new heart attack treatments in Yorkshire. From 2008 until 2012, he was the National Clinical Lead for the roll-out of new heart attack treatments in England. In 2012, he was appointed chair of NHS England's Clinical Reference Group for Cardiology which advises the NHS on specialist treatments for heart disease.

He currently holds a number of posts including Clinical Director of Cardiology, Respiratory Medicine and Cardiac Surgery at Leeds Teaching Hospitals, Chairman of NHS England's Commissioning through Evaluation programme for the introduction and assessment of new technologies and Chairman of the National Cardiothoracic Benchmarking Collaborative.



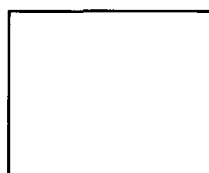
## DR KEVIN LEWIS

BDS LDSRCS FDSRCS(Eng) FFGDP(UK)

Kevin Lewis was elected to the Council as an executive director in June 2003.

He is formerly a general dental practitioner and was a member of the original Board of Dental Protection Limited from 1989–1992, before being appointed as a dentolegal adviser with Dental Protection in 1992. He was subsequently appointed Dental Director of MPS in 1998. His responsibilities include the delivery of all aspects of dentolegal services to members as well as marketing Dental Protection.

He was an Associate Editor of *Dental Practice* (1981–2006), and since 2006 has been the Consultant Editor of *Dentistry*. He was a member of GDC steering group on Recertification and former Vice President of the British Association for Dental Therapists and Council member of the British Society for Restorative Dentistry.



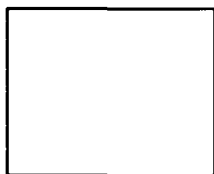
## MR SIMON PASHBY

BA(Hons) FCA

Simon Pashby joined the Council as a non-executive director of MPS in November 2012 and was elected by the membership at the Annual General Meeting in June 2013. He was appointed Vice-Chairman of Council on 1 January 2014.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, with 30 years' audit experience, and was previously a senior audit partner with KPMG, specialising in the regulated financial services sector. He has advised a range of organisations including listed investment fund managers and large UK mutuals in the insurance and healthcare sectors, with significant international operations. He has wide-ranging and recent financial experience advising Boards and their Audit Committees on financial reporting, accounting standards, risk management and internal control systems. He is also a non-executive director of the Scottish Building Society, where he chairs the operational risk committee.





## MRS SALLY SCUTT

BA(Hons) MBA MA

Sally Scutt joined the Council as a non-executive director of MPS in July 2013 and was elected by the membership at the Annual General Meeting in June 2014.

Until June 2015 she was Deputy Chief Executive of the British Bankers' Association and Managing Director of the International Banking Federation. She is currently Strategic Advisor to the International Compliance Association. She is a graduate in Chinese Studies from the University of Durham. She also holds further degrees in business administration and the management of human resources. She has more than 30 years' experience in international and private banking, holding a variety of senior management positions. More recently she has been focused on the development of regulatory policy in financial services both nationally and internationally. This has included a broad range of issues relevant to the banking sector, including financial inclusion and financial literacy, combating financial crime, and the regulation of capital markets.



## PROFESSOR SIR RAVINDER MAINI (PRESIDENT)

BA MB BChir FRCP FRCPE Hon DSc (Glasg) FMedSci FRS

MPS also has a President, Professor Sir Ravinder Maini. This position is not a director of the board under the terms of the Companies Act, but the President is elected by the membership and is entitled to, and does, attend Council meetings, participating fully in the discussions. The role of the President is an active one that provides a valuable channel for engagement between members and the Council.

Professor Ravinder ('Tiny') Maini is Emeritus Professor of Rheumatology at Imperial College, London, Visiting Professor University of Oxford, and President and Trustee of the Kennedy Trust for Rheumatology Research. Prior to his retirement from clinical work, he was an academic Professor and Consultant Physician and Rheumatologist at the Charing Cross Hospital, London. Simultaneously from 1990 to 2002, he was the Scientific Director of the Kennedy Institute of Rheumatology, a Division of the Imperial College Medical School, London. He has held a number

of posts on National/International Committees representing Rheumatology in the past, served on editorial boards of scientific journals and as a Trustee of the Sir Jules Thorn Charitable Trust. He was knighted in 2003 for services to Rheumatology. He is a Fellow of Royal Society, London (FRS), Fellow of the Academy of Medical Sciences (FMedSci), Foreign Associate Member of the USA Academy of Sciences, and has received honorary Doctorates of the Universities of Glasgow and University Rene Descartes, Paris. He was co-awarded for research into anti-tumour necrosis factor treatment the Crafoord Prize by The Royal Swedish Academy of Sciences (2000), The Lasker prize for Clinical Research, USA (2003) and the Canada Gairdner International Award (2014).



# ADVISERS AND SENIOR STAFF

## MEDICAL AND DENTAL SERVICES

### Executive Director - Professional Services

Pardeep Sandhu MBA MB BS

### MEDICAL SERVICES

#### Medical Director

Robert Hendry MB ChB MRCGP DRCOG MPhil(Law & Ethics) MBA FFFLM

#### Head of Medical Services

Alison Metcalfe BM MRCGP DRCOG PgDLaw FFFLM

#### Head of Medical Services – Asia

Ming Keng Teoh LLM MSc MB ChB FRCS(Ed) FRCS(Eng) ChM MFFLM

#### Head of Medical Services – Africa

Graham Howarth MB ChB(Stell) MMed(O&G)(Stell) MPhil(Bioethics)(Stell)

#### Senior Medicolegal Advisers

Pallavi Bradshaw MA(Cantab) MB BChir GDL MRCOphth MFFLM

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Richard Dempster LLB(Hons) MB BS MRCGP DRCOG MFFLM

Angela Farquhar MB ChB MRCGP DRCOG MFFLM

Liliane Field MA MB BS FRCA PgDLaw MFFLM Barrister

Sam Godwin BSc MB BS MRCP(UK) GDL MFFLM

Lyn Griffiths LLM MB BS MFFLM

Peter Mackenzie MA MB BS MRCGP DRCOG PgDLaw MFFLM

Angelique Mastihi MA MB BS MFFLM

Roger Palmer LLM BSc(Hons) PhD MB BChir RCP(Edin)

Carol Seymour MA(Oxon) MA(Cantab) PhD FRCPATH FRCP FFFLM

PgDipLaw PgDipPLS MRCGP MFFLM

David Stewart MB BS MFFLM

#### Medicolegal Advisers

Zaid Al-Najjar BM LLM MRCGP MFFLM DRCOG DPD

Rebecca Aning MB ChB BA FRCEM

Jonathan Bernstein MA MB ChB MRCGP DCH PGDipCard

Rachel Birch BM MRCGP DRCOG DFFP

Emma Davies MB BS FRCEM

Karen Ellison MB ChB MRCOG

Josephine Galvin MA MB BCh BAO LRCSI MRCP(Ed)

Katherine Grant BSc(Hons) BM(Hons) FRCA

Helen Hartley BSc(Hons) MB ChB(Hons) FRCA MBA

Volker Hitzeroth MB ChB(Pret) MMed Psych(Stell) FCPsych(SA)

MSc Drugs and Alcohol(London) BA(Hons) Religious Studies(UNISA) BA Psych(UNISA)

Nicola King MB ChB DCH DipPallMed

Daniel Kremer MB BS DCH MRCGP LLB LLM PGDipVTBar MFFLM

James Lucas MB BCh BAO FRCPATH DMJ(Path)

Paul Mackin MB BS PhD PRCPsych MFFLM PgDip (Law)

Sonya McCullough MB BCh MSc BAO MRCOG DFFP MFFLM PGDip Healthcare Law and Ethics

Gordon McDavid MB ChB LLM MRCP MFFLM

John McGuire BSc(Hons) MB ChB MRCP

Kirsta Morganti MRCGP MB ChB DCH DRCOG

Bobby Nicholas MB BCh MRCGP

Gabrielle Pendlebury MB BS MSc MRCPsych GDL

Andrew Power BSc(Hons) FRCGP FRCP(Glas) DRCOG DipTher

Clare Redmond MB ChB MRCPsych

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Donna Russell MB BS

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Terri Bonnici

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Sue Taylor BA(Open)

Denise Thomas LLB Barrister

#### Medical advisers and consultants – New Zealand

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Lucy Gibberd MA(Cant) MBChB FRNZCGP

Mark Burns BHB MB ChB FRANZCP

Sam King MB ChB DipObs FRNZCGP

Tim Cookson MB ChB Dobs DCH MRNZCGP

Zarko Kamenica

#### Senior Medical Claims Advisers

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#### Medical Claims Advisers

Sheila Bloomer LLB(Hons) MB BS MRCGP Solicitor

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Sophie Haroon MB ChB(Hons) BSc(Hons) MRCPCH MPH FFPH

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Smriti Tandon MB BS

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Roger Black MB ChB MPhil DRCOG MRCGP DFFP DFM

## DENTAL SERVICES

### Dental Director

Kevin Lewis BDS LDSRCS FDSRCS(Eng) FFGDP(UK)

### Head of Dental Services

Susan Willatt BDS MBA LLM

### Communications Manager

David Croser BDS LDSRCS MFGDP(UK)

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Susan Boynton BDS FFGDP(UK) LLM



Caroline Chapman BDS LLM  
 James Foster BDS MFGDP(UK) LLM  
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 Jane Merivale BDS LLM  
 Brian Westbury BA BDS LDSRCS MGDSRCS LLM

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 Caroline Dodd BDS LDSRCS MSc  
 Martin Foster BDS MPH DipHSM  
 Sarah Harford BDS  
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 David Hartoch BDS MFGDP(UK)  
 Joseph Ingham BDS  
 Philip Johnstone BChD FFGDP(UK)  
 Clare Lawrence BDS MFDS RCS (Eng) Dip DSed  
 Neena Manek BChD MFGDP  
 Bernice McLaughlin BDS  
 Shreeti Patel BDS DGDP(UK)  
 Ravi Rattan LDSRCS PgDip DPM  
 Lynn Rees BDS DGDP(UK) LLM  
 Susie Sanderson OBE BDS FDSRCS(Eng) FFGDP(UK) LLM  
 Phil Shaw BDS LDS DGDP MGDS DPDS LLM  
 Yvonne Shaw BChD DPDS LLM  
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 Barry Tiernan BDentSc BA  
 Stephanie Twidale TD BDS DGDP(UK)  
 Martin Valt LLB BChD MSc MSurgDent DipConSed MFGDP

### **Dental Complaints Managers**

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 Zoë Wray BSc(Hons)

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 Brian Edlin BDS  
 Hugh Harvie BDS FDSRCS(Edin) FDSRCPS(Glas) FFGDP(UK) Dip MED

### **Cases Consultants to DPL – Australia**

David Evans BSc FICD  
 Annalene Weston BDS MHL  
 George Lazaridis BDS  
 Mike Rutherford BDS BA  
 Ralph Neller BDS BBus FICD FADI FFP

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 Paul Scott BDS(Otago) DipClinDent(Otago) FRACDS FICD FADI

### **Associate Dentolegal Advisers**

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 Amanda Biddle BDS MSc FDSRCS MRDRCS(Eng)  
 Elaine Cook BChD  
 Raj Dhaliwal BDS  
 Ian Gordon BDS DGDP(UK)  
 Jane Griffiths BDS LDSRCS PGCDLE  
 Lesley Harrison BDS MFGDP(UK)  
 Russell Heathcote-Curtis LDSRCS  
 Peter Hodgkinson BDS DGDP(UK)  
 Jill Jagger BDS DGDP(UK)  
 John Kocierz BDS  
 Adrian Millen BDS DPDS  
 David Monaghan BDS MPhil  
 Michael Morris BDS MFDS  
 Nikolaus Palmer BDS PhD MFGDP(UK) FDSRCS(Eng)  
 Shiv Pabary BDS DGDP(UK)  
 Andrew Paterson BDS FDSRCPS(Glasg) DRDRCS MRDRCS  
 Sudhir Radia MFGDP(UK) DPDS(Brist) FFGDP(UK) MGDS RCS(Eng)  
 Simrit Ryatt BDS  
 Helen Sayer BDS  
 Bernard Swithern BDS MFGDP(UK)  
 Claire Walsh BDS MML DipFMS  
 Alison Williams BDS DDPHRCs MCDH FDSRCS FDS(Orth)RCS  
 Martin Woodhead BDS LDSRCS(Edin)  
 Jane Woodington BDS

### **Hygienist and Therapist Adviser to DPL – Australia**

Vicki Biddle RDH

### **Hygienist and Therapist Advisers to Dental Protection – UK**

Marina Harris LLM BSc DDH

## **CLAIMS AND LITIGATION**

### **Director of Claims Policy and Technical**

Emma Hallinan LLB(Hons) Solicitor

### **Director of Claims Delivery**

Melanie Rowles LLB(Hons) Solicitor

### **Head of Service Delivery, Medical Pathway 1**

Kareena Gray BA(Hons) Cert CII

### **Head of Technical Claims, Medical Pathway 2**

George Dodd BA(Hons)

### **Head of Service Delivery, Medical Pathway 3**

Carl Murphy BA(Hons)

### **Head of Pathway 4 (International Claims)**

Caroline Bennett LLB(Hons) Solicitor

### **Head of Service Delivery, Dental Pathways**

Ian Marshall BA(Hons) Cert CII

### **High Claims Manager**

Antoinette Coltsmann LLB(Hons) Solicitor



## ADVISERS AND SENIOR STAFF

**Head of Litigation and Third Party Management**

Helen Griffith LLB(Hons) Solicitor

**Head of Quality Assurance and Quantum**

Catherine Longstaff BA(Hons) Solicitor

**Claims Lead for South Africa**

Ashley Dee LLB(Hons) Solicitor

**Claims Lead for Scotland, Northern Ireland and Republic of Ireland**

Hilary Steele LLB DipLP

**Head of Service Delivery Claims Assessment Team (CAT)**

Kathryn Mackie

**Claims Managers**

Fiona Addison BSc(Econ) MA LLM Barrister

Martin Beaumont F.Inst.L.Ex

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Craig Burrows BA(Hons) Solicitor

Helen Carrington BA(Hons) Solicitor

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Alan Dool ACII

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Susan Hotchin BA Solicitor

Jane Gilchrist

Anna Kirwan BA(Hons) MA(Hons) LLB(Hons) Solicitor

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Nicola Mackay LLB(Hons) Solicitor

Joesph McCaughley LLB(Hons)

Jaymini Mistry LLB LPC GCILEx

Allison Munro LLB(Hons) Solicitor

Rosamund Oddie BA(Hons) LLB DipLaw Barrister

Jane Pool

Hazel Pethick GCILEx

Jason Priston F.Inst.L.Ex

Hashim Talbot LLB(Hons) LPC GCILEx

Mai Taleb BA(Hons) GDL

Jane Varvell FCILEx

Reema Vedhara LLB(Hons)

Robert Walker

Stephen Winn LLB(Hons) Solicitor

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Dominic Stannard BA(Hons) Solicitor

Nicola Stowe MA BSc(Hons) Solicitor

Chris Young LLB(Hons) Solicitor

**Solicitors**

Margaret Cotterell BA(Hons) Law Solicitor

William Bremner MA(Cantab)

Angelicka Dom Paul BA(Hons) Solicitor

Simon Evans BA(Hons)

Mark Jordan BA(Hons) LLM

Kashif Mahmood LLB(Hons)

Christina Milne LLB(Hons)

Louise Morgan LLB(Hons) Solicitor

Susan Silk LLB(Hons) RGN

Jill Stevens LLB(Hons)

Danielle Swift LLB(Hons) Solicitor

Gillian Williams

**MEMBER ENGAGEMENT****Executive Director – Member Engagement**

John Tiernan BA BDentSc DGDP(UK)

**COMMERCIAL****Director of Sales, Marketing and Commercial Development**

Mark Randerson BSc(Hons) MSc MBA PgDipM

**Head of Business Development**

Damian Elder BSc(Hons)

**Head of Marketing**

David Gray BSc(Hons)

**Head of Product, Insight and Commercial Development**

Nick Howarth Pulleyn BSc(Hons) ACIB MMRS

**COMMUNICATIONS AND POLICY****Director of Communications and Policy**

Shelley McNicol BA(Hons)

**Head of Corporate Communications**

Antony Timlin BA(Hons) MCIPR

**Head of External Relations**

Sara Higham BA(Hons)

**Head of Marketing Communications**

Sharon Smith BA(Hons) DipM

**Head of Knowledge Management**

Janet Kaul BA(Hons) BSc MA MLS



## EDUCATIONAL SERVICES

### **Director of Education**

Mark Dinwoodie MA(Cantab) MB BS DGM DRCOG  
DCH DFSRH FRCGP MMed(Dundee)

### **Head of Education Development and Delivery**

Vanessa Perrott MB ChB MRCGP MA

### **Head of Risk Management and Education Consultancy**

Julie Price BA RGN Dip HE ENB A51 998 901  
NATC/RCGP Asthma Dip

### **Head of Member Risk Education**

John Jolly FRCOG MMedSci DipMed Ed Dip Obstetric  
Ultrasound Dip CH

### **General Manager – Asia Pacific**

Matthew O'Brien B BUS COMM

### **International Medical Education Consultant**

Mark O'Brien MB BS FRACGP FACRRM AFACHSE

## FINANCE

### **Director of Financial Reporting and Control**

Ian Cook FCCA Cert ICM

### **Head of Financial Operations**

Phil Manning FCCA

### **Head of Strategic Planning and Performance**

Simon Clutterbuck MA(Hons) Cert CII

## RISK DEPARTMENT

### **Director of Risk and Analysis**

Martin Burns BSc(Hons)

### **Head of Underwriting Policy**

Nick Clements LLB MB ChB FFFLM DRCOG

### **Head of Underwriting Policy - International**

Alun Griffith LLB

### **Head of Underwriting Policy - Dental**

Mike Clarke MPhil BDS DGDRC

### **Risk Consultant**

Helen Hartley BSc(Hons) MB ChB(Hons) FRCA MBA

### **Company Actuary**

Tim Jordan BSc(Jt Hons) FIA CERA

### **Head of Information, Pricing and Analysis**

Ian Moore BSc Cert CII

## OPERATIONS

### **Executive Director – Operations**

Dan Bown MSc

### **Director of Member Operations**

Peter Rowbottom BA(Hons) DMS

### **Head of Member Services – UK and Ireland**

Catherine Oldroyd

### **Head of Operations – Caribbean and Bermuda**

Nancy Boodhoo BDS FDSRCS

### **Director of IT Operations**

Jane Smith BA(Hons)

## STRATEGIC CHANGE

### **Director of Strategic Change**

Peter Lycholat BA(Hons) MBA Dip CII

## HUMAN RESOURCES

### **Director of Human Resources**

Karen Ferris BA(Hons) MCIPD

### **Head of Human Resources**

Melissa Smith

### **Head of Talent and Development**

Dan Whitehead MCIPD

## CHIEF EXECUTIVE'S OFFICE

### **Executive Director, International**

Allison Newell MBA RGN AdvDip(Managed Care)

### **General Counsel**

David Wheeler LLB(Hons) Solicitor Company Secretary

### **Assistant General Counsel**

Matt Rogers BA(Hons) Solicitor



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BY COMPANIES HOUSE HAS BEEN REMOVED.



# STRATEGIC REPORT

## PRINCIPAL ACTIVITY AND BUSINESS REVIEW

**T**he Council presents its Strategic Report for the group for the year ended 31 December 2015.

### PRINCIPAL ACTIVITY

MPS is the leading medical defence organisation of its kind around the world. It is a mutual society, the function of which is to protect, support and safeguard the character and interests of medical and dental practitioners and other healthcare professionals. It is a not-for-profit company limited by guarantee and all income and property must be applied solely towards its objects as defined by MPS's Memorandum of Association.

One of MPS's objects is to grant indemnity to members in respect of claims and demands arising from their professional practice, which may result in the payment of costs and damages. The Articles of Association set down in paragraph 40 state that "the grant of an indemnity shall be entirely in the discretion of the Council, who shall have the power to impose such terms and conditions on the grant of any indemnity as it thinks fit, and may in its absolute discretion limit or restrict such indemnity or decline altogether to grant the same".

In addition to the principal activity of the holding company, the group has a number of subsidiary companies that complement and support the activities of the group.

MPI (London) Limited (MPI), which is registered in England, holds the invested assets on behalf of MPS. MPI has a separate Board which is responsible for implementing the investment strategy approved by the Assets and Liabilities Committee of MPS Council. Funds are invested with third party fund managers and MPI does not undertake any direct investment activity. The MPI Board is also responsible for overseeing the investment performance of the third party managers.

Dental Protection Limited, which is registered in England, is a non-trading company. However, it has an active Board, which provides insight on dental issues which impact MPS.

Cognitive Consulting Group Pty Limited is registered in Australia and provides education and training in communication skills and risk management to medical practitioners.

DPL Australia Pty Limited is also registered in Australia, where it manages the administrative affairs of our dental members in Australia.



MPS Risk Solutions Limited (MPSRs) is registered in England and is a general insurance company, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In June 2012, MPS made a strategic decision that MPSRs would withdraw from the insurance market, to enable MPS to focus on its core business of providing discretionary indemnity. MPSRs provided professional indemnity, malpractice, product and public liability cover to corporate healthcare providers. Claims brought whilst policies were in force will continue to be managed to the highest standard using existing claims expertise. On 10 December 2015, under part VII of the Financial Services and Markets Act 2000 (FSMA), the Board resolved to undertake a transfer of the business and will work towards this during 2016.

MPS has a further subsidiary, The MPS Periodical Payment Trustee Limited, a Corporate Trustee, which has been appointed as Trustee to the MPS Periodical Payment Trust and is responsible for the safe keeping of assets, and payments due, in respect of Periodical Payment Orders made in settlement of claims against members.

#### **BUSINESS PURPOSE**

MPS exists to serve its members. MPS aims to ensure that it remains a strong viable entity to meet its current and future commitments to members and that it continues to provide much-needed services to members for years to come.

MPS will meet the costs of assisting members subject to payment of the appropriate subscription, compliance with the rules of the Memorandum and Articles of Association, the scope of the benefits of membership and discretion. If a member requests assistance then MPS will pay all reasonable costs related to an incident for which it exercises its discretion to assist. These costs may include representation before a regulatory body, assistance with disciplinary proceedings and indemnity for damages and costs in cases of negligence. Payment will be made even though it may be years after the incident occurs before a matter is raised, and the costs are incurred.

In addition, MPS has developed and continues to develop a range of non-clinical educational courses and risk management assessments for members worldwide to help reduce risk and so improve patient care. The educational courses take the form of workshops, lectures and web-based learning and focus on communication and interpersonal skills, practice systems and processes, professionalism and ethics.

#### **FINANCIAL TARGETS**

Despite the risk mitigation identified below on pages 33 to 36, it is impossible for MPS to eliminate risks associated with its business activities. Consequently, MPS needs to ensure that it has the financial resources to cope with the remaining unmitigated risk so that it can provide members with the assurance they need that MPS will be in a position to respond to their requests for assistance no matter when these are made.

To this end, MPS has set long-term financial targets to ensure that its assets exceed the estimated value of both its reported claims and potential requests for assistance in relation to incidents not yet reported. This is to protect against the risk that claims may, for many reasons, when eventually settled, cost more than anticipated. The financial targets have been set such that even if these claim values were, within certain parameters, to be higher than expected, or, again within certain parameters, the value of invested assets was to be lower than expected, then MPS would still have sufficient funds to meet all of its reported claims and unreported potential requests for assistance.

#### **FINANCIAL PERFORMANCE FOR THE YEAR**

As a not-for-profit organisation, MPS has to reflect the cost of clinical negligence claims in the membership subscriptions we charge. In 2015, the cost of claims in a number of different countries resulted in an increase in member subscriptions for members in the specialities that were impacted, resulting in an overall increase in subscription income. Administration costs also increased, reflecting our response to the increased demand for our services to members and continued investment in strategic change projects to help MPS achieve its goals, in particular the long-term financial target noted above. Investment performance was disappointing for the second year running, reflecting the significant downturn in most major investment markets worldwide.

Claims performance in the year was better than anticipated, though we continue to estimate significant increases in our potential future costs to meet claims for incidents that have occurred but about which we are not yet aware.

More detail of the financial performance for the year is provided within the Finance Director's report on page 16.



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### KEY MARKETS

MPS offers membership in a number of different international markets. This international perspective allows many members to practise in different countries and still enjoy the benefits of MPS membership. It also allows MPS to use its wide and diverse experience for the benefit of all its members. During 2015, MPS undertook a review of its key markets and confirmed the following are areas where we will continue to invest in developing our membership offering.

MPS's key markets are:

- Australia\* • Caribbean and Bermuda
- Hong Kong • Ireland • Malaysia
- New Zealand • Singapore
- South Africa • United Kingdom

\* Non-indemnity dental membership

MPS has a strong position in all of the above key markets.

### MEMBER NUMBERS

The business aim is to grow membership in a controlled manner without increasing the overall risk exposure of the organisation. The 2015 increase in total members, including those who are not required to pay a subscription, was 0.6% (2014: 2.8%).

### FUTURE DEVELOPMENTS

The Chief Executive's report refers to developments during the year and touches on future developments.

For the coming year, MPS will continue to focus on our members' needs by delivering a high-quality, cost-effective service, along with the development and provision of education and risk management courses to members and the continued strengthening of our relationship with regulators, legislators and professional representative bodies. To ensure these aims are met now, and in the future, our strategic change programme will continue through 2016. Our largest project, which concentrates on commissioning an entirely new member administration system, will be our main priority, though it will be 2017 before members will be able to see and experience the considerable benefits it will deliver. Meanwhile, during 2016, members whom we assist with claims will benefit from the conclusion of another significant change project, which has involved a redesign of our claims processes to deliver improvements to both efficiency and service quality.

The Council recognises the impact that subscription increases have on members and is keen to limit such increases where possible and appropriate. The Council has proposed that the investment strategy be reviewed during 2016 to assess whether a different balance between risk and return might be acceptable, bearing in mind the need to safeguard members' assets (see also the "Principal Risks and Risk Management – Market Risk" section that follows).



## EMPLOYEES

MPS staff are vital in providing high quality service to members, and MPS focuses strongly on retaining and recruiting the best.

The extent to which the role of staff is taken seriously is borne out by one of the five pillars of the MPS Vision: "Exceptional staff". This states that MPS values an empowerment culture where all contributions are supported; there is great focus on the development of staff; key talent will be identified and nurtured; continuous training will be implemented to maintain technical excellence across MPS; and a new pay and performance management framework has been designed and successfully implemented.

MPS strongly believes in the value of diversity in the workforce. We seek to strengthen this commitment in a variety of ways, including ensuring that all recruitment advertising and selection methods are as objective and free from bias as possible, that training and promotion opportunities are available to all staff and that managers are trained to recognise the importance of diversity and to deal with equal opportunities issues.

MPS has a Staff Consultative Group which complies with the requirements of the Information and Consultation of Employees Regulations 2005. The Group gives an opportunity for staff to raise issues which are important to them directly with the Chief Executive and provides a facility for two-way feedback.

MPS underwent a mid-term review against the Investors In People Framework in January 2015. This review identified significant positive developments from the last full assessment carried out in June 2013 and indicated that MPS was operating to a high standard against the Framework.

The results of our most recent staff survey, in October 2015, further endorsed the progress being made in this area. The results reflected high overall engagement among staff, significant improvements against some weaker areas highlighted by the previous year's survey and a strong performance in comparison with the other organisations against which MPS was benchmarked.

## CHANGE IN ACCOUNTING STANDARD (FRS 102)

FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" is the main new United Kingdom Generally Accepted Accounting Practice (UK GAAP) standard, and is effective for accounting periods beginning on or after 1 January 2015.

This standard is largely based on International Financial Reporting Standards, and gives rise to a number of key differences both structural and numerical compared to the previous framework. Note 25 to the accounts illustrates the main transitional changes, including where applicable a reconciliation of the restated 2014 figures to those reported previously.

## PRINCIPAL RISKS AND RISK MANAGEMENT

All businesses face risks of one kind or another and prudent management of the business requires identification, quantification, management and mitigation of these risks; MPS is no exception. The key risks and relevant mitigating factors are detailed below and the process of the management of risk is detailed in the section on Internal Control in the Report of the Council.

### RESERVING RISK

MPS provides an indemnity to members for the costs and damages associated with claims of negligence and the costs associated with other claims. At any time there are, as a result of past adverse incidents, claims that have already been reported and potential claims that have not yet been reported (unreported claims). Subject to discretion, MPS will be responsible for all of these claims.

For MPS to be responsible for paying these claims, it needs to be able to assess the value of these claims and ensure that it has sufficient assets ("reserves") to meet the expected total costs. The value of these claims is estimated by MPS and the reserving risk is that the eventual payments required to meet the claims may exceed the sums estimated as the cost of the claims.

The uncertainty around estimating the value of all claims is greater for unreported potential claims than for those that have been reported. For unreported potential claims, the uncertainties include the number and severity of claims arising, how long it is likely to take from the date of the adverse incident to the making of a claim and how many of these may become large claims. The uncertainties for the reported claims are a little narrower, but still considerable.



In addition to the variation inherent in the claims, there are also external factors – mainly changes in legislation – which can have a profound impact on claim estimates. MPS has seen a number of changes in legislation in the UK in the past, nearly all of which resulted in an increase in the cost of claims. This includes the introduction of periodical payment orders and the reduction in discount rates. The discount rate is the rate used to 'translate' future cash flows, to be paid under the settlement agreement, into a lump sum value in current money terms: the lower the discount rate, the higher the value of the lump sum. The discount rate in England and Wales is set by the Lord Chancellor and is currently 2.5%. In other countries, the rate at which future cash flows are discounted to a current value lump sum will be part of the settlement negotiations.

The likelihood of variation in the total outcome from the expected estimate diminishes with the increasing size of the portfolio. In addition, the geographical diversity of the portfolio also helps to reduce the overall variation of expected returns. A larger more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

#### **Mitigation**

MPS maintains a large geographically diverse portfolio of risk and this is a key step in helping to reduce the variation of outcome around the expected mean.

A further step relates to ensuring the quality of the expected outcome in the first place and this relies heavily on the accuracy of data used and the quality of analysis in determining the expected outcome. MPS uses the skill of its internal staff to determine accurate estimates for individual claims and ensures that levels of skill are maintained by supporting ongoing training initiatives. It also has many checks and balances in its internal systems to allow regular review and monitoring of these estimates to help ensure a high degree of accuracy and consistency. MPS uses the experience of its consulting actuary, Lane Clark & Peacock LLP (LCP), to use the internal individual claim estimates and membership data to arrive at a statistical reserve for the likely cost of all reported claims and an estimate of the potential future costs of unreported requests for assistance. (See note 21 to the financial statements.)

#### **UNDERWRITING RISK**

MPS charges a subscription based on the expected volume and value of claims made against those members paying the subscription. There is a risk that the volume or value of claims brought against those members will turn out to exceed the expectations contained within the subscriptions and thus MPS will not have collected sufficient subscription income.

#### **Mitigation**

Again, the skill of staff and advisers is important as is the quality of internal systems. In addition, MPS carefully reviews all applications and makes an assessment on those risks that it is willing to accept. MPS also runs an internal programme to identify individual members who appear to represent a higher than normal risk and tries to work with them to reduce their risk. In some cases members are not accepted into, or do not continue in, membership as we consider their risks to be too high. MPS continues to invest in improving and developing the systems, resources and processes involved in the management of member risk. MPS purchases insurance to reduce the impact of catastrophic high claims.

#### **MARKET RISK**

Subscriptions collected in any one year are invested until they are needed to pay the costs arising from the year in which the subscriptions were received. The greater the return MPS can achieve from investments, the less it would theoretically need to charge in subscriptions. However, the greater the investment return that MPS is trying to achieve from its invested assets, the greater will be the fluctuations in the value of those assets and thus, the greater will be the risk that MPS will see a fall in the value of its assets. Such volatility in the value of MPS's assets is, when asset values fall, damaging to the strength of the balance sheet and significant volatility in investment returns makes it more difficult to plan for the longer term.

#### **Mitigation**

MPS has historically adopted a prudent investment strategy that carefully identifies and sets limits on the levels of risk acceptable in its portfolio of assets, thereby reducing the likely volatility of returns. These limits necessarily restrain the potential returns achievable from the portfolio but help safeguard against significant deterioration in the strength of the balance sheet. External professional advice is regularly sought and investment performance is subject to detailed review in conjunction with advisers. Wherever practical, risks arising from currency fluctuation and investment liquidity are minimised.

The risk of asset value volatility is addressed in a number of ways. Firstly, the majority of assets are held in bonds and short-term money market funds, which generally have a lower level of volatility. Secondly, those assets held primarily to achieve an investment return are invested in a diverse portfolio. The equity element of these assets is held in a number of different portfolios, each investing in different geographic areas; and the equities are augmented by other return-seeking assets which help to reduce volatility further, because returns from these assets are less than perfectly correlated with the returns from equities.



### CURRENCY RISK

MPS holds assets to meet the costs of reported claims and potential future requests for assistance. These costs may fall due in a number of different currencies. If the assets are not held in the same currency as the costs then there is a risk that movement in exchange rates will alter the relative value of the assets to the costs.

#### Mitigation

MPS's strategy is to minimise currency mismatches between its assets and potential future costs. This is achieved by either holding assets in the same currency, and to the same value, as the expected costs, or through a currency hedging programme designed to protect against currency mismatches.

### LIQUIDITY RISK

This is the risk that there will be insufficient liquid assets available to meet payments when they fall due. This could either result in an inability to make the payment or the need to realise an illiquid investment before maturity, which could be costly.

#### Mitigation

In managing liquidity risk, MPS needs to balance the ability to gain an investment return on its assets and the ability to have sufficient funds to pay liabilities as they fall due. MPS operates a sophisticated system through major clearing banks to ensure that an appropriate level of funds is available on a daily basis when required, but that these are invested in pooled money market funds at other times. In addition to this, the invested assets include a short-term money market portfolio with an average weighted maturity of a maximum of 12 months, which provides additional liquidity should it be required.

### CREDIT RISK

This is the risk that someone who owes money to MPS will fail to pay. MPS has little risk from a failure by members to pay subscriptions, because if payments are not made, the non-paying members will not be entitled to the benefits of membership (such as advice or assistance with claims). MPS's main credit risk arises from a failure of its insurers, a failure of a bank with which it holds deposits, or a failure of some of the counterparties involved in the derivative financial instruments that form part of MPS's investment portfolio.

Specific comment on this risk in relation to derivative financial instruments is provided on page 36.

#### Mitigation

MPS has a stated policy on the acceptable risk profile for its insurers. This policy states the requirement to spread the risk across a number of insurers and dictates the acceptable financial security rating for

insurers. Bank credit ratings are reviewed before deposits are made with specific institutions, and deposits are spread across a number of counterparties to mitigate against bank failure. MPS does not review the credit risk of counterparties in derivative financial instruments, but instead agrees parameters with its investment managers as to what security rating is acceptable for such counterparties. However, MPS does receive collateral on revalued derivative positions when appropriate.

### INTEREST RATE / INFLATION RISK

MPS holds over a half of its invested assets in bonds. An increase in interest rates will cause a fall in the price (value) of bonds, as bond prices move inversely to changes in interest rates.

The impact on MPS's liabilities is more complicated. The main influences on the cost of large claims (in the UK) are those elements that reflect compensation for future costs or losses: these are mainly loss of earnings and cost of future care. An estimate of the lump sum required to provide for these future costs is determined by reference to the discount rate. The discount rate might be expected to change with changing interest rate expectations, but in the UK it is in fact fixed, by the Lord Chancellor, who conducted a second phase of consultation on the level of this rate, which ended on 7 May 2013. It is not currently known when the Lord Chancellor will report on his latest review. However, with the introduction in 2005 of periodical payments as an alternative to lump sum or structured settlements, compensation can be provided as a regular monthly payment for the life of the claimant. Since the determination of the Appeal in the Thompson case, the cost of future care is subject to indexation by a wage related measure and this can make settlement by way of periodical payments a more attractive option for claimants.

Specific comment on the interest and inflation risk in relation to derivative financial instruments is provided on page 36.

#### Mitigation

Interest rate exposure for bond assets is mitigated firstly by having a broad range of bond holdings, with different sensitivities to interest rate movements; and secondly by holding a predominance of index-linked bonds, where increasing inflation is allowed for in the rebasing of the capital value and coupon amount. Further mitigation is provided by the ability to reduce the tax charge as a result of indexation. In addition, MPS uses interest rate swaps as a means of protecting bond assets against the potential impacts of rising interest rates. MPS's response to the risk inherent in periodical payment orders is firstly to ensure that it has an appropriate investment make-up to closely match the liabilities; and secondly to ensure that it has sufficient assets to allow a margin in case of unexpected changes in interest and inflation rates.



**OPERATIONAL RISK**

Any organisation will be exposed to operational risk, that is to say the risk that a failure in its operations may incur an additional cost. Examples for MPS might include costs associated with a major failure of IT systems, cyber-attacks, fraud, flood, fire in one of the offices or theft of its assets.

**Mitigation**

MPS has done much to ensure that it has IT back-up systems and contingency plans in the event of failures or disasters, such that there will be minimal disruption to its business. It also spends time reviewing and testing its internal business systems and processes, to ensure that they are sufficiently robust, to ensure accuracy of the data on which business decisions are based, and to mitigate the risks of error, fraud and theft.

**DERIVATIVE FINANCIAL INSTRUMENTS**

MPS maintains a currency hedging programme to mitigate currency risks where it does not hold sufficient assets in a particular currency to match its liabilities in that currency.

MPS also maintains a UK interest rate swap programme to mitigate potential losses from its index-linked bonds portfolio, which may arise when UK interest rates rise.

Additionally, the company's investment managers held derivative financial instruments to enhance investment returns. The net recognised gains and losses arising from holding these contracts are included in note 5 to the financial statements, under other investment income.

All gains and losses from derivative financial instruments are reported in the statement of comprehensive income.

**RISK CHARACTERISTICS OF DERIVATIVE FINANCIAL INSTRUMENTS****INTEREST RATE RISK**

Some of MPS's derivatives, such as the UK interest rate swap programme, are sensitive to interest rate movements; so it is necessary to determine the interest rate risk to which such contracts will be exposed. This is done by comparing the risk of the underlying asset against the risk of the derivative, using a formula to determine the number of contracts that need to be held. This risk is then considered together with the risk of interest rate-sensitive investments where derivatives are held for full or partial hedging of the risk.

**CREDIT RISK**

Credit risk encompasses all forms of counterparty risk. The company manages this risk through its investment policy, which sets out the type and quality of investments that can be held and the maximum exposure to any particular investment. Derivatives held to enhance returns are short-term in nature with low credit risk. For longer-term derivative contracts, credit risk is managed by utilising collateral accounts between the respective counterparties, which are selected in agreement with the investment managers.

**APPROVAL**

This report was approved by the Council on 13 April 2016 and signed on its behalf by:



**David Wheeler**  
Company Secretary  
33 Cavendish Square,  
London, W1G 0PS



# REPORT OF THE COUNCIL

**T**he Council, which for the purposes of the Companies Act 2006 is the Board of Directors, presents its annual report for the year ended 31 December 2015.

## MEMBERS OF THE COUNCIL

The names of the members of the Council of MPS who served during the year are set out on page 19.

## GOVERNANCE OF MPS

The Listing Rules of the Financial Conduct Authority require listed companies to apply the Main Principles of the UK Corporate Governance Code (the Code) prepared by the Financial Reporting Council and report to their shareholders on how they have done so. As MPS is not a listed company, and does not have any shareholders, it is not required to comply with the Code. However, MPS believes that it should apply a level of governance appropriate to the size and nature of the Company in running its business; the following sections set out the governance structure that it has in place and the steps MPS takes to meet its aims in this area.

## THE COUNCIL

The Council currently consists of a non-executive Chairman, a non-executive Vice-Chairman, the MPS Chief Executive, two further executive members (being the MPS Executive Director – Finance and Risk and the Dental Director) and ten other non-executive members. MPS's constitution requires that the majority of Council members are Medical or Dental Members of MPS and that the Chairman is either a Medical or Dental Member.

Of the non-executives (including the Chairman) at the year end, eight are Medical or Dental Members. With the exception of the Chairman, the non-executives are considered to be independent. The non-executives who are not a Medical or Dental Member have no financial interest in MPS other than their fees as members of the Council. The non-executives who are a Medical or Dental Member receive fees as members of the Council. Their personal membership of MPS is not felt sufficient to compromise their independence.

MPS continues to review the transparency of the independence of its non-executive directors and to provide appropriate guidelines for all directors on their ethical conduct as a director of MPS. To this end, MPS has, for MPS and its subsidiary Boards, a register of interests and also publishes internally a Code of Ethical Conduct for all staff, which applies equally to members of the Council.

MPS has separate posts of Chairman and Chief Executive to differentiate the running of the Council from the executive responsibility for the running of the business. The Council considers that the non-executive members of the Council as a group are of sufficient calibre and number to bring strength and independence to the Council; this is further supported by the Vice-Chairman role, which was introduced in 2014.

All Council members, except for the Chief Executive and the Chairman of Dental Protection Limited, are subject to election by members at the first opportunity after their appointment by the Council, and to re-election (again excepting the Chief Executive and the Chairman of Dental Protection Limited) at general meetings at least every three years. The Chief Executive is appointed by the Council and can be removed by the Council. The Council believes that not subjecting the Chief Executive to re-election does not compromise the independence or integrity of the Council. The Chairman of Dental Protection Limited is a member of the Council *ex officio*. They are appointed to both the Dental Protection Limited Board, together with their fellow directors, and the post of Chairman, by the Council of MPS. Non-executive members of the Council usually serve for a maximum of eight full years.



The Council usually meets formally eight or nine times during the year but may meet more often if required (eight times in 2015). In addition to its regular meetings, the Council will usually devote one meeting to conduct a detailed review of the organisation's business objectives and strategy. The attendance record of members of the Council at the eight meetings is shown in the table below (eligible meetings for attendance shown in brackets):

MEMBER OF THE COUNCIL	APPOINTED/ RETIRED	NUMBER OF MEETINGS ATTENDED	
		2015	2014
Keith Bradley		8 (8)	7 (8)
Richard Brennan		7 (8)	8 (8)
Ian Croxford		8 (8)	6 (8)
Mark Davis		8 (8)	8 (8)
Yasmin Drabu		8 (8)	6 (8)
Ian Eardley	Appointed Nov 2015	2 (2)	-
Patrick Forbes		8 (8)	8 (8)
John Gibson		7 (8)	2 (2)
Simon Kayll		8 (8)	8 (8)
Howard Kew		8 (8)	8 (8)
Kay-Tee Khaw		8 (8)	8 (8)
Kevin Lewis		8 (8)	8 (8)
James McLenachan	Appointed Nov 2015	2 (2)	-
Simon Pashby		8 (8)	8 (8)
Sally Scutt		7 (8)	8 (8)

The Council has a schedule of matters specifically reserved to it for decision, including strategy, financial policy and major acquisitions and disposals. All Council members have access to the advice and services of the Company Secretary and procedures exist for any member of the Council to take independent advice at MPS's expense.

Non-executive members of the Council met on occasions during the year without the executive members and have the provision to meet without the executive at any time that such a meeting may be required. There is also the provision for the non-executive members to meet without the Chairman and executive if they wish; this was not thought necessary during 2015.

#### SUB-COMMITTEES OF THE COUNCIL

The Council has a Nominations, Remuneration, Audit and Risk, and Assets and Liabilities Committees, the members of which are listed on page 19. The Committees meet in accordance with the following schedule:

COMMITTEE	SCHEDULED MEETINGS*
Nominations	February, March, June and November
Remuneration	February, March, April, October and December
Audit and Risk	March, June, September and November
Assets and Liabilities	January, April, June and September

\* Additional meetings can be held if required.

The Nominations Committee is chaired by the Chairman of the Council Kay-Tee Khaw and keeps under review the composition of the Council and makes recommendations concerning all new appointments of non-executive members.

The Remuneration Committee is chaired by a non-executive member of the Council, Keith Bradley, and is responsible for making recommendations to the Council concerning matters relating to remuneration policy. See 'Remuneration report' on page 40.

The Audit and Risk Committee is chaired by the Vice-Chairman of Council, Simon Pashby (formerly a senior audit partner with KPMG), and met four times in the year. MPS's external auditors, Chairman, Chief Executive, Executive Director – Finance and Risk, Director of Financial Reporting and Control and internal auditors also attend the meetings and the Committee has an opportunity to meet the external auditors without management present. Other senior managers may attend for specific agenda items at the request of the Committee. The Audit and Risk Committee reviews the adequacy and effectiveness of risk management and control systems, and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. In addition, the Committee also receives referrals for ethical guidance, provides oversight of MPS's anti-bribery and corruption policies, has responsibility for the 'anti-bribery' risk assessment including the risk of management override, and has oversight of the whistleblowing policy. It also reviews, prior to publication, the annual financial statements and the other information included in the Annual Report. The Audit and Risk Committee also meets annually with, and reviews the work of, the independent consulting actuaries.



The attendance record of members of the Audit and Risk Committee is shown in the table below (eligible meetings for attendance shown in brackets). The Committee met in March, June, September and November in 2015.

MEMBER OF THE COUNCIL	APPOINTED/ RETIRED	NUMBER OF MEETINGS ATTENDED	
		2015	2014
Keith Bradley		4 (4)	4 (4)
Richard Brennan	Appointed June 2015	2 (3)	-
Ian Croxford		3 (4)	2 (4)
Yasmin Drabu		4 (4)	3 (4)
Simon Pashby		4 (4)	4 (4)
Sally Scutt		3 (4)	4 (4)

As noted above, the Audit and Risk Committee is responsible for ensuring the continued independence of the external auditors. The Committee has a written policy on this, which includes requiring the auditors to make a statement on their continued independence, placing limits on the amount of non-audit work undertaken by the auditors and having a policy covering the commissioning of non-audit services from the auditors.

The Assets and Liabilities Committee is chaired by Howard Kew, Executive Director – Finance and Risk, and provides governance oversight of the strategic management of the assets and liabilities of MPS.

Several members of the Council are members of the Board of MPI (London) Limited, which manages MPS's investment portfolio, and of the Board of MPS Risk Solutions Limited, which previously provided general insurance contracts to corporate healthcare providers. The Board of MPI (London) Limited is chaired by the Chairman of the Council Kay-Tee Khaw. The other Council members of the Boards are listed on page 19.

### THE ROLE OF THE COUNCIL

The Council's principal focus is the overall strategic direction, development and control of the MPS group. In addition, it is also ultimately responsible for the exercising of discretion in response to requests for assistance. In practice, subject to reporting, oversight and review by the Council, this is delegated to the executive management and employees.

In support of the overall strategy, the Council approves the group's values, strategic plans, annual budget and overall system of risk identification, management and internal controls. The Council also has control of the group's operating and financial performance.

The Council agrees the group's corporate governance framework, as part of which it has empowered the main management committee, the Executive Committee, who are responsible for day-to-day operations.

The roles of the Chairman and Chief Executive are documented and the Chairman, together with the Chief Executive and the Secretary, are responsible for ensuring that the Council is kept fully informed and is consulted on issues that are reserved to it and that decisions are made in a timely manner.

Newly appointed members of the Council are given an induction appropriate to their level of previous experience.

### BOARD EVALUATION

The Council undertakes an evaluation of its performance in each financial year. To date, this has been based upon a questionnaire and the invitation for members of the Council to speak to the Chairman on performance issues. The results of the most recent evaluation have been reported to the Council by the Chairman and reviewed and discussed. The Council was satisfied as a result of the review that the Council and its sub-committees functioned effectively during the review period.

### INTERNAL CONTROL

The Council has overall responsibility for MPS's system of internal controls and for reviewing its effectiveness, whilst the role of management is to implement the Council's policies on risk and control. The system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by MPS. This has been in place for the full financial year and up to the date of approval of the Annual Report.

The process involves the undertaking of regular reviews at departmental and corporate level. From these reviews, management identifies the key risks and determines their significance, based on the likelihood of each risk occurring and the potential impact on MPS if it were to do so. Management then determines what action can cost-effectively be taken.



The Council has delegated the function of monitoring the effectiveness of the system of internal control and of the risk management process to the Audit and Risk Committee. The Chairman of the Audit and Risk Committee reports outcomes of its meetings to the Council and the Council receives the minutes of all these meetings. In fulfilling its responsibilities to the Council, the Audit and Risk Committee:

- discusses with Internal Audit a plan of work each year, agrees the resource commitment and reviews findings of their work;
- discusses with the external auditors their audit approach, and agrees any particular aspect of internal control or risk management to be reviewed by them beyond their statutory responsibilities;
- discusses with independent consulting actuaries their approach to statistical reserving of reported claims and potential claims that have yet to be reported;
- considers the results of the external auditor's work with them and with management;
- initiates as necessary and considers reports from management on systems of internal control and on the effectiveness of risk management; and
- reports the results of its work, with any necessary recommendations, to the Council and ensures that actions required by the Council are implemented. One such report is made at the year-end before producing this statement.

MPS engages the services of KPMG to provide an Internal Audit function whose responsibilities include providing assurance over a wide range of issues including financial, corporate and operational risks. Assurance is provided through reporting and the provision of opinion following a range of monitoring activities, discussion and review. The Internal Audit function is independent from all operational departments and its work is overseen and co-ordinated by the Audit and Risk Committee. The Committee receives summaries of all internal audit reports, is involved in approving the annual internal audit plan and is able to question the Internal Auditors about their work at each Committee meeting; the Committee also monitors and, where appropriate, challenges the business's timely progress in the clearance of agreed audit recommendations.

The Council recognises the need to regularly review and monitor the appropriateness of its approach to overseeing the systems of risk management and control operated at MPS. With this in mind, the Council has continued to adapt its approach during

the year to take into account: the economic climate of recent years, the revisions and ongoing consultations relating to corporate governance standards and guidance, and the recommendations of the Sharman Inquiry ("Going Concern and Liquidity Risks"). The Audit and Risk Committee itself maintained focus on the many facets of risk management and control through a fourth annual meeting during the year, the key remit of which is to review and assess management's approach to strategic risks.

## REMUNERATION REPORT

The Remuneration Committee met five times in 2015 and comprised Keith Bradley (Chairman), Kay-Tee Khaw, Peter Morris, Simon Pashby and Sally Scutt until November 2015, when Ravinder Maini succeeded Peter Morris. In addition, the Chief Executive and the Director of Human Resources attend the meetings as required. The Chief Executive takes no part in discussion of his own remuneration.

The Committee's primary responsibility is to recommend to the Council the overarching principles and parameters of remuneration policy for MPS and to work with management to oversee the operation of a reward approach in line with these principles. More specifically, the Committee is responsible for establishing the salary and performance reward for the Executive Members of Council, and for receiving and reviewing the salary and performance reward for other senior staff.

At the end of 2014, the Remuneration Committee approved the Total Reward Policy, which established the guiding principles for reward at MPS, the nature of employment contracts, fixed and variable pay policies and the approach to developing exceptional staff. Further details of these key matters are set out below:

## GUIDING REMUNERATION PRINCIPLES

- Aligned to the business strategy and goals
- Applied consistently
- Differentiated
- Flexible in its delivery
- Competitive

## EMPLOYMENT CONTRACTS

The first stage of the strategy implementation was the modernisation of employment contracts for all staff, to provide consistency across the whole company and to include variable pay as a contractual term. In addition to this, a new pay structure was developed and all new roles were evaluated to fit in to the new role evaluation system. This has five levels of progression, designed to reflect increasing responsibility according to the capacity to manage performance of the organisation. The top level is the Executive "Lead" group.



### BASE PAY POLICY

In 2014 MPS applied its revised policy for the base pay element for all staff including Executive Members of Council, with the aim of ensuring that base pay for roles within MPS is benchmarked towards the market median, in order to attract and retain good staff. The minority of staff paid significantly below the median received increases to bring their base pay closer to the median and the minority of staff paid significantly above the median for their role did not receive an increase to base pay. MPS appoints new staff with reference to the median and existing staff receive a market inflation linked rise to remain competitive.

As reported in the 2014 Report of the Council, the 2013 comparator group benchmarking exercise across a range of mutual organisations of comparable size and complexity identified that the base pay for the Executive group had been below market rates, and this was particularly the case for the Finance Director and Chief Executive. In 2016, another full benchmarking exercise will take place to inform our competitiveness in preparation for the March 2017 salary review.

### VARIABLE PAY POLICY

For the first time in 2015, MPS remuneration included a performance based variable pay element for all eligible staff and Executive Members of Council. This replaced a smaller incentive scheme, which applied only to around 30 of the most senior staff, with capacity to earn up to 10% or 16% of bonus according to seniority.

The new variable pay model applies across the organisation. It is designed to measure outcomes, and to reward both good behaviour and achievement of agreed targets. The bonus pay levels are increased in stages, according to the capacity of staff grades to influence outcomes. Increased responsibility brings higher expectations, and higher reward potential for achieving challenging targets. On the other hand, the more senior roles have more variable pay at risk if targets are not met. Furthermore, the Executive leadership roles have half of their variable pay reward deferred for between three and six years, subject to MPS clearing certain financial gates, to ensure that the main focus is on ensuring the long term financial strength of the organisation. If the overriding financial targets are not met, the deferred element is lost and will not be paid out.

A summary of the remuneration policy as applied to the Executive team is outlined below.

	OPERATION	MAXIMUM OPPORTUNITY
<b>Base salary</b>	Reviewed annually, taking into account market data, individual responsibilities and skills, performance and experience.  A more detailed external benchmark analysis is performed about every three years, against a comparator group of mutual organisations of similar size and complexity, the last such exercise being in 2013.	No maximum opportunity.
<b>Core benefits</b>	Includes car allowance, healthcare, insurance benefits and buying/selling up to five days annual leave per annum.	No maximum opportunity.
<b>Pension</b>	The final salary scheme was closed to new members in November 2013 and a new defined contribution scheme introduced for all staff.  Executive directors may take a pay allowance with regard to pension contribution foregone.	For final salary calculations, pensionable pay is capped at £149,400 per annum.
<b>Variable pay</b>	Rewards annual performance against core behaviours, challenging financial and strategic measures and key individual objectives.  A balanced scorecard approach is adopted to blend in the measures for each executive, which includes shared team objective measures.  Weightings are: 50% team objectives, 25% core behaviours and 25% individual objectives.  Team measures include member engagement, staff satisfaction and team effectiveness. Individual objectives vary according to line responsibilities.  50% of variable pay must be deferred, and is subject to clawback.	The maximum additional reward for exceptional performance is an additional 50% of base salary.  For "on target" performance the expected reward is 25% of base salary.  Half of the above amounts must be deferred for 3-6 years subject to satisfactory financial gates being cleared by MPS at the time of payment.  The deferred portion is at risk and will not be paid if key financial measures are not met regarding the strength of financial reserves of the organisation.



**Executive variable pay achieved in 2015**

NAME	CORE BEHAVIOURS AND INDIVIDUAL TARGETS %	TEAM TARGETS %	TOTAL REWARD %	PAID AND DEFERRED ELEMENTS
Chief Executive Simon Kayll	17.1%	12.5%	29.6%	14.8% paid in year 14.8% deferred
Finance Director Howard Kew	15.5%	12.5%	28.0%	14.0% paid in year 14.0% deferred
Dental Director Kevin Lewis	13.3%	12.5%	25.8%	12.9% paid in year 12.9% deferred

Full details of amounts paid are disclosed in Note 7 to the Financial Statements.

**OTHER PAY POLICY INITIATIVES**

The 'Developing Exceptional Staff' programme was introduced in 2015 to support the introduction of the new Total Reward Framework. This included a new approach to performance assessment and a structure to align variable pay with the corporate objectives. The core elements of this approach included a consistent approach to the line management of staff, team and individual targets, and the introduction of the core behaviours framework, which was developed by a staff working group.

In addition, the non-financial elements of the Total Reward Framework development included the introduction of new flexible working and work/life balance policies and a recognition scheme pilot within our Member Operations department. There is further development of this part of the Framework planned for 2016.

At the end of 2015, the Remuneration Committee reviewed management's preparatory work for the implementation of the pension rule changes to contracting out in April 2016, which has an impact on the MPS Defined Benefit Pension Scheme.

**NON-EXECUTIVE MEMBERS OF COUNCIL**

Non-executive members of the Council do not receive any incentive or performance-related remuneration. Fees are reviewed annually by the Chief Executive, and any changes are reviewed by the Remuneration Committee for approval. Increase in fee levels are the same as the inflationary increase applied to staff base pay. Other individual changes are possible, according to Committee responsibilities.

Further information can be found in Note 7 to the Financial Statements.

**RELATIONS WITH MEMBERS**

MPS values its dialogue with members throughout the year on a diverse range of subjects. In particular, the Council uses the Annual General Meeting to communicate financial performance to members and encourage their participation. Members of the Audit and Risk, Nominations, Remuneration and Asset and Liabilities committees will be present at the Annual General Meeting to respond to any relevant questions if necessary.

The notice for the Annual General Meeting is sent to members at least 20 working days before the meeting date.

**GOING CONCERN**

Members of the Council consider that MPS has adequate resources to continue in operation for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

In forming this view, members of the Council have considered the recommendations, and the further ongoing consultations, arising from the Sharman Inquiry ("Going Concern and Liquidity Risks"). In addition to reviewing and approving short term financial plans, they have received and discussed a report detailing the current financial position of MPS, the implications of this over various time periods, and the actions being taken by MPS to ensure that it remains a going concern now and in the future. The Council has also formulated a strategic plan to ensure, amongst other goals, that adequate funding is maintained and a number of projects are ongoing to deliver this plan, with some already providing positive contributions.



## AUDITORS

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

## STATEMENT OF THE COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Council is responsible for preparing the Strategic Report, the Report of the Council and the financial statements in accordance with applicable law and regulations.

Company law requires the Council to prepare financial statements for each financial year. Under that law the Council has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law, the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company, and of the net contribution available to meet future liabilities and charges of the company and group for that period.

In preparing these financial statements, the Council is required to:

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

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, and disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

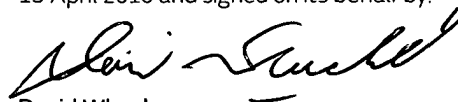
The Council members confirm that:

- so far as each Council member is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the Council members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## APPROVAL

This report was approved by the Council on 13 April 2016 and signed on its behalf by:



**David Wheeler**  
Company Secretary  
33 Cavendish Square  
London, W1G 0PS



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NON-STATUTORY INFORMATION (IMAGES) NOT REQUIRED  
BY COMPANIES HOUSE HAS BEEN REMOVED.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MEDICAL PROTECTION SOCIETY LIMITED

**W**e have audited the financial statements of The Medical Protection Society Limited for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

As explained more fully in the Statement of Council's Responsibilities for the Financial Statements set out on page 43, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [frc.org.uk/auditscopeukprivate](http://frc.org.uk/auditscopeukprivate).

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's net contribution for the year to funds available for members;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Michael Redfern*

**Michael Redfern**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor,  
Chartered Accountants,  
Leeds  
13 April 2016



# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

		2015 £'000	2014 £'000
<b>Income: continuing operations</b>			
Members' subscriptions and other income		<u>423,929</u>	<u>390,461</u>
<b>Expenditure</b>			
Claims costs and associated legal costs (including costs of insurance)	17	165,390	275,128
Movement in projected insurance recoveries	3(j)	(10,860)	(7,528)
Advisory costs and associated legal costs	17	67,717	55,564
Education, publications and external relations	4a	9,524	8,754
Administration expenses	4b	29,800	24,994
Finance cost (unwinding of discount)	17, 3(j)	32,900	43,600
Loss on exchange movements	4c	5,483	9,124
Movement in provision for doubtful debts		(439)	-
		<u>299,515</u>	<u>409,636</u>
<b>Surplus/(deficit) of members' subscriptions and other income over expenditure: continuing operations</b>		124,414	(19,175)
Net income from investments	5	25,747	39,446
Change in fair value of investments		(72,662)	76,397
Change in fair value of derivatives		(3,463)	(82,395)
Other finance income	9	<u>420</u>	<u>418</u>
<b>Contribution from ordinary activities before taxation: continuing operations</b>		74,456	14,691
Tax credit/(charge) on investment income and gains/(losses)	6a	<u>15,045</u>	<u>(2,112)</u>
<b>Net contribution for the year to funds available for members</b>		89,501	12,579
<b>Other comprehensive income</b>			
Actuarial gains/(losses) on defined benefit pension scheme	9	<u>7,745</u>	<u>(738)</u>
<b>Total comprehensive income for the financial year</b>		<u>97,246</u>	<u>11,841</u>



## CONSOLIDATED AND COMPANY BALANCE SHEETS

Year ended 31 December 2015

	Notes	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
<b>Fixed assets</b>					
Intangible assets	10	7,042	2,961	7,316	3,251
Tangible assets	11	19,763	19,506	19,751	19,483
Investments	12a	2,132,562	2,099,096	1,336,050	1,231,050
		<u>2,159,367</u>	<u>2,121,563</u>	<u>1,363,117</u>	<u>1,253,784</u>
<b>Current assets</b>					
Debtors - due within one year	14	37,053	23,739	125,860	117,986
- due after one year	14	50,890	26,941	31,435	19,688
Bank deposit accounts		139,528	133,034	22,600	22,025
Cash at bank and in hand		9,962	8,987	9,871	10,045
Pension asset	9	17,546	7,218	17,546	7,218
		<u>254,979</u>	<u>199,919</u>	<u>207,312</u>	<u>176,962</u>
Creditors: amounts falling due within one year	15	(68,947)	(68,960)	(68,106)	(62,197)
<b>Net current assets</b>		<u>186,032</u>	<u>130,959</u>	<u>139,206</u>	<u>114,765</u>
<b>Total assets less current liabilities</b>		<u>2,345,399</u>	<u>2,252,522</u>	<u>1,502,323</u>	<u>1,368,549</u>
Creditors: amounts falling due after one year	16	(544)	(444)	(544)	(444)
Provision for liabilities	17	(971,385)	(979,317)	(930,922)	(932,259)
Derivative liabilities	12a	(69,700)	(66,237)	-	-
<b>Net assets</b>		<u>1,303,770</u>	<u>1,206,524</u>	<u>570,857</u>	<u>435,846</u>
<b>Accumulated funds</b>					
Income and expenditure		<u>1,303,770</u>	<u>1,206,524</u>	<u>570,857</u>	<u>435,846</u>
<b>Funds available for members</b>	21	<u>1,303,770</u>	<u>1,206,524</u>	<u>570,857</u>	<u>435,846</u>

The financial statements were approved and authorised for issue by the Council and were signed on its behalf on 13 April 2016.



Kay-Tee Khaw  
Chairman of the Council



Simon Kayll  
Chief Executive

The Medical Protection Society Limited  
Registered Company No. 36142



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 Year ended 31 December 2015

	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>		
Net contribution for the year to funds available for members	89,501	12,579
Adjustments for:		
Amortisation of intangible assets	394	898
Depreciation of tangible assets	1,137	1,628
Foreign exchange translation	999	(1,404)
Interest received	(1,019)	(991)
Dividends received	(24,728)	(38,455)
Taxation expense	(15,045)	2,112
Net fair value losses recognised in statement of comprehensive income	76,125	5,998
Losses on disposal of intangible fixed assets	74	-
Losses on disposal of tangible fixed assets	420	5
(Increase) in debtors	(25,055)	(12,696)
Increase in creditors	87	9,151
(Decrease)/increase in claims provisions	(5,041)	96,378
(Increase) in pension asset	(2,583)	(3,012)
<b>Cash from operations</b>	<b>95,266</b>	<b>72,191</b>
Income taxes paid	(54)	(32)
<b>Net cash generated from operating activities</b>	<b>95,212</b>	<b>72,159</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(4,549)	(525)
Proceeds from sale of tangible fixed assets	13	2
Purchase of tangible fixed assets	(1,827)	(1,272)
Proceeds from sale of fixed asset investments	190,868	160,634
Purchase of fixed asset investments	(305,114)	(255,645)
Interest received	1,019	991
Dividends received from fixed asset investments	24,728	38,455
<b>Net cash from investing activities</b>	<b>(94,862)</b>	<b>(57,360)</b>
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>350</b>	<b>14,799</b>
Foreign exchange translation	(999)	1,404
Cash and cash equivalents at beginning of year	182,006	165,803
<b>Cash and cash equivalents at end of year</b>	<b>181,357</b>	<b>182,006</b>



**Analysis of changes in net funds**

	At 1/1/2015 £'000	Cash flow movement £'000	At 31/12/2015 £'000
Cash at bank and in hand	8,987	975	9,962
Bank deposit accounts	133,034	6,494	139,528
Cash with investment managers	39,985	(8,118)	31,867
<b>Net funds</b>	<b>182,006</b>	<b>(649)</b>	<b>181,357</b>

Of the net funds held by MPS, £14.2m (2014: £14.5m) is held in trust on behalf of the MPS Periodical Payments Trust, which was established to provide security for payments to be made in satisfaction of periodical payments orders. The Trust's funds, which are invested in a segregated managed cash portfolio, can only be used to meet liabilities resulting from periodical payment orders and are not available to settle any other MPS liabilities.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2015

	Notes	Income and Expenditure £'000	Total £'000
At 1 January 2014		1,194,683	1,194,683
Net contribution for the year		12,579	12,579
Actuarial losses		(738)	(738)
Total comprehensive income for the year		11,841	11,841
<b>At 31 December 2014</b>	<b>25</b>	<b>1,206,524</b>	<b>1,206,524</b>
Net contribution for the year		89,501	89,501
Actuarial gains		7,745	7,745
Total comprehensive income for the year		97,246	97,246
<b>At 31 December 2015</b>		<b>1,303,770</b>	<b>1,303,770</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2015

	Notes	Income and Expenditure £'000	Total £'000
At 1 January 2014		448,201	448,201
Net contribution for the year		(11,617)	(11,617)
Actuarial losses		(738)	(738)
Total comprehensive income for the year		(12,355)	(12,355)
<b>At 31 December 2014</b>	<b>25</b>	<b>435,846</b>	<b>435,846</b>
Net contribution for the year		127,266	127,266
Actuarial gains		7,745	7,745
Total comprehensive income for the year		135,011	135,011
<b>At 31 December 2015</b>		<b>570,857</b>	<b>570,857</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 1 COMPANY INFORMATION

The Medical Protection Society Limited is a company limited by guarantee registered in England with company number 36142 at 33 Cavendish Square, London, W1G 0PS.

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102, with prior year figures restated. Refer to note 25 for an explanation of the transition.

The financial statements are presented in sterling (£).

The Group's financial statements consolidate the financial statements of The Medical Protection Society Limited and all of its subsidiary undertakings, drawn up to 31 December each year.

The Group has adopted the disclosure exemption relating to the exposure to and management of financial risks on financial instruments as the financial instruments are held as part of a trading portfolio.

## 3 PRINCIPAL ACCOUNTING POLICIES

### (a) Consolidation

The Group financial statements comprise a consolidation of the financial statements of the parent company (the "Company") and all of its subsidiary undertakings (together, the "Group") as at 31 December and as identified in note 13. As a consolidated statement of comprehensive income is published, the parent company has taken advantage of the exemption in section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The parent company's net contribution for the year was a surplus of £127.3m (2014: deficit of £11.6m as restated under FRS 102). Also, as a consolidated statement of cash flows is published, the parent company has taken advantage of the exemption in paragraph 1.12(b) of FRS 102 and has not included its own statement of cash flows in these financial statements.

### (b) Subscriptions

Subscription income comprises amounts receivable during the year, apportioned to accounting periods based on actual membership periods and stated at the fair value of the consideration receivable. It is recognised when the Company has performed its obligation to provide a period of membership, which allows members to seek assistance for incidents occurring during that period, and in exchange obtained the right to consideration. Income is not deferred beyond the end of the period of membership, as future benefits arising from that period of membership will be subject to Council exercising its discretion to provide such benefits.

No geographical analysis of subscription income is shown because, in the opinion of the Council, it would be seriously prejudicial for the Group to do so.

### (c) Intangible fixed assets and amortisation

Intangible fixed assets are included at cost. Amortisation is provided evenly on the cost of intangible fixed assets, to write them down to nil value over their expected useful lives. Where there is evidence of impairment, intangible assets are written down to their current valuation, with any such write down being charged to net contribution to funds. The annual amortisation rates used are:

#### Intellectual property rights - 20% per annum

Copyrights	- 4.5% per annum
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Software licences	- 20% per annum
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Case management system	- 14.3% per annum
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### (d) Tangible fixed assets and depreciation

All tangible fixed assets are included at cost. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down is recognised immediately in net contribution to funds. The principal rates used for tangible fixed assets are:

Freehold buildings	- 2% per annum
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Leasehold property	- over life of lease
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Furniture and fittings	- 5% per annum
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Office equipment	- 15% per annum
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Computers	- 25% per annum
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Motor vehicles	- 20% per annum
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### (e) Translation of foreign currency transactions

Income and expenditure in foreign currencies are translated to their sterling equivalent at the rate ruling at the transaction date. Monetary assets and liabilities



appearing in the balance sheet are translated at the rate of exchange ruling at 31 December. Any gains or losses are taken to net contribution to funds.

**(f) Interest receivable and dividends**

Interest receivable is brought into account on an accruals basis under the effective interest method. As MPS's equity investments are in pooled funds and unit trusts, income is reinvested rather than distributed. Such income is therefore included within unrealised gains on investments rather than being recorded in the accounts as dividend income.

**(g) Investments**

Investments are recognised initially at fair value, which is normally the transaction price. They are then subsequently measured as follows:

Listed investments (which include cash held by the investment managers awaiting investment) are subsequently measured at fair value through net contribution to funds using bid price. Changes in fair value are recognised in net contribution to funds.

Unlisted investments, for which an independent market valuation is available, are measured at fair value through net contribution to funds.

Unlisted Infrastructure funds are measured at fair value using a discounted cash flow valuation methodology. In this methodology the future cash flows that are expected to be generated by an asset and made available to the fund, for example through dividends or loan repayments, are estimated, and these are discounted back to the valuation date. The discount rate comprises a risk premium reflecting the uncertainty associated with the cash flows, and the risk-free interest rate applicable in the country in which the asset is located. The risk premium is determined as the implied risk premium at acquisition, unless there is an inherent change in the risk profile of the business which may necessitate a change. Foreign assets are converted using the exchange rate on the valuation date. Changes in fair value are recognised in net contribution to funds.

The inflation opportunities portfolio and multi-asset credit investments are measured using the net asset values provided by the fund managers. The funds contain a variety of assets that are measured at fair value through net contribution to funds. The fair value of the underlying financial instruments is based on their quoted mid-market prices at the reporting date. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange traded financial instruments, the fair value of the instrument is estimated using valuation

techniques, including use of recent arm's length market transactions, pricing models, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Collective Investment Schemes (CIS) are priced based on the valuation supplied by the administrator of the CIS. Financial assets include investments in open-ended investment funds. Fair value is based on the underlying fund administrator's calculation of net asset value per share which will be the latest mid prices published by the collective investment schemes, unless any adjustments are required for illiquidity, low trading volumes or any such factors that indicate that the mid price may not be fair value.

Investments in subsidiaries are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount.

**(h) Derivative financial instruments**

Derivative financial instruments are recognised at fair value using a specified valuation technique (see below) with any gains or losses being reported in the statement of comprehensive income. Outstanding derivatives at the reporting date are included under the appropriate format heading depending on the nature of the derivative.

Interest rate swaps are valued on a daily basis by MPS's investment managers using a detailed valuation methodology for a zero coupon interest rate swap. Interest rate curves using real-time quotes from a number of market sources are used to value the swaps along with interpolation required to calculate the cash flow due or payable on each swap's floating rate leg. The investment manager reconciles the valuations on a daily basis between their own systems and those of the counterparty. In addition an independent third party agent is also used to value the trades. The three-way reconciliation process ensures that the valuations are in line with the market on any given day and enables variations in valuation between the investment manager and the counterparty to be investigated in a timely fashion.

A third party currency management system is utilised by MPS's investment managers to obtain valuations for foreign exchange forward contracts. This system uses WM Reuters Fix rate to value the open market contracts against the traded rate. The number of contracts and market value difference is reconciled against counterparties daily and material variances flagged for further investigation.

In addition, the Group's investment managers are permitted to hold derivative financial instruments to enhance investment returns. These instruments are



measured at fair value with any changes in value and gains or losses credited or charged to net contribution to funds.

The interest rate and currency swaps are not designed to be a perfect hedge, and the Group has not adopted any form of hedge accounting.

#### (i) Cash deposits

Cash deposits (consisting of bank deposit accounts, and cash at bank and in hand) are held to meet working capital requirements and when awaiting long-term investment within MPS's managed portfolios. A range of deposit accounts and cash equivalents such as liquidity funds are used for this purpose. The funds are kept liquid with the vast majority available on call.

#### (j) Costs and damages for claims

Provision is made, as appropriate, for estimated future costs and damages, legal costs and claims handling costs expected to arise from all claims that have been notified to MPS by 31 December in respect of which the Council has exercised or is expected to exercise its discretion to provide indemnity. The estimate of these costs is provided on an individual basis by claims managers along with an estimation of the likelihood that MPS will have to settle the claim. These estimates are stated before deducting estimated recoveries from insurers, which are disclosed separately and are recognised only when it is virtually certain that reimbursement will be received. These estimated recoveries are reassessed annually.

The discounted future settlement values are deemed to be the best estimate of these costs. The unwinding of the discount is separately identified in the claims provision (note 17) and is disclosed within finance costs in net contribution to funds. The principal financial assumption used in the calculation of the finance cost is that the rate used to unwind the discount is 3.5% (2014: 5.2%) per annum.

The principal financial assumptions used in the calculation of the claims provision are that claims inflation will be RPI plus 3.3% per annum over the period to settlement, and that investment return, used to discount future claims payment to the balance sheet date, will be RPI plus 0.5%. The average period to settlement is estimated as 2.5 years. The settlement delay and net claims inflation rate are estimated with assistance from the company's external actuary.

No provision is made in the financial statements for the potential claims that may arise from incidents that occurred before 31 December but had not been reported to MPS at that date. This is a key judgment area, which the Council has considered in

detail, concluding that these potential claims do not constitute a liability as recognition is dependent on the exercise of discretion by the Council, and there is no constructive or legal obligation to recognise them until such discretion is exercised. The exercise of discretion by the Council is set out in the Articles of Association in paragraph 40. In reaching this judgement, the Council considered whether members have a valid expectation that assistance will be provided in full with regards all submitted claims. Having considered how discretion is exercised by MPS, the Council conclude that there cannot be a valid expectation that all requests for assistance will be met in full, and that it is not appropriate to make a provision for potential claims that have not been reported by 31 December. However, the Council believes it is appropriate to make an estimate of the cost of these potential future claims when assessing the adequacy of MPS's funding position. This estimate is disclosed and discussed in note 21.

#### (k) Tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except otherwise as indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense (income) is presented either in net contribution to funds or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if the company has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

#### (l) Pensions

MPS operates two pension schemes, a defined benefit scheme and a defined contribution scheme.

The assets of both schemes are invested and managed independently of MPS's finances. The cost of providing



benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current cost period to calculate current service cost and to the current and prior periods to determine the present value of defined benefit obligations and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate at the start of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in net contribution to funds as other finance income or cost.

Re-measurements, including actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to net contribution to funds in subsequent periods.

The defined benefit pension asset or liability in the balance sheet comprises the total present value of the defined benefit obligation, calculated using a discount rate based on UK gilts, less the fair value of plan assets out of which the obligations are to be settled. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Defined benefit pension scheme surpluses are limited to the extent they are considered recoverable either through reduced contributions or agreed refunds from the scheme.

The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the scheme, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the company considers the rate of return from UK gilts and future RPI inflation by deriving a single weighted average over the appropriate Bank of England curve (extrapolated for years beyond 25) taking account of the scheme's projected benefit cash flows at each duration. The mortality rate is based on publicly available mortality tables for the UK. Future salary increases are based on expected future UK inflation rates.

Further information on the structure of the defined benefit scheme is contained within note 9 to these accounts.

Contributions to the defined contribution pension scheme are charged to the statement of comprehensive income in the year to which they relate.

#### **(m) Operating lease agreements**

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the term of the lease.

#### **(n) Current assets and liabilities**

Current assets and liabilities (except in relation to the defined benefit pension scheme) are measured at the present value of future cash flows. These amounts are tested for impairment, with any impairment found taken to net contribution to funds.

#### **(o) Going Concern**

After reviewing the company's forecasts and projections, members of the Council have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

In forming this view, members of the Council have considered the recommendations, and the further ongoing consultations, arising from the Sharman Inquiry ("Going Concern and Liquidity Risks"). Please see page 42 in the Report of the Council.

### **4a EDUCATION, PUBLICATIONS AND EXTERNAL RELATIONS**

Included under this classification are costs associated with developing and delivering education and risk management services to members with the aim of reducing risk, and liaising with regulators, legislators and professional representative bodies around the world on behalf of members and the wider professions, on matters relevant to MPS and its members.



**4b ADMINISTRATION EXPENSES**

	2015 £'000	2014 £'000
Included under this classification are:		
Operating lease rentals:		
- Land and buildings	2,418	2,371
- Motor vehicles	171	202
- Office equipment	159	158
Depreciation of fixed assets	1,137	1,628
Amortisation of intangible assets	394	898
Auditor's remuneration		
<i>Services to the Company and its subsidiaries</i>		
Fees payable to the Company's auditor for the audit of the annual financial statements	102	111
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	24	20
Other services:		
- Taxation compliance	51	48
- Taxation advice	15	13
- Accounting advice	30	22
<i>Services to the Company's associated pension scheme</i>		
Audit of the financial statements of the Scheme pursuant to legislation	5	5
Other services – accounting advice	1	-

**4c EXCHANGE MOVEMENTS**

The majority of the losses on exchange movements relate to the restatement of cash assets held to match international liabilities. These losses are substantially offset by a corresponding decrease in international claim liabilities, which are included in claims costs and associated legal costs in the statement of comprehensive income.

**5 NET INCOME FROM INVESTMENTS**

	2015 £'000	2014 £'000
Bond and gilt interest	28,580	31,825
Bank interest	1,019	991
Other investment income	(3,852)	6,630
	<u>25,747</u>	<u>39,446</u>

Other investment income includes net realised (losses) arising from derivative financial instruments of £10,012k (2014: gain of £841k), which are discussed in more detail in the Strategic Report on page 36, and distributions from infrastructure funds.

As noted in 3(f), dividend income from MPS's equity investments is not distributed but is reinvested and included in the change in fair value of investments rather than as net income from investments.



**6a TAX ON INCOME AND GAINS FROM INVESTMENTS**

Tax on investment income and gains/(losses) included in the statement of comprehensive income for the year

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax	7	9
Overseas taxation	48	30
Double taxation relief	(7)	(9)
Total current tax	<u>48</u>	<u>30</u>
Deferred tax:		
Origination and reversal of timing differences	(13,993)	2,082
Adjustment in respect of prior years	(1,100)	-
Total deferred tax	<u>(15,093)</u>	<u>2,082</u>
<b>Tax on investment income and gains/(losses) in the statement of comprehensive income for the year</b>	<b><u>(15,045)</u></b>	<b><u>2,112</u></b>

**6b FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2014: 21%). The differences are explained as follows:	2015 £'000	2014 £'000
Contribution before tax	74,456	14,691
Income and net gains/(losses) from investments multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21%)	14,891	3,085
Tax difference on equity disposals	-	(1,554)
Indexation on UK Index Linked Gilts and unrealised capital gains	(293)	(3,465)
Non-taxable dividend income	(2,044)	(428)
Adjustment in respect of prior years	(1,100)	-
Non-taxable contribution	(24,678)	3,253
Difference in tax rates	(1,744)	(103)
Foreign tax	31	16
Unutilised losses carried forward	-	1,194
FRS 102 transitional adjustments brought into tax	(108)	114
<b>Tax charge for the year</b>	<b><u>(15,045)</u></b>	<b><u>2,112</u></b>

The non-taxable contribution above is the balance of members' subscription income over related expenditure, which, due to MPS's mutual status, is not subject to corporation tax.

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2014: £nil).



## 6c FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction in the UK corporation tax rate from 23% to 21% took effect from 1 April 2014, and a further reduction from 21% to 20% took effect from 1 April 2015. Following Budget 2015 and 2016 announcements, there will be a further reduction in the main rate of UK corporation tax rate to 19% in 2017 and then to 17% in 2020.

## 7 EMOLUMENTS OF MEMBERS OF THE COUNCIL

The standard remuneration for all non-executive members of the Council (other than the Chairman) was £21,420 (2014: £21,000). In addition, most non-executive members of the Council receive fees for appointments to various Boards and Committees. Details of Council member appointments can be found on page 19. The total fees payable to all members of the Council are analysed below:

	Salary/ fees £'000	TB £'000	PR1 £'000	PR2 <sup>2</sup> £'000	AP £'000	Total £'000	2014 £'000
<i>Executive members</i>							
Simon Kayll (Chief Executive)	310	14	39	45	28	436	385
Howard Kew (Executive Director – Finance and Risk)	209	14	22	30	13	288	245
Kevin Lewis (Dental Director) <sup>1</sup>	171	13	14	21	48	267	208
<i>Non-executive members</i>							
Kay-Tee Khaw (Chairman)	52	-	-	-	-	52	51
Keith Bradley	32	-	-	-	-	32	31
Richard Brennan	24	-	-	-	-	24	21
Trevor Burke (Retired 8 October 2014)	-	-	-	-	-	-	32
Ian Croxford	32	-	-	-	-	32	31
Mark Davis	24	-	-	-	-	24	25
Yasmin Drabu	28	-	-	-	-	28	30
Ian Eardley (Appointed 1 November 2015)	4	-	-	-	-	4	-
Patrick Forbes	28	-	-	-	-	28	28
John Gibson (Appointed 8 October 2014) <sup>3</sup>	48	-	-	-	-	48	11
Taj Hassan (Retired 11 June 2014)	-	-	-	-	-	-	12
James McLenachan (Appointed 1 November 2015)	4	-	-	-	-	4	-
Simon Pashby	47	-	-	-	-	47	46
Sally Scutt	28	-	-	-	-	28	27
	1,041	41	75	96	89	1,342	1,183

### Key:

TB	Taxable benefits – includes car allowance and medical benefits
PR1	Final performance reward paid in March 2015 under outgoing reward policy
PR2	Performance reward paid in 2015 based on performance against objectives
AP	Alternative pension arrangements

### Notes:

- 1 Salary includes a long service award paid in 2015
- 2 An additional award, equal to the PR2 award paid, is deferred and payable in 3 years subject to further objectives being met
- 3 Fees are paid via a third party, and include an uplift of 13.8% in lieu of national insurance



## 7 EMOLUMENTS OF MEMBERS OF THE COUNCIL (CONTINUED)

During 2015 there were three (2014: three) executive members of the Council who were members of MPS's defined benefit pension scheme, details of which are set out in note 9. During the same period, no members of Council were members of the defined contribution pension scheme, which was introduced on 1 November 2013.

The highest paid director, the Chief Executive, has accrued annual defined benefit pension rights of £54,000 (2014: £51,000).

In addition, as stated in the Report of the Council on page 37, eight non-executive members of the Council had personal membership of MPS.

## 8 EMPLOYEES

The average number of people employed by the Group in the provision of services to members during the year was 704 (2014: 622).

Costs in respect of these employees were:	2015 £'000	2014 £'000
Wages and salaries	32,343	28,382
Social security costs	3,718	2,934
Pension costs	6,462	5,557
	<b>42,523</b>	<b>36,873</b>

## 9 PENSIONS

MPS operates two pension schemes; a funded defined benefit pension scheme, which is administered under Trust and a defined contribution pension scheme, which is overseen by the Defined Contribution Oversight Committee. The assets of both schemes are held independently of MPS's finances. Contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate. Contributions to the defined benefit scheme are paid to the scheme in accordance with the Schedule of Contributions agreed between the Trustees and MPS.

The defined benefit scheme was closed to new entrants on 1 November 2013, at which time the defined contribution scheme was introduced.

The funding of the defined benefit scheme is based on triennial valuation. The last full actuarial valuation completed and agreed was as at 31 December 2011, with the most recent full actuarial valuation as at 31 December 2014 completed but yet to be agreed. This valuation has then been further updated to the accounting date by an independent qualified actuary. The next full actuarial valuation will be carried out as at 31 December 2017.

The following tables set out the key assumptions used for the defined benefit scheme. The tables also set out, as at the accounting date, the fair values of the assets, analysed by asset class, the present value of the scheme liabilities and the resulting pension surplus. The surplus is shown as "Pension asset" on the face of the balance sheet.

### Actuarial assumptions

	At 31 December 2015 % pa	At 31 December 2014 % pa
Price RPI inflation	3.3	3.2
Discount rate	3.8	3.7
Pension increases (LPI 5%)	3.1	3.1
Pension increases (LPI 3%)	2.4	2.5
Salary growth	4.3	4.2

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 29.2 years (2014: 29.1 years) and a female pensioner currently aged 60 would be expected to live for a further 31.5 years (2014: 31.3 years). Allowance is made for future improvements in life expectancy.



**Movement in net defined benefit asset**

	At 31 December 2015	At 31 December 2014
	£'000	£'000
Opening net defined benefit asset	7,218	4,945
Cost in net contribution to funds	(4,714)	(4,397)
Employer contributions	7,297	7,408
Amount recognised in other comprehensive income	7,745	(738)
<b>Closing net defined benefit asset</b>	<b>17,546</b>	<b>7,218</b>

**Amounts recognised in the balance sheet**

	At 31 December 2015	At 31 December 2014
	£'000	£'000
Fair value of scheme assets	133,910	124,233
Defined benefit obligation	(116,364)	(117,015)
<b>Net defined benefit asset</b>	<b>17,546</b>	<b>7,218</b>

It is envisaged that the current surplus on the plan would be recovered through reduced future contributions to the scheme.

**Plan Assets**

	At 31 December 2015		At 31 December 2014	
	%	£'000	%	£'000
Equities	29	38,476	30	36,922
Liability driven investment	38	51,119	43	54,028
Diversified growth fund	33	43,940	27	32,859
Cash	-	375	-	424
<b>Total</b>	<b>100</b>	<b>133,910</b>	<b>100</b>	<b>124,233</b>

**Amounts recognised in net contribution to funds**

	2015	2014
	£'000	£'000
Employer's part of current service cost	4,776	4,815
Interest income	(420)	(418)
Past service cost and settlements	358	-
<b>Total expense recognised in net contribution to funds</b>	<b>4,714</b>	<b>4,397</b>



**9 PENSIONS (CONTINUED)**

The defined benefit obligation moved over the year as follows:

	2015 £'000	2014 £'000
Opening defined benefit obligation	117,015	97,952
Interest on obligation	4,287	4,457
Employer's part of current service cost	4,776	4,815
Contributions by scheme members	1,037	972
Benefits paid	(2,325)	(2,148)
Past service cost and settlements	358	-
Actuarial (gain)/loss	(8,784)	10,967
Closing defined benefit obligation	116,364	117,015

**Movement in fair value of plan assets**

	2015 £'000	2014 £'000
Opening fair value of scheme assets	124,233	102,897
Interest on assets	4,707	4,875
Contributions by scheme members	1,037	972
Contributions by the employer	7,297	7,408
Benefits paid	(2,325)	(2,148)
Actual return on plan assets less interest	(1,039)	10,229
Closing fair value of scheme assets	133,910	124,233
Actual return on assets	3,668	15,104

Over the year to 31 December 2015, MPS made contributions of £7.3m (2014: £7.4m) to the scheme. It was agreed that from 1 April 2015 future employer contributions will be at a rate of 22.0% of pensionable salaries for 80th scale members and 27.5% of pensionable salaries for other scale members. Contributions are currently being reviewed as part of the completion of the full actuarial valuation effective as at 31 December 2014.

Estimated total contributions payable to the defined benefit scheme by MPS for 2016, including deficit funding contributions, are £8.4m.

**Amounts recognised in other comprehensive income:**

	2015 £'000	2014 £'000
Re-measurements	7,745	(738)



**10 INTANGIBLE FIXED ASSETS**

	Software Licences £'000	Copyrights £'000	Total £'000
<b>Group</b>			
<b>Cost or valuation</b>			
At 1 January 2015	7,123	16	7,139
Additions	4,549	-	4,549
Disposals	(385)	-	(385)
<b>At 31 December 2015</b>	<b>11,287</b>	<b>16</b>	<b>11,303</b>
<b>Amortisation</b>			
At 1 January 2015	4,177	1	4,178
Provided in year	391	3	394
Released on disposal	(311)	-	(311)
<b>At 31 December 2015</b>	<b>4,257</b>	<b>4</b>	<b>4,261</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>7,030</b>	<b>12</b>	<b>7,042</b>
At 31 December 2014	2,946	15	2,961
<b>Company</b>			
<b>Cost or valuation</b>			
At 1 January 2015	6,921	394	7,315
Additions	4,549	-	4,549
Disposals	(384)	-	(384)
<b>At 31 December 2015</b>	<b>11,086</b>	<b>394</b>	<b>11,480</b>
<b>Amortisation</b>			
At 1 January 2015	3,976	88	4,064
Provided in year	393	18	411
Released on disposal	(311)	-	(311)
<b>At 31 December 2015</b>	<b>4,058</b>	<b>106</b>	<b>4,164</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>7,028</b>	<b>288</b>	<b>7,316</b>
At 31 December 2014	2,945	306	3,251

Software licences includes a bespoke case management system developed in house for use by the company at a cost of £2.7m that went live in November 2013. The net book value at the end of the year was £1.9m. Also included in software licences is £4.1m of capital expenditure relating to the build phase of a new member administration IT system. It is expected that the system will go live during 2017, no amortisation will be charged until the system is in use.

The Group intangible fixed assets include intellectual property rights acquired by a group company, The Cognitive Consulting Group Pty Limited (CCG) (see note 13).

The Company intangible fixed assets include copyrights for educational training material purchased by the parent company from CCG.



**11 TANGIBLE FIXED ASSETS**

	Freehold property	Leasehold property	Computers, furniture, fittings and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group</b>					
<b>Cost or valuation</b>					
At 1 January 2015	16,646	2,323	9,910	34	28,913
Additions	-	274	1,529	24	1,827
Disposals	-	-	(1,999)	(25)	(2,024)
<b>At 31 December 2015</b>	<b>16,646</b>	<b>2,597</b>	<b>9,440</b>	<b>33</b>	<b>28,716</b>
<b>Depreciation</b>					
At 1 January 2015	858	1,688	6,832	29	9,407
Provided in year	338	134	656	9	1,137
Released on disposals	-	-	(1,566)	(25)	(1,591)
<b>At 31 December 2015</b>	<b>1,196</b>	<b>1,822</b>	<b>5,922</b>	<b>13</b>	<b>8,953</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>15,450</b>	<b>775</b>	<b>3,518</b>	<b>20</b>	<b>19,763</b>
At 31 December 2014	15,788	635	3,078	5	19,506
<b>Company</b>					
<b>Cost or valuation</b>					
At 1 January 2015	16,646	2,323	9,815	34	28,818
Additions	-	274	1,529	24	1,827
Disposals	-	-	(1,972)	(25)	(1,997)
<b>At 31 December 2015</b>	<b>16,646</b>	<b>2,597</b>	<b>9,372</b>	<b>33</b>	<b>28,648</b>
<b>Depreciation</b>					
At 1 January 2015	858	1,688	6,760	29	9,335
Provided in year	338	134	655	9	1,136
Released on disposals	-	-	(1,549)	(25)	(1,574)
<b>At 31 December 2015</b>	<b>1,196</b>	<b>1,822</b>	<b>5,866</b>	<b>13</b>	<b>8,897</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>15,450</b>	<b>775</b>	<b>3,506</b>	<b>20</b>	<b>19,751</b>
At 31 December 2014	15,788	635	3,055	5	19,483

All the leasehold properties held at 31 December 2015 are short leaseholds.

**Capital commitments**

Capital expenditure approved and contracted for amounted to £nil (2014: £nil).



## 12a INVESTMENTS AND DERIVATIVE LIABILITIES

### Group

	Listed £'000	Unlisted £'000	Cash £'000	Total Investments £'000	Derivative liabilities £'000
Valuation at 1 January 2015	1,791,928	267,183	39,985	2,099,096	(66,237)
Investment additions	271,186	33,928	-	305,114	-
Disposals at carrying value	(190,868)	-	-	(190,868)	-
Movement in cash balances	-	-	(8,118)	(8,118)	-
Fair value adjustments	(79,335)	6,673	-	(72,662)	(3,463)
<b>At 31 December 2015</b>	<b>1,792,911</b>	<b>307,784</b>	<b>31,867</b>	<b>2,132,562</b>	<b>(69,700)</b>

### Company

	Investment in subsidiaries £'000
Cost as at 1 January 2015	1,231,050
Additions in the year	105,000
<b>At 31 December 2015</b>	<b>1,336,050</b>

### Investments comprise

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Listed on UK Stock Exchange:				
- Equities	318,929	308,271	-	-
- Government and other bonds	972,988	998,741	-	-
Listed on overseas Stock Exchanges:				
- Equities	278,041	240,486	-	-
- Government and other bonds	222,953	244,430	-	-
Unlisted investments:				
- Infrastructure	77,980	60,083	-	-
Multi-asset credit portfolio	64,364	61,500	-	-
Inflation opportunities portfolio	165,440	145,600	-	-
Shares in group undertakings	-	-	1,336,050	1,231,050
Cash	31,867	39,985	-	-
	<b>2,132,562</b>	<b>2,099,096</b>	<b>1,336,050</b>	<b>1,231,050</b>
Derivative financial instruments (12b):				
- assets	43	279	-	-
- liabilities	(69,743)	(66,516)	-	-
	<b>(69,700)</b>	<b>(66,237)</b>	<b>-</b>	<b>-</b>



**12b DERIVATIVE FINANCIAL INSTRUMENTS**

The following derivative financial instruments, recognised in note 12a above, were held at the end of the year:

*Interest Rate Swaps*

Duration	Nature of contract	Notional value £'000	Asset £'000	Liability £'000
2yrs-20yrs	Pay fixed for floating	793,340	-	(69,464)

As noted in the Strategic Report on page 36, the interest rate swaps programme was introduced by MPS to mitigate potential losses from its UK index-linked bonds portfolio, which may arise should UK interest rates rise. However, some risk is still retained by MPS as the programme does not provide an exact match for the potential losses that could arise from the assets should interest rates rise. In addition, the programme does not seek to address inflation rate risk.

*Forward Foreign Exchange Contracts*

Duration	Nature of contract	Notional value US\$'000	Asset £'000	Liability £'000
3 months	Sell USD Buy ILS	59,710	29	(3)
3 months	Sell USD Buy HKD	167,832	14	-
3 months	Sell USD Buy MYR	20,545	-	(45)
3 months	Sell USD Buy SGD	81,264	-	(231)
			43	(279)

As noted in the strategic report on page 36, the group maintains a currency hedging programme to mitigate currency risks where it does not hold sufficient assets in a particular currency to match MPS's liabilities in that currency. As this is not an exact hedge, and there is inherent volatility in the liabilities that MPS is seeking to match, a degree of currency risk will be retained.

**12c COLLATERAL AMOUNTS GIVEN/RECEIVED**

The following collateral balances at fair value were held at the end of the year, relating to amounts given/received against unrealised losses/gains respectively on derivative financial instruments shown in note 12b above. These amounts are recognised (but with restricted use due to being held as collateral) on the balance sheet as although the assets have been transferred between the group and the counterparties ownership has not, pending the maturity or trade of the underlying derivative contract.

Derivative held	Form of collateral	Given £'000	Received £'000
Interest Rate Swap	UK Government Bonds	69,906	-



## 12d FAIR VALUE HIERARCHY

### Financial assets at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 December 2015</b>				
Equities	596,970	-	-	596,970
Government and other bonds	1,195,941	-	-	1,195,941
Infrastructure	-	-	77,980	77,980
Multi-asset credit	-	-	64,364	64,364
Inflation opportunities portfolio	-	-	165,440	165,440
Derivative financial instruments	-	43	-	43
	<b>1,792,911</b>	<b>43</b>	<b>307,784</b>	<b>2,100,738</b>

### At 31 December 2014

Equities	548,757	-	-	548,757
Government and other bonds	1,243,171	-	-	1,243,171
Infrastructure	-	-	60,083	60,083
Multi-asset credit	-	-	61,500	61,500
Inflation opportunities portfolio	-	-	145,600	145,600
Derivative financial instruments	-	279	-	279
	<b>1,791,928</b>	<b>279</b>	<b>267,183</b>	<b>2,059,390</b>

### Financial liabilities at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 December 2015</b>				
Derivative financial instruments	-	69,743	-	69,743
<b>At 31 December 2014</b>				
Derivative financial instruments	-	66,516	-	66,516

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - Valued using quoted prices in active markets for identical assets.

Level 2 - Valued by reference to valuation techniques using observable inputs other than quoted prices included in level 1.

Level 3 - Valued by reference to valuation techniques using inputs that are not based on observable market data.

### Level 3 financial assets at fair value through net contribution to funds

	Opening balance £'000	Purchases £'000	Sales £'000	Fair value adjustments £'000	Total £'000
<b>At 31 December 2015</b>					
Infrastructure	60,083	12,917	-	4,980	77,980
Multi-asset credit	61,500	3,974	-	(1,110)	64,364
Inflation opportunities portfolio	145,600	17,037	-	2,803	165,440
	<b>267,183</b>	<b>33,928</b>	<b>-</b>	<b>6,673</b>	<b>307,784</b>
<b>At 31 December 2014</b>					
Infrastructure	66,877	6,036	-	(12,830)	60,083
Multi-asset credit	51,133	11,321	-	(954)	61,500
Inflation opportunities portfolio	85,123	48,372	-	12,105	145,600
	<b>203,133</b>	<b>65,729</b>	<b>-</b>	<b>(1,679)</b>	<b>267,183</b>



### 13 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

MPS has the following direct interests in subsidiary undertakings:

Name	Parent and group interest in ordinary shares and voting rights	Cost of parent investment £'000	Country of incorporation or registration	Nature of business
Dental Protection Limited	100%	-	England	To provide insight on dental issues which impact MPS
MPI (London) Limited	100%	1,325,001	England	To manage the investment portfolio
DPL Australia Pty Limited	100%	-	Australia	To manage the administrative affairs of dental members in Australia
MPS Risk Solutions Limited	100%	11,000	England	The provision of general insurance contracts to organisations in the healthcare sector
MPS Periodical Payment Trustee Limited	100%	40	England	Corporate Trustee
MPS Holdings Australia Pty Limited	100%	9	Australia	Holding company
The Cognitive Consulting Group Pty Limited*	100%	-	Australia	To provide communication skills and risk management training to healthcare professionals in Australia

\* Indirectly owned by MPS.

All the above subsidiaries operate in their country of incorporation or registration.

As noted in the Strategic Report on page 31, MPS Risk Solutions Limited withdrew from the insurance market during 2012. Consequently, at the end of 2015 a review was carried out to ensure that MPS's investment in the company was not impaired, which it was found not to be.



**14 DEBTORS**

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
<b>Receivable within one year</b>				
Corporation tax repayable	46	41	-	-
Membership debtors	12,817	11,282	12,817	11,282
Other trading debtors	312	284	183	256
Recoverable insurance claims	3,493	4,922	3,493	4,922
Amounts owed by subsidiary undertakings	-	-	102,881	95,903
Other debtors	14,381	1,788	526	233
Prepayments	6,004	5,422	5,960	5,390
	<b>37,053</b>	<b>23,739</b>	<b>125,860</b>	<b>117,986</b>
<b>Receivable after one year</b>				
Recoverable insurance claims	31,434	19,688	31,435	19,688
Deferred tax asset	19,456	7,253	-	-
	<b>50,890</b>	<b>26,941</b>	<b>31,435</b>	<b>19,688</b>
<b>Total debtors</b>	<b>87,943</b>	<b>50,680</b>	<b>157,295</b>	<b>137,674</b>

**15 CREDITORS:  
AMOUNTS FALLING WITHIN ONE YEAR**

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Other taxes and social security	3,643	2,147	3,621	2,145
Other creditors and accruals	11,362	13,853	10,543	7,092
Deferred subscription income	53,942	52,960	53,942	52,960
	<b>68,947</b>	<b>68,960</b>	<b>68,106</b>	<b>62,197</b>

**16 CREDITORS:  
AMOUNTS FALLING DUE AFTER ONE YEAR**

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Other creditors and accruals	544	444	544	444



**17 PROVISION FOR LIABILITIES GROUP**

	Deferred Tax	Reported negligence claims	Reported other claims	Claims handling	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group</b>					
At 1 January 2015	38,069	850,554	48,208	42,486	979,317
Movements in the year:					
Charged to the statement of comprehensive income					
- Reported negligence claims	-	150,402	-	14,988	165,390
- Reported other claims	-	-	40,859	26,858	67,717
- Deferred taxation	(2,891)	-	-	-	(2,891)
- Finance cost (unwinding of discount)	-	31,100	1,800	-	32,900
Paid	-	(196,262)	(32,852)	(41,934)	(271,048)
<b>At 31 December 2015</b>	<b>35,178</b>	<b>835,794</b>	<b>58,015</b>	<b>42,398</b>	<b>971,385</b>

No amounts charged in the year for deferred tax related to items of other comprehensive income.

	Reported negligence claims	Reported other claims	Claims handling	Total
	£'000	£'000	£'000	£'000
<b>Company</b>				
At 1 January 2015	841,993	48,208	42,058	932,259
Movements in the year:				
Charged to the statement of comprehensive income				
- Reported negligence claims	151,574	-	15,045	166,619
- Reported other claims	-	40,859	26,858	67,717
- Finance cost (unwinding of discount)	31,100	1,800	-	32,900
Paid	(193,906)	(32,852)	(41,815)	(268,573)
<b>At 31 December 2015</b>	<b>830,761</b>	<b>58,015</b>	<b>42,146</b>	<b>930,922</b>

The reported negligence claims provision is the estimated discounted future settlement values for damages and legal costs in respect of all negligence claims notified by 31 December. The reported other claims provision is the estimated discounted future settlement value of legal costs relating to these claims notified by 31 December. The claims handling provision is the estimated cost of managing all reported claims to conclusion. Finance costs reflect the unwinding of discount in the provision.

MPS uses its internal staff to determine accurate estimates for individual claims, based on past experience and factors relevant to each claim. In addition, MPS uses the experience of its consulting actuary, Lane Clark & Peacock LLP, to use the internal individual claim estimates, and membership data, to arrive at a statistical reserve for the likely cost of all reported claims.

The timing of individual claim payments is uncertain, as they are the subject of litigation.

The reported negligence claims provision is stated before insurance recoveries of £34.9m (2014: £24.2m) that are estimated to be recoverable from MPS's insurers.



## 18 DEFERRED TAXATION

Deferred taxation provided at 18% (2014: 20%) in the financial statements is set out below:

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Timing differences on fixed asset equity investments (note 17)	35,178	38,069	-	-
Unutilised losses on loan relationships (note 14)	(19,456)	(7,253)	-	-
	<b>15,722</b>	<b>30,816</b>	<b>-</b>	<b>-</b>

No reversal of the deferred tax liability is expected to occur during the year to 31 December 2016 as there are no plans to dispose of these holdings in 2016 at present and it is anticipated that they will increase in value. The deferred tax asset is not expected to reverse in 2016 as it is anticipated that sufficient taxable profits will not be generated to make use of the losses carried forward.

The company and the group have unused capital losses of £2,665k and unused miscellaneous losses of £505k. Deferred tax has not been recognised on these losses as it is not likely that taxable profits or gains will be made to offset these losses in the near future.

## 19 COMMITMENTS

The future minimum operating lease payments for the group and company under ordinarily non-cancellable commitments are as follows:

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
<b>Operating lease commitments</b>				
Land and buildings:				
Within one year	2,998	2,393	2,998	2,393
Between one and five years	10,377	3,930	10,377	3,930
Over five years	23,638	-	23,638	-
	<b>37,013</b>	<b>6,323</b>	<b>37,013</b>	<b>6,323</b>
Motor vehicles:				
Within one year	4	14	4	14
	<b>4</b>	<b>14</b>	<b>4</b>	<b>14</b>
Office equipment:				
Within one year	160	77	152	70
Between one and five years	240	167	234	153
	<b>400</b>	<b>244</b>	<b>386</b>	<b>223</b>

During the year, MPS entered into a new long term lease commitment for an office property in London in replacement of the existing premises, where the lease expires in 2017.

MPS has guaranteed that its subsidiaries have adequate resources to meet their liabilities as they fall due.

MPS has issued a letter of credit to MPS Risk Solutions Limited in the sum of £20m.



**20 FINANCIAL ASSETS AND LIABILITIES**

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
<i>Financial assets measured at fair value through net contribution to funds</i>				
- Listed investments	1,792,911	1,791,928	-	-
- Unlisted investments	307,784	267,183	-	-
- Interest rate swaps	-	24	-	-
- Forward foreign exchange contracts	43	255	-	-
	<b>2,100,738</b>	<b>2,059,390</b>	<b>-</b>	<b>-</b>
<i>Financial Assets that are equity instruments measured at cost less impairment</i>				
- Investment in subsidiaries	-	-	<b>1,336,050</b>	<b>1,231,050</b>
<i>Financial assets that are debt instruments measured at amortised cost</i>				
- Amounts due from subsidiary undertakings	-	-	<b>102,881</b>	95,903
- Amounts due from investment managers	13,848	1,551	-	-
- Cash held within fixed asset investments	31,867	39,985	-	-
- Bank deposit accounts	139,528	133,034	<b>22,600</b>	22,025
- Cash at bank and in hand	9,962	8,987	<b>9,871</b>	10,045
- Membership debtors	12,817	11,282	<b>12,817</b>	11,282
- Corporation tax	46	41	-	-
- Trade debtors	312	284	<b>183</b>	256
- Other debtors	533	237	<b>526</b>	233
	<b>208,913</b>	<b>195,401</b>	<b>148,878</b>	<b>139,744</b>
<i>Financial liabilities at fair value through net contribution to funds</i>				
- Interest rate swaps	(69,464)	(65,720)	-	-
- Forward foreign exchange contracts	(279)	(796)	-	-
	<b>(69,743)</b>	<b>(66,516)</b>	<b>-</b>	<b>-</b>
<i>Financial liabilities measured at amortised cost</i>				
- Amounts due to investment managers	-	(5,211)	-	-
- Other creditors	(8,154)	(4,982)	<b>(8,145)</b>	(4,974)
- Other taxes and social security	(3,643)	(2,147)	<b>(3,621)</b>	(2,145)
	<b>(11,797)</b>	<b>(12,340)</b>	<b>(11,766)</b>	<b>(7,119)</b>

The Group purchases interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge specific currency exposure. The assets and liabilities are held at fair value through net contribution to funds at the balance sheet date and are determined using quoted prices. Further details on the valuation of derivatives are provided in note 3(h).



## 21 MEMBERS' FUNDS

MPS seeks to hold a long-term surplus which is available to support requests for assistance which are likely to arise in the future from both current and past members. The principal reason that this surplus is held is to meet the cost of potential claims on members for incidents that have already occurred, but which have not been notified to MPS prior to the year end. The cost of these potential claims is not recognised as a liability of MPS unless and until MPS exercises its discretion to assist. However, the Council needs to take these potential future costs into careful consideration when managing the financial position of the company.

MPS estimates the expected cost of future requests for assistance arising from incidents already incurred by reference to past experience and projected trends of the potential number and magnitude of these requests. As discretionary indemnity is provided on an occurrence year basis and the period for actual claims to be made can be several years, the estimated projections require financial modelling over long emergence periods.

MPS Council has engaged an independent firm of consulting actuaries to help model and determine likely levels of future claims in accordance with relevant actuarial guidance. It is, however, an estimate, and given the long term nature of these potential requests, the actual costs of assisting with those matters where assistance is granted could vary considerably. MPS retains the absolute right not to assist, but seeks to act in the interests of members as a whole when deciding to accept liability for claims emerging, and for the purposes of this disclosure has modelled the acceptance of requests at levels projected in line with prior years.

At the end of 2015, the Council's estimate of this potential future cost, if it agrees to assist, was £1,434m (2014: £1,290m).

These potential costs do not constitute a liability, contingent or otherwise, and are therefore not recognised in the balance sheet, because recognition of the liability is subject to MPS exercising its discretion to assist or not (see accounting policy note 3(j) for further details). These potential requests may, to the extent to which the Council exercises that discretion to indemnify, become an MPS liability over time under the occurrence basis of indemnity that MPS provides to its members.

## 22 OBLIGATIONS OF MEMBERS

MPS has the right to call each year for additional funds from its members up to an amount equal to the annual subscription.

## 23 GUARANTEE

MPS is limited by guarantee not exceeding £1 per member.

## 24 RELATED PARTY TRANSACTIONS

The Parent company has taken advantage of the exemption in s33.1A of FRS 102 from disclosing transactions with wholly owned subsidiaries of The Medical Protection Society.

As noted in the Report of the Council on page 37, eight non-executive members of the Council have personal membership of MPS, which is purchased on a basis consistent with that of other members.

MPS considers Council and the Executive Committee together to be its Key Management Personnel. The Executive Committee includes the executive members of Council (as detailed in note 7), plus other executive directors of MPS that are not members of Council. This combined group has aggregate remuneration of £2,585k (2014: 2,191k).



## 25 TRANSITION TO FRS 102

The company has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative prior year amounts.

### Changes for FRS 102 adoption

1 Deferred tax on unrealised gains and losses on fixed asset investments taxed under the capital gains rules is now recognised in the balance sheet and charged to net contribution to funds. Previously, deferred tax on unrealised gains and losses on investments taxed under the capital gains rules was not recognised in the financial statements, but was disclosed by way of a note to the accounts.

2 Infrastructure fixed asset investments are now measured at fair value with any changes in value reflected in net contribution to funds. Previously they were measured at cost less impairment with any impairment losses recognised in net contribution to funds.

3 Foreign exchange forward contracts are now recognised at fair value at the end of the year with changes in fair value recognised in net contribution to funds. Previously, unsettled foreign exchange contracts were not recognised on the balance sheet.

4 Under previous UK GAAP, the group did not accrue for holiday pay that was earned where the holiday entitlement was expected to be taken in the following financial year. FRS 102 requires all short term compensated absences earned but not taken at the date of the balance sheet to be accrued for.

Up to 31 December 2014 the company awarded staff with a specified additional amount of annual leave after every five years of continuous service. This benefit was withdrawn on 31 December 2014 with any partial entitlement earned frozen until the next anniversary milestone is reached. Under previous UK GAAP the benefit was recognised when the additional annual leave entitlement was taken or paid as cash. Under FRS 102 an accrual is required for the anticipated cost as at the date of the balance sheet. An estimate of employee turnover has been made in arriving at the estimated cost.

5 FRS 102 requires changes in the fair value of fixed asset investments to be recognised in net contribution to funds in the statement of comprehensive income. Under previous UK GAAP such changes were recognised in the statement of total recognised gains and losses and presented separately in the balance sheet in a revaluation reserve.

6 The short dated bond portfolios in Sterling, Euro and US Dollar were previously classified as deposit accounts under old UK GAAP. FRS 102 defines cash equivalents as having a maturity of no more than ninety days. As the average maturity of each of these three portfolios is over 90 days they have been reclassified and included under the heading of Investments in the balance sheet.

7 FRS 102 requires recognition of software licences, both purchased from third parties and developed internally, as intangible assets. Previously these were recognised within tangible fixed assets. Amortisation is charged to the statement of comprehensive income as was depreciation under the previous UK GAAP.

8 Whilst the defined pension scheme asset reported on the balance sheet is unchanged under FRS 102, presentation of items within the statement of comprehensive income has changed due to the way interest is charged on various items. Under previous UK GAAP, interest was separately calculated on the scheme liabilities and the expected return on assets, but under FRS102 interest is only calculated on the scheme asset or deficit. This has resulted in a higher profit and loss charge overall, but this is offset by a compensating adjustment to the actuarial losses reported under other comprehensive income, and thus this change has a neutral impact on overall funds available to members.

9 As set out in note 3(j), claims are provided for at estimated future settlement values, discounted to present values. FRS 102 requires that the unwinding of this discount is disclosed separately as a finance cost on the statement of comprehensive income.

Under previous UK GAAP the Company did not disclose separately the unwinding of the discount within the claims provisions, rather it was included within claims costs and associated legal costs for reported negligence claims and in advisory costs and associated legal fees for other reported claims.

The adjustment has no effect on the value of the provisions in the balance sheet as the overall estimated future settlement cost is unchanged, with the reported finance costs offset by movements in the claims and advisory costs reported on the statement of comprehensive income.



## Transition to FRS 102 – reconciliations

Restated consolidated balance sheet	Explanation	31 December 2014 £'000	1 January 2014 £'000
Original funds available for members		1,229,537	1,201,439
Deferred tax on equity investments	1	(34,792)	(29,474)
Financial instruments at fair value	2	16,385	29,217
Deferred tax on financial instruments at fair value		(3,277)	(5,844)
Recognition of foreign exchange contracts	3	(541)	(54)
Accrual for short term employee absences	4	(788)	(601)
<b>Restated funds available for members</b>		<b>1,206,524</b>	<b>1,194,683</b>

Restated company balance sheet		31 December 2014 £'000	1 January 2014 £'000
Original funds available for members		436,634	448,802
Accrual for short term employee absences	4	(788)	(601)
<b>Restated funds available for members</b>		<b>435,846</b>	<b>448,201</b>

Restated net contribution to funds available for members for the year ended 31 December 2014	Explanation	2014 £'000
Original contribution from ordinary activities before taxation: continuing operations		29,512
Financial instruments at fair value	2	(12,832)
Recognition of foreign exchange contracts	3	(487)
Short term employee absences	4	(187)
Fair value adjustments on financial instruments previously recognised in the Statement of Total Recognised Gains and Losses	5	161
Adjustment to net interest on net defined pension liability	8	418
Adjustment due to the change in treatment of interest on expected return on pension scheme assets	8	(1,894)
<b>Restated contribution from ordinary activities before taxation: continuing operations</b>		<b>14,691</b>
Original tax on ordinary activities		(5,988)
Deferred tax on financial instruments at fair value		2,567
Current tax on fair value adjustments on financial instruments previously recognised in the Statement of Total Recognised Gains and Losses		6,627
Deferred tax on equity investments	1	(5,318)
<b>Restated tax on ordinary activities</b>		<b>(2,112)</b>
<b>Restated net contribution for the year to funds available for members</b>		<b>12,579</b>



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The Medical Protection Society Limited ("MPS") is a company limited by guarantee registered in England with company number 36142 at 33 Cavendish Square, London, W1G 0PS.

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