

THE MEDICAL PROTECTION SOCIETY LIMITED



ANNUAL REPORT AND ACCOUNTS **2016**



PROUD OF
OUR PAST
FOCUSED
ON YOUR
FUTURE

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 and can also provide, depending on the type of membership required, the right to request indemnity for any 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.

CONTENTS

4	CHAIRMAN'S STATEMENT
5	CHIEF EXECUTIVE'S REPORT
7	FINANCE DIRECTOR'S REPORT
9	OFFICERS AND MEMBERS OF THE COUNCIL AND COMMITTEES
10	STRATEGIC REPORT
16	REPORT OF THE COUNCIL
23	INDEPENDENT AUDITOR'S REPORT
24	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
25	CONSOLIDATED AND COMPANY BALANCE SHEETS
26	CONSOLIDATED STATEMENT OF CASH FLOWS
27	CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
28	NOTES TO THE FINANCIAL STATEMENTS
49	ADVISERS AND SENIOR STAFF

CHAIRMAN'S STATEMENT

KAY-TEE KHAW

Chairman of the Council

2

2017 marks the 125th anniversary of Medical Protection Society (MPS). During those 125 years there has been unprecedented change – not only within healthcare, but also with the nature, cost and frequency of clinical negligence claims and complaints. MPS was founded as a mutual organisation to provide collective assistance for doctors, dentists and other health professionals over such claims and complaints, and we are proud of the insight and expertise that this history provides because it enables us to do the best we can for our members. We are also mindful that this has only been made possible because of the continued support from members like you.

During my time as Chairman of the MPS Council, I have seen MPS adapt and flourish against a backdrop that would have been unimaginable to the doctors and dentists who founded the organisation in 1892.

Indeed, healthcare across the globe continues to transform, and with this change comes emerging medicolegal and dentolegal risks against which modern professionals need to protect themselves. This underlines the importance of having flexible protection arrangements in place from experts in the highly specialist area of clinical negligence.

ON YOUR SIDE

MPS is owned by members and run exclusively for their benefit. As a mutual organisation, serving members has always been at the heart of what we do, and this remains as true today as it was when we formed. Our sole purpose is to protect, support and defend your interests, not just today but throughout the entirety of your career.

It is this philosophy that has guided us for 125 years and one which will continue to direct us long into the future.

Today, there are more than 300,000 members around the world. Many of the concerns and challenges that you face, such as increasing costs, new technologies, rising patient expectations and the demands from regulation, are as equally felt in countries such as South Africa and the UK, as they are in Hong Kong and Ireland.

OUR FOCUS, LIKE YOURS, IS ON THE FUTURE

Many of your team at MPS are fellow healthcare professionals, so we understand the responsibilities that you have and the weight of expectation that you carry. This insight drives much of the work we do on your behalf, including the policy and legislation work we have undertaken around the world to help shape reforms for the benefit of members, and to contribute towards the delivery of sustainable healthcare. We will continue to share more information on this throughout the year ahead.

Our 125 years of experience has seen us constantly adapt to meet the needs of healthcare professionals. The experience gained from working alongside countless doctors and dentists both informs and guides our future, helping to ensure that we remain by your side for years to come – defending, supporting and protecting you when you need us most.

As we mark this important milestone – and also take pride in being named one of the top ten companies for customer service in the UK – I am pleased to present this report to you and thank you for your continued membership of the organisation. I would also like to take this opportunity to thank Lord Keith Bradley, Mr Ian Croxford, Professor John Gibson, Dr Mark Davis, Dr Yasmin Drabu and Dr Kevin Lewis, who have completed their service on the MPS Council, and to welcome Mr Tom Weitzman, Mr Mike Urmston, Mr Martin Thomas, Dr Alexander Scott, Dr Fiona Cornish, Professor Callum Youngson and Dr Graham Stokes, who have since joined the Council.

CHIEF EXECUTIVE'S REPORT

SIMON KAYLL

Chief Executive

Iwould like to echo the comments made by our Chairman and say we are extremely proud of our heritage and the role that we have played over the last 125 years in helping members in their time of need, so that they can continue to provide care to their patients.

Our founders created a mutual organisation of doctors and dentists to provide support to any member who, in the view of the mutual, was entitled to it. Whilst our organisation and the healthcare environment have changed considerably, the same principles hold true.

We remain a mutual, and our sole purpose is still to support the interests of members. We recognise that it is a difficult and challenging time to practise medicine and dentistry, and believe that our role and commitment to offer members robust support and defence has never been more vital. We are proud to continue this work in our 125th year, and have every intention of supporting members to the highest standards, for many years to come.

ONGOING SUPPORT FOR MEMBERS

We have had countless successful outcomes for members during the year, including the quashing of a number of charges of gross negligence manslaughter, the overturning of a manslaughter conviction, the limiting of the powers of the Northern Irish Ombudsman to impose an award against a doctor, and the limiting of the powers of the UK's General Medical Council to disclose information about a case where they found no serious concerns. 2016 also saw a successful Judicial Review against the UK's General Dental Council, and a lifting of the ban by Public Health England on oral healthcare workers infected with blood-borne illnesses, after years of lobbying by Dental Protection.

As the cost of clinical negligence increases in a number of countries where we have members, we have been proactive in our lobbying for legal reform to help control some of these costs in the future. We know that members are concerned about these increases and we want to be at the forefront of reform to help tackle this problem.

In addition to helping individual members, we also work on behalf of the wider membership. This involves responding to government and regulator proposed consultations in countries where we have members, and providing advice, when sought, about the indemnity environment – as has been the case this year in South Africa.

We have done much in 2016 to highlight the escalating cost of indemnity and the impact that it has on members and the provision of healthcare. We continue to advocate for change in legal systems to reduce the cost of indemnity, specifically in Ireland, South Africa and the UK, because ultimately, only governments have the ability to effect a long-term change to the current ever-upward trend in the cost of clinical negligence.

Finally, during the course of the year, many thousands of members across the world attended our professional development courses on topics including professionalism, patient communication, clinical leadership and open disclosure, and even more read our risk management publications, such as *Casebook* and *Riskwise*.

MPS'S CHANGE PROGRAMME

Whilst changes to the legal system are the only way to have a significant impact on the cost of indemnity, we can have a positive impact by ensuring that our own processes are as effective and efficient as possible, allowing us to best support members long into the future.



We plan to open local offices to support members in Singapore and Hong Kong, and continue to look at the available options to expand our presence in the other countries

In 2016 we implemented a change to the way in which we handle claims in-house, most of which are now managed via specialist 'pathways'. This change has not only improved the quality of the service we provide by enabling us to be more responsive, it has also reduced the overall cost of managing claims. Following the success of this initiative, we are implementing a similar solution for the management of our advisory and support matters, and have similar expectations with regards to improved service and cost savings. When fully operational, we expect these initiatives to reduce our external legal costs, representing a net saving of about £20m a year compared to 2015.

We made good progress on the design and development of a new membership administration system and we are on track to implement this in 2017. The new system will provide UK and Ireland members with the opportunity to manage their membership online, and also provides us with the ability to set subscriptions for members that more closely reflect their individual skills, the responsibilities they carry, and the risks they face. This functionality will be made available to members in the UK and Ireland initially, and to the wider international membership in due course. Whilst this is a substantial investment, it is necessary to replace a legacy system.

We also appreciate that in the face of an ever-changing healthcare environment, being close to members is vital so we can better understand their changing needs. To achieve this we plan to open local offices to support members in Singapore and Hong Kong, and continue to look at the available options to expand our presence in the other countries.

FINANCIAL PERFORMANCE

Our underlying financial performance for 2016, which is covered in more detail in the Finance Director's report, has been positive and has improved our financial position. The

main contributors to this have been a strong investment performance and a reduction in the value of UK GP reported claims. The beneficial impact of a reduction in UK GP reported claims has, however, been tempered by a larger than expected increase in the value of UK reported dental claims and internationally reported medical claims, especially in Ireland, South Africa and Singapore.

This positive financial position was the situation at 31 December 2016. However, since then, the Lord Chancellor of the UK Government announced a change to the personal injury discount rate (PIDR) in England and Wales, from 2.5% which has applied since 2001 to minus 0.75%, an unprecedented and sudden change. The PIDR is used to arrive at the current monetary value lump sum payment necessary to provide an agreed income stream to meet the future care needs of severely damaged claimants. The lower the discount rate, the greater the lump sum payment.

The change affects claims where future costs are involved – such as care costs and loss of earnings – and means that those claims yet to be settled through the English and Welsh Courts, will now cost significantly more. The discount rate change was greater than expected and our long-range estimate of this extra cost to existing claims is reflected in these accounts.

The UK Government has pledged to launch a consultation to consider whether there is a better or fairer framework for claimants and defendants, and we believe that this consultation cannot come soon enough. The discount rate change has firmly focused attention on the spiralling cost of clinical negligence and demonstrated that the need for legal reforms to tackle this issue is becoming ever more pressing.

The UK Government has also committed to making appropriate funding available to meet the additional cost to GPs, and this is welcome news, but we will continue to work with the Department of Health to ensure GPs are protected from the financial impact of this decision.

IN SUMMARY

2016 was the year in which we made significant progress in implementing our change programme, continued to provide robust advocacy and defence for members, advocated for reform of the clinical negligence system and decided to open offices outside of the UK. These decisions were all taken to better support members, and have all been achieved against a background of an improving financial position, despite the subsequent impact of the discount rate change in England and Wales.

FINANCE DIRECTOR'S REPORT

HOWARD KEW

Executive Director – Finance and Risk

MPS is owned by members and is run entirely to provide long-term support, advice and protection over the course of their careers. We operate on a non-profit making basis, which means that all of the subscription that a member pays is used to provide for members' needs – both today and long into the future.

As such, we have a modest investment risk appetite and seek primarily to protect the capital value of the funds held on behalf of our members. After two very difficult investment years, we are pleased to be able to report that 2016 proved to be very positive in terms of the increase in investment value, as most of our asset classes performed exceptionally well against a backdrop of political change in both the UK and US.

This performance was further enhanced by an overall reduction in our single largest expenditure – namely that of clinical negligence claims and their associated legal costs. It is important to understand that this line in the accounts is not simply the amount paid out by MPS on behalf of members, but also includes changes in the estimates of the amounts we expect to pay on known cases that are yet to be settled.

It is the latter that has seen the improvement, although concentrated in the UK. A combination of investment in the efficiency of our claims handling processes and, less tangibly, a maturing of some of the claims brought around the time of statutory change in the UK in April 2013, has led to a reduction in the reserves held against these claims.

LONG-TERM OUTLOOK

However, it is important to understand that while the 2016 statements are encouraging, they only relate to a single calendar year and we do not expect such outperformance to be repeated. This lack of certainty is why MPS is managed on a long-term basis, with an investment strategy that allows for the volatility of the markets, such as we have experienced over the past three years, and enables us to neutralise the effect so that we can meet our overall objective of achieving a small return over and above underlying price inflation and to make this return as stable as possible.

Our long-term investment strategy helps to ensure that we are in a position to support members and meet our future potential obligations. The vast majority of members are entitled to seek assistance on an

'occurrence-based' principle, which means that the income we collect in any one year must be invested on behalf of members to meet the risks arising from their clinical activities in that year, while acknowledging that any costs arising out of this risk may not crystallise for many years.

As it is often many years between an incident taking place and the resolution of a claim, it is essential that healthcare professionals have flexible indemnity arrangements that they can call upon long into the future.

This delay is particularly evident in incidents relating to birth injury, where individual claims are usually very large, but also in a trend we have observed more recently relating to periodontal disease, where each claim, although smaller, can reach back many years.

Meanwhile, as referred to in the Chief Executive's Report, the changes to the UK personal injury discount rate (PIDR) has significantly increased the costs of claims for long term care, and its future development exerts an uncertain influence. In our reporting, we have included the full estimated effect of the April 2017 change where it relates to claims we had already accepted at the end of 2016. Note 22 to the financial statements explains the approach we have taken to the Estimated Potential Future Costs.

Therefore, when looking at the financial performance of 2016, it must be in the context that the subscription income collected is to meet claims yet to emerge, whilst almost all claims costs seen relate to incidents arising from prior years. Significantly longer hindsight is required to be able to determine if the subscriptions collected in any given year were sufficient to meet all the claims arising from that year. Consequently, we must always consider the longer term future position of the organisation when setting subscriptions and managing the financial position.

Similarly, the investment income generated in a given year arises from returns on the cumulative net funds retained from all our previous years of membership, and is not linked to the operating performance in the reporting year. This is particularly important to appreciate in a year when the assets made such a positive contribution to the total comprehensive income.

EXCHANGE RATE IMPACT

Our international spread of members provides a diversification of risk which can be very advantageous, as it reduces the concentration of risk in any one country or area of practice. However, operating in different currencies but consolidating the financial reporting into a single currency in the accounts can be challenging, especially in a period of considerable currency volatility such as that experienced in 2016.

We have an overall policy to minimise currency impacts on the balance sheet, which is achieved through a combination of holding assets denominated in the currencies of our liabilities and utilising currency derivatives to further reduce the risk of a mismatch. This policy is also applied to match currencies against our Estimate of Potential Future Costs.

In 2016, our reporting currency of UK sterling (also referred to as GBP) depreciated significantly, but our currency policy ensured that the overall economic impact on the organisation was broadly neutral.

However, whilst the overall net effect was minimal, the magnitude of exchange rate changes meant that the impact on individual items were quite considerable, with investments showing additional gains arising solely from currency, although these gains were offset by claims from outside of the UK, alongside our Estimate of Potential Future Costs, which also increased in size when converted to GBP.

IN SUMMARY

Overall, our underlying financial performance for 2016 was positive. However, when looking forward, we continue to 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. We will ensure that our financial management of MPS continues to set subscriptions appropriately and invest our members fund cautiously to help mitigate against this uncertain future.



Our international spread of members provides a diversification of risk which can be very advantageous, as it reduces the concentration of risk in any one country or area of practice

OFFICERS AND MEMBERS OF THE COUNCIL AND COMMITTEES

PRESIDENT

Professor Sir Ravinder Maini BA MB BChir FRCP FRCPE Hon DSc (Glasg) FMedSci FRS ^{2,3}

CHAIRMAN

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

VICE-PRESIDENT

Professor John Bonnar MA MD FRCPI FRCOG

VICE-CHAIRMAN

Simon Pashby BA(Hons) FCA

CHIEF EXECUTIVE

Simon Kayll BA(Hons) FCA MBA

MEMBERS OF THE COUNCIL

The Lord Bradley PC BA(Hons) MPhil ^{2,5} (retired 8 June 2016)

Richard Brennan MB BCh MICGP FRCGP LRCP&SI ^{2,3}

Ian Croxford QC LLB ^{2,5} (retired 8 June 2016)

Fiona Cornish MA MB BChir DRCOG DCH FRCGP (appointed 01 September 2017)

Mark Davis MB ChB MRCP DRCOG DOccMed FRCPEd ^{3,5} (retired 26 July 2017)

Yasmin Drabu MB ChB DCH FRCPATH FRCP ² (retired 26 July 2017)

Ian Eardley BA(Hons) MB BChir MA FRCS MChir FRCS (Urol) ^{3,5}

Patrick Forbes MB ChB FRCOG ^{1,3,6}

John Gibson BDS MB ChB PhD FRCP(Glas) FDS(OM) RCPS(Glas) FFDRCS(Irel) FDSRCS(Edin) (ex officio) ^{3,8} (resigned 15 February 2017)

Simon Kayll BA(Hons) FCA MBA Chief Executive (ex officio) ^{1,4,6,7,8}

Howard Kew BSc(Hons) PGCE ^{1,4,6,7}

Kay-Tee Khaw CBE MA MB BChir MSc FRCP FFPHM FMedSci Chairman ^{1,3,4,5,6,8}

Kevin Lewis BDS LDSRCS FDSRCS(Eng) FFGDP(UK) (retired 8 June 2016)

James McLenachan MB ChB MRCP FRCP ^{3,4}

Simon Pashby BA(Hons) FCA Vice-Chairman ^{1,2,4,5,6}

Graham Stokes BDS MFGDP(UK) DPDS Dip Imp Dent RCS CertMedEd (appointed 01 September 2017)

Alexander Scott MB ChB ^{1,2,4,6} (appointed 1 August 2016)

Sally Scutt BA(Hons) MBA MA ^{2,3,5}

Martin Thomas MA (Oxon) ^{1,4,5,6} (appointed 1 September 2016)

Michael Urmston BA FIA 1 2 4 6 (appointed 1 August 2016)

Tom Weitzman QC BA(Hons) 3 4 5 (appointed 1 August 2016)

Callum Youngson BDS DDSc FDS DRD MRD FDS(Rest Dent) RCS(Ed) FDSRCS(Eng) PFHEA 8 (appointed 26 April 2017)

1. Members of the Asset, Liability and Investment Committee
2. Members of the Audit and Risk Committee
3. Members of the Clinical Committee
4. Members of the Management Oversight Committee
5. Members of the Remuneration and Nominations Committee
6. Members of the Board of MPI (London) Limited
7. Members of the Board of MPS Risk Solutions Limited
8. Members of the Board of Dental Protection Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Council presents its Strategic Report for the group for the year ended 31 December 2016.

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 parent 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 is responsible for implementing the investment strategy approved by the Asset and Liability Committee (ALCo) of MPS Council. Funds are invested with third party fund managers and MPI does not undertake any direct investment activity. ALCo, members of which are also Directors of MPI, 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 MPSRs Board resolved to undertake a transfer of the business and has been working towards this during 2016. It is anticipated that the transfer of business should be completed during 2017.

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 safekeeping of assets, and payments due, in respect of past Periodical Payment Orders made in settlement of claims against members.

Further details regarding investments in subsidiary undertakings can be found in note 14 to the financial statements.

BUSINESS PURPOSE

MPS exists to serve its members with the aim of ensuring 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 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 on pages 12 to 15, 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.

PERFORMANCE FOR THE YEAR

The Council is committed to ensuring appropriate governance and oversight of the business for the benefit of its members. To achieve this, MPS operates and continues to develop a robust system of performance measurement. This provides the Executive Committee and the Council with information on our Key Performance Indicators (KPIs), allowing them to assess organisational effectiveness and efficiency, cost control and an appropriate level of investment in the development of MPS services.

Aside from financial measures of performance, central to our KPIs are the measures MPS operates in relation to member interactions and, importantly, the member feedback that we receive in relation to the services we offer. The 2016 outcome of some of our key surveys and activity measures, along with other significant achievements, are highlighted below.

MEMBER SURVEYS

We survey the members who contact us to understand their evaluation of the services provided, and we use this feedback to consider how we can continue to improve those services. Feedback is given on a scale of 1-7, where 1 represents "Very Poor" and 7 represents "Excellent". The average of the monthly feedback scores achieved from surveys of those members who contacted Member Operations or our medicolegal and dentolegal advice lines, as well as of those attending Educational Services workshops during 2016, is as follows:

Member Operations	6.0
Medicolegal/Dentolegal advice	6.4
Educational Services	6.5

KEY ACTIVITIES

MEDICOLEGAL AND DENTOLEGAL ADVICE

In relation to the over 37,000 calls received during working hours into our medicolegal and dentolegal advice lines during 2016, over 91% of the members accessed a medicolegal or dentolegal adviser directly without the need for a call-back, exceeding our target of 85%.

MEMBER OPERATIONS

In relation to the 202,000 calls received into Member Operations during 2016, over 99% of the calls were answered without the need for a call-back against an internal target of 97%; and over 91% of the calls were answered within 20 seconds against an internal target of 80%.

In relation to the 67,000 items of correspondence received into Member Operations during 2016, over 98% of complex items were dealt with within five business days against our internal target of 90%; and for more routine correspondence over 99% of items were dealt with within two business days against a target of 85%. Both these results show a strong performance by our Member Operations team.

During 2016, our Member Operations team was once again in the ICMI Top 50 companies for customer service in the UK. This was the second year in succession that the team has achieved recognition for the service we offer members, and a move from 38th to 8th in the listing demonstrates how our dedication to continually improve our service to members is progressing.

EDUCATIONAL SERVICES

Worldwide, MPS offered just under 1,000 educational workshops during 2016 for members and non-members, exceeding targeted activity. As part of our surveys, we also ask attendees whether they will change their working practices as a result of taking part in the workshop. For 2016, the average response for this question was 6.4 out of 7, again exceeding our target.

KEY MARKETS

MPS offers membership in a number of different international markets. This international perspective allows many members to practise around the world 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.

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

* Non-indemnity dental membership

MPS has a strong presence in all of the above key markets, and in 2017 will continue to invest in these key markets to develop our membership offering and the quality of service we provide to members.

MEMBER NUMBERS

The business aim is to grow membership in a controlled manner without increasing the overall risk exposure of the organisation. The 2016 increase in total members, including those who are not required to pay a subscription, was 2.1% (2015: 0.6%).

FUTURE DEVELOPMENTS

The Chief Executive and Finance Director's reports refer to developments during the year and touch on future developments in specific areas.

MPS will continue to focus on 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. As noted in previous reports, to ensure these aims are met now, and in the future, we have undertaken a strategic change programme over recent years and, through this, continue to seek the best solutions to service our members.

Our largest project in this programme, which will deliver an entirely new member administration system, continues to be our main priority as we move to the implementation stages. It is anticipated that members will be able to see and experience the considerable benefits it will deliver for years to come, both directly and via our increased service capabilities.

Alongside this, following a successful delivery of the redesign and improvement of our claims process, we have commenced a further project to implement similar improvements in the processes for managing non-claims matters, such as assistance to members dealing with their regulator.

The Council recognises the impact that subscription increases have on members and is keen to limit such increases where possible and appropriate. In last year's report we communicated our proposed review of investment strategy to assess our approach towards balancing risk and return whilst ensuring the safety of members' funds (see also the "Principal Risks and Risk Management – Market Risk" section that follows). This review was completed, and we are now progressing with the implementation of this revised strategy.

EMPLOYEES

MPS employees are dedicated to providing high-quality service to members, and we focus strongly on recruiting and retaining the best.

MPS values an empowered culture where everyone's contributions are supported. Building leadership capability is a strategic priority, together with identifying and nurturing key talent. We invest in continuous training to maintain technical and professional excellence across the organisation and embedding a performance management framework is core to our pay policy.

We strongly believe in the value of diversity and inclusion in the workforce and foster a diverse culture that is inclusive of gender, disability, religious belief, sexual orientation and ethnicity. We firmly believe that people's individual backgrounds, personal perspectives, experiences and interests fuel innovation and consequently add value to the service that we provide to the membership. We seek to strengthen this commitment in a variety of ways, including ensuring that all recruitment advertising and selection methods are objective and free from bias, that training and promotion opportunities are available to all, and that leaders are trained to recognise the importance of diversity and to address any equal opportunities issues.

We have an Employee Consultative Group, which gives employees an opportunity to raise issues that are important to them directly with the Chief Executive and provides a facility for two-way feedback.

In June 2016, we were assessed against the revised (sixth generation) Investors in People Framework and were awarded Silver status. The report commented on enhancements made since the last survey, which is very pleasing; and noted that MPS is partway through an extensive organisational development journey and is committed to supporting people through change to ensure the delivery of high performance.

The results of our November 2016 employee survey endorse the progress made in this area. The results reflected record high overall engagement among employees scoring 8% points ahead of the other organisations against which MPS was benchmarked. Indeed all categories demonstrated year-on-year improvement, with strong results in Goal Clarity, Team Work, Learning and Development, and Recognition and Reward, all scoring at least 10% points ahead of the benchmark comparators.

It continues to be group policy to provide equal opportunities for employment, training and career development for all employees. The policy for the employment of the disabled is that full and fair consideration should be given to their aptitudes and abilities. Adjustments are made for staff who become disabled whilst employed by the group, in order for them to continue in their current role. Where this is not possible, the group will try to find an alternative solution and staff are also assisted in applying for other suitable alternative roles within the group.

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 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 claims that have not yet been reported (unreported potential claims). Subject to discretion, MPS will be responsible for all of these claims.

For us to be responsible for paying these claims, we need to be able to assess their value and ensure that MPS 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.

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 an adverse incident to the reporting 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 court discount rates. The court 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 court discount rate, the higher the value of the lump sum. As noted in the Chief Executive's report and Financial Director's report above, the court discount rate in England and Wales is set by the Lord Chancellor and was revised from 2.5% to -0.75% in February 2017. Also, in Ireland the Supreme Court refused any further appeals by the HSE in relation to a previous change in the real rate of return (RRR) from 3% to a) 1% for future care and associated expenses and b) 1.5% for any other future pecuniary loss. In other countries, the rate at which future cash flows are discounted to a current value lump sum will be part of the specific settlement negotiations.

Mitigation

The likelihood that our estimates for reported claims and unreported potential claims vary from the eventual payments required diminishes with the increasing size of the portfolio of risk. The geographical diversity of the portfolio also helps to reduce the overall variation between our estimates and the eventual payments required. A larger, more diversified portfolio of risk is less likely to be affected overall by a change that affects a subset of that portfolio.

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 accuracy 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. At MPS, we use the skill of our internal staff to determine accurate estimates for individual claims and ensure that levels of skill are maintained by supporting ongoing training initiatives. We also have many checks and balances in our internal systems to allow regular review and monitoring of these estimates to help ensure a high degree of accuracy and consistency. MPS's consultancy actuary, Lane Clark & Peacock LLP (LCP), uses the internal individual claim estimates and relevant membership data to advise on an appropriate statistical reserve for the likely cost of all reported claims, and estimates of the potential future costs of unreported requests for assistance (see note 22 to the financial statements).

UNDERWRITING RISK

MPS charges a subscription based, in part, on the expected volume and value of claims that may arise 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, with the result that 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 for membership 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 a limited number of cases, members are not accepted into, or do not continue in membership, as we consider their risks to be too high. We continue to invest in improving and developing the systems, resources and processes involved in the management of member risk, and we purchase insurance to reduce the impact of the highest value claims made against its members.

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 we can achieve from these investments, the less we would theoretically need to charge in subscriptions. However, the greater the investment return that we try to achieve from these invested assets, the greater the fluctuations in the value of those assets, and thus, the greater 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, a significant portion of assets is 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. Given that MPS supports members in several different countries, 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 MPS may have insufficient liquid assets available to meet payments when they fall due. This could either result in an inability to meet a required 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 and liquidity funds at other times. In addition, these cash funds are supplemented by substantial holdings in liquid assets.

CREDIT RISK

This is the risk that a third party, 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 15.

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.

Following a review of investment strategy and independent advice, MPS considered that it could increase its investment in debt funds to achieve a modest increase to contractual returns, and reduce market risk, and has begun to build up a portfolio of debt funds with experienced debt fund managers. Credit risk is managed by careful portfolio selection, and diversification across managers.

INTEREST RATE/INFLATION RISK

MPS currently holds a substantial portion 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, as noted above in the Reserving Risk section, in the UK it is in fact fixed, by the Lord Chancellor.

Specific comment on the interest risk in relation to derivative financial instruments is provided on page 15.

Mitigation

Interest rate exposure for bond assets has historically been 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. MPS has also previously used interest rate swaps as a means of protecting bond assets against

rising interest rates. As MPS's revised investment strategy continues to be implemented in 2017, further risk mitigation will be implemented as appropriate. MPS's response to the risk inherent in its liabilities 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.

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.

During 2016 MPS closed out its UK interest rate swap programme, which was initially established to mitigate potential losses from interest rate risks affecting its index-linked bonds portfolio, had UK interest rates risen. Also during 2016, a credit default swap programme was established as part of the ongoing strategic transitioning of the overall investment portfolio.

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 6 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, used by its investment managers within the funds, 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.

Credit default swaps expose MPS to the credit risk of a collection of companies in return for a fixed premium. The risk of a default and resulting permanent loss of capital is mitigated by the spread of credit protection to a number of companies split across multiple counterparties. In addition, the identified risk of default is incorporated into the pricing structure to compensate for any loss.

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.

APPROVAL

This report was approved by the Council on 13 September 2017 and signed on its behalf by:

David Wheeler
Company Secretary



REPORT OF THE COUNCIL

The 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 2016.

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.

MEMBERS OF THE COUNCIL

The names of the members of the Council of MPS who served during the year are set out on page 9.

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, does not have any shareholders and is not required to comply with the Code, it has not opted to voluntarily apply the Code in full. 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, the MPS Executive Director – Finance and Risk and 11 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, nine are Medical or Dental Protection 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 Protection 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 Protection 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.

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 met formally eight times during 2016. In addition to its regular meetings, the Council also devoted 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):

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.

- amalgamate the Remuneration Committee and the Nominations Committee
- broaden the responsibilities of the Asset and Liability Committee to include oversight and management of MPS's investments.

As a result of these changes, the schedule and frequency of Council meetings and meetings of the existing Committees will also change. The proposed meeting schedule for 2017 is:

MEMBER OF THE COUNCIL	APPOINTED OR RETIRED	NUMBER OF MEETINGS ATTENDED	
		2016	2015
Keith Bradley	Retired 8 June 2016	4 (4)	8 (8)
Richard Brennan		8 (8)	7 (8)
Ian Croxford	Retired 8 June 2016	4 (4)	8 (8)
Mark Davis		7 (8)	8 (8)
Yasmin Drabu		6 (8)	8 (8)
Ian Eardley	Appointed 1 November 2015	7 (8)	2 (2)
Patrick Forbes		6 (8)	8 (8)
John Gibson	Resigned 15 February 2017	7 (8)	7 (8)
Simon Kayll		8 (8)	8 (8)
Howard Kew		8 (8)	8 (8)
Kay-Tee Khaw		7 (8)	8 (8)
Kevin Lewis	Retired 8 June 2016	4 (4)	8 (8)
James McLenachan	Appointed 1 November 2015	8 (8)	2 (2)
Simon Pashby		8 (8)	8 (8)
Alexander Scott	Appointed 1 August 2016	3 (3)	- (-)
Sally Scutt		7 (8)	7 (8)
Martin Thomas	Appointed 1 September 2016	2 (3)	- (-)
Michael Urmston	Appointed 1 August 2016	2 (3)	- (-)
Tom Weitzman	Appointed 1 August 2016	3 (3)	- (-)

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 2016.

SUB-COMMITTEES OF THE COUNCIL

During 2016, the Council had Nominations, Remuneration, Audit and Risk, and Asset and Liability Committees. In order to further increase governance and oversight, for 2017, Council has decided to:

- introduce two new Committees of Council. The Management Oversight Committee will be responsible for overseeing all aspects of MPS's day-to-day business operations, where such operations are not otherwise covered by other Council committees or subsidiary boards. The Clinical Committee will advise Council on developments within medicine, sharing experience which may impact on MPS and the membership of its medical members. This Committee will also advise Council on engagement with medical members, and their issues and needs

COMMITTEE	SCHEDULED MEETINGS*
Council	February, April, July, September and October
Asset and Liability	January, April, July, September and November
Audit and Risk	March, July, September and November
Clinical	March, June and October
Management Oversight	February, April, July, October and December
Remuneration and Nominations	February, July and December

* Additional meetings can be held if required.

The Asset and Liability Committee is chaired by a non-executive member of the Council, Michael Urmston, and provides governance oversight of the strategic management and oversight of the assets and liabilities of MPS.

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. The Committee meets with internal audit and the external auditor at least annually 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 2016.

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.

MEMBER OF THE AUDIT AND RISK COMMITTEE	APPOINTED / RETIRED	NUMBER OF MEETINGS ATTENDED	
		2016	2015
Keith Bradley	Retired June 2016	1 (1)	4 (4)
Richard Brennan	Appointed June 2015	4 (4)	2 (3)
Ian Croxford	Retired June 2016	1 (1)	3 (4)
Yasmin Drabu		3 (4)	4 (4)
Simon Pashby (Chairman)		4 (4)	4 (4)
Alexander Scott	Appointed September 2016	2 (2)	- (-)
Sally Scutt		3 (4)	3 (4)
Michael Urmston	Appointed September 2016	- (2)	- (-)

The Clinical Committee, the principal activities of which are noted above, is chaired by a non-executive member of the Council, James MacLenachan.

The Management Oversight Committee, the principal activities of which are noted above, is chaired by a non-executive member of the Council, Alexander Scott.

The Remuneration and Nominations Committee is chaired by a non-executive member of the Council, Sally Scutt, and is responsible for making recommendations to the Council concerning matters relating to remuneration policy. See 'Remuneration report' on page 19. The Committee also keeps under review the composition of Council and makes recommendations concerning all new appointments of non-executive members.

Several members of the Council are members of the Board of MPI (London) Limited, and the Asset and Liability Committees (ALCo), which, via common membership, jointly manages MPS's investment portfolio. The Board of MPI (London) Limited was chaired by the Chairman of the Council Kay-Tee Khaw. The other Council members of the Boards are listed on page 9.

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. In addition, Council conducted a further review

of its Committee structure to see if additional Committees and/or a restructuring of existing Committees would enhance the governance framework. As a result, Council agreed that two new committees, Management Oversight Committee and Clinical Committee, would be introduced in 2017, with Nominations and Remunerations Committees combining, and the Asset and Liability Committee combining with MPI Board to include oversight and management of MPS's invested assets, with consideration for the claims liabilities these investments are held to cover. Please refer to the 'Sub-committees of the Council' section above for further details.

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 be taken cost-effectively.

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

- 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 maintains focus on the many facets of risk management and control at one of its annual meetings 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 six times in 2016 and merged with the Nominations Committee from November 2016. The Remuneration Committee is comprised of Sally Scutt (Chairman), Kay-Tee Khaw, Simon Pashby, and Ravinder Maini. Keith Bradley was Chairman until November 2016 when he retired from Council. On merging with the Nominations Committee Mark Davis, Ian Eardley, Tom Weitzman and Martin Thomas joined the newly formed Remuneration and Nominations Committee. In addition, the Chief Executive and the Director of Human Resources attend the meetings as required. The Chief Executive takes no part in discussions concerning his own remuneration.

The Committee is responsible for:

- recommending to Council the overarching principles and parameters of remuneration policy for MPS and working with management to oversee the operation of a reward approach in line with these principles
- 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 employees
- overseeing the capability and effectiveness of Council and approving the remuneration of Council, its Committees and subsidiary Boards and the Executive members of Council
- ensuring the balance, structure and composition of Council and its Committees, and for recommending new Council appointments, appointments to subsidiary boards and committees.

At the end of 2014, the Remuneration Committee approved a new 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 employees. In 2015, the Total Reward Policy was implemented and embedded across MPS.

GUIDING REMUNERATION PRINCIPLES

MPS seeks to apply a remuneration policy appropriate for a mutual society ensuring it is:

- aligned to the business strategy and goals
- applied consistently
- differentiated for performance
- flexible in its delivery
- competitive.

BASE PAY POLICY

MPS is committed to pay equity and the principle that equal work deserves equal pay. At each pay review MPS considers the base salary and variable pay for all employees and moves to close the gap for similar roles and performance. MPS will continue its work to make sure pay equity is maintained.

In 2016, a triennial full benchmarking exercise was undertaken for all roles including the Executive and Non-Executive Council Members, to inform our level of competitiveness in preparation for the March 2017 salary review. This benchmarking exercise was completed with advice from independent reward consultants, Innecto, who reviewed MPS roles against comparable roles in data sources of NHS Pay Scales, Pay Data Associations and Institutes Salary Survey, and Willis Towers Watson All Companies Salary Surveys.

Benchmarking Executive remuneration for an organisation like MPS is not straightforward. Having reviewed a number of different benchmarks agreed by the Remuneration and Nominations Committee, comprising a range of mutual, insurance and professional organisations of comparable size and complexity, it shows that base pay for Executive Directors falls somewhere between lower quartile and median. However, when considering remuneration (comprising base pay, benefits and variable pay, but not pensions), it appears that MPS Executives receive amounts towards the lower quartile, as their variable pay is less than the median amounts achievable for the comparator groups, including other mutual organisations.

Having reviewed the comparative information, and taken into consideration the need to attract and retain talented individuals for key leadership roles at Chief Executive and Finance and Risk Director level, the Remuneration and Nominations Committee determined that the Chief Executive and Finance and Risk Director base pay levels be increased. Pay awards in March 2017, related to performance in 2016, continued in line with current Pay Policy.

VARIABLE PAY POLICY

The variable pay model introduced in 2015 applies across the organisation. It is designed to measure outcomes, and reward both positive behaviour and achievement of agreed targets. The bonus pay levels are increased in stages, according to the capacity of employees' grades to influence outcomes. Increased responsibility brings higher expectations, and higher reward potential for achieving challenging targets. Conversely, the more senior roles have more variable pay at risk if targets are not met. 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 protecting 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.

	OPERATION	MAXIMUM OPPORTUNITY
Base salary	Reviewed annually, taking into account market data, individual responsibilities and skills, performance and experience. A more detailed external benchmark analysis is undertaken every three years, against a comparator group of mutual organisations of similar size and complexity, the last such exercise being in 2016.	No maximum opportunity.
Core benefits	Includes car allowance, healthcare, insurance benefits and buying/selling up to five days annual leave per annum.	No maximum opportunity.
Pension	The final salary scheme closed to new members in November 2013, and a new defined contribution scheme was introduced for all employees. 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.
Variable pay	Rewards annual performance against core behaviours, challenging financial and strategic measures and key individual objectives. A balanced scorecard approach is used to blend 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 advocacy, leadership effectiveness and team effectiveness. Individual objectives vary according to line responsibilities. 50% of variable pay is 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 amount is 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 is not 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	15.8%	10.5%	26.3%	13.2% paid in year 13.2% deferred
Finance Director Howard Kew	14.4%	10.5%	24.9%	12.5% paid in year 12.5% deferred

Full details of amounts paid are disclosed in note 8 to the Financial Statements.

NON-EXECUTIVE MEMBERS OF COUNCIL

The Non-Executive Council Members' remuneration has also been reviewed as part of the 2016 triennial benchmarking exercise. The Inneco salary data surveys and the external benchmarking of comparable organisations would indicate that remuneration levels have fallen below the lower quartile paid to Non-Executive Directors in similar organisation. The Remunerations and Nominations Committee consider proposed changes in accordance with the MPS pay policy, the 2017 fee level was increased to bring the fee level to the lower quartile paid by similar organisations with effect from 1 March 2017.

Non-Executive Council Members do not receive any incentive or performance-related remuneration.

Non-Executive Council Members are reimbursed travel and accommodation expenses for attending Council and Committee meetings. All reimbursement in relation to meetings held in London is treated as part of taxable gross pay through payroll, as London is deemed to be their normal place of work. Expenses are paid in-line with the MPS expenses policy applicable to all employees and directors.

Further information can be found in note 8 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 total comprehensive income 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 judgments and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the 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, 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 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 auditor is unaware
- 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 auditor is 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 September 2017 and signed on its behalf by:

David Wheeler
Company Secretary



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

We have audited the financial statements of The Medical Protection Society Limited for the year ended 31 December 2016, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement cash flows 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 22, 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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.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 2016 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 MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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
- the Strategic Report and the Report of the Council have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Report of the Council.

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

Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP,
Statutory Auditor,
Chartered Accountants
Leeds

13 September 2017

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Income: continuing operations			
Members' subscriptions and other income		<u>453,520</u>	<u>423,929</u>
Expenditure			
Claims costs and associated legal costs (including costs of insurance)	18	302,005	165,390
Movement in projected insurance recoveries	4(j)	(27,253)	(10,860)
Advisory costs and associated legal costs	18	72,469	67,717
Education, publications and external relations	5a	10,590	9,524
Administration expenses	5b	36,898	29,800
Finance cost (unwinding of discount)	18, 4(j)	32,834	32,900
(Gain)/loss on exchange movements	5c	(24,478)	5,483
Movement in provision for doubtful debts		<u>(335)</u>	<u>(439)</u>
		<u>402,730</u>	<u>299,515</u>
Surplus of members' subscriptions and other income over expenditure: continuing operations		50,790	124,414
Net income from investments	6	38,162	25,747
Change in fair value of investments		321,622	(72,662)
Change in fair value of derivatives		(24,418)	(3,463)
Other finance income	10	817	420
Contribution from ordinary activities before taxation: continuing operations		<u>386,973</u>	<u>74,456</u>
Tax (charge)/credit on investment income and gains/(losses)	7a	(57,311)	15,045
Net contribution for the year to funds available for members		<u>329,662</u>	<u>89,501</u>
Other comprehensive income			
Actuarial (losses)/gains on defined benefit pension scheme	10	<u>(13,462)</u>	<u>7,745</u>
Total comprehensive income for the financial year		<u>316,200</u>	<u>97,246</u>

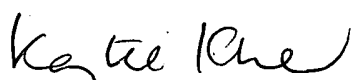
The notes on pages 28 to 48 form part of these financial statements

CONSOLIDATED AND COMPANY BALANCE SHEETS
Year ended 31 December 2016

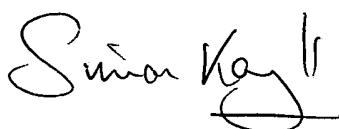
	Notes	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
Fixed assets					
Intangible assets	11	11,010	7,042	11,271	7,316
Tangible assets	12	34,277	19,763	34,267	19,751
Investments	13a	2,484,044	2,132,562	1,461,050	1,336,050
Derivative assets	13a	10,548	-	-	-
		2,539,879	2,159,367	1,506,588	1,363,117
Current assets					
Debtors - due within one year	15	36,976	37,053	123,983	125,860
- due after one year	15	55,847	50,890	55,847	31,435
Bank deposit accounts		184,281	139,528	22,726	22,600
Cash at bank and in hand		17,098	9,962	16,136	9,871
Pension asset	10	8,145	17,546	8,145	17,546
		302,347	254,979	226,837	207,312
Creditors: amounts falling due within one year	16	(98,127)	(68,947)	(81,156)	(68,106)
Net current assets		204,220	186,032	145,681	139,206
Total assets less current liabilities		2,744,099	2,345,399	1,652,269	1,502,323
Creditors: amounts falling due after one year	17	(3,224)	(544)	(3,224)	(544)
Provision for liabilities	18	(1,116,496)	(971,385)	(1,050,350)	(930,922)
Derivative liabilities	13a	(4,409)	(69,700)	-	-
Net assets		1,619,970	1,303,770	598,695	570,857
Accumulated funds					
Income and expenditure		1,619,970	1,303,770	598,695	570,857
Funds available for members	22	1,619,970	1,303,770	598,695	570,857

The parent company's total comprehensive income for the financial year was a surplus of £27.8m (2015: £135.0m).

The financial statements were approved and authorised for issue by the Council and were signed on its behalf on 13 September 2017.



Kay-Tee Khaw
Chairman of the Council



Simon Kayll
Chief Executive

The Medical Protection Society Limited
Registered Company No. 36142

The notes on pages 28 to 48 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Net contribution for the year to funds available for members	329,662	89,501
Adjustments for:		
Amortisation of intangible assets	805	394
Depreciation of tangible assets	1,678	1,137
Foreign exchange translation	(22,229)	999
Interest received	(1,187)	(1,019)
Dividends received	(36,974)	(24,728)
Taxation charge/credit	57,311	(15,045)
Net fair value (gains)/losses recognised in statement of comprehensive income	(297,204)	76,125
Losses on disposal of intangible fixed assets	-	74
Losses on disposal of tangible fixed assets	238	420
Increase in debtors	(24,382)	(25,055)
Increase in creditors	25,264	87
Increase/(decrease) in claims provisions	119,987	(5,041)
Increase in pension asset	(4,061)	(2,583)
Cash from operations	148,908	95,266
Income taxes paid	(6,089)	(54)
Net cash generated from operating activities	142,819	95,212
Cash flows from investing activities		
Purchase of intangible assets	(4,773)	(4,549)
Proceeds from sale of tangible fixed assets	-	13
Purchase of tangible fixed assets	(16,430)	(1,827)
Proceeds from sale of fixed asset investments	327,053	190,868
Purchase of fixed asset investments	(348,292)	(305,114)
Purchase of derivatives	(100,257)	-
Interest received	1,187	1,019
Dividends received from fixed asset investments	36,974	24,728
Net cash from investing activities	(104,538)	(94,862)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	38,281	350
Foreign exchange translation	22,229	(999)
Cash and cash equivalents at beginning of year	181,357	182,006
Cash and cash equivalents at end of year	241,867	181,357

The notes on pages 28 to 48 form part of these financial statements

Analysis of changes in net funds	At	Cash flow movement	At
	01/01/16		31/12/16
	£'000	£'000	£'000
Cash at bank and in hand	9,962	7,136	17,098
Bank deposit accounts	139,528	44,753	184,281
Cash with investment managers	31,867	8,621	40,488
Net funds	181,357	60,510	241,867

Of the net funds held by MPS, £13.8m (2015: £14.2m) 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 2016**

	Income and Expenditure £'000	Total £'000
At 1 January 2015	1,206,524	1,206,524
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
At 31 December 2015	1,303,770	1,303,770
Net contribution for the year	329,662	329,662
Actuarial losses	(13,462)	(13,462)
Total comprehensive income for the year	316,200	316,200
At 31 December 2016	1,619,970	1,619,970

COMPANY STATEMENT OF CHANGES IN EQUITY **Year ended 31 December 2016**

	Income and Expenditure £'000	Total £'000
At 1 January 2015	435,846	435,846
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
At 31 December 2015	570,857	570,857
Net contribution for the year	41,300	41,300
Actuarial losses	(13,462)	(13,462)
Total comprehensive income for the year	27,838	27,838
At 31 December 2016	598,695	598,695

The notes on pages 28 to 48 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

The Medical Protection Society Limited is a private company limited by guarantee registered in England with company number 36142 at Level 19, The Shard, 32 London Bridge Street, London, SE1 9SG.

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.

The financial statements are presented in Sterling (£) and are rounded to the nearest £'000.

The group's financial statements consolidate the financial statements of The Medical Protection Society Limited and all 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 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgement and estimates. The items in the financial statements where these judgements and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

Provision for the future cost of claims (note 18)

Provision is made, as appropriate, for estimated future costs and damages, legal costs and claims handling costs expected to arise from all requests for assistance 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. These provisions require management's best estimate of the costs that will be incurred. The timing of cash flows and the discount rates used to establish the net present value of the future settlement values require management's judgement and are detailed in the accounting policy, note 4(j).

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 judgement 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 to 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 22.

Defined benefit pension scheme (note 10)

The group has obligations to pay pension benefits to current and past employees who are members of the defined benefit contribution pension scheme. The cost of these benefits and the present value of the obligation are dependent on a number of factors such as life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors with guidance from external actuaries, in order to determine the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Valuation of unlisted investments (note 13)

Some of the investments held by the company are not traded on active markets, so it is not possible to value the asset or liability using a quoted price in an active market. Where there is no quoted price available it is sometimes possible to use observable market data for valuation, examples include forward foreign exchange contracts and credit default swaps. Where there is an absence of quoted prices and observable market data the company relies on the valuation methodology applied by the investment manager to ascertain the fair value of the assets, these are disclosed in level 3 of the fair value hierarchy in note 13(d).

The Council have judged that the valuation policies and controls, which the investment managers have in place for unlisted investments, are sufficient to be able to use the valuations provided to account for the investments at fair value.

Further details on the valuation of investments and derivatives are disclosed in the accounting policies section in notes 4(g) and 4(h).

Deferred tax

In preparing the financial statements the directors made the assumption that the equity investments as shown in note 13(a) would not be disposed of in the near future as

there are no plans to sell any of these holdings in the current investment strategy. The deferred tax payable on the change in fair value that would be taxable on disposal has been calculated at 17%, the latest UK Corporation Tax rate enacted as at the balance sheet date which applies from 1 April 2020. Should any holdings be disposed of in the intervening period the tax charge would be at a higher tax rate.

4 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 14. 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. 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
Software licences	- 20% per annum
Case management system	- 14.3% per annum

(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
Leasehold property	- over life of lease
Furniture and fittings	- 5% per annum
Office equipment	- 15% per annum
Computers	- 25% per annum
Motor vehicles	- 20% per annum

(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) Net investment income

Investment income is made up of interest, dividends, realised gains/losses, and derivative income. Interest receivable is brought into account on an accruals basis under the effective interest method, with derivative income and realised gains/losses accounted for when received/paid. As equity investments are in pooled funds and unit trusts, dividend income is reinvested rather than distributed. Such income is therefore included within fair value movement on investments rather than being recorded 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.

For real estate debt funds, any underlying properties are valued in accordance with Practice Statement 4.2 of the Appraisal and Valuation Manual (1995) of the Royal Institution of Chartered Surveyors (RICS). For the ground rent element where the investment is in "strips", the fair value is deemed to be equal to the historical cost, adjusted for amortisation and other payments received, less any impairment.

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.

Credit default swaps are valued on a daily basis by MPS's investment managers using Markit credit default swap levels. Euro swap curves using real-time quotes from a number of market sources are used to value the swaps.

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 credit default 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 18) 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% (2015: 3.5%) per annum.

The principal financial assumptions used in the calculation of the claims provision are that claims inflation will be RPI plus 3.9% 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 1.1%. The average period to settlement is estimated as 2.5 years. The settlement delay is estimated by the company's external actuary. Net claims inflation is estimated by the internal company actuary in discussion with the external actuaries.

(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 charge/(credit) is presented either in net contribution to funds or equity, depending on the transaction that resulted in the tax charge/(credit).

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 10 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 net contribution to funds 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 21 in the Report of the Council.

5a 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.

5b ADMINISTRATION EXPENSES

	2016 £'000	2015 £'000
Included under this classification are:		
Operating lease rentals	2,973	2,418
- Land and buildings	178	171
- Motor vehicles	174	159
Depreciation of fixed assets	1,678	1,137
Amortisation of Intangible assets	805	394
Employer contributions to Defined Contribution pension schemes	2,808	1,307
 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	102
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	27	24
Other services:		
- Taxation compliance	46	51
- Taxation advice	38	15
- Accounting advice	24	30
 <i>Services to the company's associated pension scheme</i>		
Audit of the financial statements of the Scheme pursuant to legislation	4	5
Other services – accounting advice	1	1

5c 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.

6 NET INCOME FROM INVESTMENTS

	2016 £'000	2015 £'000
Bond and gilt interest	27,433	28,580
Bank interest	1,187	1,019
Other investment income/(costs)	9,542	(3,852)
	38,162	25,747

Other investment income includes net realised gains arising from derivative financial instruments of £504k, (2015: loss of £10,012k) which are discussed in more detail in the Strategic Report on page 15, and distributions from the infrastructure, real estate debt, multi-asset credit and inflation opportunities funds.

As noted in 4(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.

7a TAX ON INCOME AND GAINS FROM INVESTMENTS

	2016 £'000	2015 £'000
<i>Current tax:</i>		
UK corporation tax	12,631	7
Adjustments in respect of prior years	1	-
Overseas taxation	109	48
Double taxation relief	(9)	(7)
Total current tax	<u>12,732</u>	<u>48</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	44,534	(13,993)
Adjustment in respect of prior years	45	(1,100)
Total deferred tax	<u>44,579</u>	<u>(15,093)</u>
Tax on investment income and gains/(losses) in the statement of comprehensive income for the year	<u>57,311</u>	<u>(15,045)</u>

7b 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% (2015: 20%). The differences are explained as follows:

	2016 £'000	2015 £'000
Contribution before tax	386,972	74,456
Income and net gains/(losses) from investments multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20%)	77,394	14,891
Indexation on UK Index Linked Gilts and unrealised capital gains	(613)	(293)
Non-taxable dividend income	(3,081)	(2,044)
Adjustment in respect of prior years	46	(1,100)
Non-taxable contribution	(7,633)	(24,678)
Difference in tax rates	(8,891)	(1,744)
Foreign tax	100	31
FRS 102 transitional adjustments brought into tax	(11)	(108)
Tax charge for the year	<u>57,311</u>	<u>(15,045)</u>

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 (2015: £nil).

7c FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction in the UK corporation tax rate 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.

8 EMOLUMENTS OF MEMBERS OF THE COUNCIL

The standard remuneration for all non-executive members of the Council (other than the Chairman) was £21,848 (2015: £21,420). 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 9. The total fees payable to all members of the Council are analysed below:

	Salary/ fees £'000	TB £'000	PR ¹ £'000	PEN £'000	Total £'000	2015 £'000
Executive members						
Simon Kayll (Chief Executive)	316	14	41	49	420	436
Howard Kew (Executive Director – Finance and Risk)	213	14	27	32	286	288
Kevin Lewis (Dental Director) (Retired 8 June 2016)	84	6	11	15	116	267
Non-executive members						
Kay-Tee Khaw (Chairman)	53	-	-	-	53	52
Keith Bradley (Retired 8 June 2016)	15	-	-	-	15	33
Richard Brennan	31	-	-	-	31	26
Ian Croxford (Retired 8 June 2016)	16	-	-	-	16	32
Mark Davis	28	-	-	-	28	27
Yasmin Drabu	27	-	-	-	27	28
Ian Eardley (Appointed 1 November 2015)	23	-	-	-	23	4
Patrick Forbes	26	-	-	-	26	29
John Gibson ² (Resigned 15 February 2017)	49	-	-	-	49	48
James McLenachan (Appointed 1 November 2015)	27	-	-	-	27	4
Simon Pashby	51	-	-	-	51	54
Alexander Scott (Appointed 1 August 2016)	12	-	-	-	12	-
Sally Scutt	28	-	-	-	28	28
Martin Thomas (Appointed 1 September 2016)	10	-	-	-	10	-
Michael Urmston (Appointed 1 August 2016)	12	-	-	-	12	-
Tom Weitzman (Appointed 1 August 2016)	10	-	-	-	10	-
	1,031	34	79	96	1,240	1,356

Key:

TB	Taxable benefits – includes car allowance, medical benefits, and taxable expenses
PR	Performance reward for 2016, payable in the current year or in the following March
PEN	Employer pension contributions into DC schemes or via alternative arrangements

Notes:

- 1 An additional performance award, equal to the PR award paid, is deferred and payable in three years subject to further objectives being met
 2 Fees are paid via a third party, and include an uplift of 13.8% in lieu of national insurance

During 2016 there were three (2015: three) executive members of the Council who were members of MPS's defined benefit pension scheme, details of which are set out in note 10. 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 £55,429 (2015: £54,000).

In addition, as stated in the Report of the Council on page 16, nine non-executive members of the Council had personal membership of MPS.

9 EMPLOYEES

The average number of people employed in the provision of services to members during the year was 868 for the group (2015: 704) and 864 for the company (2015: 700). Costs in respect of these employees were:

	2016	2015	2016	2015
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Wages and salaries	42,961	32,343	42,522	32,187
Social security costs	4,663	3,718	4,662	3,707
Pension costs	7,688	6,462	7,686	6,441
	55,312	42,523	54,870	42,335

10 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 2014. This valuation has then been further updated to the accounting date by an independent qualified actuary. The next full actuarial valuation is being 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 2016	At 31 December 2015
	% pa	% pa
Price RPI inflation	3.5	3.3
Discount rate	2.6	3.8
Pension increases (LPI 5%)	3.3	3.1
Pension increases (LPI 3%)	2.5	2.4
Salary growth	4.5	4.3

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 29.3 years (2015: 29.2 years) and a female pensioner currently aged 60 would be expected to live for a further 31.6 years (2015: 31.5 years). Allowance is made for future improvements in life expectancy.

10 PENSIONS (CONTINUED)**Movement in net defined benefit liability**

	At 31 December 2016	At 31 December 2015
	£'000	£'000
Opening net defined benefit asset	17,546	7,218
Cost in net contribution to funds	(3,998)	(4,714)
Employer contributions	8,059	7,297
Amount recognised in other comprehensive income	(13,462)	7,745
Closing net defined benefit asset	8,145	17,546

Amounts recognised in the balance sheet

	At 31 December 2016	At 31 December 2015
	£'000	£'000
Fair value of scheme assets	172,605	133,910
Defined benefit obligation	(164,460)	(116,364)
Net defined benefit asset	8,145	17,546

Plan Assets

	At 31 December 2016		At 31 December 2015	
	%	£'000	%	£'000
Equities	28	49,060	29	38,476
Liability driven investment	41	70,092	38	51,119
Diversified growth fund	31	54,202	33	43,940
Cash and net current assets	-	(749)	-	375
Total	100	172,605	100	133,910

Amounts recognised in net contribution to funds

	2016	2015
	£'000	£'000
Employer's part of current service cost	4,566	4,776
Interest income	(817)	(420)
Past service cost and settlements	249	358
Total expense recognised in net contribution to funds	3,998	4,714

The defined benefit obligation moved over the year as follows:

	2016 £'000	2015 £'000
Opening defined benefit obligation	116,364	117,015
Interest on obligation	4,366	4,287
Employer's part of current service cost	4,566	4,776
Contributions by scheme members	273	1,037
Benefits paid	(4,758)	(2,325)
Past service cost and settlements	249	358
Actuarial gain/(loss)	43,400	(8,784)
Closing defined benefit obligation	164,460	116,364

Movement in fair value of plan assets

	2016 £'000	2015 £'000
Opening fair value of scheme assets	133,910	124,233
Interest on assets	5,184	4,707
Contributions by scheme members	273	1,037
Contributions by the employer	8,059	7,297
Benefits paid	(4,758)	(2,325)
Actual return on plan assets less interest	29,937	(1,039)
Closing fair value of scheme assets	172,605	133,910
Actual return on assets	35,121	3,668

Over the year to 31 December 2016, MPS made contributions of £8.1m (2015: £7.3m) to the scheme. As part of the full actuarial valuation effective as at 31 December 2014, it was agreed that employer contributions would be at a rate of 27.4% of pensionable salaries for 88th scale members from 1 January 2015 to 5 April 2016 and 24.4% after 5 April 2016. For 63.8th scale members, employer contributions were agreed at 35.3% for the period from 1 January 2015 to 1 April 2015, 33.5% for the period 1 April 2015 to 5 April 2016 and 30.9% from 6 April 2016.

Estimated total contributions payable to the defined benefit scheme by MPS for 2017, including deficit funding contributions, are £7.4m.

Amounts recognised in other comprehensive income:

	2016 £'000	2015 £'000
Re-measurements	(13,462)	7,745

11 INTANGIBLE FIXED ASSETS

	Software Licences £'000	Copyrights £'000	Total £'000
Group			
Cost			
At 1 January 2016	11,287	16	11,303
Additions	4,773	-	4,773
At 31 December 2016	16,060	16	16,076
Amortisation			
At 1 January 2016	4,257	4	4,261
Provided in year	802	3	805
At 31 December 2016	5,059	7	5,066
Net book value			
At 31 December 2016	11,001	9	11,010
At 31 December 2015	7,030	12	7,042
Company			
Cost			
At 1 January 2016	11,086	394	11,480
Additions	4,773	-	4,773
At 31 December 2016	15,859	394	16,253
Amortisation			
At 1 January 2016	4,058	106	4,164
Provided in year	800	18	818
At 31 December 2016	4,858	124	4,982
Net book value			
At 31 December 2016	11,001	270	11,271
At 31 December 2015	7,028	288	7,316

Software licences include £8.6m 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 14).

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

12 TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Computers, furniture, fittings and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost					
At 1 January 2016	16,646	2,597	9,440	33	28,716
Additions	13,841	1,445	1,144	-	16,430
Disposals	-	-	(463)	-	(463)
At 31 December 2016	30,487	4,042	10,121	33	44,683
Depreciation					
At 1 January 2016	1,196	1,822	5,922	13	8,953
Provided in year	388	140	1,142	8	1,678
Released on disposals	-	-	(225)	-	(225)
At 31 December 2016	1,584	1,962	6,839	21	10,406
Net book value					
At 31 December 2016	28,903	2,080	3,282	12	34,277
At 31 December 2015	15,450	775	3,518	20	19,763
Company					
Cost					
At 1 January 2016	16,646	2,597	9,372	33	28,648
Additions	13,841	1,445	1,144	-	16,430
Disposals	-	-	(463)	-	(463)
At 31 December 2016	30,487	4,042	10,053	33	44,615
Depreciation					
At 1 January 2016	1,196	1,822	5,866	13	8,897
Provided in year	388	140	1,140	8	1,676
Released on disposals	-	-	(225)	-	(225)
At 31 December 2016	1,584	1,962	6,781	21	10,348
Net book value					
At 31 December 2016	28,903	2,080	3,272	12	34,267
At 31 December 2015	15,450	775	3,506	20	19,751

All the leasehold properties held at 31 December 2016 are short leaseholds. MPS has classified and disclosed all its properties as Property, Plant and Equipment (PPE) within tangible fixed assets. Whilst one of the properties has a tenant occupying part of the building, the value of the leased element of the building is considered immaterial and has not been separately recognised as an investment property.

Capital commitments

Capital expenditure approved and contracted for amounted to £nil (2015: £nil).

13a INVESTMENTS AND DERIVATIVE LIABILITIES**Group**

	Listed £'000	Unlisted £'000	Cash £'000	Total investments £'000	Total derivatives £'000
Valuation at 1 January 2016	1,792,911	307,784	31,867	2,132,562	(69,700)
Investment additions	164,362	183,930	-	348,292	100,257
Disposals at carrying value	(327,053)	-	-	(327,053)	-
Movement in cash balances	-	-	8,621	8,621	-
Fair value adjustments	269,788	51,834	-	321,622	(24,418)
At 31 December 2016	1,900,008	543,548	40,488	2,484,044	6,139

Company**£'000***Investment in subsidiaries (note 14)*

Cost as at 1 January 2016	1,336,050
Additions in the year	125,000
As at 31 December 2016	1,461,050

Investments comprise

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Listed on UK Stock Exchange:				
- Equities	362,839	318,929	-	-
- Government and other bonds	870,989	972,988	-	-
Listed on overseas Stock Exchanges:				
- Equities	350,716	278,041	-	-
- Government and other bonds	315,464	222,953	-	-
Unlisted investments:				
- Infrastructure	134,552	77,980	-	-
- Multi-asset credit portfolio	168,972	64,364	-	-
- Inflation opportunities portfolio	194,000	165,440	-	-
- Real estate and ground rent	46,024	-	-	-
Shares in group undertakings	-	-	1,461,050	1,336,050
Cash	40,488	31,867	-	-
	2,484,044	2,132,562	1,461,050	1,336,050
Derivative financial instruments (13b):				
- assets	10,548	43	-	-
- liabilities	(4,409)	(69,743)	-	-
	6,139	(69,700)	-	-

Note 13b contains further information on derivative financial instruments.

All other fixed asset investments are measured at fair value with changes in value reflected in the statement of comprehensive income.

13b DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments, recognised in note 13a, were held at the end of the year:

Credit Default Swaps

Duration	Nature of contract	Notional value £'000	Asset £'000	Liability £'000
5yrs-10yrs	Pay in the event of a credit default	625,000	10,305	(4,135)

As noted in the Strategic Report on page 15, the UK interest rate swaps programme was closed out in the year. The programme was introduced by MPS to mitigate potential losses from its UK index linked bonds portfolio, which may have arisen if UK interest rates rose. During the year a credit default swap programme was established as part of the ongoing strategic transitioning of the overall investment portfolio with the aim of enhancing investment returns.

Forward Foreign Exchange Contracts

Duration	Nature of contract	Notional value US\$'000	Asset £'000	Liability £'000
3 months	1 Sell USD Buy LLS	60,758	-	(236)
3 months	Sell USD Buy HKD	180,419	160	-
3 months	Sell USD Buy MYR	23,080	-	(38)
3 months	Sell USD Buy SGD	107,137	83	-
			243	(274)

As noted in the Strategic Report on page 14, 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.

13c 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 13b. Government bonds given as collateral amounts are recognised (but with restricted use due to being held as collateral) on the balance sheet as such, 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. Similarly, Government bonds and cash received from counterparties are not recognised on the balance sheet for the same reason.

Derivative held	Form of collateral	Given £'000	Received £'000
Credit default swaps	Cash	-	2,770
Credit default swaps	UK Government Bonds	1,834	5,606
		1,834	8,376

13d FAIR VALUE HIERARCHY**Financial assets at fair value through net contribution to funds**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2016				
Equities	713,555	-	-	713,555
Government and other bonds	1,186,453	-	-	1,186,453
Infrastructure	-	-	134,552	134,552
Multi-asset credit	-	-	168,972	168,972
Inflation opportunities portfolio	-	-	194,000	194,000
Real estate debt and ground rent	-	-	46,024	46,024
Derivative financial instruments	-	10,548	-	10,548
	1,900,008	10,548	543,548	2,454,104

At 31 December 2015

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
	1,792,911	43	307,784	2,100,738

Financial liabilities at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2016				
Derivative financial instruments	-	4,409	-	4,409

At 31 December 2015

Derivative financial instruments	-	69,743	-	69,743
----------------------------------	---	--------	---	--------

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
At 31 December 2016					
Infrastructure	77,980	32,600	-	23,972	134,552
Multi-asset credit	64,364	102,567	-	2,041	168,972
Inflation opportunities portfolio	165,440	3,777	-	24,783	194,000
Real estate debt and ground rent	-	44,986	-	1,038	46,024
	307,784	183,930	-	51,834	543,548
At 31 December 2015					
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
	267,183	33,928	-	6,673	307,784

14 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

MPS has the following direct interests in subsidiary undertakings:

<i>Name</i>	<i>Parent and group interest in ordinary shares and voting rights</i>	<i>Cost of parent investment £'000</i>	<i>Country of incorporation or registration</i>	<i>Nature of business</i>
Dental Protection Limited	100%	-	England	To provide insight on dental issues which impact MPS.
MPI (London) Limited	100%	1,450,001	England	To manage the investment portfolio for MPS.
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.
Victoria Place Management Company Limited**	100%	-	England	To oversee the management of the common areas of Victoria Place, Leeds.
The Dental Protection Society Limited	100%	-	England	Dormant company.
MP Properties Limited	100%	-	England	Dormant company.
Total		1,461,050		

* Indirectly owned by MPS

** Not included in consolidation on grounds of materiality

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

As noted in the Strategic Report on page 10, MPS Risk Solutions Limited withdrew from the insurance market during 2012. Consequently, at the end of 2016 a review was carried out to ensure that MPS's investment in the company was not impaired, which it was found not to be.

15 DEBTORS

	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
<i>Receivable within one year</i>				
Corporation tax repayable	-	46	-	-
Membership debtors	18,674	12,817	18,674	12,817
Other trading debtors	900	312	375	183
Recoverable insurance claims	6,205	3,493	6,205	3,493
Amounts owed by subsidiary undertakings	-	-	90,618	102,881
Other debtors	5,156	14,381	2,074	526
Prepayments	6,041	6,004	6,037	5,960
	36,976	37,053	123,983	125,860
<i>Receivable after one year</i>				
Recoverable insurance claims	55,847	31,434	55,847	31,435
Deferred tax asset	-	19,456	-	-
	55,847	50,890	55,847	31,435
Total debtors	92,823	87,943	179,830	157,295

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
Corporation tax	6,596	-	399	-
Other taxes and social security	2,893	3,643	2,868	3,621
Other creditors and accruals	23,735	11,362	12,986	10,543
Deferred subscription income	64,903	53,942	64,903	53,942
	98,127	68,947	81,156	68,106

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
Other creditors and accruals	3,224	544	3,224	544

18 PROVISION FOR LIABILITIES

	Deferred tax	Reported negligence claims	Reported other claims	Claims handling	Total
	£'000	£'000	£'000	£'000	£'000
Group					
At 1 January 2016	35,178	835,794	58,015	42,398	971,385
Movements in the year:					
Charged to the statement of comprehensive income					
- Reported negligence claims	-	276,336	-	25,669	302,005
- Reported other claims	-	-	39,200	33,269	72,469
- Deferred taxation	25,124	-	-	-	25,124
- Finance cost (unwinding of discount)	-	30,719	2,115	-	32,834
Paid	-	(199,146)	(35,557)	(52,618)	(287,321)
At 31 December 2016	60,302	943,703	63,773	48,718	1,116,496

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
Company				
At 1 January 2016	830,761	58,015	42,146	930,922
Movements in the year:				
Charged to the statement of comprehensive income				
- Reported negligence claims	275,216	-	25,614	300,830
- Reported other claims	-	39,200	33,269	72,469
- Finance cost (unwinding of discount)	30,719	2,115	-	32,834
Paid	(198,558)	(35,557)	(52,590)	(286,705)
At 31 December 2016	938,138	63,773	48,439	1,050,350

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.

19 DEFERRED TAXATION

Deferred taxation provided at 17% (2015: 18%) in the financial statements is set out below:

	2016 Group	2015 Group	2016 Company	2015 Company
Timing differences on fixed asset equity investments (note 18)	60,302	35,178	-	-
Unutilised losses on loan relationships (note 15)	-	(19,456)	-	-
	60,302	15,722	-	-

No reversal of the deferred tax liability is expected to occur during the year to 31 December 2017, as there are no plans to dispose of these holdings at present, and it is anticipated that they will increase in value.

The company and the group have unused miscellaneous losses of £713k. 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.

20 COMMITMENTS

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

	2016 Group £'000	2015 Group £'000	2016 Company £'000	2015 Company £'000
Operating lease annual commitments				
Land and buildings:				
Within one year	3,633	2,998	3,633	2,998
Between one and five years	9,333	10,377	9,333	10,377
Over five years	21,836	23,638	21,836	23,638
	34,802	6,323	34,802	37,013
Motor vehicles:				
Within one year	-	4	-	4
	-	4	-	4
Office equipment:				
Within one year	141	160	133	152
Between one and five years	103	240	103	234
	244	400	236	386

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.

21 FINANCIAL ASSETS AND LIABILITIES

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Financial assets measured at fair value through net contribution to funds				
- Listed investments	1,900,008	1,792,911	-	-
- Unlisted investments	543,548	307,784	-	-
- Credit default swaps	10,305	-	-	-
- Forward foreign exchange contracts	243	43	-	-
	2,454,104	2,100,738	-	-
Financial assets that are equity instruments measured at cost less impairment				
- Investment in subsidiaries	-	-	1,461,050	1,336,050
Financial assets that are debt instruments measured at amortised cost				
- Amounts due from subsidiary undertakings	-	-	90,618	102,881
- Amounts due from investment managers	3,073	13,848	-	-
- Cash held within fixed asset investments	40,488	31,867	-	-
- Bank deposit accounts	184,282	139,528	22,726	22,600
- Cash at bank and in hand	17,097	9,962	16,136	9,871
- Membership debtors	18,674	12,817	18,674	12,817
- Trade debtors	900	312	375	183
- Other debtors	2,083	533	2,074	526
	266,597	208,867	150,603	148,878
Financial liabilities at fair value through net contribution to funds				
- Credit default swaps	(4,135)	(69,464)	-	-
- Forward foreign exchange contracts	(274)	(279)	-	-
	(4,409)	(69,743)	-	-
Financial liabilities measured at amortised cost				
- Amounts due to investment managers	(8,701)	-	-	-
- Other creditors	(8,174)	(8,154)	(8,128)	(8,145)
	(16,875)	(8,154)	(8,128)	(8,145)

The group purchases 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 4(h).

22 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 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 2016, the Council's estimate of this potential future cost, if it agrees to assist, was £1,590m (2015: £1,434m). This estimate does not include any impact of the change in the United Kingdom's Personal Injury Discount Rate (PIDR) announced in February 2017. This is the interest rate used to calculate the present value of future costs relating to claims, with any downward change in this rate causing an increase in the cost of UK claims that require lifetime payments for medical care or loss of earnings. This will have significant impact on the subscription rates of our UK General Practitioner members, who constitute 10% of paying members worldwide.

At around the same time, the UK Government announced that it would consider measures to mitigate the impact of this rate increase, which followed previous commitments to protect GPs from the general rising cost of indemnity.

The UK Government also committed to review the methodology for setting the PIDR in the future.

At the time of signing these accounts, the UK Government has not specified the nature of the provision of financial support for GPs and how that would relate to the indemnity sector. Discussions on this issue are continuing in confidence. The Council believe that it would be potentially misleading to include the impact of the change in PIDR within the estimate of potential future costs before these arrangements are finalised.

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 4(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.

23 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.

24 GUARANTEE

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

25 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 16, nine 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 8), plus other executive directors of MPS that are not members of Council. This combined group has aggregate remuneration of £2,575k (2015: 2,585k).

ADVISERS AND SENIOR STAFF

IN ROLE AS OF 1 APRIL 2017

CHIEF EXECUTIVE'S OFFICE

General Counsel
David Wheeler

Assistant General Counsel
Matt Rogers

CLAIMS AND LITIGATION

Director of Claims Policy and Technical
Emma Hallinan

Director of Claims Delivery
Melanie Rowles

Head of Service Delivery, Medical Pathway 1
Kareena Gray

Head of Technical Claims, Medical Pathway 2
George Dodd

Head of Service Delivery, Medical Pathway 3
Carl Murphy

Head of Pathway 4 (International Claims)
Caroline Bennett

Head of Service Delivery, Dental Pathways
Ian Marshall

Head of Costs
Steven Davies

Head of Third Party and Litigation
Helen Griffith

Head of Quality Assurance and Quantum
Catherine Longstaff

Head of Service Delivery Claims Assessment Team (CAT)
Kathryn Mackie

Claims Lead for South East Asia, Caribbean and Rest of the World
Antoinette Coltsmann

Claims Lead for South Africa
Ashley Dee

Claims Lead for Scotland, Northern Ireland and Republic of Ireland
Hilary Steele

Senior Medical Claims Managers
Warren Forsyth
Cynthia Marshall
Jane Pool

Medical Claims Managers
Simon Heathcote

Nicola Mackay
Stephen Winn

Senior Dental Claims Manager
Craig Burrows

Dental Claims Managers
Martin Beaumont
Julia Hall
Jane Varvell

High Claims Manager
Alan Dool

Claims Managers
Marshal Ahluwalia
Damian Brooks
Julia Bryden
Stephanie Canda
Helen Carrington
Alison Clarke
Mai Daniel
Kiera Dargie
Lesley Deane
Hannah De Haan
Tracey Ellis
Isabel Emerson
Liz Grant
Sara Grewar
Catherine Hibberd
Susan Hotchin
Nicola Innes
Rhona Keith
Anna Kirwan
Mark Lawrence
Amy Lewis-Clark
Sarah Lord
Tina Lunn
Suzie McCluney
Jaymini Mistry
Allison Munro
Samara Naweed
Mark O'Reilly
Nicola Paul

Hazel Pethick
Jason Priston
Scott Ramsay
Aisling Scott
Hashim Talbot
Ronnie Tan
Reema Vedhara
Robert Walker
Conrad Wood

Senior Medical Claims Adviser
Sarah Cornock

Medical Claims Advisers
Sheila Bloomer
Ian Brew
Clare Devlin
Emma Green
Sophie Haroon
Rod McBain
Dawn McGuire
Jayne Molodynski
Heidi Mounsey
Janet Page
Smriti Tandon
Philip White

Senior Dental Claims Adviser
Caroline Chapman

Dental Claims Adviser
Elaine Cook
Wendy Crompton
Xanthoula Maitou
Nuala Smith
Paul Walsh

Technical and Quality Advisers
Paula Conwell
Paul Dyer
Jane Gilchrist
Sara Rees
Dominic Stannard
Nicola Stowe
Chris Young

Senior Litigation Solicitor
William Bremner

Senior Solicitors
Christina Milne
Jill Stevens

Solicitors
Sarah Bryant
Margaret Cotterell

Edward Dixon
Angelicka Dom Paul
Simon Evans
Mark Jordan
Kashif Mahmood
Joe McCaughley
Louise Morgan
Danielle Swift
Suzanne Tate

Quantum Advisers
Helen Bishop
David Caine
Martha Sweet

Senior Costs Advisers
Geoff Farmer
Murium Ghulam

Costs Advisers
Naheed Aslam
Stephen Johnson
Vinay Mistry
Charlotte Stonehouse
Catherine Waite
Rebecca Warner

Senior Claims Negotiator
Kate Heywood

Claims Negotiators
Alice Boyce
Leanne Crossland
James Fennell
Balveena Flora
Siobhan Walsh
Raeesa Yasin

FINANCE AND RISK

Executive Director - Finance and Risk
Howard Kew

FINANCE

Director of Financial Reporting and Control
Ian Cook

Head of Financial Operations
Phil Manning

Head of Strategic Planning and Performance
Simon Clutterbuck

RISK

Director of Risk and Analysis
Martin Burns

Head of Underwriting Policy
Nick Clements

Head of Underwriting Policy – International
Alun Griffith

Head of Underwriting Policy – Dental
Mike Clarke

Risk Consultant
Helen Hartley

Company Actuary
Tim Jordan

Head of Information, Pricing and Analysis
Ian Moore

HUMAN RESOURCES

Executive Director of Human Resources
Beverley Proctor

Head of Human Resources
Melissa Smith

Head of Talent and Development
Dan Whitehead

INTERNATIONAL

Executive Director International
Allison Newell

Head of Operations – Caribbean and Bermuda
Nancy Boodhoo

Regional General Manager for Australia and New Zealand
Rebecca Imrie

MEDICAL AND DENTAL SERVICES

Executive Director - Professional Services
Pardeep Sandhu

MEDICAL SERVICES

Medical Director
Robert Hendry

Head of Medical Services
Alison Metcalfe

Head of Medical Services – Asia
Ming Keng Teoh

Head of Medical Services – Africa
Graham Howarth

Senior Medicolegal Advisers
Pallavi Bradshaw
Angela Bramley
Marika Davies
Richard Dempster

Angela Farquhar
Liliane Field
Sam Godwin
Lyn Griffiths
Angelique Mastihi
Peter Mackenzie
Roger Palmer
Carol Seymour
Richard Stacey
David Stewart

Medicolegal Advisers

Michele Affif
Zaid Al-Najjar
Rebecca Aning
Jonathan Bernstein
Rachel Birch
Emma Davies
Robert Devoy
Karen Ellison
Jo Galvin
Katherine Grant
Lucy Hanington
Claire Harrison
Helen Hartley
Volker Hitzeroth
Nicola King
Daniel Kremer
James Lucas
Paul Mackin
Sonya McCullough
Gordon McDavid
John McGuire
Kirsa Morganti
Bobby Nicholas
Gabriel Pendlebury
Andrew Power
Clare Redmond
Ewan Ross
Donna Russell
Harpreet Sarna
Sara Sreih
Gill Talbot
Richenda Tisdale
James Thorpe
Sarah Townley
Ben White

Medical Complaints Advisers

Patricia Berlyn
Terri Bonnici
David Heap
Ayisha Hooper
Sue Taylor
Denise Thomas

Medicolegal Consultant
Roger Black

Medical Advisers – New Zealand
Margaret Abercrombie

Mark Burns
Chao-Yuan Chen
Lucy Gibberd
Zarko Kamenica
Samantha King
Andrew Stacey

Medicolegal Consultant – New Zealand
Tim Cookson

DENTAL SERVICES

Dental Director
Raj Rattan

Head of Dental Services
Susan Willatt

Senior Dentolegal Advisers

Sue Boynton
James Foster
Stephen Henderson
Helen Kaney
Alasdair McKelvie
Jane Merivale
Lynn Rees
Brian Westbury

Senior Dentolegal Consultant
Alan Cohen

Dentolegal Advisers

Janet Barnes
Charlotte Boyd
Len D'Cruz
Caroline Dodd
Martin Foster
Sarah Harford
Lesley Harrison
Richard Hartley
David Hartoch
Joseph Ingham
Philip Johnstone
Clare Lawrence
Neena Manek
Bernice McLaughlin
Shreeti Patel
Ravi Rattan
Susie Sanderson
Phil Shaw
Yvonne Shaw
Barry Tiernan
Martin Valt

Dentolegal Advisers DPL – Australia

Raj Dhaliwal
David Evans
George Lazaridis
Ralph Neller
Mike Rutherford
Annalene Weston

Cases Consultants to Dental Protection – New Zealand

David Krum
Paul Scott

Associate Dentolegal Advisers

Jasdeep Badyal
Lorna Ead
Louise Eggleton
Ian Gordon
Jane Griffiths
Russell Heathcote-Curtis
Jim Lafferty
Thomas McCaffrey
Jessica McMahon
Adrian Millen
David Monaghan
Shiv Pabary
Nikolaus Palmer
Andrew Paterson
Sudhir Radia
Simrit Ryatt
Andrew Walker
Claire Walsh
Alan Whittet
Jane Woodington
George Wright

Dental Complaints Managers

Sarah Cree
Zoë Wray

Senior Cases Consultants

Michael Butterworth
Brian Edlin
Hugh Harvie

Communications Manager

David Croser

MEMBER ENGAGEMENT

Executive Director – Member Engagement
Mark Randerson

COMMERCIAL

Head of Business Development
Damian Elder

Head of Marketing

David Gray

Head of Product, Insight and Commercial Development

Nick Howarth Pulleyn

COMMUNICATIONS AND POLICY

Director of Communications and Policy
Shelley McNicol

Head of Corporate Communications
Antony Timlin

Head of Marketing Communications
Sharon Smith

Head of Knowledge Management
Janet Kaul

EDUCATIONAL SERVICES

Director of Education
Mark Dinwoodie

Head of Education Development and Delivery
Vanessa Perrott

Head of Risk Management and Education Consultancy
Julie Price

Head of Member Risk Education
John Jolly

General Manager – Asia Pacific
Matthew O'Brien

International Medical Education Consultant

Mark O'Brien

OPERATIONS

Executive Director – Operations
Dan Bown

Director of Member Operations
Peter Rowbottom

Head of Member Services – UK and Ireland
Catherine Oldroyd

Director of IT Operations
Jane Smith

STRATEGIC CHANGE

Director of Strategic Change
Peter Lycholat

Head of Project Delivery
Andrew Fox

Head of Portfolio Governance
Leonard Adams

The Medical Protection Society Limited

medicalprotection.org
dentalprotection.org

The Medical Protection Society Limited ("MPS") is a company limited by guarantee registered in England with company number 36142 at Level 19, The Shard, 32 London Bridge Street, London, SE1 9SG.

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. MPS® and Medical Protection® are registered trademarks.