

Protecting members from the human cost of cases, conflict and claims

2023 Annual Report
and Financial Statements



Our Purpose

To protect the careers, reputations and financial security of doctors, dentists, healthcare professionals and organisations around the world.

Our Vision

To provide the most expert, trusted and valued protection, to enable members around the world to deliver healthcare.



Our Values

Being Member First, Ambitious, Determined and Empowered (MADE for members), together with our Purpose and Vision, our Values guide our thinking, our actions and our decisions.



Member First

We care passionately about members. We are dedicated to achieving good outcomes for members and place them at the heart of everything we do.



Determined

We are clear on our accountabilities and priorities, and we collaborate to effectively deliver for members. We manage our risks and are conscious of costs.



Ambitious

We grow sustainably, embrace and implement new ideas. We seek feedback and take action to continually improve personal and business performance.



Empowered

We are inclusive and we value the diverse skills, experience and expertise of others. We have the confidence to make decisions, we are accountable for the choices we make and trust each other to deliver our responsibilities with integrity.

Being a member-first organisation means more than just doing the right thing for the membership. It is a desire to support our communities and the wider healthcare service through:

- championing legal and regulatory reforms
- promoting safer, more reliable practice that ensures better patient outcomes and sustainable healthcare systems
- funding research globally to help clinicians provide better care for their patients and improve their own wellbeing
- investing member funds in ethical, social and environmental initiatives.

Key Markets



Ireland
United Kingdom
South Africa

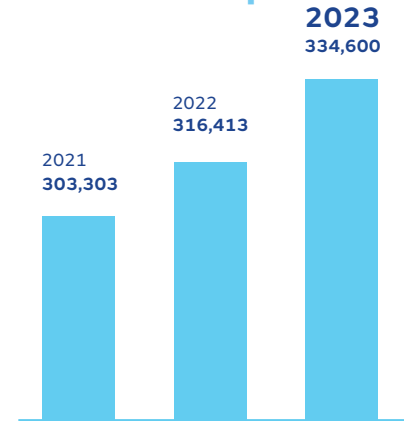


Hong Kong
Singapore
Malaysia
New Zealand
Australia



Caribbean and
Bermuda

Growing global membership



Expertise and excellence

As experts in understanding the ethical, legal, financial and reputational challenges faced by healthcare providers, we are a trusted partner for members and clients, on a global scale.

18,691

New cases opened on behalf of members across the world (2022: 19,227)¹

14,254 Medical

(2022: 14,752)

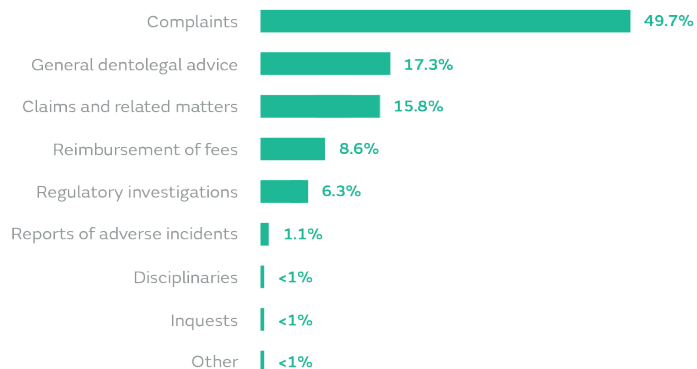
4,437 Dental

(2022: 4,475)

Case type Medical



Case type Dental



Satisfaction scores

Over 90% of members surveyed who had advice or help from MPS rated the service they received as Good, Very Good or Excellent³

Net Promoter Score²

	2022	2023	Change
MPS Global	52	53	+1
Medical Protection Global	51	52	+1
Dental Protection Global	54	55	+1

In-house legal services⁴

	2021	2022	2023
Overall satisfaction with the professional support and advice received	100%	95%	97%
Clarity of advice given	100%	95%	96%
Tone/politeness and empathy when dealing with your issue	100%	99%	98%
Keeping you informed and updated	99%	92%	99%
Ease of communication	96%	89%	95%
Ability to listen and understand the issues	100%	96%	99%
Quality of advice given	100%	93%	96%

Our financial results in 2023

£2.2bn
net assets
available to members
(2022: £2.1bn)

Investment portfolio of
£2.5bn
of assets under
management
(2022: £2.7bn)

Return on
Investments of
2.9%
(2022: -0.4%)

¹ New cases opened in 2023 breakdown by case type; figures as at 31 December 2023

² 12-month rolling global NPS (Net Promoter Scores) survey of members who contacted MPS in 2023; maximum score = +100 and minimum score = -100, with +50 considered 'Excellent' for any service provider; results as at 31 Dec 2023.

³ MPS core services satisfaction survey results (Global)

⁴ MPS in-house legal services survey results (UK and Ireland)



“I am always exhausted.
My career was
everything to me, now I
cannot wait to leave it.”

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Protecting members from the human costs of cases, conflict and claims

Being a health professional can be incredibly rewarding. Advances in modern medicine and dentistry allow us to do more for our patients than ever before and there are few other professions where there is so much potential to improve people's lives and support them through their illness.

However, there is no hiding from the fact that many of us around the world are struggling, and especially so when working in environments that are pressurised or feel unsupportive. It is difficult to overestimate the impact on our own wellbeing of not being able to provide patients with the care that we aspire to.

When quality or patient safety is at risk, we can also feel vulnerable to a whole range of risks. We also know that many members worry greatly about facing a complaint, regulatory investigation, clinical negligence claim or even criminal charges. Sadly, we also see first-hand the impact these processes have on members while we are standing by their side.

So, this brings me to what MPS has been doing in 2023 to protect members from the human costs that can come with being a health professional.



Understanding what is impacting members' wellbeing

We have been listening to members' experiences. Amongst the many things members have told us in 2023:

- Not being able to do the right thing for patients is impacting their current mental wellbeing - reported 43% of doctors in the UK, 33% in Ireland and 20% in Malaysia
- Fear of medicolegal issues arising from staff shortages is impacting their current mental wellbeing - reported 38% of doctors in the UK and 36% in Ireland
- The impact of exhaustion on the delivery of quality patient care is affecting their mental health - reported 52% of UK dentists.

Members have also been telling us what changes they think would help their wellbeing and we have been combining these with our own recommendations and reflecting back to governments, regulators and healthcare systems around the world. Some of these are highlighted below.

Pushing for fairer and more compassionate accountability

At MPS, we know all too well the extent to which investigation processes can have a deep and negative impact on healthcare professionals. Quantifying this impact, and enabling others to understand the need for improvements, has not however always been easy.

That is why we have conducted research, asking hundreds of members about their personal experience of being investigated by their regulator, what impacted them most and what changes would have made things better. This research found that:

- Stress and anxiety was caused for 96% of dentists and 91% of doctors in the UK during an investigation, and for 83% of doctors in South Africa
- Thoughts of leaving the profession came during the investigation for 38% of dentists and 29% of doctors in the UK, and 19% of doctors in South Africa
- Suicidal thoughts were experienced by 31% of UK doctors, 28% of UK dentists, and 11% of doctors in South Africa, as a result of an investigation

Many shared details of the specifics of what impacted them the most. Core factors for many were the length of the process and the tone of communications.

As well as campaigning in public, we look to influence regulators behind the scenes. We held constructive meetings with the General Medical Council (GMC), General Dental Council (GDC) and Health Professions Council of South Africa (HPCSA) and were pleased with how open they were to our recommendations. The GMC and HPCSA invited us to provide feedback on all of the communications they issue during an investigation so these could be improved, and the GDC later instigated a review of their communications.

We also continue to push for important reforms in Ireland, where clinical negligence claims processes take longer and involve higher legal costs than every other country where we support members. We are grateful to the, over 250, doctors and dentists who shared their experiences and who have enabled us to shine a light on the impact current processes are having on healthcare professionals as well as their patients.

We are pleased to be making progress in South Africa in relation to the current criminalisation of medical error. We welcome the decision by the Justice Minister and the South African Law Reform Commission to accept our proposal that the Commission conduct a review into the law surrounding the criminal liability of healthcare professionals. This is an area we have been campaigning on for many years and we hope this development will be a first step towards positive change. We also continue to highlight our position on the criminalisation of medical error in Hong Kong, with cases there causing members much concern.

To improve our collective understanding of how members' wellbeing can be best supported, we also continue to fund research around the world through our MPS Foundation, with a particular focus on wellbeing and patient safety. Recently funded research covers the triggers of stress and anxiety, the impact of moral distress, the impact of workplace violence, managing work-related risks to wellbeing, and the effectiveness of resilience interventions.

Protecting members

Finally, and going back to the core reason why many people are members of MPS, we make sure that we are ready to support you and to provide the best possible protection, if and when it is needed. We recognise that the need for this support is increasing as the healthcare environment continues to struggle to meet demand all over the world.

We're also making it easier for members to access wellbeing tools and resources, and to get support, if they need it. We provide free, independent and confidential counselling for any member experiencing stress or anxiety. We've also started work to understand how in our interactions with members, we can identify those whose mental wellbeing is suffering and signposting them to our free counselling and resources.

We will continue our work in each of these areas and I expect that we will be able to report on further progress in our next annual report.

Prof Dame Jane Dacre

President of MPS Council

Staff health

“I have had to start taking antidepressant medications and counselling privately to help cope with ongoing issues related to the pandemic and work. It’s been hard. I don’t see it getting better.”

“The Irish health system is at an all-time low. I know of at least 4 consultants who have either had breakdowns or committed suicide, and another who collapsed from exhaustion.”

“I feel I have given my life to this profession and have been left feeling very undervalued and utterly broken.”



Medical	
UK	46%
Ireland	40%
South Africa	35%
Malaysia	15%
Dental	
UK	57%

Medical	
UK	47%
Ireland	43%
South Africa	39%
Malaysia	24%
Dental	
UK	52%

Medical	
UK	43%
Ireland	38%
South Africa	25%
Malaysia	20%
Dental	
UK	56%

say their mental wellbeing is worse now than it was during the pandemic.

feel the impact of exhaustion or burnout on patient safety is impacting their current mental wellbeing.

are considering their future in healthcare due to mental wellbeing concerns.

Staff shortages

“My mental health is suffering, I need time-off but I’m not allowed to take it as there are not enough staff. If I get to breaking point, I will have to go off sick, which I don’t want to do as it impacts on my colleagues and patients.”

“It is demoralising to be continuously unable to provide the standard of care you know patients deserve due to inadequate staffing.”

“Longer days and more night shifts lead to chronic sleep deprivation and worse health outcomes. The government is not interested in the health of its staff.”



Medical	
UK	95%
Ireland	93%
Malaysia	84%

feel staff shortages are a significant threat to patient safety.

Medical	
UK	91%
Ireland	83%
Malaysia	75%

can’t see staffing levels improving in the foreseeable future.

Dental	
35% say they were unable to take breaks during the working day and did not eat or drink.	

Dental	
36% work in fear of dentolegal issues arising from staff shortages.	

Abuse from patients

“A patient was told his orthodontic treatment was to be terminated due to poor compliance. He became verbally abusive and threatened to stab us. We had to barricade ourselves in the surgery until the police arrived, and all the while he was trying to kick the surgery door in.”

“Many times, it’s the relatives becoming abusive; this can continue into the clinic discussions or will often be by complaint letter into the hospital. This then takes extra time and effort to respond and review when your time is best served delivering patient care.”

Medical	
UK	24%
Ireland	26%
Dental	
UK	37%

Medical	
UK	56%
Ireland	60%
Malaysia	43%
Dental	
UK	57%

increasing abuse or intimidation from patients has made them consider their career in healthcare.

have seen or witnessed verbal or physical abuse from patients or patients’ relatives in the past 12 months.



Results and comments taken from MPS survey of medical members (UK: 861, Ireland: 872, South Africa: 662, Malaysia: 316) and dental members (UK: 1,379), in 2023.

“Patients are increasingly unrealistic in their expectations and feel they can say anything, no matter how rude or disrespectful to the doctor. It’s as though we are the cause of their problems rather than helpers.”

“Racist and homophobic abuse is common. The work environment, especially for nurses, is brutalising. Nursing colleagues have been head-butted, bitten, spat at, kicked, and punched. I have been spat at and verbally assaulted.”



“A patient’s partner threatened to kill me as he felt his wife had waited too long to be seen.”

2023 Annual Report and Financial Statements



Dear members,

As I reflect on the events of the past year, the words shared by fellow members remind me of the profound challenges faced by the health professions and the human toll these challenges can exact.

Every day, you demonstrate unwavering commitment by delivering outstanding care to your patients amidst a backdrop of increasingly challenging conditions and mounting pressures within the healthcare landscape. These challenges are multifaceted, ranging from staffing shortages, high patient volumes and higher expectations, to the ever-expanding legal challenges and threats of litigation or investigation. I am all too aware of the toll these challenges take, not only professionally but also personally, as the human cost of cases and claims reverberates throughout our community.

However, throughout it all, you continue to show resilience, empathy, and an unyielding dedication to providing compassionate and high-quality care, showcasing an extraordinary commitment to patients.

Growth through increased member benefit and more competitive price

Sadly, another year of socio-economic uncertainties has added additional strains to already stretched services. Rising costs in many countries have placed unprecedented financial burdens on individuals and institutions alike. Healthcare professions are not immune from this. It is little surprise that the affordability of professional and claims protection has become increasingly critical for many, and we continue to see an increasing number of new competitors coming to market offering low-cost indemnity products. At the same time, the rapid pace of technological advancements in medicine and dentistry have rightly raised member expectations for seamless, efficient, and technologically enabled services.

Despite this cocktail of increasing competition and expectations, I am delighted to say that our membership has grown and that it has grown at the fastest rate in our 130 year history. Over 18,000 new members joined MPS from around the world in 2023 – a testament to the trust and confidence members place in us. It also serves as a resounding affirmation of the work we have undertaken to demonstrate trust, value and expertise in every interaction we have with members. This diverse and growing member base also has the added advantage of increased funding for the important work of protecting members' careers and defending their interests long into the future.

Enhancing the member experience

Change is a necessary constant to continue to support members for years to come.

Investing in our processes and services is paramount to our ongoing success and the continued satisfaction and experience of our members. Our Net Promoter Scores (NPS), which help us gauge if we are doing this well, not only remain high but are industry-leading. We recognise how busy members are, and our key focus is to ensure members' interactions with us are as effortless as possible. By streamlining our internal operations, enhancing our technological infrastructure, and expanding our service offerings, we aim to ensure that we remain at the forefront of the industry.

Through careful investment in training and development programs for our staff, we ensure our teams are equipped with the knowledge and skills necessary to deliver exceptional service. Moreover, by continuously refining and innovating our services, we not only meet the evolving needs of members but also exceed their expectations, solidifying our position as a trusted partner in their professional journey.

New leadership

All this comes at a time of change here at MPS. I thank our outgoing Chief Executive, Simon Kayll, for 12 years of dedicated leadership. His hard work has shaped MPS into what it is today, cementing its position as a trusted ally and advocate for healthcare professionals across the world, and we're grateful for his service.

As we bid farewell to Simon, we welcome a new Chief Executive, Karen Miller. Karen brings a wealth of leadership experience and skills that align perfectly with MPS's goals and values. Her extensive experience of leading in global insurance businesses, while providing the highest quality customer service, speaks volumes about her capabilities and we are confident she will ensure we continue to place members around the world at the heart of all we do.

My tenure too, as Chair of Council, comes to a close this year. It has been an incredible privilege to serve in this capacity. I am also filled with optimism for the future, and have every confidence in the talent, passion, and vision of the Council and leadership team, and I look forward to handing over the reins to my successor, Dr Graham Stokes. Graham has been a member of MPS Council since 2017, and Chair of the MPS Foundation Board since its inception in 2021. He will be the first dentist to chair the Council.

Ian Eardley

Chair of MPS Council

Finance report

In 2023 MPS contributed £76m to the fund, maintaining its position as one of the world’s largest medical defence organisations and further allowing us to invest for the longer-term benefit of members.

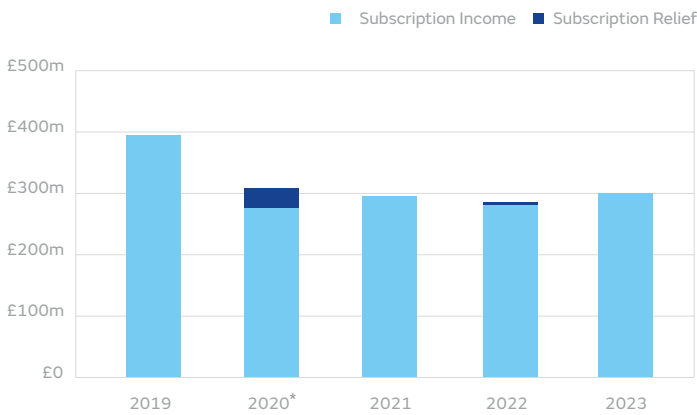
Financial markets continued to face volatility in the year. Inflation remained elevated and central banks continued to hold interest rates high to manage this. Additionally, continued geo-political risks dominated headlines, with the outlook uncertain.

Despite these market challenges the surplus for the year improved, to £76m (2022: deficit £12m). The investment portfolio contributed significantly generating £167m of income (2022: £4m), offset by the impact from derivative losses which hedged our liabilities against interest rate risk.

Membership income increased to meet inflationary pressures on claims

Subscription income increased as member numbers grew; however, it was necessary to raise prices across the membership to tackle the perennial inflationary pressures across cases and claims costs.

Membership subscriptions - 5 year trend



*2020 was the first full year in which claims indemnity for general medical practice members (GPs) in England and Wales was covered by the state, with consequent year-on-year reductions in MPS subscription income.



Managing the costs associated with indemnity

MPS looks to manage both the external and internal costs of supporting members, the bulk of which arises from cases and claims. Below is a table which shows our primary costs from the Consolidated Statement of Comprehensive Income and how we monitor these internally.

Consolidated Statement of Comprehensive Income

	2023	2022
	£m	£m
Claims costs and associated legal costs	157	117
Advisory costs and associated legal costs	46	70
Education, publications and external relations	10	10
Administrative expenses	53	61
Total	266	258

	2023	2022
	Internal	Internal
	£m	£m
Insurance	5	7
Movement in claims reserves	133	114
Movement in non-claims reserves	15	27
Operating expenses including cases and claims handling costs	108	107
Investment in technology	10	5
MPS Foundation	1	-
Non-recurring property adjustments	(6)	(2)
Total	266	258

External costs remain volatile by nature and this year was no different

The costs to support members via external legal representation, or to compensate patients, rose in the year, as we experienced a number of significant cases where MPS was able to offer support to members. This increase relates to new claims or cases where MPS has exercised its discretion to assist, or movements in existing claims or cases.

We continue to manage the internal costs of running MPS

Given the current inflationary environment, we took action to manage our cost base over the course of 2023. This included focused spend optimisation, renting out excess office space across our estate, and tackling some of the costs that may not directly address members' needs. These actions allowed us to mitigate the inflationary impact on internal costs in 2023 and help to provide a positive position going into 2024.

Investing for current and future members

MPS invested £10m in the year on technology upgrades and improved operational capabilities, with further investment expected in 2024. We intend to continue investment into the Society to support our strategic priorities, to grow the membership base and ensure we remain relevant and sustainable for members long into the future.

MPS also provided grants in the year totalling £1m through the MPS Foundation. Further detail on the MPS Foundation is included on page 24.

Finance report

Balance sheet

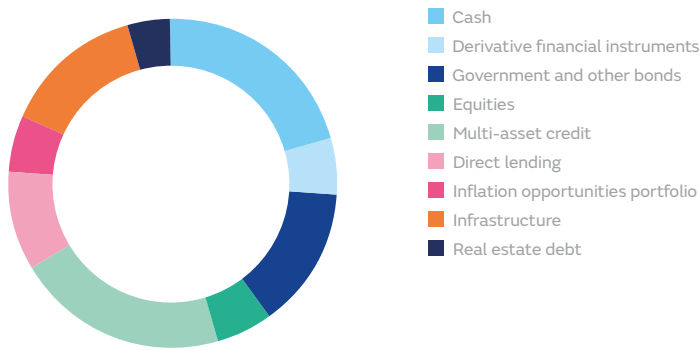
MPS continues to manage a strong and robust financial position for members. The MPS investment portfolio, including cash, increased in value to £2.96bn (2022: £2.89bn) during the year which contributed to the overall increase in net assets to £2.21bn (2022: £2.14bn).

Assets under management and investment performance

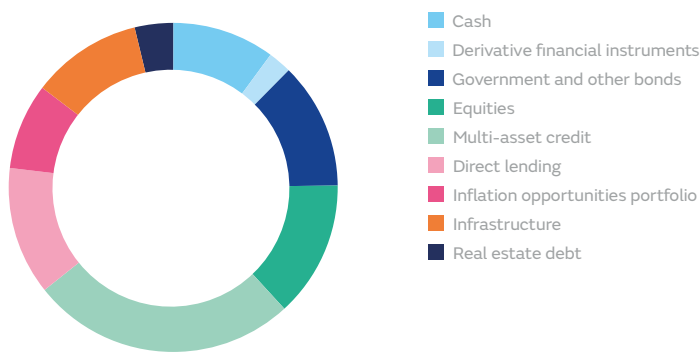
Our investment strategy ensures the portfolio remains well diversified and operates a number of derivative contracts to protect against movements in interest and inflation within our estimate of all cases and claims provisions.

Asset Portfolio and Cash allocation

Investment assets by class - 2023

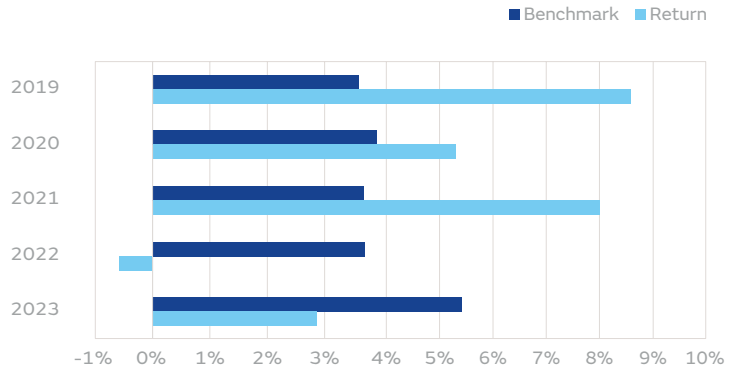


Investment assets by class - 2022



MPS uses Return on Investments as the key measure of investment performance, with a long-term target of +2.6% above the risk-free rate (2022: +2.9%). Over 2023, the assets (excluding derivatives) delivered the target returns, ensuring the fund is well positioned to support the future costs of past memberships.

Investment returns - 5 year trend



Understanding our potential future liabilities relating to past memberships

We make sure we understand and plan for potential future costs of assistance and claims and we estimate this cost (Estimated Potential Future Costs or EPFC) to be £841m as at 31 December 2023, a decrease of £30m from 2022. We are confident MPS can meet any potential future costs of assistance or claims, and this is demonstrated by the Net Asset position after EPFC of £1.36bn.

Richard Pile

Executive Director of Finance



Corporate social responsibility report

An unwavering commitment to sustainable practices

As a trusted partner of the medical and dental professions, we recognise our profound responsibility to uphold the values of the healthcare community while fostering sustainability in every facet of our operations.

We're also a not-for-profit, mutual society. We believe companies should take responsibility for the impact they have in society and the environment, not just their bottom line. We continue to grow the positive impact we have as an organisation, especially in areas where we are uniquely positioned to make a lasting difference.

Giving back to our communities and being an inclusive workplace

Goals



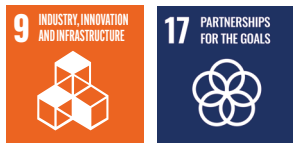
- advocate and act in the interests of members, our people and the wider professions to support their health and wellbeing
- fund research into clinician wellbeing and patient safety
- champion a culture of equality, diversity and fairness for our people and in all areas of healthcare
- reduce our pay and bonus gaps, understand the root causes and remove barriers to career progression
- accreditation as an inclusive workplace.

Progress made

<p>£1.28m</p> <p>in grants, commissioned projects and fellowships awarded in 2023, through the MPS Foundation</p>	<p>£158,000</p> <p>awarded to research which addresses health inequalities in Africa</p>	<p>5</p> <p>wellbeing campaigns highlighting mental health impacts in the professions and calling for action</p> <p>(pages 9 to 12)</p>	<p>£22,000</p> <p>donated to fund social care apprenticeships in the UK through the apprenticeship levy</p>
<p>12.6%</p> <p>median gender pay gap</p> <p>↓2% from 2022</p> <p>(page 27)</p>	<p>1st</p> <p>ethnicity pay gap analysis published</p>	<p>4</p> <p>diversity and inclusion award finalists (page 27)</p> <p>1 Winner</p> <p>Menopause Friendly Community Award</p>	<p>Menopause Friendly Workplace</p> <p>Accreditation achieved</p>

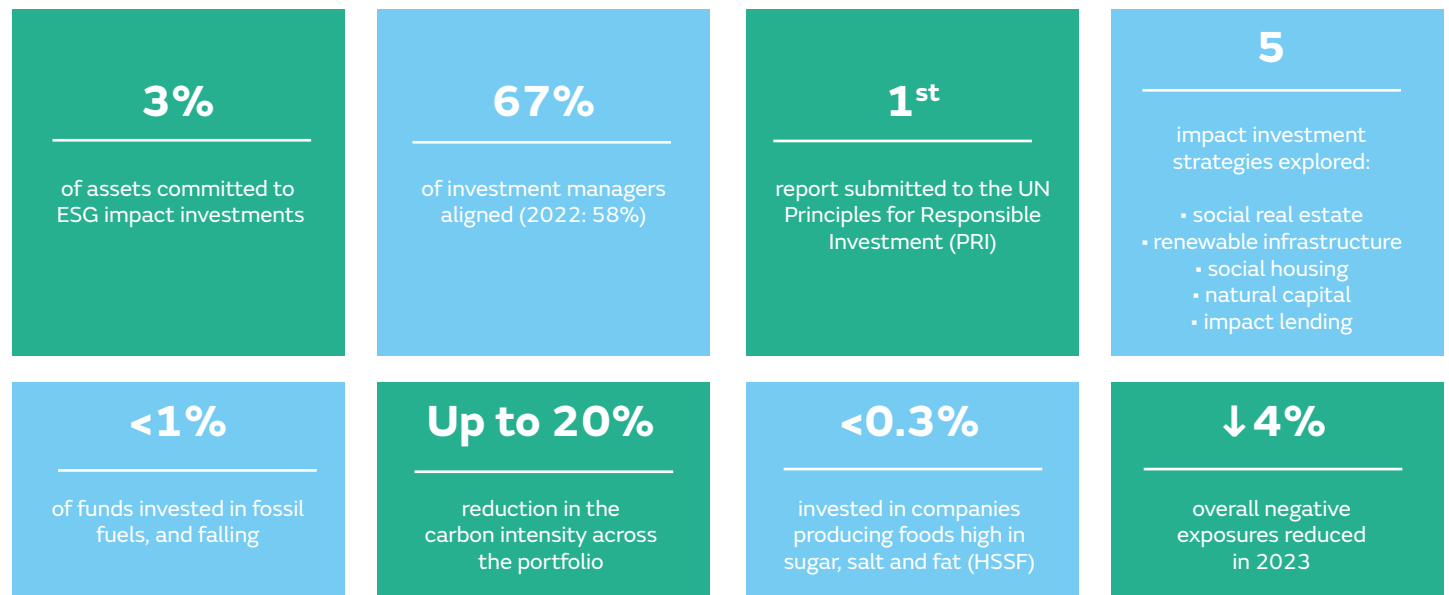
Impact Investing (ESG)

Goals



- 10% of portfolio invested in ESG-mandated funds
- 75% of investment managers aligned to our ESG investing policy
- invest in infrastructure projects that support underserved communities
- invest in renewable energy as part of our infrastructure mandates.

Progress made



In 2023, our efforts were focused primarily on de-risking the portfolio and fulfilling our reporting duties with the UN PRI. We welcome the opportunity to progress further work towards our goals through 2024.

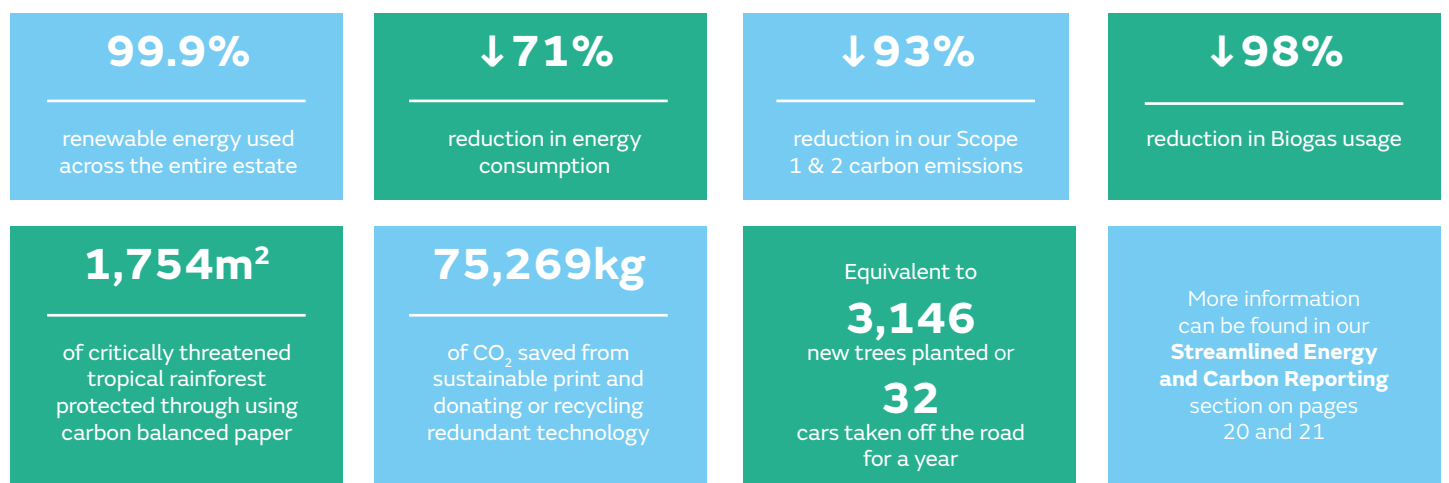
Climate action

Goals



- Achieve net zero emissions in our operations by 2027
- Foster a culture of awareness in our business decisions and processes which aim to reduce our environmental impact.

Progress made



Streamlined Energy and Carbon Reporting

MPS is defined as a large company under the Companies Act 2006 and we report in-line with the UK's Streamlined Energy and Carbon Reporting (SECR) legislation according to the 2018 Regulations. All scope 1 and 2 sources of energy and carbon emissions have been disclosed as well as mandatory scope 3 sources of energy and carbon emissions. These disclosures cover all UK activities across the Group.

Our CSR strategy and initiatives, however, are global in scope. We are still committed to a Net Zero target of 2027, across the whole of the organisation, in support and pursuit of a cleaner, sustainable future for our world.

Energy consumption (kWh)

Our overall kWh of energy consumption reduced significantly in 2023.

There was a significant reduction in kWh reported for electricity, and gas supplies. This was due to transferring responsibility of utility supplies to tenanted areas and an energy evaluation project which reduced gas consumption to just a minimal amount at the Leeds site, our main office location.

The estimated electricity consumption for the London office was recalculated by an independent consultant to closer reflect the annual kWh usage in 2023. The landlord's annual estimation of 269,700 kWh for on-floor electricity was overestimated for the 2021 and 2022 periods. The actual on-floor electricity consumed in 2021 was 183,452 kWh and in 2022 was 179,001 kWh. A mean average was calculated as 181,227 kWh for the 2023 reporting period.

The company cars and grey fleet mileage for the period was 109,670 miles in 2023, a significant increase on the 64,313 miles recorded in 2022 as we attended more in person activities with members.

Our energy consumption (MWh)

	2023 MWh	2022 MWh	2021 MWh
Electricity	673.31	2,220.00	2,416.12
Natural Gas	-	-	-
Biogas	12.37	773.48	713.63
Transport Fuels	183.10	89.94	25.27
Total Energy Consumption	868.78	3,083.42	3,155.02

Emissions tCO₂e

Emissions from Biogas have reduced through improved control of the air handling pre heat air process.

Employee mileage increased emissions from 10.51 to 13.87 tCO₂e. This increase in vehicle mileage impacted the intensity ratio tCO₂e/FTE for 2023.

There was significant refrigerant loss of 178.76kg of R401A refrigerant from the Leeds site in 2022. This issue was resolved with no refrigerant losses recorded on the net tCO₂e emissions for 2023.

Our Greenhouse Gas Emissions (tCO₂e)

Emissions Performance Review

	2023 tCO ₂ e	2022 tCO ₂ e	2021 tCO ₂ e
Natural Gas	-	-	-
Biogas	0.002	0.17	0.16
Transport Fuel for Company Vehicles	13.87	10.51	9.95
From Combustion of Fuel	13.87	10.68	10.11
From Purchased Electricity, Steam, Heat and Cooling	139.42	429.30	513.01
R401A Refrigerant Loss (178.76kg)	-	211.29	-
From Other Activities including Process and Fugitive	139.42	640.59	513.01
Total Gross Emissions	153.29	651.27	523.12
Renewable Electricity	(139.42)	(429.30)	(513.01)
Total Net Emissions	13.87	221.97	10.11

Only transport activities saw a rise in tCO₂e emissions, all other fuels decreased in tCO₂e emissions output compared to last year.

Intensity ratio

Our Intensity Ratio is based on carbon emissions per number of Full Time Equivalent (FTE) Employees. The number of UK-based employees in 2023 was 803, down by 70 from 873 in 2022.

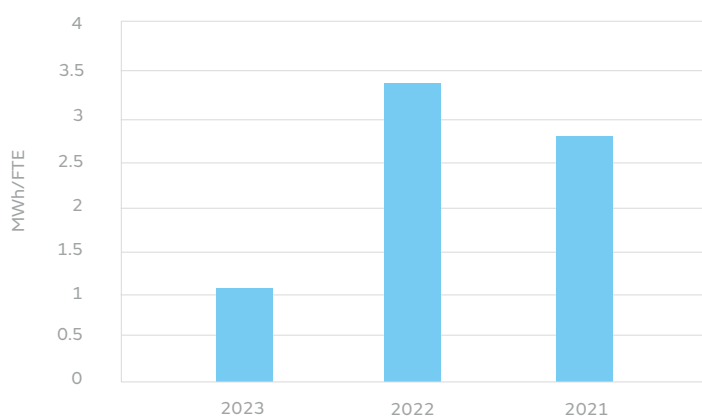
Emissions by Intensity Matrix Annual tCO₂e per No. of FTE employees

Intensity Ratio	2023	2022	2021
Annual MWh per No. of FTE Employees	1.082	3.531	2.988
Annual tCO ₂ e per No. of FTE Employees	0.017	0.254	0.010

MWh per FTE performance comparison

Changes in MWh consumption per employee over the last three SECR reporting periods.

MWh Intensity per No. of FTE employees



The transfer of electricity and gas supplies to tenants at the Leeds site and the recalculation of the estimated energy at the London site have significantly reduced the MWh/FTE over the reporting period.

SECR methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the Greenhouse Gas Reporting Protocol – Corporate Standard and have used the 2023 UK Government’s Conversion Factors for Company Reporting.

Measures taken to improve energy efficiency

We remain fully committed to the use of renewable energy and to reducing our year-on-year electricity usage. During 2023 there was a significant reduction in both biogas consumption and grid supplied electricity delivered for MPS use. Many areas of the Leeds site are now sublet, and sub metered for tenant consumption.

Energy reductions have been achieved through:

- a program to change the pre-air intake filters every week as part of a Planned Preventative Maintenance schedule to improve efficiency.
- moving away from burning any type of fuel on site including biogas, even though biogases have little CO₂e content.
- our ‘Switch off’ campaign, achieving up to 50% consumption reduction on white goods and office tech materials.

2024 and beyond

We have plans for further energy and carbon reduction by:

- using the UK government’s Energy Saving Opportunity Scheme Phase 3 recommendations, where appropriate, to achieve our target of Net Zero by 2027.
- introducing a new Building Management System to improve the energy management of the building.
- continuing to encourage behavioural changes in our colleagues to maintain and enhance ongoing measures to reduce energy.
- limiting employee commuting and transport emissions by promoting hybrid working.

Strategic Report

Our business model

Our starting point is always ‘how can we help?’

Healthcare landscapes are continually changing and are rarely straightforward; new challenges and issues constantly arise, some of which were inconceivable just a few years ago.

Clinical negligence is a specialist area of expertise and is very different to areas covered by traditional forms of insurance, such as car or household cover. It can be – and often is – several years between an incident taking place and the resulting claim emerging.

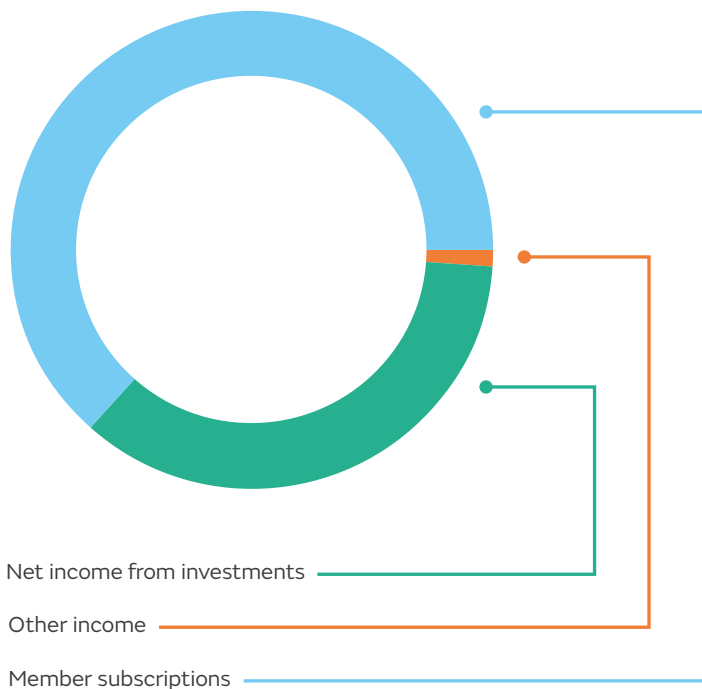
MPS is not an insurance company. All the benefits of MPS membership are discretionary, as set out in paragraph 40 of our Memorandum and Articles of Association. However, the MPS Group does offer an insurance product through an arrangement with Lloyd’s of London. For more details see Our brands on page 24.

What is ‘discretion’?

Discretion means we have the flexibility to treat every case on its individual merit, offering help in unusual circumstances or where a new problem appears. It is why we use people, not contracts to make these decisions.

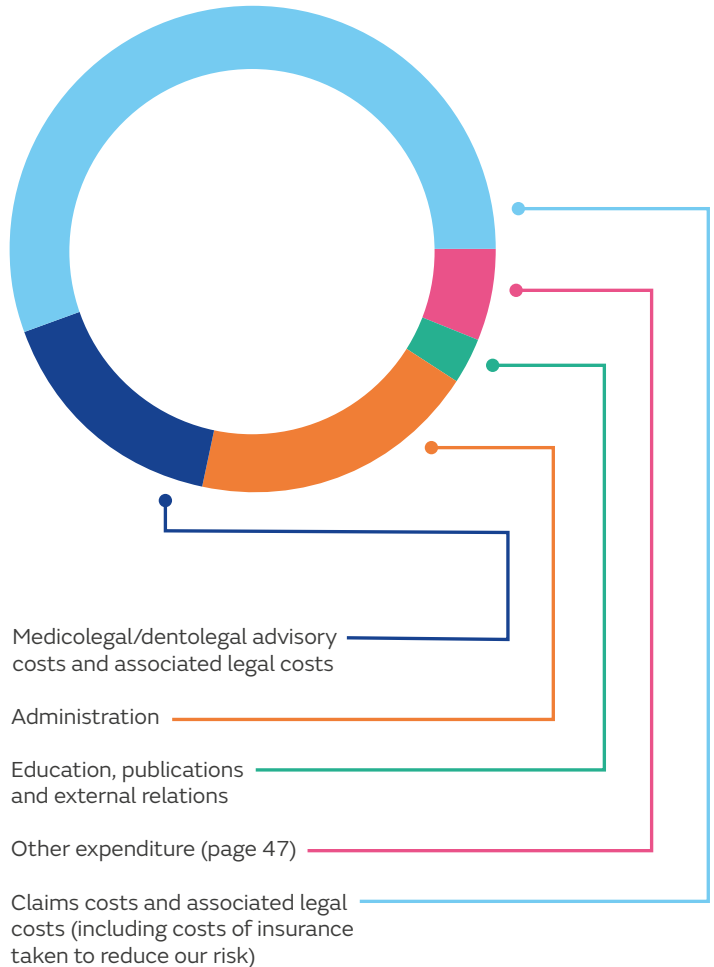
With our member-focused protection, decisions on whether we can assist are made following careful consultation. Our experts exercise discretion with fairness, and with the benefit of specialist professional insight.

Where our funding comes from



How we spend the member fund

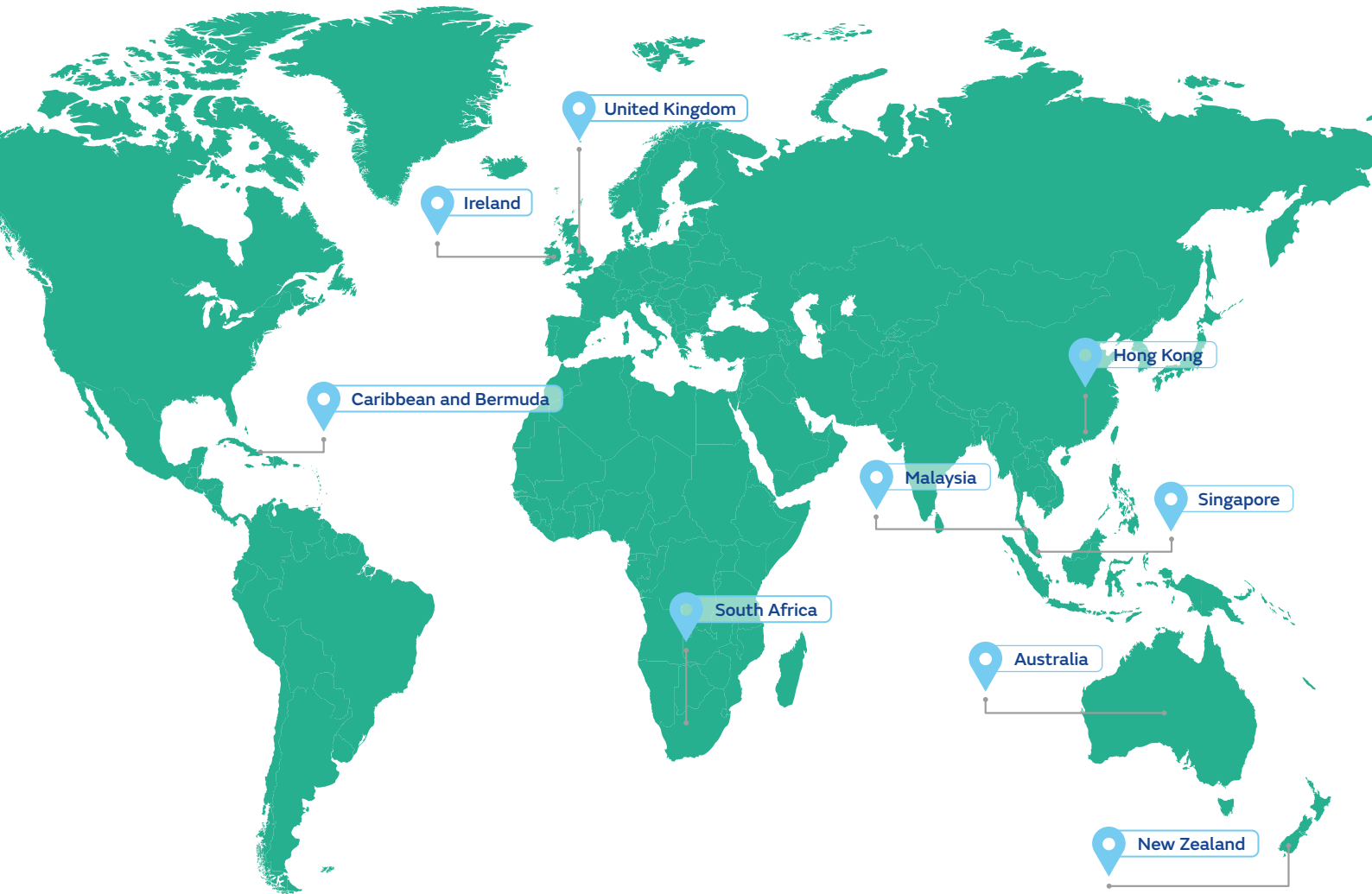
MPS does not have any shareholders or investors to whom we pay dividends, nor any lenders to whom we pay interest. We exist purely for the benefit of members. With this in mind, we spend the member fund in the following ways:



Our brands and principal activities

MPS is the world's leading, member-owned, not-for-profit protection organisation for doctors, dentists and healthcare professionals, with more than 300,000 members and over 130 years of global healthcare experience and expertise. We provide comprehensive protection for individuals, groups and large corporate healthcare providers.

Our internationally recognised risk management training helps members reduce their risk and protect their careers. All members have access to a wide range of expert-led, professional development courses included in their membership. Our courses cover a comprehensive range of topics, and many courses are accredited.



Our key markets

MPS offers membership in a number of 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 members.

MPS's key markets are:

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

* Non-indemnity dental membership

Our brands

Our portfolio contains several brands, operating as part of a highly specialised product and service suite. These brands include:

Medical Protection and Dental Protection

Medical Protection and Dental Protection provide discretionary indemnity, legal support and protection for doctors, dentists and healthcare professionals around the world. Membership also includes additional benefits such as 24/7 emergency assistance, wellbeing support, and access to our world-class risk management training.



MPS Partnerships

MPS Partnerships provides bespoke packages for organisations using our two core services: medical malpractice insurance and individual indemnity. These solutions enable healthcare organisations around the world to protect their organisation's financial security and reputation alongside the careers of their clinicians.



Healthcare Protection

Healthcare Protection is our corporate policy that provides medical malpractice insurance. Established to bring the trusted MPS brand to insurance, through a solution underwritten through Lloyd's of London – the world's specialist in the insurance and reinsurance market.



Cognitive Institute

Cognitive Institute's purpose is to make a difference in healthcare by equipping leaders, members, clients, and their teams with non-technical skills to practise safer, more reliable and kinder healthcare.



The MPS Foundation

The MPS Foundation is a global not-for-profit research initiative. It aims to shape the future of patient safety through funding ground-breaking research that makes the world safer for patients and clinicians, with an emphasis on research whose findings can be applied in private hospital and outpatient practice, and dental care environments.



Operational performance

We monitor financial performance using several Key Performance Indicators (KPIs), including funding levels and Return on Investments. These are covered in more detail in the **Finance report** on pages 16 and 17. Alongside financial measures of performance, we track non-financial KPIs in relation to member interactions and, importantly, the member feedback that we receive in relation to the services we offer.

Our members have high expectations of us, and rightly so. They expect an increasingly high level of professional service, not just from us but from every organisation they deal with. They expect to be able to access information, systems and services more easily and to receive accurate information, support and advice.

We routinely survey members who contact our member administration call centre, our medicolegal and dentolegal advice lines, and those attending risk prevention workshops, to understand their evaluation of the services provided. We use this feedback to consider how we can continue to improve those services.

We measure and track our performance using more qualitative metrics on a rolling monthly basis, which is industry-standard. The following represent our scores as of 31 December 2023.

Global Net Promoter score

NPS	2022	2023	Change
MPS Global	52	53	+1
Dental Protection Global	54	55	+1
Medical Protection Global	51	52	+1

- Respondents score 0 to 10 on likelihood of recommendation.
- Score represents promoters % (scoring 9 or 10) minus detractors % (scoring 0 to 6). Maximum score of +100 and minimum score of -100.
- A score of 50+ for professional services is considered 'excellent'.
- Passives (scoring 7 or 8) are excluded from the calculation.

Key performance indicators

Member administration



Medicolegal and dentolegal advice



Risk Prevention



The way in which people around the world access training has dramatically changed in recent years and we have seen a similar change in the way members access our training following the COVID pandemic. We therefore need to adapt the way in which we provide risk prevention content, so that we meet the changing needs of members.

The changes to our risk prevention approach means scaling back on time-and-place-bound, physical events, and elevating our digital learning offerings, including live virtual events and on-demand learning via our online learning portal.

Key content themes of our topical webinars in 2023:

- Reducing burnout
- Civility, safe workplaces and resilience
- Diagnostic errors and delays
- AI and the future of diagnosis.

Our people and culture

The quality of members’ experience – from the benefits we offer, ease of access and the quality of support and advice, to the value of our education programmes, the pricing of risk and much more – requires a member-first mindset and a culture of excellence, underpinned by our Values. Therefore, attracting, developing and retaining high-performing colleagues is vital for the success of MPS.

However, in today’s evolving landscape, colleague expectations are shifting towards increased flexibility, an inclusive workplace, holistic wellbeing initiatives, robust career development opportunities, and a diverse range of benefits.

We are responding to these changing needs by actively implementing policies and programmes that cater to these expectations, ensuring that our workplace remains attractive and supportive for all our team members.

A positive colleague experience

We recognise that a positive colleague experience drives a healthy organisational culture and positive outcomes for MPS members. We are delighted that our colleague survey results reflect the importance we place on this with all three of the indices we measure tracking on, or above the external benchmark.

	Leadership	Engagement	Inclusion
2023	84%	82%	77%
2022	84%	83%	76%
External Benchmark	75%	82%	67%

2024 will be an exciting year as we engage with all colleagues on defining and refining our workplace culture and create an implementation plan to deliver cultural change. Alongside this, we will revamp our Leeds workspace to create a vibrant and collaborative environment that will support our future hybrid working needs.

Diversity, Equality and Inclusion (DEI)

Throughout 2023 we took significant steps in our DEI approach, building upon our established foundations and identifying key opportunities to advance our understanding and implementation of inclusion across the organisation:

- introducing a new DEI strategy
- designing and delivering an organisation-wide diversity training programme
- implementing colleague-led changes
- updating our flexible working policy
- closing our gender pay gap a further 2%
- publishing our first ethnicity pay gap analysis and DEI Report
- launching our first annual MPS Invisible Disability Day
- further strengthening our candidate searching capabilities, enabling us to reach a more diverse candidate pool.

Internally we are very proud of the progress made, and were delighted to see this recognised externally – not only with accreditation as a Menopause Friendly Workplace and as a finalist in the Yorkshire Post Business in Excellence DEI and Menopause Friendly Employer awards, but also as a winner in the Menopause Friendly Community Award and Highly Commended in the Employers Network for Equality & Inclusion’s DEI awards.

2023 also marked a significant inclusion milestone with the appointment of Karen Miller as MPS’s next Chief Executive – the first female CEO to lead the organisation in its 130 year history.

More details on this work can be found in MPS’s Diversity, Equality and Inclusion Report.

Wellbeing

Our holistic view of wellness encompasses physical, mental, financial and emotional dimensions. We have implemented multiple initiatives that support colleague wellbeing, from wellness campaigns and mental health resources, to flexible work arrangements. We are committed to ensuring that everyone can bring their best selves to work each and every day.

With the move to hybrid working, we have placed a strong emphasis on loneliness and physical wellbeing. During 2023 we introduced on-site therapeutic massage and mindfulness treatments to our Leeds site, where the majority of our colleagues work.

The Finance Wellbeing strategy has been implemented throughout 2023 and delivered support and awareness to our colleagues, during the current global cost of living crisis. Working with our engagement forum and networks some of the highlights of the year are;

- Continued year round promotion of resources, support and awareness of issues relating to financial wellbeing
- Talk Money week – webinars and resources to help empower greater financial security and peace of mind
- Launch of Retirement Readiness hub
- Launch of payroll partnership with Leeds Credit Union providing access to regulated financial services and independent budget support advice to help assist and empower better management of personal finances.

+5% ↑

wellbeing index above the external benchmark

Attracting and Developing Talent

152

new colleagues joining MPS in 2023

36.2%

from an ethnic minority background, an increase from 29.9% in 2022

The emphasis on developing our people and attracting great candidates to the organisation is pivotal to our continued success. During 2023, our Leadership Development initiatives included the launch of a new Emerging Leaders programme, a continued focus on a Clinical Senior Leaders Programme and the final cohorts progressing through our Leadership Fundamentals programme. These programmes have supported MPS to achieve a Leadership index 9% points above the external benchmark.

Our internal training Academy supports colleagues to excel in role-specific knowledge and skills, with 71% believing they get the development they need to do their job well. This is 22% points above the external benchmark. We also celebrated being highly commended at the National Training Awards for 'Best Leadership Development Programme'.

Flexible working

To ensure we provide a great colleague experience and deliver a high-quality service for MPS members, we continually monitor productivity and engage with colleagues to adapt and embed our hybrid-working principles.

Our stakeholders

Members of the Council have considered their duty to promote the success of MPS for the benefit of the membership as a whole, and in doing so have had regard to other relevant stakeholders, in accordance with Companies Act 2006 Section 172(1), as outlined on page 43.

Stakeholder group	Why it is important to engage	Ways we engage
Members and prospective members	Understanding members' needs allows us to deliver relevant products and services, retain members and attract new ones. It also helps us to identify opportunities for growth.	<ul style="list-style-type: none"> • MPS website • Contact centre • Medico/dentolegal advice • Communications and publications • Risk prevention activities • Social media • MPS presence at events • Annual General Meeting • Engagement by Medical Committee and Dental Board • Advisory groups • Member Voice Panel • MPS Foundation
Colleagues	Interacting with colleagues is one of the main ways in which members experience the MPS brand. Our colleagues are fundamental to the achievement of our member experience ambitions and are the cornerstone of our service.	<ul style="list-style-type: none"> • Colleague surveys • Employee Engagement Forum • Manager 1-2-1s • Intranet - including discussions, blogs, news • MS Teams channels • CEO and Exec briefing sessions • Monthly manager calls • Recognition and reward schemes • Charity and social activities • Wellbeing Committee • Diversity and Inclusion Forum • Colleague-run support networks (eg Black Network, Asian, Pride at MPS, Women's Inspirational Network, Parenting Network, Menopause Network, and Neurodiversity Network) • Coaching and mentoring programmes • Mental health first-aiders
Partner organisations and suppliers	Working with strategic partners (eg panel law firms and associations) enables us to deliver core MPS services to members. The delivery of high-quality services and the MPS brand rely heavily on these services being provided to a high standard.	<ul style="list-style-type: none"> • Regular engagement via MPS operational, business development, claims delivery, and medicolegal and dentolegal teams, with the engagement model differing across countries, depending on the services provided and the nature of the relationship
Governments and public bodies	<p>Policies and regulatory changes introduced by governments provide opportunities and pose risks to our operations. Working closely with governments enables us to identify and influence potential changes as well as ensure that our products and services evolve.</p> <p>Relationships with state run schemes and other bodies are also important.</p>	<ul style="list-style-type: none"> • Regular meetings with officials • Engagement with ministers on key developments • Campaigning on key issues • Monitoring local developments
Healthcare providers	<p>MPS provides protection services to healthcare providers. Working with healthcare providers enables us to create a better understanding of developments in healthcare delivery, their likely impact on our members and their consequential needs from MPS.</p>	<ul style="list-style-type: none"> • Direct engagement with corporates through targeted pipeline approach • MPS Partnerships

How we ensure we are doing this well	Stakeholders' key interests	Page
<ul style="list-style-type: none"> Correspondence and feedback Member research and satisfaction surveys Tracking engagement scores and content analytics Monitoring member movements Assessing complaints Member experience ambassadors Advisory groups 	<ul style="list-style-type: none"> Expertise and quality of customer service Availability and ease of access to services Value for money Corporate social responsibility 	<p>Pages 25 and 26</p> <p>Pages 18 to 21</p>
<ul style="list-style-type: none"> Internal communications function Communications plans to support projects Annual survey and pulse survey Leadership framework, values, talent management, core behaviours and performance bonuses Employee Engagement Forum Feedback from the Diversity & Inclusion Forum as well as colleague-run support networks 	<ul style="list-style-type: none"> Our member focus Reward and recognition Career opportunities Job security Training and development Health and wellbeing Diversity, equality and inclusion Colleague engagement Corporate social responsibility 	<p>Pages 27 and 28</p> <p>Pages 18 to 21</p>
<ul style="list-style-type: none"> New contracts on a global basis to create more consistency in control, reporting and governance Designated relationship managers responsible for panel performance 	<ul style="list-style-type: none"> Quality of services Logistical efficiencies and value for money Sharing insights and expertise 	<p>Page 25</p>
<ul style="list-style-type: none"> Dedicated public affairs team Colleagues based in or closely linked to our main markets Stakeholder mapping in each major market 	<ul style="list-style-type: none"> Costs of clinical negligence Affordability of indemnity Expertise on medicolegal and dentolegal issues Quality of member service Issues facing the professions 	<p>Page 14</p> <p>Page 7</p>
<ul style="list-style-type: none"> Dedicated business development leads Member movements and monitoring of prospective corporate members Team approach combining commercial and medical expertise 	<ul style="list-style-type: none"> Quality and price of indemnity services Risk assessment and management Understanding issues facing members and healthcare systems 	<p>Page 7</p>

Our stakeholders

Stakeholder group	Why it is important to engage	Ways we engage
Intermediaries	As well as engaging directly with corporates to acquire them as members, we also increasingly work via brokers. This is critical to be aligned with the Lloyd's of London market mode of operation specific to B2B insurance proposition.	<ul style="list-style-type: none"> ▪ Business development, product and underwriting engagement
Professional bodies	Working with professional bodies (colleges, societies, associations and unions) enables MPS to influence the wider debate on issues linked to our work. It also enables us to better understand the membership's interests. These professional bodies also serve as a potential route to market.	<ul style="list-style-type: none"> ▪ Regular scheduled meetings ▪ Speaking at and attending stakeholder events ▪ Collaborative working on key issues
Professional regulators	Working with professional regulators enables us to influence the way in which they regulate members for the benefit of the wider membership.	<ul style="list-style-type: none"> ▪ Regular scheduled meetings ▪ Attending events ▪ Protecting members before the regulator
Media	Effective engagement with the media provides MPS with strong multi-channel exposure to connect with members and our wider stakeholder audience. It is also crucial to maintaining our reputation.	<ul style="list-style-type: none"> ▪ Issue press releases and provide features to key publications regularly ▪ Issue statements on behalf of members about cases ▪ Meetings with journalists ▪ Pre-empt and prepare for risks to reputation
Patients and the public	By assisting members with clinical negligence claims, we play an important role in patients receiving compensation. Through our work to help members manage their risk, we also play an important role in improving patient care and patient experience.	<ul style="list-style-type: none"> ▪ Media and social media



How we ensure we are doing this well

- Acquisition of new clients and retention of existing clients (intermediated)
- Dedicated public affairs team
- Regional directors and other specific market focused colleagues
- Stakeholder mapping in each major market
- Support from in-country advisers
- Dedicated public affairs team working with colleagues across MPS
- Medical Director, Dental Director and country medical/dental leads
- KPIs based on coverage in key publications in priority markets in comparison to main competitors
- Media monitoring

Stakeholders' key interests

- Satisfying client needs
- Market differentiation
- Affordability of indemnity/costs of clinical negligence
- Expertise on medicolegal and dentolegal issues
- Quality of member service
- Issues facing the professions
- Fair and efficient regulatory processes
- Diverse and quality content that is relevant to their audience
- Accurate and timely information
- Expert advice
- Patient care and patient safety
- Compensation

Page

Pages 4 and 25
Page 7

Pages 3 and 26

Our risks and how we manage them

Principal risks

As an organisation, we are not prepared to knowingly, or willingly, take risks which will result in member detriment, regulatory censure, and/or unexpected loss (or gain), both financial and non-financial (eg reputational).

However, in pursuing our business strategy and objectives, MPS is inevitably exposed to various risks. Given the nature of our business, we identify our principal risks, including how we seek to manage them as follows:

Risk	Description	Mitigation
Strategic risk	The risk that we fail to achieve our business objectives, which could impact the long-term interests of the membership, or other stakeholders.	We monitor our environment so that we anticipate and respond to structural change sufficiently far in advance. We incorporate insight into our future strategic planning.
Financial risk	The risk arising from inadequate income, cash flow or capital to meet current or future obligations and to deliver a sustainable business.	We maintain a prudent capital and liquidity profile to ensure a robust financial position is maintained.
Underwriting risk	The risk of loss or adverse changes in the value of provisions due to inadequate pricing and provisioning assumptions.	We ensure that our underwriting is balanced and sustainable, avoiding concentration of business that is volatile, higher risk, or loss making over the long-term.
Operational risk	The risk arising from inadequate or failed internal processes, people or systems or from external events.	We put in controls to manage our operational losses, reputational events, or failures to meet regulatory requirements. We act to identify emerging risks and mitigate these. We have a business continuity process to ensure we have plans and resources to limit disruption to our services and negative impact to members, colleagues and the wider business.
Conduct risk	The risk arising from business activities which fail to deliver appropriate and consistent outcomes for our membership, or other stakeholders.	We operate business models and design products and sales practices which deliver fair member outcomes and meet our member needs.
Compliance risk	The risk arising from a failure to comply with existing or new legislation, or regulations in the markets within which MPS operates.	We monitor regulation and legislation in every market in which we operate to ensure that we comply with all relevant regulation and legislation.
People risk	The risk arising from the failure to appropriately recruit, retain and manage the performance of colleagues.	We lead responsibly by having the right capabilities, managing our people resource effectively, developing colleague talent and having colleagues who feel engaged and connected.



Risk Management

This is our member-facing business areas and Group-wide operational management functions. The systems, internal controls, control environment and culture developed and implemented by these areas are crucial in anticipating and managing our operational risks.



Risk Oversight

Comprises our Group Risk & Compliance division. They are responsible for providing oversight and independent, constructive challenge to the effectiveness of risk decisions and risk management activities of Line 1.



Risk Assurance

Our internal audit function which receives its authority from the Council. It is independent of operational management and has no direct authority over the Line 1 activities it reviews.

Managing our risks

We have a risk management framework to ensure we understand the risks we run in the pursuit of our business strategy and objectives, and that we have appropriate controls in place to manage those risks.

Our risk strategy is aligned to our Group strategy with the understanding and managing of our risks being a key aspect of our strategic planning processes. Our risk strategy supports our ambition to be MADE for Members – helping us achieve sustainable growth and placing members at the heart of everything we do.

Risk Governance

The Council sets our risk appetite and risk framework on an annual basis and has established a ‘Three Lines’ risk management model to ensure effective segregation between risk management (Line 1), risk oversight (Line 2) and risk assurance (Line 3).

At each scheduled meeting, the Audit and Risk Committee (the Committee), as the delegated authority for the Council, receives a report from the Chief Risk Officer which provides an overview and assessment of the Group’s risk profile. This report is informed by quarterly risk and control self-assessments carried out by the business areas and documented in the MPS Group Risk Register.

The Committee also receives updates from the Chief Risk Officer on the key activities being undertaken to further embed risk management across MPS and signs-off the Group Compliance Monitoring Plan.

The Committee reviews the arrangements by which colleagues may, in confidence, raise concerns about possible improprieties (whistleblowing) and has unrestricted access to management to help discharge its duties. The Chair of the Committee meets privately with the Chief Risk Officer during the year.

The MPS governance structure is set out in detail in our Statement of corporate governance arrangements on page 38.

- We are always looking ahead while continually providing value for members and clients. Our five-year vision focuses on members, people and data
- Improving our ability to retain and acquire members globally to feed sustainable growth
- Strengthening our financial position and security for members while enhancing our reputation
- Expanding our Corporate Insurance offering through Healthcare Protection and Corporate Discretionary support through MPS Partnerships.

Future developments

The Chair of Council's and Finance reports refer to key initiatives during the year and touch on future developments in specific areas. Below is a summary of those plans.

Insurance

MPS offers an insurance product to corporate healthcare providers in the UK. We are committed to continuing to offer individual members discretionary indemnity whenever possible. However, should it become a requirement for healthcare professionals in a jurisdiction to purchase a policy of insurance we are in a strong position to offer this as a benefit of membership, alongside the other important membership benefits we offer, such as advice and support.

We also need to be prepared for the possibility that market forces require us to offer insurance in existing countries of MPS business, and we need to be poised to enter new countries with an insurance offering where local conditions or regulation so require. With this in mind, we continue a programme to prepare for insurance, including the development of our products, systems and processes.

Personal injury discount rate (PIDR)

We closely monitor developments across the UK and the Republic of Ireland in relation to the PIDR.

For England and Wales, the Ministry of Justice has issued a call for evidence on the setting of the PIDR, and we understand that a similar review will commence for Scotland and Northern Ireland in July 2024. We will coordinate a submission to calls for evidence based on inputs from colleagues and engagement with stakeholders.

In the Republic of Ireland, we continue to monitor developments closely.



Changes in healthcare and dentistry

We closely follow changes in medical and dental practise to ensure we continue to provide protection that meets members' needs.

Digital technologies already play a key role in healthcare, changing the way people engage with services and professionals, improving the efficiency and coordination of care, and supporting people to manage their own health and wellbeing. Data is being stored and shared at unprecedented levels, adoption of artificial intelligence is accelerating, medical devices are creating new opportunities and telehealth is increasingly entrenched after a dramatic increase during the pandemic. In many of these areas, particularly when clinicians use technology to work across borders, regulators and legislatures struggle to keep up with advances. At MPS, we need to ensure we are across these developments, meeting members needs while also helping to mitigate new and evolving risks.

Approval of the Strategic Report

Pages 22 to 35 of the Annual Report form the Strategic Report.

The Strategic Report was approved by the Council on 17 April 2024 and signed on its behalf by:

David Wheeler

Company Secretary



President and members of the Council and committees

President	Professor Dame Jane Dacre BSc MBBS MD FRCP London, Edinburgh, Glasgow FHEA Honorary Fellowships: FRCPI FACP FAcad Med Ed FRCGP
Vice-President	Professor John Bonnar MA MD FRCPI FRCOG
Chair	Ian Eardley BA(Hons) MB BChir MA FRCS MChir FRCS (Urol)
Chief Executive	Simon Kayll (retired 31 December 2023) BA(Hons) FCA MBA
Chief Executive	Karen Miller (appointed 13 February 2024) BA Bcomm MBA AIIISA FIISA

Members of the Council

Samantha Blackie BSc MSc ^{2,3,5}
Fiona Cornish MA MB BChir DRCOG DCH FRCGP ^{3,4}
Ian Eardley BA(Hons) MB BChir MA FRCS MChir FRCS (Urol) <i>Chair</i> ^{1,3,4,5}
Anthony Fung BA MB BChir MA MBA FRCS FCSHK FHKAM (Surgery) ³
Simon Kayll BA(Hons) FCA MBA Chief Executive (ex officio) ^{1,4,6} (retired 31 December 2023)
Damien Marmion MBBS BSc MBA ^{2,3,4}
Karen Miller BA Bcomm MBA AIIISA FIISA Chief Executive (ex officio) (appointed 13 February 2024)
Edmund Morris BSc (Hons) MBBS FRCA ^{2,3}
Gozie Offiah BSc MB BCH BAO (NUI) LRCS & PI MD MMedSc PhD ^{2,3,7}
Meghana Pandit MBBS FRCOG MBA ^{3,4}
Richard Pile ACCA (appointed 26 July 2023)
Stuart Purdy BA(Hons) FCII ^{1,2,4,5}
David Roytowski MBChB MBA MMED FC Neurosurg (SA) ^{3,5}
Graham Stokes BDS MFGDP(UK) DPDS Dip Imp Dent RCS CertMedEd FFGDP(UK) ^{2,5,6,7}
Michael Urmston BA ^{1,2,4}
Tom Weitzman BA(Hons) KC ^{1,4,5}
Callum Youngson BDS DDSc FDS DRD MRD FDS(Rest Dent) RCS(Ed) FDSRCS(Eng) ^{1,4,6}

1 Member of the Asset and Liability Committee
 2 Member of the Audit and Risk Committee
 3 Member of the Medical Committee
 4 Member of the Management Oversight Committee
 5 Member of the Remuneration and Nominations Committee
 6 Member of the Board of Dental Protection Limited
 7 Member of the MPS Foundation Board

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 2023.

The following disclosures have been included elsewhere within the Annual Report and Financial Statements and are incorporated into the Report of the Council by reference:

Disclosures	Pages
SECR reporting	20 and 21
Financial risk management	33
Future developments	35
Equal opportunities	43
Financial instruments	52 and 53
Employees	57

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 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 Committee and the senior management team.

In support of the Group strategy, the Council approves the Group's Values, strategic plans, annual budget and overall system of risk identification, management and internal controls. The Council is also responsible for 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, which is responsible for day-to-day operations.

The roles of the Chair and Chief Executive are documented and the Chair, together with the Chief Executive and the Company Secretary, is 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.

Statement of corporate governance arrangements

In the running of its business, MPS seeks to ensure a level of governance appropriate to the size and nature of the Group and to incorporate appropriate best practice; MPS

adopted and reports in line with the Wates Corporate Governance Principles for Large Companies (the Wates Principles).

During the year ended 31 December 2023, the Council monitored the governance practices of MPS and concluded that MPS's

governance structure and its approach to corporate governance is in accordance with the six guiding principles which underpin the Wates Principles. These are detailed below:

Principle	Requirement	How MPS has complied
Purpose and leadership	An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	<p>Our Purpose, approved by Council, is to protect the careers, reputations and financial security of doctors, dentists and healthcare professionals around the world.</p> <p>The Council seeks to ensure that MPS's communicated values, strategy and culture align with that purpose. MPS has explained its Purpose and Values to its colleagues through Chief Executive briefings and other channels and promotes adherence to those Values through its performance related bonus arrangement. MPS also monitors culture through colleague engagement surveys and through Committee feedback sessions.</p> <p>During 2023, the Council continued to promote the MADE for Members strategy designed to generate long-term sustainable growth for MPS.</p>
Board composition	<p>Effective composition of members of a Board requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution.</p> <p>The size of a Board should be guided by the scale and complexity of the company.</p>	<p>The Council has reviewed its composition and size, to ensure that there is an appropriate balance of skills, backgrounds, experience and knowledge, with individual Council members having sufficient capacity to make a valuable contribution.</p> <p>Council is comprised of a majority of medical and dental professionals, who are complemented by experienced Directors in sectors relevant to our business operations.</p>
Director responsibilities	A Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	During 2023, the Council reviewed the list of matters it reserves for its own decision, and the terms of reference for its sub-committees, to ensure all Council members understand their accountability and responsibilities, and that Council's policies and procedures support effective decision-making and independent challenge.
Opportunity and risk	A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	The Council reviewed MPS's MADE for Members strategy to 2027 at its annual strategy day in 2023, to identify opportunities for MPS to create and preserve long-term value and to oversee the identification and mitigation of risks.
Remuneration	A Board should promote Executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	<p>Council reviewed Executive Director remuneration structures during 2023 to ensure that they were aligned to the long-term sustainable success of MPS, taking into account pay and conditions elsewhere within MPS.</p> <p>See the Remuneration and Nominations Committee section on page 42 for further information.</p>
Stakeholder relationships and engagement	<p>Directors should foster effective stakeholder relationships aligned to the company's purpose.</p> <p>The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	The Council has reviewed key stakeholder relationships to ensure that they are effective and aligned to the Company's purpose. The Council has given due regard to stakeholders' views when making its decisions – for further information on this see the s172(1) Statement on pages 43 and 44.

Statement of corporate governance arrangements

The following sections provide details of MPS's governance.

The Council

During 2023, the Council consisted of a Non-Executive Chair, 13 other Non-Executive Directors, the Chief Executive and the Executive Director of Finance. MPS's constitution requires that the Chair and the majority of Council members be Medical or Dental members of MPS.

Of the Non-Executive Directors (including the Chair), ten benefit from Medical or Dental Protection membership as at 31 December 2023. All Non-Executive Directors (including the Chair) are considered to be independent. The Non-Executive Directors who are not a Medical or Dental Protection member have no financial interest in MPS other than the fees they receive as members of the Council. The Non-Executives who are Medical or Dental Protection members also receive fees as members of the Council. Their personal membership of MPS is not considered 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 Chair 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.

All Council members, except for the Chief Executive and the Chair of Dental Protection Limited, if not initially appointed at a general meeting, are subject to election by members at the first general meeting following their appointment. In addition, one third of the Council (again except the Chief Executive and the Chair of Dental Protection Limited) must retire at each general meeting and, if willing, eligible and recommended by Council, may offer themselves for re-election.

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 Chair 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 of Dental Protection, and the post of Chair, by the Council of MPS. Non-Executive members of the Council usually serve for a maximum of eight full years from the date of election by the membership.

Member of the Council	Number of meetings attended	
	2023	2022
Samantha Blackie	5(5)	3(3)
Fiona Cornish	4(5)	3(6)
Ian Eardley	5(5)	6(6)
Anthony Fung	5(5)	3(3)
Simon Kayll (retired 31 December 2023)	5(5)	6(6)
Damien Marmion	5(5)	3(3)
Edmund Morris	5(5)	5(6)
Gozie Offiah	4(5)	4(4)
Meghana Pandit	4(5)	6(6)
Richard Pile (appointed 26 July 2023)	2(2)	-(-)
Stuart Purdy	5(5)	6(6)
David Roytowski	5(5)	6(6)
Graham Stokes	5(5)	6(6)
Michael Urmston	5(5)	6(6)
Tom Weitzman	5(5)	6(6)
Callum Youngson	5(5)	6(6)

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

Non-Executive members of the Council met on five occasions during the year without the executive members. There is also the provision for the Non-Executive members to meet without the Chair.

Activities in the year

During the year, the Council has:

- Reviewed the Group's strategy (MADE for Members)
- Reviewed and approved strategic transactions
- Reviewed the five-year financial plan and approved the budget for the next financial year
- Reviewed and approved the tax strategy for the Group
- Reviewed the financial performance of the Group on a quarterly basis
- Approved the Annual Report and Financial Statements
- Approved policy statements, including Modern Slavery
- Reviewed the governance structure and activities of the sub-committees of the Council
- Reviewed competitor analysis.

Council evaluation

The Council undertakes an evaluation of its performance in each financial year. In 2023 this was undertaken by the Company Secretary and the findings inform the Council development plan, membership of Committees and succession plans. The results of the latest evaluation have been reported to the Council and were reviewed and discussed by Council members and the Chair. Overall, the Council was satisfied that it functioned effectively during the review period. In addition, individual performance assessments of both the Non-Executive members and Executive members of Council were also undertaken.

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. MPS has a Chief Risk Officer, responsible for fostering a member-focused and appropriate risk culture across the business which supports the delivery of financial security of the membership fund. The Chief Risk Officer also reports into the Audit and Risk Committee. The system of internal controls 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 and Financial Statements. The process involves undertaking regular reviews at departmental and corporate levels. 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. See the following 'Audit and Risk Committee' section for more detail.

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, such as the Wates Principles, and relevant FRC guidance on key risks. The Council, through the Audit and Risk Committee, maintains focus on the many facets of risk management and reviews key risks and their mitigating controls at least annually.

Committees of the Council

The Council has several sub-committees, the members of which are listed on page 37. The Committees met in accordance with the following schedule:

Committee	Scheduled meetings
Council	March, April, June, September and December
Asset and Liability	February, May, September, November and December
Audit and Risk	February, April, May, September, November and December
Medical	March, June, September and December
Management Oversight	March, May, September and December
Remuneration and Nominations	February, July, September and December

In addition, the separate board of Dental Protection Limited, comprising a majority of Non-Executive dental practitioners, met three times.

Audit and Risk Committee

The Audit and Risk Committee met six times in the year. MPS's external auditors, Chair, Chief Executive, Executive Director of Finance, Chief Risk Officer 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.

As noted above, the Audit and Risk Committee reviews, on behalf of the Council, the adequacy and effectiveness of risk management and control systems and oversees the work of internal audit and considers their reports.

The Chair of the Audit and Risk Committee reports outcomes of its meetings to the Council and the Council receives the minutes of all of 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 their findings
- Discusses with the external auditor 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 MPS in-house actuaries their approach to statistical reserving of reported claims and potential claims that have yet to be reported (EPFC) and procedures for an independent peer review by external consulting actuaries
- Considers the results of the external auditor's work with them and with management
- Reviews the quarterly reports from the Chief Risk Officer
- 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 engaged the services of PwC towards the end of the year to provide an internal audit function, taking over from Mazars. Responsibilities of the internal audit function 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 management's timely progress in the clearance of agreed audit recommendations.

The Audit and Risk Committee also reviews the scope and results of the external audit, its quality, effectiveness and value-for-money, as well as the independence and objectivity of the auditors. The Committee has a written policy on ensuring the continued independence of the external auditors, 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.

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 of controls, and has oversight of the whistleblowing policy. It also reviews, prior to publication, the annual financial statements and other information included in the Annual Report and Financial Statements.

Activities in the year

During the year, the Audit and Risk Committee has:

- Considered the appropriateness of the Group's Annual Report and Financial Statements
- Understood key judgements made by management in respect of the Group's financial statements
- Assessed the outcomes/findings of work performed by the external auditor
- Considered the effectiveness of the internal controls and the work of internal audit and discussed key risks (described in more detail on page 40)
- Considered reports produced by internal audit
- Reviewed the risk management process and the process for which the risk strategy and appetite is determined
- Recommended the tax strategy for approval by the Council
- Reviewed key accounting policies for the Group and accounting for major transactions during the year
- Monitored compliance with the Wates Principles of corporate governance and applicable reporting requirements.

Management Oversight Committee

The Management Oversight Committee is 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.

Activities in the year

During the year, the Management Oversight Committee has:

- Reviewed the financial performance of the Group on a quarterly basis
- Reviewed any changes to the approved budget for approval by the Council
- Considered membership analysis, including member movements, subscription pricing and claims and cases

- Reviewed key people metrics
- Received updates on key strategic projects
- Reviewed the performance of the Group against the corporate objectives.

Asset and Liability Committee

The Asset and Liability Committee oversees MPS's investment strategy, quantification of reserves and its capital position.

The Committee members are the members of the Board of MPI (London) Limited, a subsidiary of MPS, and via this common membership, jointly manage the Group's investment portfolio.

Activities in the year

During the year, the Asset and Liability Committee has:

- Reviewed quarterly investment performance of the Group
- Received and reviewed the Group's investment strategy
- Received updates on the Group's capital modelling
- Reviewed liquidity and rebalancing
- Considered funding updates on a quarterly basis
- Reviewed the assumptions for claims reserves and reports on the provisions
- Approved the claims reserving policy.

Medical Committee

The Medical Committee advises the Council on developments within medicine, sharing experience which may impact on MPS and the membership of its Medical members. This Committee also advises the Council on engagement with Medical members, and their issues and needs.

Dental Board

The Board of the wholly-owned subsidiary Dental Protection Limited serves MPS by providing equivalent advice on developments within dentistry and sharing experience which may impact on MPS and the membership of its Dental members. This Board also advises the Council on engagement with Dental members, and their issues and needs.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee (Remco) met four times in 2023. Our President, Professor Dame Jane Dacre, the Chief Executive and the Executive Director of People and Culture were also in attendance for some of these meetings. No one takes part in discussions concerning their own remuneration.

The Committee is responsible for:

- Recommending to the Council the overarching principles and parameters of the remuneration policy of MPS and overseeing the operation of a reward approach in line with these principles
- Establishing the salary and performance reward of the Executive members of the Council, and for reviewing the salary and performance reward proposals of other Executives who are not members of the Council
- Overseeing the effectiveness, capability and development of the Council and its members and for approving the remuneration of the Council, its Committees and subsidiary Committees
- Succession planning for the Council and its Committees and ensuring the right balance, structure and composition of the Council and its Committees, and for recommending new Council appointments and appointments to subsidiary Boards and Committees

In 2023, individual performance assessment of the Members of Council was undertaken, complementing the review of the effectiveness of Council and its Committees. In 2023 this was undertaken internally by the Company Secretary and findings informed the Council development plan, membership of Committees and succession plans. This ensures that MPS optimises the skills, knowledge and experience of the diverse backgrounds and perspectives of Council members.

The 2023 Council Development Plan was delivered through e-learning and online sessions hosted by the Executive and their teams and external providers.

Remuneration policy

MPS seeks to apply a remuneration policy appropriate for a mutual society. The principles that guide our remuneration policy are:

- alignment to the business strategy and goals
- consistent application
- differentiation for performance
- flexibility in delivery
- being competitive.

Remuneration paid

Directors' emoluments

The standard remuneration for all Non-Executive members of the Council (other than the Chair) increased by 4%, to £29,422 (2022: £28,290), as of April 2023, in line with the average increase awarded to all colleagues. Details on emoluments can be found in **note 8 of the Financial Statements** on page 57.

Most Non-Executive members of the Council also received fees for appointments to various subsidiary Boards and Committees, the details of which are also set out in **note 8 of the Financial Statements**. The President of the Council received a fee of £42,592 (2022: £40,391). Details of Council member appointments can be found on page 57.

Non-Executive members of Council do not receive a performance related bonus. In addition to fees, Non-Executive members of Council are reimbursed for travel and accommodation expenses for attending Council and Committee meetings.

No Executive members of the Council (2022: none) were members of MPS's defined benefit pension scheme, details of which are set out in note 9 of the financial statements. Additionally, no members of the Council (2022: none) were members of the defined contribution pension scheme.

MPS regularly reviews Council and Committee remuneration, through analysis and benchmarking data. Council takes no part in discussions concerning their own remuneration.

Nominations

Council is structured to ensure it has an appropriate combination of skills, experience, knowledge and diversity and that over half of the members are qualified medics or dentists. The Committee has a recruitment plan for its Non-Executive Directors aimed to help appoint a more diverse Council as and when positions become available at the end of a tenure.

Council appointments

During 2023, Remco oversaw the appointment to Council of Richard Pile, Executive Director of Finance. Remco also oversaw the selection process for Graham Stokes as Chair of MPS Council and Karen Miller as a member of Council ex-officio for 2024.

Karen Miller undertook a leadership assessment to benchmark her skills and development, ensuring success both now and in the future.

Development

The 2023 Council Development Plan continued to be delivered through e-learning and online sessions hosted by the Executive and their teams and external providers.

Political donations

No political donations were made in the financial year, which is Group policy (2022: £nil).

Directors' and Officers' liability insurance

The Group maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties. This insurance was in force during the year ended 31 December 2023 and up to the date of approval of the Group's financial statements.

Statement by the Council in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

The Directors of MPS, both individually and together as the Council, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the membership (having regard to MPS's stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions made during the year ended 31 December 2023. In doing so, the Directors have considered (amongst other matters):

- The likely consequences of any decision in the long-term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, members and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company.

As part of their induction, members of Council are briefed on their duties and can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in MPS, the members of Council fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company and details of this can be found in the Committees of the Council section on pages 40 to 42.

The following paragraphs summarise how the members of Council fulfil their duties:

Sustainability

Our Group strategy, MADE for Members, was considered formally at the annual Council strategy day and was designed to contribute to its success in delivering a better quality, more reliable service for members across the world. We will continue to operate our business within tight budgetary controls and in line with our financial targets.

Our people, and how the Council engages with colleagues and takes account of their interests

Our people are essential to MPS's success, serving our diverse membership in complex and rapidly changing, global markets. Their professional development, career progression, health and wellbeing are all primary considerations in the way we set our strategies and make decisions. This included a thorough assessment of the likely consequences of each decision in the long-term, recognising the importance of fostering a sustainable and supportive working environment.

The Council is committed to engaging with colleagues through formal and informal channels, to understand their views and take into account their interests as part of the decision-making process. To do this, the Council monitors and seeks to act on feedback received from colleagues through formal Colleague Engagement Surveys, People Metrics and the Culture Dashboard.

In addition to the traditionally hosted dinners, Council members also embraced additional opportunities to engage with colleagues by participating in a well-received Q&A session with senior leaders and an engaging Ask Me Anything session for all colleagues. This was the first time Council had participated in such an event, which was well

attended and saw a range of topics covered, ranging from the role of Council and its Committees, to how investment is prioritised, and their thoughts on the member journey and product delivery.

Colleagues have at least one formal meeting with their manager each month, at which they are encouraged to raise issues regarding their work, personal development, the wider MPS business or any other matter they wish to discuss. MPS also engages with colleagues through Colleague Engagement Forums, CEO briefings, divisional updates, *Walking in Members Shoes* podcasts and other Forums such as the Diversity and Inclusion Network, Women's Inspirational, Parenting, Menopause, Pride, Black, Asian and Neurodiversity networks, and the Wellbeing Committee.

Leaders are invited to attend monthly people manager calls to ensure they keep abreast of matters potentially impacting themselves and their teams; they are encouraged to ask questions and provide feedback. During 2023, we surveyed our colleagues regularly, focusing on the health and wellbeing of our people. The results have been used to inform the actions taken to support our people going forward.

Supporting colleagues remains very important to us and people leaders have received training on how to support the wellbeing of their teams.

Equal opportunities

The rights of disabled persons and the responsibilities of the Group are embedded within our Diversity, Equality and Inclusion policy. The needs of disabled colleagues, including workplace modifications for example, are given priority and accommodated whenever possible. All colleagues are required to comply with the policy and to act in accordance with its objectives to remove any barriers to equal opportunity.

Business relationships

We believe that effective corporate governance is critical to delivering our strategy and supporting our members. MPS recognises the importance of our wider stakeholders in delivering our strategy and achieving sustainability within our business. The Council is focused on developing and maintaining strong relationships with members and with suppliers. We value all of our suppliers and have multi-year contracts with our key suppliers. For further details on how we work with our members and suppliers, see **Our stakeholders** section on pages 29 to 32.

Community and environment

Our duty, in accordance with ISO26000, is to act as a sustainable business and recognise our responsibility to the communities in which our members operate. Our strategy takes into account the impact of the Group's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve across the world. For further details on how we interact with communities and the environment, see the **Corporate social responsibility** section on pages 19 to 21.

As the Board of Directors, the Council's intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan (see **Statement of corporate governance arrangements** on page 39). The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

Stakeholders

MPS values the relationship it has with members and other stakeholders, and as the Board of Directors, the Council is openly committed to engaging with stakeholders through effective dialogue. The Council recognises the importance of our wider stakeholders in delivering our strategy and achieving sustainability within our business. It is the intention of the Council to behave responsibly toward all of our stakeholders and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy. We have detailed our stakeholders and their importance to our business in **Our stakeholders** section on pages 29 to 32.

As part of its work on ensuring compliance with the Wates Principles, the Council reviewed and approved a stakeholder engagement plan which detailed MPS's key stakeholder base and explored how MPS could better engage with those it encounters and improve its business relationships.

The Council 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, Remuneration and Nomination and Asset and Liability Committees are 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 14 clear 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 UK's Financial Reporting Council (FRC) guidance for non-Code companies on the Going Concern Basis of Accounting. The members of the Council have approved short-term detailed budget plans and financial forecasts, and have received and discussed a report detailing the current financial position of MPS, the implications of this over various time periods, the longer-term strategy and the actions being taken by MPS to ensure that it remains a going concern.

In considering the above, the members of the Council have concluded that there are no material uncertainties which cast significant doubt on MPS's ability to continue as a going concern for at least 12 months from the date of signing the financial statements.

Auditors

At the Annual General Meeting in June 2023, BDO LLP were re-appointed as the external auditor of the Group and its subsidiary entities across the globe.

Statement of the Council's responsibility for the financial statements

The Council is responsible for preparing the Strategic Report (our How we operate section), 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 comprehensive income of the parent company and Group for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK 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.

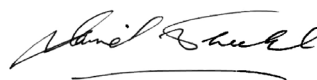
Members of the Council confirm that:

- so far as each Council member is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Council members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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 17 April 2024 and signed on its behalf by:



David Wheeler
Company Secretary

Independent auditor's report to the members of The Medical Protection Society Limited

Opinion on the 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 2023 and of the Group's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Medical Protection Society Limited (the parent company) and its subsidiaries (the Group) for the year ended 31 December 2023 which comprise The Consolidated Statement of Comprehensive Income, The Consolidated and Company Balance Sheets, The Consolidated Statement of Cash Flow, The Consolidated Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be United Kingdom Accounting Standards, including Financial Reporting Standard 102.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Reed

Senior Statutory Auditor

for and on behalf of BDO LLP, Statutory Auditor
London, UK
Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Financial Statements

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Income			
Members' subscriptions and other income		<u>303,836</u>	<u>282,015</u>
Expenditure			
Claims costs and associated legal costs	17	156,755	116,968
Advisory costs and associated legal costs	17	46,415	70,422
Movement in projected insurance recoveries		(5,063)	(7,989)
Education, publications and external relations	5a	9,639	10,092
Administration expenses	5b	53,060	60,802
Impact of discounting	17	32,491	28,291
(Gain)/loss on exchange movements	5c	<u>(9,384)</u>	<u>9,611</u>
		<u>283,913</u>	<u>288,197</u>
Surplus/(deficit) of members' subscriptions and other income over expenditure		19,923	(6,182)
Net income from investments	6	167,369	4,222
Net interest on defined benefit pension asset	9	1,267	891
Change in fair value of investments	12a	(5,911)	(56,565)
Change in fair value of derivatives	12a	<u>(88,660)</u>	<u>40,082</u>
Contribution before taxation		93,988	(17,552)
Tax (charge)/credit on investment income and gains	7a	<u>(17,685)</u>	<u>5,550</u>
Net contribution for the year to funds available for members		76,303	(12,002)
Other comprehensive income			
Remeasurements of defined benefit pension scheme	9	(11,508)	(5,125)
Total comprehensive income for the financial year		<u>64,795</u>	<u>(17,127)</u>

The Consolidated Statement of Comprehensive Income has been prepared on the basis that all activities relate to continuing operations.

The notes on pages 51 to 72 form part of these financial statements.

Consolidated and Company Balance Sheets

As at 31 December 2023

			Restated*		Restated*
	Note	2023	2022	2023	2022
		Group	Group	Company	Company
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10	11,408	15,184	11,552	15,347
Tangible assets	11	24,574	26,248	24,331	25,939
Investments	12a	2,546,372	2,638,630	1,338,701	1,338,251
Derivative assets	12a	136,790	198,543	-	-
		<u>2,719,144</u>	<u>2,878,605</u>	<u>1,374,584</u>	<u>1,379,537</u>
Current assets					
Debtors - receivable within one year	14	110,331	115,376	199,126	193,283
- receivable after one year	14	21,027	21,508	33,033	29,661
Defined benefit pension asset – due after 1 year	9	35,026	45,267	35,026	45,267
Bank deposit accounts		386,777	168,038	15,079	20,073
Cash at bank and in hand		64,909	37,536	35,303	35,684
		<u>618,070</u>	<u>387,725</u>	<u>317,567</u>	<u>323,968</u>
Current liabilities					
Creditors: amounts falling due within one year	15	(196,798)	(196,179)	(227,276)	(216,550)
		<u>421,272</u>	<u>191,546</u>	<u>90,291</u>	<u>107,418</u>
Net current assets					
		<u>3,140,416</u>	<u>3,070,151</u>	<u>1,464,875</u>	<u>1,486,955</u>
Total assets less current liabilities					
Creditors: amounts falling due after one year	16	(463)	(661)	(463)	(661)
Provisions for liabilities	17	(764,121)	(785,360)	(732,500)	(748,730)
Derivative liabilities	12a	(170,251)	(143,344)	-	-
		<u>2,205,581</u>	<u>2,140,786</u>	<u>731,912</u>	<u>737,564</u>
Net assets					
Accumulated funds					
Income and expenditure		<u>2,205,581</u>	<u>2,140,786</u>	<u>731,912</u>	<u>737,564</u>
Funds available for members					
	22	<u>2,205,581</u>	<u>2,140,786</u>	<u>731,912</u>	<u>737,564</u>

*Please see note 26 for details of restatement.

The parent company's net contribution for the financial year was a surplus of £5.9m (2022: £18.0m surplus).

The financial statements were approved and authorised for issue by the Council and were signed on its behalf on 17 April 2024.



Ian Eardley
Chair of the Council



Karen Miller
Chief Executive

The Medical Protection Society Limited
Registered Company No. 00036142

The notes on pages 51 to 72 form part of these financial statements.

Financial Statements

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Net contribution for the year to funds available for members	76,303	(12,002)
<i>Adjustments for:</i>		
Amortisation of intangible assets	3,873	3,568
Depreciation of tangible assets	1,643	1,784
Revaluation of investment property	930	-
Foreign exchange translation	(9,384)	9,611
Interest received	(26,082)	(4,850)
Dividends received from fixed asset investments	(34)	(15,135)
Taxation charge/(credit)	17,685	(5,550)
Net fair value losses recognised in Statement of Comprehensive Income	94,571	16,483
Loss on disposal of tangible fixed assets	11	210
Loss on disposal of intangible fixed assets	37	-
Increase in debtors	(38,624)	(39,499)
Increase in creditors	47,979	54,268
Decrease in claims provisions	(24,029)	(25,930)
Net interest on defined benefit pension asset	(1,267)	(891)
Cash from operations	143,612	(17,933)
Income taxes paid	(22,969)	(16,327)
Net cash generated from/(used in) operating activities	120,643	(34,260)
Cash flows from investing activities		
Purchase of intangible assets	(134)	(461)
Purchase of tangible assets	(910)	(1,893)
Proceeds from sale of fixed asset investments	930,727	1,197,214
Purchase of fixed asset investments	(527,292)	(1,196,831)
Interest received	26,082	4,850
Dividends received from fixed asset investments	34	15,135
Net cash generated from investing activities	428,507	18,014
Net cash used in financing activities	-	-
Net increase /(decrease) in cash and cash equivalents	549,150	(16,246)
Foreign exchange translation	14,049	(14,152)
Cash and cash equivalents at beginning of year	381,393	411,791
Cash and cash equivalents at end of year	944,592	381,393

The notes on pages 51 to 72 form part of these financial statements.

<i>Analysis of changes in net funds</i>	At 1 Jan 2023 £'000	Cash flow movement £'000	Foreign exchange £'000	At 31 Dec 2023 £'000
Cash at bank and in hand	37,536	11,388	15,985	64,909
Bank deposit accounts	168,038	220,999	(2,260)	386,777
Cash with investment managers	175,819	316,763	324	492,906
Net funds	381,393	549,150	14,049	944,592

Of the net funds held by MPS, £14.7m (2022: £14.7m) 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 payment 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 2023

	Income and Expenditure £'000
At 1 January 2022	2,157,913
Net contribution for the year	(12,002)
Remeasurements of defined benefit pension scheme	(5,125)
Total comprehensive income for the year	(17,127)
At 31 December 2022	2,140,786
Net contribution for the year	76,303
Remeasurements of defined benefit pension scheme	(11,508)
Total comprehensive income for the year	64,795
At 31 December 2023	2,205,581

Company Statement of Changes in Equity

Year ended 31 December

	Income and Expenditure £'000
At 1 January 2022	724,720
Net contribution for the year	17,969
Remeasurements of defined benefit pension scheme	(5,125)
Total comprehensive income for the year	12,844
At 31 December 2022	737,564
Net contribution for the year	5,856
Remeasurements of defined benefit pension scheme	(11,508)
Total comprehensive income for the year	(5,652)
At 31 December 2023	731,912

The notes on pages 51 to 72 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 00036142 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 and investment property, as specified in the accounting policies below.

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

The Group's financial statements consolidate the financial statements of The Medical Protection Society Limited and its subsidiary undertakings, as detailed in note 13. The consolidation is prepared as at 31 December each year.

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. For further detail on this assessment, see the Going Concern section, in the Report of the Council, which forms part of these financial statements, on page 44. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

3 Significant accounting judgements and estimates

Preparation of the financial statements requires management to make significant judgements 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 17)

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, which have been notified to MPS by 31 December and 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 settlements require management's judgement and are detailed in the relevant accounting policy (note 4(k)).

No provision is made in the financial statements for the potential claims that may arise from incidents that occurred before 31 December, but which 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 concluded that there cannot be a valid expectation that all requests for assistance will be met in full, and therefore 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 in note 22.

Defined benefit pension scheme (note 9)

The Group has obligations to pay pension benefits to current and past employees who are members of the defined benefit pension scheme ("the scheme"). The cost of these benefits and the present value of the obligation are dependent on a number of factors, such as life expectancy, 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.

The actuarial calculations indicate a significant surplus on the accounting valuation basis. Due to the closure of the scheme in 2018, the Company has no continuing contributions planned, against which the asset would be utilised. However, the asset can still be realised through a refund from the scheme, after meeting all pensioner obligations, at the point that the scheme is finally wound up, typically on the death of the final pensioner. After considering legal advice on the terms of the pension trust deed, the Council considers that MPS's entitlement to the residual assets is sufficiently certain that the asset can be recognised as at the year end.

Valuation of unlisted investments (note 12a)

Some of the investments held by the Group 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 interest rate 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 12d.

The Council has 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(h) and 4(i).

Deferred tax

In preparing the financial statements, members of the Council made the assumption that the equity investments, as shown in note 12(a), are held for long-term investment. The deferred tax payable on the change in fair value of these investments, which is taxable only at the point of disposal, has been calculated at 25% (2022: 25%), the tax rate applicable from 1 April 2023.

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 13.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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) Subscription income

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 the 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 assets and amortisation

Intangible assets are recognised at cost. Amortisation is provided on a straight-line basis against the cost of intangible assets so as 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 expected useful lives of intangible assets are:

Intellectual property rights	5 years
Copyrights	22 years
Software	5-10 years

(d) Tangible assets and depreciation

Tangible assets are recognised at cost. Depreciation is provided on a straight-line basis against the cost of tangible assets so as to write them down to their estimated residual value over their expected useful lives. Where there is evidence of impairment, tangible assets are written-down to recoverable amounts. Any such write down is recognised immediately in net contribution to funds. The expected useful lives of tangible assets are:

Freehold buildings	40 years
Leasehold property	the term of the lease
Computers	4 years
Furniture and fittings	20 years
Office equipment	6.5 years
Motor vehicles	3 years

Land is not depreciated.

(e) Investment properties

Investment properties, for which the fair value can be measured reliably on an ongoing basis, are measured at fair value, annually, with any change recognised in net contribution to funds.

(f) Translation of foreign currency transactions

Income and expenditure in foreign currencies are translated to the 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.

(g) 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 the fair value movement on investments rather than being recorded as dividend income.

(h) 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 the 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 direct lending fund is carried at fair value. Fair value is determined by using the funds valuation approach which is based on a net asset value. Unlisted direct lending funds are measured at par value including any deferred interest which has been capitalised up to the valuation date. If the senior debt or bond has an S&P Rating of “CCC+” or lower, a fair value is determined by applying a standardised valuation approach. Thereby, the fair enterprise value of the respective company is derived based on a fair enterprise value (EV) determination. The EV is computed using a variety of techniques including, but not limited to, determination based on latest EBITDA figures (or forecast/budgeted EBITDA figures) using public and private transaction multiples as comparables. Where the fair enterprise value determined above is less than the underlying company’s net debt position, the investment is written-down to the fair value calculated correspondingly.

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.

Notes to the Financial Statements

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 the book value to the recoverable amount.

(i) 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.

MPS currently targets a liability hedge of 100%, using a mix of physical assets and derivative exposures. Collateral is received/given, in cash, to support derivative assets/liabilities, as appropriate. Gilt repurchases are used to generate cash for collateral when required. Any cash given remains an asset of MPS and any cash received is not recognised until the derivative position is realised. MPS retains economic ownership of gilts posted as collateral.

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

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

(j) 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.

Cash equivalents are short-term, highly liquid assets, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Provisions for liabilities Costs and damages for claims

Provisions are created, 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 within debtors. These estimated recoveries are reassessed quarterly.

The discounted future settlement values are deemed to be the best estimate of these costs. The unwinding of the discount is separately identified in the claims provision (note 17) and is disclosed as the impact of discounting within net contribution to funds.

Incurred but not reported (IBNR)

As a result of our Syndicate activities through the Lloyd's of London market, provisions are created, as appropriate, for estimated future claims costs which are expected to arise from insurance contracts where incidents have not been reported to the Syndicate at 31 December, but which are expected to be valid claims. The value of such claims is based on actuarial estimates, which take into consideration the average settlement period. Due to the nature of these policies, these claims are not discounted, however, claims inflation was estimated to be 8.7% (2022: 8.7%) .

Dilapidations

Provisions are created, as appropriate, for the estimated future cost of restoring leasehold property assets back to their original condition. Estimates are based on the present value of the expected cost required to settle the obligation, discounted at a rate which is linked to the Group's return on investments.

Onerous lease

Provisions are created, as appropriate, for the estimated, unavoidable, future cost of any lease commitment where those costs are deemed to be in excess of the future economic benefits. Any such provision is recognised at the point that the lease becomes onerous.

Provisions for onerous leases are reversed where the economic benefits of a given lease outweigh the committed cost.

(l) Tax

Current tax is recognised for the amount of corporation 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 in equity, depending on the transaction that resulted in the tax (charge)/credit.

Deferred tax liabilities are presented within provisions and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if the Group 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 taxes levied by the same taxation authority.

(m) Pensions

MPS operates two types of pension scheme: defined contribution and defined benefit.

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions and provides no guarantee as to the quantum of retirement benefits that those contributions will ultimately purchase. A defined benefit scheme is one that is not a defined contribution scheme. The assets of both schemes are invested and managed independently of MPS's finances.

Defined contribution schemes

The costs of the defined contribution pension schemes (the contributions) are charged to the Statement of Comprehensive Income in the year to which they relate.

Defined benefit schemes

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 asset/liability by the discount rate at the start of the period, taking into account any changes in the net defined benefit asset/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.

Remeasurements, including actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit asset/liability (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements 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.

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

(n) Operating leases

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.

(o) 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 identified charged to net contribution to funds.

Notes to the Financial Statements

5a Education, publications and external relations

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

5b Administration expenses

	2023	2022
	£'000	£'000
Included under this classification are:		
Operating lease rentals:		
- Land and buildings	2,697	1,036
- Office equipment	54	136
Depreciation of tangible assets (note 11)	1,643	1,784
Amortisation of intangible assets (note 10)	3,873	3,568
Employer contributions to defined contribution pension schemes	7,657	7,262
Onerous lease provision (release)/charge (note 17)	(7,932)	680
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	221	187
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	129	110
<i>Services to the Company's associated pension scheme</i>		
Audit of the financial statements of the Scheme, pursuant to legislation	15	14

The largest proportion of Administration expenses relates to wages and salaries costs, along with associated employee benefits. See note 8 for further details.

5c Exchange movements

The majority of the (gains)/losses on exchange movements relate to the restatement of cash and investment assets held to match those liabilities denominated in foreign currencies. These (gains)/losses are substantially offset by a corresponding increase/decrease within international claim liabilities, which are included in Claims costs and associated legal costs within the Consolidated Statement of Comprehensive Income.

6 Net income from investments

	2023	2022
	£'000	£'000
Bond and gilt interest	92,741	53,086
Bank interest	26,082	4,850
Other investment income	13,233	21,997
Derivative receipts/(payments)	35,279	(75,711)
Dividend income	34	-
	<u>167,369</u>	<u>4,222</u>

Other investment income includes distributions from the infrastructure, real estate debt, multi-asset credit and inflation opportunities funds.

As disclosed in note 4(g), dividend income from MPS's equity investments is not distributed but is reinvested and therefore included in the change in fair value of investments rather than as net income from investments in the Consolidated Statement of Comprehensive Income.

7a Tax charge/(credit) on investment income and gains

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax	23,312	22,703
Adjustments in respect of prior years	493	(275)
Overseas taxation	114	977
Total current tax	23,919	23,405
Deferred tax:		
Origination and reversal of timing differences	(2,718)	(37,272)
Changes in the tax rate	112	6,083
Adjustment in respect of prior years	(3,628)	2,234
Total deferred tax	(6,234)	(28,955)
Tax charge/(credit) on investment income and gains in the Consolidated Statement of Comprehensive Income for the year	17,685	(5,550)

7b Factors affecting tax charge for the year

	2023 £'000	2022 £'000
The effective tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the United Kingdom at 23.5%, hybrid rate, (2022: 19%). The differences are explained as follows:		
Contribution before tax	93,988	(17,552)
Income and net gains from investments multiplied by the hybrid rate of corporation tax in the UK of 23.5% (2022: 19%)	22,087	(3,335)
RPI linked indexation	(595)	(1,292)
Adjustment in respect of prior years - current tax	493	(275)
Adjustment in respect of prior years - deferred tax	(3,628)	2,234
Disallowable mutual trade losses/gains	(719)	(10,002)
Overseas taxes paid	105	-
Difference in tax rates	(138)	6,083
Difference in foreign tax rates	37	977
Deferred tax not recognised	72	85
Utilisation of losses brought forward	(29)	(25)
Tax charge/(credit) for the year	17,685	(5,550)

The disallowable mutual trade losses above are 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 (2022: £nil).

7c Factors that may affect future tax charges

The UK corporation tax rate for the year is a hybrid rate of 23.5% (2022: 19%). An increase in the main rate of UK corporation tax, to 25%, was enacted in 2021, with an effective date of 1 April 2023. Consequently, deferred tax has now been provided at 25% on all investments held (2022: 25%), that are expected to be retained beyond 2023. The increase in the UK corporation tax rate will increase future tax charges and balances accordingly.

Notes to the Financial Statements

8 Directors and employees

The average number of people, including Directors and all members of the Council, employed in the provision of services to members during the year was 1,019 for the Group (2022: 1,047) and 952 for the Company (2022: 979). Costs in respect of these employees were:

	2023	2022	2023	2022
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Wages and salaries	50,514	51,760	47,512	48,589
Social security costs	5,315	6,069	5,221	5,972
Pension costs	8,187	8,200	7,858	7,884
	<u>64,016</u>	<u>66,029</u>	<u>60,591</u>	<u>62,445</u>

Employee costs are apportioned between Claims costs and associated legal costs, Advisory costs and associated legal costs, Administration expenses, and Education, publications and external relations, within the Consolidated Statement of Comprehensive Income. The apportionment reflects the benefits obtained across these areas.

The total fees payable to all members of the Council are set out below:

	Salary/fees £'000	TB £'000	PR ¹ £'000	PEN £'000	Total £'000	EXPS ² £'000	2022 £'000
Executive members							
Simon Kayll (Chief Executive) (retired 31 December 2023)	408	13	97	71	589	-	596
Richard Pile (appointed 26 July 2023)	119	6	18	12	155	-	-
Non-Executive members							
Ian Eardley	93	-	-	-	93	3	84
Richard Brennan	-	-	-	-	-	-	17
Fiona Cornish	45	-	-	-	45	-	40
James McLenachan	-	-	-	-	-	-	21
Stuart Purdy	58	-	-	-	58	-	54
David Roytowski	38	-	-	-	38	11	37
Alexander Scott	-	-	-	-	-	-	20
Sally Scutt	-	-	-	-	-	-	23
Graham Stokes	54	-	-	-	54	2	50
Michael Urmston	49	-	-	-	49	-	48
Tom Weitzman ³	46	-	-	-	46	-	41
Callum Youngson	51	-	-	-	51	2	50
Meghana Pandit	38	-	-	-	38	1	34
Edmund Morris	41	-	-	-	41	2	35
Gozie Offiah ⁴	40	-	-	-	40	1	27
Damien Marmion	49	-	-	-	49	-	26
Samantha Blackie	49	-	-	-	49	1	26
Anthony Fung	34	-	-	-	34	-	19
Total	1,212	19	115	83	1,429	23	1,248

Key

TB	Taxable Benefits – Includes car allowance and medical benefits.
PR	Performance Reward – Includes the amount earned in the year for targets related to the current year as well as an amount earned in the year which was deferred from 3 years previous, where performance thresholds have been met and approval has been provided by the Remuneration and Nominations Committee. These amounts are paid in the following March.
PEN	Employer pension contributions into defined contribution schemes or via alternative arrangements.
EXPS	Non-Executive Directors are reimbursed for expenses incurred. In some cases these are grossed up to account for any Tax or National Insurance liability in order that the expense incurred is fully reimbursed.

¹ An additional performance award, is deferred and payable in three years, subject to certain performance thresholds being met and approval being provided by the Remuneration and Nominations Committee.

² The total expenses reimbursed in the prior year was £19,000.

³ Remuneration includes payments from 2022 in line with the date appointed to a sub-committee.

⁴ Remuneration includes deductions made in respect of overpayment in 2022.

Executive Director Performance Reward

Name	In-year 2023 Payable £'000	Deferred 2023 Payment (Potentially payable 2026) £'000
Simon Kayll (Chief Executive)	28	28
Richard Pile	18	42

Name	In-year 2022 Payable £'000	Deferred 2022 Payment (Potentially payable 2025) £'000
Simon Kayll (Chief Executive)	53	53

9 Pensions

MPS operates two types of pension scheme: 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 were 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. On 30 September 2018, the defined benefit scheme was closed to future accrual, meaning no additional service has been accrued since that date and pension increases until retirement will be limited to RPI, rather than any assumptions on pay increases.

The funding of the defined benefit scheme is based on a triennial valuation. The last full actuarial valuation completed, and agreed, was as at 31 December 2020. This was signed on 30 March 2022. The valuation indicated that, on the agreed funding basis, the defined benefit scheme had a surplus of £18m. This compares to a surplus of £11m at the previous valuation, as at 31 December 2017. The valuation has then been further updated to the accounting date by an independent qualified actuary, including updating underlying membership data to reflect scheme membership as at 31 December 2023.

As a result of the funding position, there are currently no deficit contributions payable and therefore there is no 'minimum funding requirement' in force.

The following tables set out, as at the reporting date, the key assumptions used for the defined benefit scheme, the fair values of the assets, analysed by asset class, the present value of the scheme liabilities and the resulting pension surplus. Since the closure of the scheme to future accrual, any asset would not be recoverable through a reduction in future contributions to the scheme, however, it is recoverable on the winding up of the scheme, typically when the final member of the scheme dies.

Amounts recognised in the Balance Sheet

	2023 £'000	2022 £'000
Fair value of scheme assets	139,549	143,072
Present value of obligations	<u>(104,523)</u>	<u>(97,805)</u>
Defined benefit pension asset	<u>35,026</u>	<u>45,267</u>

Movement in the defined benefit pension asset

	2023 £'000	2022 £'000
Opening net defined benefit pension asset	45,267	49,501
Gain in net contribution to funds	1,267	891
Amount recognised in other comprehensive income	<u>(11,508)</u>	<u>(5,125)</u>
Closing defined benefit pension asset	<u>35,026</u>	<u>45,267</u>

Amounts recognised in the statement of comprehensive income

	2023 £'000	2022 £'000
Net interest income on defined benefit pension asset	2,086	891
Scheme administration expenses	<u>(819)</u>	<u>-</u>
Total gain recognised in net contribution to funds	<u>1,267</u>	<u>891</u>
Remeasurements	<u>(11,508)</u>	<u>(5,125)</u>
Amounts recognised in other comprehensive income	<u>(11,508)</u>	<u>(5,125)</u>

Notes to the Financial Statements

Assets	2023		2022	
	%	£'000	%	£'000
Liability driven investment	82	114,469	92	131,241
Diversified growth fund	-	-	8	11,111
Cash and net current assets	18	25,080	-	720
Total	100	139,549	100	143,072

The fair value of scheme assets moved over the year as follows:

	2023	2022
	£'000	£'000
Opening fair value of scheme assets	143,072	224,835
Interest on assets	6,568	4,001
Benefits paid	(2,856)	(5,124)
Expenses paid	(819)	-
Actual return on plan assets less interest	(6,416)	(80,640)
Closing fair value of scheme assets	139,549	143,072
Actual return on assets	152	(76,639)

Liabilities

The present value of obligations moved over the year as follows:

	2023	2022
	£'000	£'000
Opening present value of obligations	97,805	175,334
Interest on obligation	4,482	3,110
Benefits paid	(2,856)	(5,124)
Actuarial loss/(gain)	5,092	(75,515)
Closing present value of obligations	104,523	97,805

Actuarial assumptions

	2023	2022
	% pa	% pa
Price RPI inflation	3.3	3.4
Discount rate	4.5	4.7
Pension increases (RPI 5%)	3.0	3.0
Pension increases (RPI 3%)	2.2	2.2

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 26.1 years (2022: 26.5 years) and a female pensioner currently aged 60 would be expected to live for a further 29.0 years (2022: 29.3 years). Allowance is made for future improvements in life expectancy.

As the scheme was closed to future accrual in September 2018, MPS did not make contributions during the year to 31 December 2023 (2022: £nil). No contributions are payable under the current schedule of contributions, as agreed with the Trustees.

10 Intangible assets

	Software £'000	Copyrights £'000	Total £'000
Group			
Cost			
At 1 January 2023	33,729	16	33,745
Additions	134	-	134
Disposals	(39)	-	(39)
At 31 December 2023	33,824	16	33,840
Amortisation			
At 1 January 2023	18,545	16	18,561
Charge in year	3,873	-	3,873
Released on disposal	(2)	-	(2)
At 31 December 2023	22,416	16	22,432
Net book value			
At 31 December 2023	11,408	-	11,408
At 31 December 2022	15,184	-	15,184

	Software £'000	Copyrights £'000	Total £'000
Company			
Cost			
At 1 January 2023	33,710	394	34,104
Additions	134	-	134
Disposals	(39)	-	(39)
At 31 December 2023	33,805	394	34,199
Amortisation			
At 1 January 2023	18,525	232	18,757
Charge in year	3,874	18	3,892
Released on disposal	(2)	-	(2)
At 31 December 2023	22,397	250	22,647
Net book value			
At 31 December 2023	11,408	144	11,552
At 31 December 2022	15,185	162	15,347

Software additions include £0.1m (2022: £0.4m) of capital expenditure relating to the member administration IT system. The remaining amortisation relating to this asset at the end of 2023 is £11.3m, which will be released over its remaining useful economic life of three years.

The Group's intangible assets include intellectual property rights, being copyrights for educational training material, acquired by a Group company, The Cognitive Consulting Group Pty Limited (CCG) (note 13).

The Company's intangible assets include copyrights purchased by the parent company, The Medical Protection Society Limited, from CCG.

Notes to the Financial Statements

11 Tangible fixed assets

	Investment property £'000	Freehold land and buildings £'000	Leasehold property £'000	Computers, furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation						
At 1 January 2023	9,800	16,548	4,898	9,851	43	41,140
Additions	-	5	128	777	-	910
Disposals	-	-	-	(8)	(43)	(51)
Revaluations	(930)	-	-	-	-	(930)
At 31 December 2023	8,870	16,553	5,026	10,620	-	41,069
Depreciation						
At 1 January 2023	-	5,914	1,737	7,219	22	14,892
Charge in year	-	453	404	775	11	1,643
Disposals	-	-	-	(7)	(33)	(40)
At 31 December 2023	-	6,367	2,141	7,987	-	16,495
Net book value						
At 31 December 2023	8,870	10,186	2,885	2,633	-	24,574
At 31 December 2022	9,800	10,634	3,161	2,632	21	26,248

The investment properties were acquired in 2016 and 2017 in open market, arm's length transactions. The revaluation was conducted by an independent, third-party valuer, Jones Lang LaSalle, on an open market basis as at 31 December 2023.

The historical cost of investment properties held at fair value is £18.5m (2022: £18.5m).

All of the leasehold properties held at 31 December 2023, by the Group and by the Company, are short leaseholds.

Capital commitments

Capital expenditure approved and contracted for amounted to £nil (2022: £nil).

Company	Investment property £'000	Freehold land and buildings £'000	Leasehold property £'000	Computers, furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation						
At 1 January 2023	9,800	16,548	4,580	9,685	43	40,656
Additions	-	5	128	756	-	889
Disposals	-	-	-	(8)	(43)	(51)
Revaluation	(930)	-	-	-	-	(930)
At 31 December 2023	8,870	16,553	4,708	10,433	-	40,564
Depreciation						
At 1 January 2023	-	5,914	1,651	7,130	22	14,717
Charge in year	-	453	339	753	11	1,556
Disposals	-	-	-	(7)	(33)	(40)
At 31 December 2023	-	6,367	1,990	7,876	-	16,233
Net book value						
At 31 December 2023	8,870	10,186	2,718	2,557	-	24,331
At 31 December 2022	9,800	10,634	2,929	2,555	21	25,939

11a Operating leases

The Company leases a small number of properties to third parties. These non-cancellable leases have remaining terms of between 1 and 9 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2023	2022	2023	2022
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Within one year	1,399	348	1,399	348
Between one and five years	4,513	1,941	4,513	1,941
Over five years	7,678	10,046	7,678	10,046
	13,590	12,335	13,590	12,335

Notes to the Financial Statements

12a Investments and derivatives

Group	Total investments £'000	Total derivatives £'000
Valuation at 1 January 2023	2,638,630	55,199
Investment additions	518,351	-
Disposals at carrying value	(930,727)	-
Movement in cash balances	326,029	-
Transfers	-	-
Fair value adjustments	(5,911)	(88,660)
At 31 December 2023	2,546,372	(33,461)

Company	Total investments £'000
<i>Investment in subsidiaries (note 13)</i>	
Cost as at 1 January 2023	1,338,251
Additions	450
As at 31 December 2023	1,338,701

Investments comprise:	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Listed investments	767,619	1,044,399	-	-
Unlisted investments	1,243,036	1,384,542	-	-
Shares in Group undertakings	-	-	1,338,701	1,338,251
	2,010,655	2,428,941	1,338,701	1,338,251
Cash	535,717	209,689	-	-
	2,546,372	2,638,630	1,338,701	1,338,251
<i>Derivative financial instruments (12b):</i>				
- assets	136,790	198,543	-	-
- liabilities	(170,251)	(143,344)	-	-
	(33,461)	55,199	-	-

For further information on derivative financial instruments, see note 12b.

All other fixed asset investments are measured at fair value with changes in value reflected in the net contribution to funds.

12b Derivative financial instruments

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

Interest rate swaps

Duration	Nature of contract	Notional value £'000	Asset £'000	Liability £'000
2yrs-10yrs	Pay fixed for floating	2,282,219	<u>133,002</u>	<u>(148,406)</u>

Forward foreign exchange contracts

Duration	Nature of contract	Notional value '000	Asset £'000	Liability £'000
3 months	Sell USD Buy HKD	2,075,000	247	-
3 months	Sell USD Buy ILS	46,000	602	-
3 months	Sell USD Buy MYR	142,000	601	-
3 months	Sell USD Buy SGD	106,000	2,073	-
3 months	Sell EUR Buy GBP	478,000	-	(1,698)
2 months	Sell GBP Buy ZAR	807	-	(2,468)
3 months	Sell GBP Buy USD	448,000	-	(17,679)
3 Months	Sell ZAR Buy GBP	117,137	265	-
			<u>3,788</u>	<u>(21,845)</u>
Total derivatives			<u>136,790</u>	<u>(170,251)</u>

12c Collateral amounts given/received

The following collateral balances at fair value were held at the end of the year, relating to amounts given/received against unrealised losses/gains respectively on derivative financial instruments shown in note 12b.

Derivative held	Form of collateral	Given £'000	Received £'000
Interest rate swaps	Cash	<u>-</u>	<u>40,016</u>

Notes to the Financial Statements

12d Fair value hierarchy

Financial assets at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2023				
Equities	183,836	-	-	183,836
Government and other bonds	336,347	-	-	336,347
Infrastructure	-	-	307,199	307,199
Multi-asset credit	247,436	-	319,543	566,979
Inflation opportunities portfolio	-	-	229,672	229,672
Real estate and ground rent	-	-	87,172	87,172
Direct lending	767,619	-	1,243,036	299,450
	767,619	-	1,243,036	2,010,655
Derivative financial instruments	-	136,790	-	136,790
	767,619	136,790	1,243,036	2,147,445
At 31 December 2022				
Equities	380,496	-	-	380,496
Government and other bonds	380,209	-	-	380,209
Infrastructure	-	-	309,543	309,543
Multi-asset credit	283,694	-	366,667	650,361
Inflation opportunities portfolio	-	-	240,398	240,398
Real estate and ground rent	-	-	110,653	110,653
Direct lending	-	-	357,281	357,281
	1,044,399	-	1,384,542	2,428,941
Derivative financial instruments	-	198,543	-	198,543
	1,044,399	198,543	1,384,542	2,627,484

Financial liabilities at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2023				
Derivative financial instruments	-	(170,251)	-	(170,251)
At 31 December 2022				
Derivative financial instruments	-	(143,344)	-	(143,344)

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.

13 Investments in subsidiary undertakings

The parent company has the following interests in subsidiary undertakings, with associated cost of parent investment as follows:

Name	Interest ¹	Cost (£'000)	Registered office address	Nature of business
Dental Protection Limited	100%	-	32 London Bridge Street, SE1 9SG, England.	To provide insight on dental issues which impact MPS.
The Dental Protection Society Limited	100%	-	32 London Bridge Street, SE1 9SG, England.	Dormant company.
A.C.N 050132833 Pty Ltd	100%	-	RSM Australia, Level 13, 60 Castlereagh St, Sydney, NSW 2000, Australia.	Holding company.
DPL Australia Pty Limited	100%	-	RSM Australia, Level 13, 60 Castlereagh St, Sydney, NSW 2000, Australia.	To manage the administrative affairs of dental members in Australia and to act as a corporate authorised representative of MDA National.
MPS Holdings Australia Pty Limited	100%	10	RSM Australia, Level 13, 60 Castlereagh St, Sydney, NSW 2000, Australia.	Holding company.
The Cognitive Consulting Group Pty Limited ²	100%	-	RSM Australia, Level 13, 60 Castlereagh St, Sydney, NSW 2000, Australia.	To provide communication skills and risk management training to healthcare professionals.
MPI (London) Limited	100%	1,307,001	32 London Bridge Street, SE1 9SG, England.	To manage the investment portfolio for MPS.
MPS Periodical Payment Trustee Limited	100%	40	32 London Bridge Street, SE1 9SG, England.	Corporate Trustee.
MPS (Hong Kong Services) Pte Ltd	100%	-	5/F Manulife Place, 348 Kwon Tong Road, Kowloon, Hong Kong.	To provide administration, training and oversight functions relating to MPS members in Hong Kong.
MPS South Africa (Pty) Ltd	100%	-	Executive City, Cnr Cross Str and Charmaine Ave, President Ridge, Randburg, Gauteng, 2194, South Africa.	To provide administration, training and oversight functions relating to MPS members in South Africa.
MPS (Singapore Services) Pte. Ltd	100%	-	10 Changi Business Park Central 2, #05-01, Hansapoint @CBP, Singapore (486030).	To provide administration, training and oversight functions relating to MPS members in Singapore.
MPSUW Limited	100%	500	32 London Bridge Street, SE1 9SG, England.	An approved Lloyd's of London Coverholder; distributing medical malpractice insurance policies to corporate healthcare providers.
MPSUW South Africa (Pty) Limited ²	100%	-	1st Floor Block B North Park Black River Park, 2 Fir Street, Observatory, Western Cape, 0000, South Africa.	Setup to facilitate the distribution of medical malpractice insurance to corporate healthcare providers.
MPSUW Ireland Limited ²	100%	-	25-28 North Wall, Dublin 1, D01H104, Ireland	Setup to facilitate the distribution of medical malpractice insurance to corporate healthcare providers.
MPSCM Limited	100%	31,150	32 London Bridge Street, SE1 9SG, England.	A Corporate Member of Lloyd's of London; supporting the underwriting activities of Syndicate 1892.
Medical and Dental Defence Services Limited	100%	-	6A Palmiste Drive Philippine, La Romain, 651222, Trinidad & Tobago.	To provide administration, training and oversight functions relating to MPS members in Trinidad & Tobago.
MPSJS Limited	100%	-	48 Duke Street, Kingston CSO, Kingston, Jamaica.	To provide administration, training and oversight functions relating to MPS members in Jamaica.
		1,338,701		

¹ Parent interest in ordinary shares and voting rights. No changes through the current year.

² Indirectly owned by MPS.

All of the subsidiaries listed operate principally in their country of registration.

Notes to the Financial Statements

14 Debtors

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Receivable within one year				
Membership debtors	89,817	86,397	89,817	86,397
Other trading debtors	2,580	2,361	396	364
Recoverable insurance claims	11,249	11,415	12,583	12,321
Amounts owed by subsidiary undertakings	-	-	89,529	78,960
Other debtors	788	5,554	755	5,498
Prepayments	5,897	9,649	5,847	9,614
Corporation tax	-	-	199	129
	<u>110,331</u>	<u>115,376</u>	<u>199,126</u>	<u>193,283</u>
Receivable after one year				
Recoverable insurance claims	21,027	21,508	33,033	29,661
	<u>21,027</u>	<u>21,508</u>	<u>33,033</u>	<u>29,661</u>
Total debtors	<u>131,358</u>	<u>136,884</u>	<u>232,159</u>	<u>222,944</u>

One of the loan balances within amounts owed by subsidiary undertakings is interest bearing at a rate of SONIA +3% (2022: SONIA +3%) and is subject to a fixed charge over the investments, interest, dividends and other income of the subsidiary as well as a floating charge over the whole of that company's undertakings. Such arrangements are repayable on demand.

All other amounts are non-interest bearing, unsecured and repayable on demand.

15 Creditors: amounts falling due within one year

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Trade Creditors	16,721	21,160	16,161	17,159
Other creditors and accruals	29,241	27,376	67,189	58,896
Deferred subscription income	142,184	138,245	140,115	136,415
Amounts owed to subsidiary undertakings	-	-	1,813	1,290
Corporation tax	6,562	5,637	-	-
Other taxes and social security	2,090	3,761	1,998	2,790
	<u>196,798</u>	<u>196,179</u>	<u>227,276</u>	<u>216,550</u>

Amounts owed to subsidiary undertakings from the Company are unsecured and repayable on demand.

16 Creditors: amounts falling due after one year

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Other creditors and accruals	463	661	463	661

17 Provisions for liabilities

Group	Deferred tax £'000	Reported negligence claims £'000	Reported other claims £'000	Claims handling £'000	IBNR £'000	Property £'000	Total £'000
At 1 January 2023	27,057	579,317	52,674	101,242	9,481	15,589	785,360
Movements in the Statement of Comprehensive Income:							
- Claims costs and associated legal costs	-	143,664	-	11,861	1,230	-	156,755
- Advisory costs and associated legal costs	-	-	16,120	30,295	-	-	46,415
- Deferred taxation	(6,265)	-	-	-	-	-	(6,265)
- Impact of discounting	-	28,535	3,956	-	-	-	32,491
- Released	-	-	-	-	-	(7,932)	(7,932)
Paid	-	(158,813)	(28,519)	(55,371)	-	-	(242,703)
At 31 December 2023	20,792	592,703	44,231	88,027	10,711	7,657	764,121

The provision for reported negligence claims is the estimated, discounted, future settlement values for damages and legal costs, in respect of all negligence claims notified by 31 December, and where discretion has been exercised to support the claim.

The provision for reported other claims is the estimated, discounted, future settlement value of legal costs relating to these other claims, notified by 31 December.

The provision for claims handling is the estimated cost of managing all recognised claims to conclusion, that is, where MPS has been notified and discretion has been exercised to support the claim.

The impact of discounting reflects the unwinding of the discount in the provision. The principal financial assumption used in the calculation of the finance cost is that the rate used to unwind the discount is 4.1% (2022: 4.1%) per annum.

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 internal actuarial team, to use the internal individual claim estimates, and historical claims data, to arrive at a statistical reserve for the likely cost of all reported claims.

The principal financial assumptions used in the calculation of the claims provision are that average claims inflation will be 5.9% (2022: 5.5%) per annum over the period to payment where claims inflation assumptions are estimated and applied by territory by the internal actuarial team, having been approved by the Asset and Liability Committee. Investment return, used to discount future claims payments back to the balance sheet date, will be the UK risk-free rate published by the European Insurance and Occupational Pensions Authority (EIOPA) as at the year end, for all territories other than South Africa where the South African risk-free rate published by EIOPA is used. The average period to payment is estimated as 2.1 years (2022: 2.1 years). The payment delay is estimated by territory by the internal actuarial team.

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

There are no amounts charged in the year for deferred tax relating to items of other comprehensive income (2022: £nil).

The provision for IBNR relates to insurance contracts, bound under our arrangements through Lloyd's of London.

Property provisions relate wholly to leasehold properties. The opening balance relates in part to dilapidations, being the estimated cost for restoring two leasehold property assets back to their original condition. More significantly, the opening balance includes a larger charge for the future commitments, until the end of the lease, for the currently vacant proportion of one of those properties. The release relates to a proportion of the onerous lease provision, originally provided for in 2021, following the subleasing of the vacant part of the property.

Notes to the Financial Statements

Company	Reported negligence claims £'000	Reported other claims £'000	Claims handling £'000	Property £'000	Total £'000
At 1 January 2023	579,317	52,674	101,150	15,589	748,730
Movements in the Statement of Comprehensive Income:					
- Claims costs and associated legal costs	153,309	-	11,805	-	165,114
- Advisory costs and associated legal costs	-	16,120	30,295	-	46,415
- Impact of discounting	28,535	3,956	-	-	32,491
- Released	-	-	-	(7,932)	(7,932)
Paid	(168,457)	(28,519)	(55,342)	-	(252,318)
At 31 December 2023	592,704	44,231	87,908	7,657	732,500

18 Deferred tax

Deferred tax provided at 25% (2022: 25%) in the financial statements is set out below:

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Timing differences on fixed asset equity investments	20,792	27,057	-	-

19 Commitments

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

Capital commitments are disclosed in note 11. For operating commitments, the future minimum operating lease payments for the Group and the Company, under non-cancellable commitments are as follows:

Operating lease annual commitments

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Land and buildings:				
Within one year	2,576	2,602	2,486	2,482
Between one and five years	9,650	9,466	9,585	9,261
Over five years	6,590	8,666	6,590	8,666
	18,816	20,734	18,661	20,409
Office equipment:				
Within one year	13	56	12	55
Between one and five years	8	1	7	-
	21	57	19	55

20 Financial assets and liabilities

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Financial assets measured at fair value through net contribution to funds				
- Listed investments	767,619	1,044,399	-	-
- Unlisted investments	1,243,036	1,384,542	-	-
- Interest rate swaps	133,002	168,418	-	-
- Forward foreign exchange contracts	3,788	30,125	-	-
	<u>2,147,445</u>	<u>2,627,484</u>	<u>-</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost				
- Amounts due from subsidiary undertakings	-	-	89,529	78,960
- Cash held within fixed asset investments	535,717	209,689	-	-
- Bank deposit accounts	386,777	168,038	15,079	20,073
- Cash at bank and in hand	64,909	37,536	35,303	35,684
- Membership debtors	89,817	86,397	89,817	86,397
- Other trade debtors	524	531	396	364
- Other debtors	774	5,549	755	5,498
- Recoverable insurance claims	32,276	32,923	45,616	41,982
	<u>1,110,794</u>	<u>540,663</u>	<u>276,495</u>	<u>268,958</u>
Financial liabilities at fair value through net contribution to funds				
- Interest rate swaps	(148,406)	(143,344)	-	-
- Forward foreign exchange contracts	(21,845)	-	-	-
	<u>(170,251)</u>	<u>(143,344)</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost				
- Trade creditors	(16,721)	(21,160)	(16,161)	(17,159)
- Amounts owed to subsidiary undertakings	-	-	(1,813)	(1,290)
- Other creditors	(29)	(115)	-	(4)
- Accruals	(26,533)	(53,124)	(65,040)	(51,062)
	<u>(43,283)</u>	<u>(74,399)</u>	<u>(83,014)</u>	<u>(69,515)</u>

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(i).

Notes to the Financial Statements

21 Financial risk management

The Group has a centralised treasury function which manages the investment strategy, liquidity and other financial risks in accordance with the Council approved Treasury Policy. The objective of the policy and controls that are established is to mitigate the risk of an adverse impact on the performance of the Group as a result of its exposure to financial risks arising from the Group's operations. It is the Group's policy not to engage in speculative trading of financial instruments.

The Council retains ultimate responsibility for treasury activity and is involved in key decision making. The Asset and Liability Committee is established to provide governance and oversight to treasury activity within delegated authority limits and formally reports to the Council.

Market risk

Subscriptions collected in any one year are invested until such time as they may be needed to pay the costs arising from the year in which the subscriptions were received. The greater the investment return which MPS aims 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.

MPS has historically adopted a prudent investment strategy that carefully identifies and sets limits on the levels of risk acceptable in its portfolio, 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.

Interest rate/inflation risk

MPS currently holds a significant, though reducing, 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.

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.

The impact on MPS's liabilities is more complicated. The main influences on the cost of large claims, particularly in the UK, are those elements that reflect compensation for future costs or losses; these are mainly loss of earnings and the cost of future care. An estimate of the lump sum required to provide for these future costs is determined by reference to the personal injury discount rate. The discount rate might be expected to change with changing interest rate expectations, but as noted in the Reserving Risk section, in the UK it is in fact fixed, by the Lord Chancellor.

MPS manages the risk inherent in our liabilities firstly by ensuring we have an appropriate investment make-up to closely match those liabilities and secondly by ensuring we have sufficient assets to allow a margin, in case of unexpected changes in interest and inflation rates. As the proportion of bonds in the portfolio is reduced under the revised strategy, so too are exposures to interest rate and inflation movements, which could increase the risk that the asset portfolio does not adequately match the associated risks arising from our liabilities. A derivative swap

programme is in place to ensure that the overall portfolio maintains an appropriate level of interest rate and inflation expectation exposure matching for the associated liability risks.

Credit risks

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 our insurers, a failure of a bank with which we hold deposits, or a failure of some of the counterparties involved in certain investments, including defaults within the direct lending portfolio and derivative financial instruments that form part of the investment portfolio.

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. For the direct lending fund, the main mitigant against default risk is that the fund aims to be, and is, heavily weighted to senior secured debt, and as such direct lending benefits from better recovery rates than bond investors.

During the current year, MPS has maintained its position in credit funds in order to achieve modest increases to contractual returns and reduce market risk. These portfolios are held with experienced credit fund managers. Credit risk is managed by careful portfolio selection and diversification across managers.

Foreign 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.

MPS's strategy is to minimise currency mismatches between 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.

In managing liquidity risk, MPS needs to balance the ability to gain an investment return on 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.

Reserving risk

MPS provides discretionary indemnity to members for the costs and damages associated with clinical negligence claims 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 MPS 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 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.

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, which relies heavily on the accuracy of data used and the quality of analysis in determining the expected outcome. We use the skill of our internal staff to determine accurate estimates for individual claims and ensure that skills are maintained through ongoing training initiatives.

Checks and balances in our internal systems allow regular review and monitoring of these estimates to help ensure a high degree of accuracy and consistency. MPS's internal actuarial team use 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).

Underwriting risk

MPS charges a subscription which is based, in part, on the expected volume and value of claims and cases that may arise against those members paying the subscription. There is a risk that the volume or value of claims and cases brought against those members will exceed the expectations contained within the subscriptions, resulting in MPS having not collected sufficient subscription income.

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 which we are willing to accept. MPS also runs an internal programme to identify individual members who appear to represent a higher-than-normal risk and seeks 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 their risks are considered 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 our members.

22 Funds available for members

MPS seeks to hold a long-term surplus which is available to support requests for assistance that may 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 against 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 Group.

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 many years, the estimated projections require financial modelling over long emergence periods.

The Council engages its internal actuaries to help model and determine likely levels of future claims in accordance with relevant actuarial guidance. The level of future claims 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.

As at 31 December 2023, the Council's estimate of this potential future cost, if it agrees to assist, is £841m (2022: £871m).

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(k) 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 which MPS provides to 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 Limited.

As noted in the Report of the Council on page 39, ten (2022: ten) 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 the Council and the Executive Committee together to be its Key Management Personnel. The Executive Committee includes the Executive members of Council (as detailed on page 37), plus other executive Directors of MPS that are not members of Council. This combined Group has aggregate remuneration of £4.0m (2022: £3.9m).

26 Prior year adjustment

The defined benefit pension asset has previously been presented as a fixed asset on the balance sheet. However, this asset does not meet the definition for a fixed asset as it is not intended for use on a continuing basis by the Company or the Group. Therefore the asset has been reclassified to current assets, with an expected maturity of more than 1 year.

As a result of the reclassification, fixed assets have reduced by £45.27m and current assets have increased by £45.27m. Consequently, net current assets have increased by £45.27m.

There is no impact on the overall performance of the Company or the Group as a result of this change.



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