



Our sustainable future

The Medical Protection Society Limited

2021 **Annual Report and
Financial Statements**

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Our Purpose, Vision and Values

Founded by a group of doctors in London in 1892 to ‘support and safeguard the character of legally qualified practitioners and to advise and defend members’.

Recognising that strength in numbers could be mutually beneficial, they started The Medical Protection Society (MPS).

For over 130 years our fundamental purpose has not changed.

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 our members around the world to deliver healthcare.

Our Values

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



Member First

We passionately care about our members. We are dedicated to treating them fairly and placing them at the heart of everything we do.



Ambitious

We look to the future, keeping our minds open to embrace new ideas. We welcome feedback and seek out opportunities to grow and learn to be our best self.



Determined

We make things happen. We work together and at pace to deliver the best outcomes for members.



Empowered

We respect and trust each other to carry out our work with skill, expertise and integrity. We have the freedom and confidence to make decisions and own the choices we make.

Being a member-first organisation means more than just doing the right thing for the membership. It is a desire to support the wider healthcare service, through championing legal and regulatory reforms as well as promoting safer, more reliable practice that ensures better patient outcomes and sustainable healthcare systems.

Our place in the world

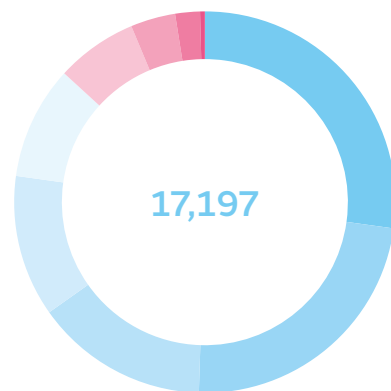
We are a uniquely international defence organisation, supporting members across four continents.

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

New cases we opened on behalf of members across the world in 2021¹

Medical case types

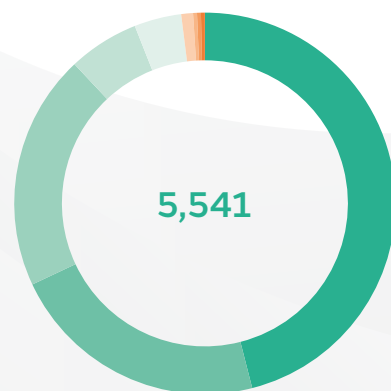
	%
General medicolegal advice	27%
Complaints	23%
Reports of adverse incidents	15%
Inquests	12%
Claims and related matters	10%
Regulatory	7%
Other	4%
Disciplinary	2%
Criminal	<1%



(2020: 16,938 medical and 5,541 dental)

Dental case types

	%
Complaints	46%
General dentolegal advice	22%
Claims and related matters	20%
Regulatory	6%
Reimbursement of fees	4%
Reports of adverse incidents	1%
General dental services	<1%
Disciplinary	<1%
Other	<1%



We successfully defended **88%** of medical and **69%** of dental claims and pre-claims matters in the year^{2,3}



Medical Dental

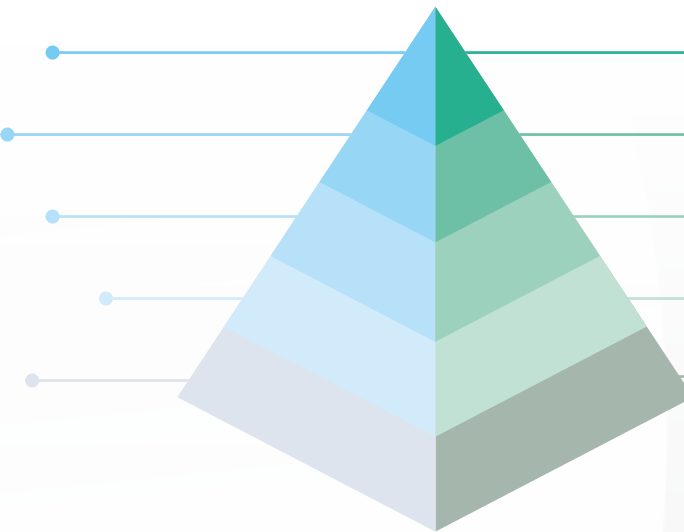
Top 5 reasons members contacted us in 2021

Medical

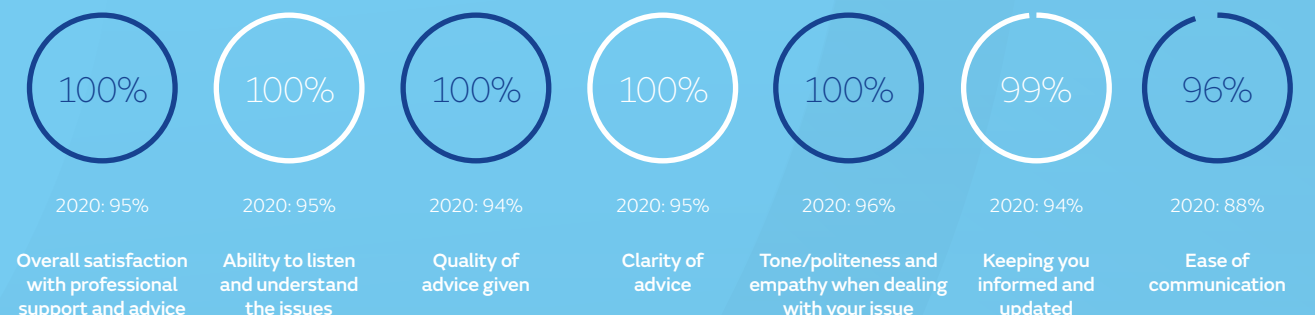
General advice
Complaints
Confidentiality
Inquest/fatal incident
Report writing

Dental

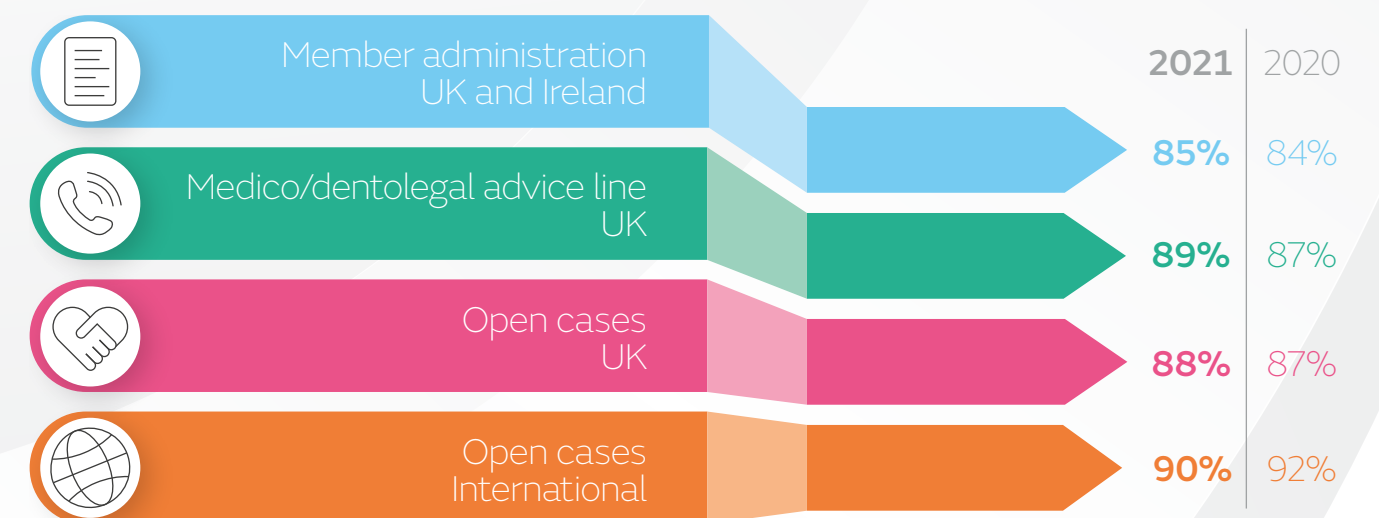
Complaints
General advice
Confidentiality
Claims for compensation
Clinical judgement



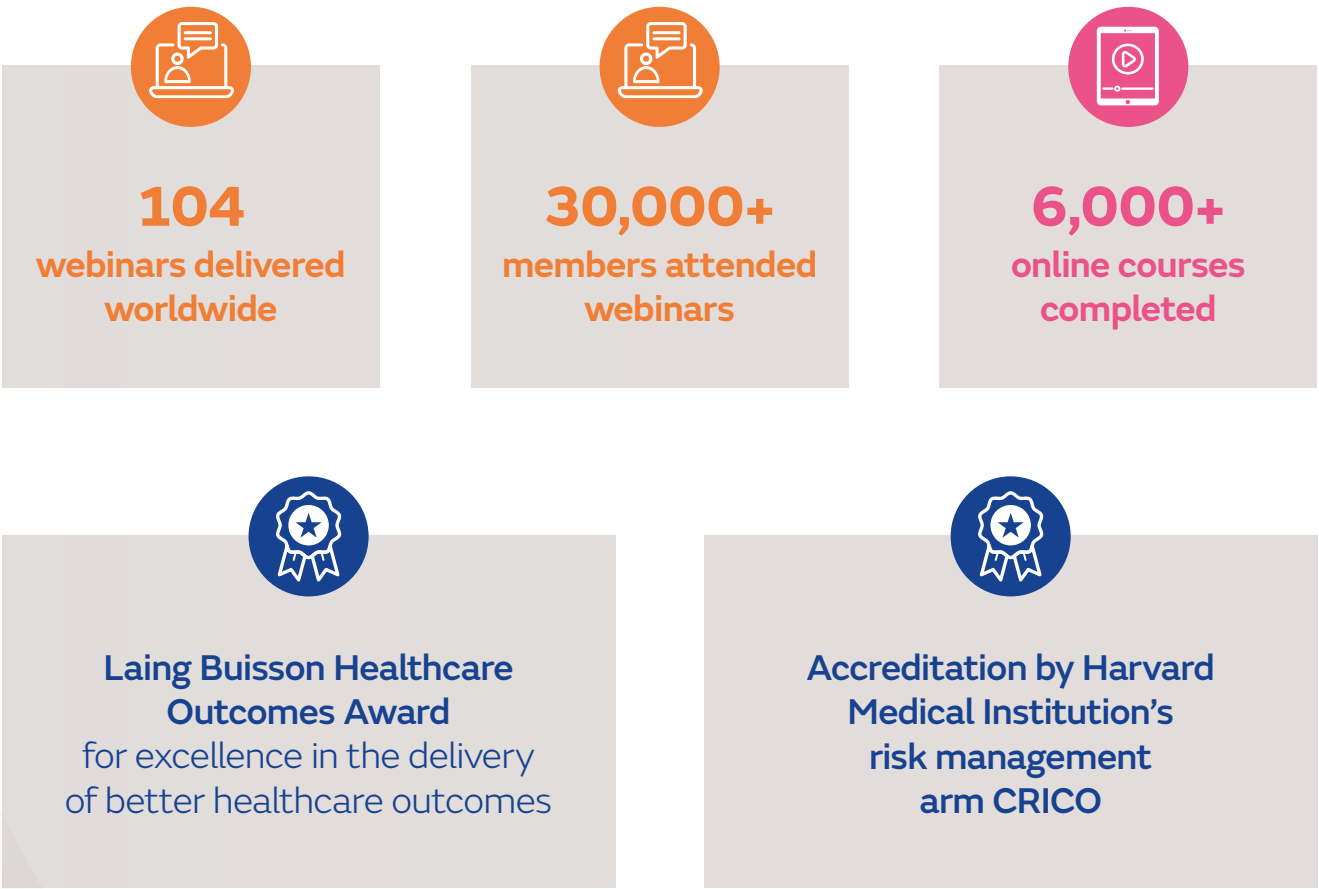
In-house legal services satisfaction scores⁴



Member satisfaction scores | Overall satisfaction⁵



Risk prevention expertise⁶



Our financial results in 2021



1. New cases opened in 2021 breakdown by case type; figures as at 31 December 2021
2. Includes claims determined in 2021 with no indemnity paid, plus pre-claims and incident likely cases closed in the year (ie that did not progress to a claim)
3. An improvement on 2020 figures: 84.8% (medical) and 66.1% (dental)
4. MPS in-house legal services survey results UK and Ireland
5. Percentage scoring 'very good' or 'excellent' for overall satisfaction with service received. International includes Australia, Hong Kong, Ireland, Malaysia, New Zealand, Singapore and South Africa.
6. 2020: 103 webinars, 69,357 attendees (increased attendance due to local COVID restrictions on in-person events)

Message from our Chair of Council



As its health, social, and economic impacts have reverberated around the world, the global COVID pandemic created a need, and an opportunity, for everyone to rethink their work. That applies to me as a clinician and how I treat my patients, and also in my role as Chair of MPS Council, ensuring that we continue to provide services that meet the needs of members. The different parts of the world are at different stages in their recovery from the pandemic. However, for many of us, myself included, there is a backlog of patients who have not been treated for their medical or dental problem. Some patients will have been fearful of presenting to their doctor or dentist, while for others, there may have been delays in diagnosis and treatment. In some, their condition will have progressed because of the delay, with an accompanying change in their prognosis. All of them deserve prompt and effective treatment and this is a major, current focus, for many healthcare systems. There remains a risk that these patients may seek compensation from the healthcare system, or from the doctors or dentists who look after them. To date these concerns have not, as far as we can tell, translated into an increased risk of litigation, but we remain vigilant in monitoring this data and will continue to support our members, should they become a target for such complaints.

The pandemic has also placed a sharp focus on the things in our lives which are sustainable and can withstand challenges, as we all consider our place in the world going forward. MPS has always been a purpose-driven organisation. We are here for our members – people whose chosen profession is defined by commitment, compassion and service to others. It is only right that we reflect those values in our own operations, and to be the type of organisation they would like us to be. That means acting responsibly, always considering the impacts of our choices, and making a positive

difference wherever possible – for the good of members, our colleagues, the wider public, and the communities and environment in which we all live and work.

For members, this is membership that adapts and grows with your needs and the changing landscape, with flexible products and improved member experiences. I invite you to read Our Chief Executive's report **Supporting members**, on pages 10 to 12, and our **Financial performance report**, on pages 19 to 21, which outline in greater detail all that we are doing to ensure your MPS continues to be a strong and stable organisation, providing you with the protection you need in a changing world.

MPS also has an important role in standing up for health professionals in the face of emerging challenges and in campaigning for legal reforms which support sustainable healthcare systems across the world. We are leaders in our sharing of insights and learnings that reduce risk and improve patient care. Thus, I am delighted that in 2021 we worked towards launching our new research initiative, The MPS Foundation, with its aim to create sustainable, global change through funding ambitious, cross-disciplinary, applied research. I strongly believe this will raise the quality of care and improve patient safety for all. You can read more about The MPS Foundation and our wider campaign efforts in our President of Council's report **Supporting the professions** on pages 8 and 9.

Beyond this core purpose, we recognise the responsibilities we have to the environment, our communities and to future generations to come. We are at a critical point in our history. According to the World Health Organisation, climate change is "the single biggest health threat facing humanity, and health professionals worldwide are already responding to the health harms caused by this unfolding crisis".⁷

When I took on the role of Chair of the Council in 2018, MPS was just starting to lay the foundations of its corporate social responsibility strategy. We have come a long way in that time, working towards the ambitious commitments we have set for ourselves in relation to our operational emissions, the waste we generate, and how and where we should invest members' funds. I am pleased to now be able to share our progress so far and the next milestones in this journey, in our **Supporting our communities and the environment** section on pages 13 to 18.

In closing, I want to acknowledge the tremendous work of members and all healthcare professionals. It has been a very difficult year for everybody as we strove to mitigate the impact of COVID on our personal and working lives. Your dedication and determination in service to your patients throughout these challenging times has been exemplary. I also want to thank outgoing Council members Dr Suzy Lishman, Howard Kew and Simon Pashby for their expertise and contributions over the years, and to extend a warm welcome to newly appointed Drs Meghana Pandit, Edmund Morris and Gozie Offiah. I look forward to working with them on the issues of import to our members.

Ian Eardley
Chair of MPS Council

7. World Health Organisation Intergovernmental Panel on Climate Change, 'Climate Change and Health', World Health Organisation, 2021, who.int/news-room/fact-sheets/detail/climate-change-and-health (accessed 6 February 2022)

Supporting the professions

This has been another extraordinarily challenging year for all health professionals, and MPS continues to be in awe of the commitment and resilience of our members under extremely difficult circumstances. We are determined to support you all during this difficult time.

As a student and as a practitioner, it is so important to feel protected by an organisation such as MPS, if something goes wrong. From personal experience, I can remember missing a fracture whilst working in a busy emergency department shortly after I qualified, and thinking my career was over, then feeling such relief that someone was there to help and reassure me.

Sharing insights to reduce risk and improve patient care

The factors that impact on our ability as healthcare professionals to deliver safe care are often systemic and complex. When there are failings, the reasons behind these failings rarely boil down to the transgressions of one or two individuals. To learn from adverse incidents, and to better understand why they happen, requires significant research and attention.

This is why I am delighted that we have launched The MPS Foundation – our new, global, not-for-profit, research initiative, funding ground-breaking, applied research into patient safety, patient outcomes, clinician wellbeing and risk and mitigation.

Funding will be targeted at research into the impact of human factors and the impact of processes and delivery models on patient safety (outcomes and risk). We will also be funding research into the personal and professional wellbeing of clinicians and the impact of digital integration and technology, both of which are crucial to maintaining patient safety.

Members and non-members working in universities, medical schools, third-sector and private research institutions,

Going into medicine, dentistry and other healthcare professions – and doing the best for our patients, day-in day-out – is something we should all continue to feel proud of. But we work within systems, resource restraints and cultures which sometimes make this hard. This is why we need to be part of an organisation that has our back, so we can continue to focus on doing the best for our patients.

As healthcare professionals face growing pressures, especially during this pandemic, medical defence organisations need to do more than just be there for individual members when things go wrong. Medical defence organisations need to support the profession as a whole, championing

hospitals, or hospital groups (public or private), local hospital networks, primary health networks, dental practices and groups, and other healthcare organisations are all eligible to apply. More details can be found at thempsfoundation.org.

Protecting members during the pandemic and beyond

Throughout the pandemic, we have been championing the need to ensure any complaints and claims against healthcare professionals are dealt with fairly.

Medical and dental regulators have responded to our call to reassure healthcare professionals that the context of the pandemic will be taken into account when they are assessing any complaints and some have published guidelines on how their staff should do this. We will continue to closely monitor this to ensure regulators do indeed take this approach.

We have been bold in highlighting some of the hard truths exposed by COVID, such as the lack of legal clarity to guide decisions around the allocation of limited resources when healthcare systems are at risk of being overwhelmed. In South Africa and in the UK, we have led the way in calling for emergency legislation

changes that would result in members feeling safer in the environment where we work and less likely to be involved in an adverse incident. They also need to be at the forefront of influencing governments, regulators, employers and legal systems to ensure that when we face a complaint or claim, these are dealt with efficiently, fairly, sensitively and proportionately.

As President of MPS, I am proud of the work MPS has done in 2021 to represent, protect and support the professions around the world. While it would be impossible to list everything we have done, I would like to provide a few key examples.

to protect healthcare professionals who might have to make extremely difficult treatment decisions during this or any future pandemic.

We have also been vocal in calling for high-quality wellbeing and mental health support for healthcare professionals. Many of us were already feeling very stretched and, following this past two years, we are now seeing even more who are feeling burnout or even suffering Post Traumatic Stress Disorder. I am proud that MPS has extended its offer of counselling support to members throughout this time – but clearly system-wide support will be needed given the challenges many of us have had to face.

Following New Zealand's COVID Public Health Response (Vaccinations) Order 2021 we were presented with a number of issues by our members that we have had to address. In particular, large gaps were identified in the government's policy around vaccination exemptions and this prompted us to urgently bring the issue to the attention of the Ministry of Health. Working with the key stakeholders, we were able to have our members issues addressed and suggestions adopted.



I am proud of the work MPS has done in 2021 to represent, protect and support the professions around the world



Reforming clinical negligence claims

MPS has continued to campaign for reforms that ensure clinical negligence claims are dealt with more quickly and sensitively and in a way that reduces costs for all parties.

In Ireland, we are pushing for the introduction of pre-actional protocols, which would make solicitors subject to obligations that would resolve many clinical negligence claims earlier in the process, without the need for court proceedings. At the end of 2021, as part of an ongoing campaign, we coordinated a joint letter to the justice minister urging her to introduce the necessary regulations. We will continue to push for these important reforms.

In New Zealand, we are challenging in the Supreme Court on an interpretation of the relevant legislation that would impose wide-ranging vicarious liability on all healthcare providers, making them liable for their colleagues' negligence.

We also continue to oppose claims that we think are unfair and which will have a negative impact on the wider profession. Dentists in England and Wales have been particularly concerned about the growing trend of claimant law firms pursuing claims against practice owners rather than the self-employed dentists who provided the treatment and against whom negligence is alleged. This is happening on a large scale, including in cases where the treating dentists have been identified and are willing to respond to the claim.

These types of cases cause real distress for practice owners. The potential impact to the long-established relationships and the arrangements that exist between practice owners and their associates also cannot be understated. This is why we – on a point of principle

and on behalf of the whole profession – supported a member in appealing a High Court judgment.

Challenging regulators

There are few developments that worry a healthcare professional more than receiving a letter from the regulator. Given the power regulators have, and their role as the guardians of professional standards, it is important that healthcare professionals have someone closely monitoring the regulators and challenging them when appropriate.

In 2021, we were pleased to be able to secure the payment of damages by the General Dental Council to a member after the regulator acted unlawfully in undertaking an under-guise operation without reasonable justification, using a fictitious scenario with two private investigators. This is perhaps an extreme example that sits alongside the wider number of healthcare professionals facing an investigation who we support every day. But it is a clear example of how we go above and beyond in supporting not just individual members but also the wider profession, using our discretion to stand up to something we think is wrong.

We have supported reforms that would enable regulators more discretion to close less serious cases more quickly, as well as the need to remove the General Medical Council's (GMC) power to appeal panel decisions.

Protecting members from criminal prosecution

Of the many risks faced by doctors, the threat to our liberty is the most extreme. While the numbers are very small, we are called upon to support and provide the best possible protection to members who end up facing criminal charges as a result of alleged mistakes in their clinical practice.

Doctors in South Africa have been particularly concerned given there is a very low threshold in law for blameworthiness when a patient dies while under medical care. This has resulted in errors of judgement in complex healthcare environments being criminalised, and healthcare professionals being convicted regardless of their intent. This is why we coordinated a joint letter which was signed by nine of South Africa's leading healthcare organisations, urging the Government to initiate a review into culpable homicide law and its application in a healthcare setting.

Looking ahead

In countries that are fortunate enough to have widely vaccinated populations, we can look forward to significantly lower levels of illness, hospitalisations and deaths. In 2022 we can also hopefully focus more on restoring healthcare and dental services, starting to clear the backlog and importantly, looking after ourselves so we can continue to look after our patients.

At the same time, no doubt inquiries will start to be held in many more countries to learn lessons for the future. In 2021, we submitted our views to the inquiry launched in Scotland and we will be looking to represent members in this and other inquiries as they progress.

None of us truly know what the future holds, but we can assure you that MPS is committed to championing and protecting the professions from whatever challenges lie ahead.

Professor Dame Jane Dacre
President of MPS Council

Supporting members

MPS exists to protect our members. It is in our name, Medical Protection Society.

Protection is more than defence; it encompasses everything that we do. We defend members against claims of clinical negligence and other matters arising from their professional practice. We provide a 24-hours-a-day, 365-days-a-year, medicolegal and dentolegal telephone advisory service. We undertake an unparalleled range of risk management education to help members better understand and reduce their risk. We provide assistance with media enquiries, a free counselling service from our third-party partners, and we lobby legislators, regulators and key stakeholders on matters of importance to MPS and our members.

I appreciate that in a busy clinical life, especially in the last two years, you will probably not give a first – let alone a second thought – to the benefits of MPS membership, unless of course you find you have need of our services. However, should the need arise, and your professional future be at risk, you will want to be confident that you are adequately protected. Furthermore, the long-tail nature of clinical negligence means that you will need to have confidence not just for next year, but for five, 10 or even 20 years on.

This is demonstrated by the following example: MPS was notified of a claim in Hong Kong in 2001 relating to a potential adverse clinical event in 2000. We settled the claim last year, 21 years after the adverse clinical event. The passage of time means that inflation has had a significant impact on the eventual settlement value which was around £23m. It is a staggering sum now, but such a sum would have been unthinkable in 2000 when the member paid their subscription.

I share this, because you need to be assured that the organisation in whom you trust your professional future is both committed to the market and has the longevity to be there in the future, should you need them. MPS is that organisation.

In 2022, we celebrate 130 years of serving members. This clearly demonstrates commitment, but it also demonstrates our sustainability. The practice of medicine and dentistry, the healthcare systems in which our members work, technology, patient expectations and the legal systems have all developed beyond recognition from our founding in 1892. It's because my predecessors focused on ensuring a sustainable future that MPS is the organisation it is today – the largest discretionary provider of protection to healthcare professionals in the world,

financially secure, international, member-owned and member-focused.

My role, like that of my predecessors, is to ensure a secure future for MPS, so that we can honour the commitment we make to members when we accept their subscriptions. At the heart of a secure future is our financial strength, ensuring that we have funds to meet the costs of claims as they fall due. As the case in Hong Kong demonstrates, inflation in clinical negligence can mean future payments could be unthinkably large by current standards. I am pleased to say that MPS ends 2021 in a strong financial position, as you will see in the **Financial performance report** on pages 19 to 21.

However, sustainability is more than just financial strength. We need to remain relevant to members. We need to understand their changing needs and adapt to them. We need to invest in technology to ensure that our systems and services are efficient and effective. We need to understand the risks of running an organisation like MPS and ensure that we control and mitigate those risks appropriately. We also need to be seen as an inviting organisation to work for, attracting and retaining talent.



Sustainability through products and services

We have done much in the last year to develop as an organisation, remain relevant, improve our service, invest in the organisation and continue to meet the changing needs of members.

In 2021 we consolidated our in-country professional services in South Africa and Ireland that we initiated in 2020. We now have 50 colleagues in South Africa and 22 colleagues in Ireland, dedicated to providing protection to members and ensuring a more responsive, knowledgeable, and agile service than before. In 2022, we plan to take steps to improve our professional service for members in Hong Kong, Singapore and Malaysia.

In 2021 we introduced a new vicarious liability product for our dental members in the UK, in response to growing concern from practice owners that they were increasingly being held liable for the actions of their associates. In addition to developing a product to meet a growing need, we also fought a test-case on vicarious liability, on behalf of a member. We lost the case at the High Court, but we appealed, and the Court of Appeal overturned part of the original judgement in relation to vicarious liability – demonstrating our willingness to fight important matters on behalf of members and the wider professions.

In 2021 we continued to develop limited income grades, a product initiative introduced in 2020. We wanted to reflect

the reduced level of clinical activity that some members experienced because of COVID.

We are developing a pricing approach called Types of Work, to ensure that the price we charge better reflects the amount and nature of members' clinical activity. This is in direct response to feedback from members that they want to pay for the risk their clinical practice presents to MPS.

Finally, 2021 also saw us determine our underwriting approach to telemedicine, so that we could best support members faced with its growth during the pandemic.

What our members say

We are always keen to receive feedback from members so that we can judge how well we are doing and what more we can do. I am pleased to report that we received strong scores from members for the quality services we provide, as well as excellent feedback. Please read more about this in the **2021 operational performance** section on pages 30 and 31.

Sustainability through industry reform

For many years now the cost of indemnity has grown faster than members' income, and so our subscriptions have become increasingly costly to them, both absolutely and relatively. This is the nature of clinical negligence in the countries in which we operate, where the cost of claims inflation far outstrips retail price and wage inflation.

If this trend continues, and past evidence would suggest that it will, this means that clinical negligence indemnity will become unaffordable at some point.

We are doing what we can to improve this situation by promoting tort law reform in several countries. We have engaged with the Health and Social Care Select Committee in the UK to promote tort law reform ideas. We have, in conjunction with several prominent partners, advocated for the introduction of pre-action protocols and court management rules in Ireland, and we have made a detailed submission to the South Africa Law Reform Commission's discussion paper on medicolegal claims, which was launched in November 2021.

We have recently worked in Northern Ireland and the Republic of Ireland in the

face of proposals to reduce the Court Discount Rate, which would result in an increase in settlement values and a rise in subscriptions. We have sought to influence the theory and mechanism of the calculation of the Court Discount Rate, and to make sure there is understanding of the consequences for the healthcare professions of any reduction in the rate.

In addition, we continue to robustly defend all claims that are worthy of a defence, to help control our costs and therefore hold our subscriptions as low as possible.



After 130 years, MPS remains a mutual organisation, owned by its members and driven by the need to act in their best interests



Sustainability through risk management

Another way to influence the affordability of indemnity is to help members understand their risk and support them to manage and mitigate it. MPS's experience and scope in this area is unparalleled by any other indemnifier.

We held 104 webinars in 2021 which attracted more than 30,000 individual members. We launched our first virtual interactive workshops and received accreditation by Harvard Medical Institution's risk management arm CRICO, to deliver its safety audit for client hospitals, with the first carried out for a hospital in the British Virgin Islands.

Sustainability through our colleagues

As a service and knowledge organisation, the quality of our colleagues will be reflected in the service we provide to members. So, we continue to work hard to ensure we attract and retain the very best talent to deliver both front line services to members, as well as supporting that service through back-office activity.

We have done much to support and promote wellbeing for our colleagues during another difficult year. We've moved all of our internal training and recruitment to a virtual world. We have developed many initiatives to improve inclusion and diversity within MPS. We are also developing a comprehensive learning academy to ensure that all our roles have defined knowledge and experience sets, defined working practices and a clear path for colleagues to develop skills and knowledge.

These initiatives have contributed to strong colleague engagement, leadership and inclusion scores. In 2021, our engagement score was 87%, an improvement of 1 percentage point from an all-time high at the end of 2020, placing MPS firmly in the top quartile of UK organisations.⁸ Our leadership score was 89%, an improvement of 4 percentage points, again from an all-time high of 85% at the end of 2020.

We measured our colleagues' perception of how inclusive MPS was for the first time in March 2021. At the time the score was 73% and this improved to 78% by the year end. We aspire to increase this and are aware that minority groups within MPS present a lower score for inclusion – so we still have work to do.

Sustainability in the face of external challenges

Sustainability also requires an organisation to anticipate the external factors that might impact its business, and to accommodate them as best as possible to minimise their negative impact. The last few years have seen unprecedented external challenges.

In 2019, state indemnity was introduced for general practice in England and Wales. This resulted in a loss of about 25% of MPS's income, but we have worked hard to lessen the impact. In 2018, the UK Government issued a consultation that pointed strongly to their desire to regulate the medical defence industry. As a result, MPS has worked to develop an insurance capability and we were successful in registering our own syndicate at Lloyd's of London at the start of 2022, giving us the necessary capability to offer insurance to members, if required.

After 130 years, MPS remains a mutual organisation, owned by its members and driven by the need to act in the best interest of those members. Member feedback clearly demonstrates a high degree of satisfaction, but we are not complacent. We continually strive to improve the quality of our service and meet the ever-changing needs of members – ensuring MPS remains a sustainable organisation that members can be confident will be here should they need to seek our assistance in the future.

Such assurance and confidence would not be possible without the continued support of our existing members, for which we are extremely grateful, and for the continued work of my MPS colleagues who unstintingly strive to work in the best interest of our members. I would like to acknowledge and thank them for their work.

Simon Kayll
Chief Executive

⁸. As benchmarked by consultancy group People Insights

Supporting our communities and the environment

For a greener, fairer and more sustainable future



In our day-to-day work, by helping members we help to serve the patients they care for. Our Values therefore reflect members' values, meaning we can all take pride in what we do and the vital part we play within healthcare delivery.

But we also have an opportunity to have a positive effect on the wider environmental and societal issues facing our world. That is why we have joined numerous international organisations and governments in adopting the United Nation's Sustainable Development Goals (SDG) and Principles for Responsible Investing.

Guiding us is our Corporate Social Responsibility (CSR) strategy, which drives us to:

- operate in an ethical and sustainable way
- deal with our environmental and social impact
- foster a culture of fairness, respect and belonging, and
- take meaningful actions towards our goals.

In 2021, we established a CSR Committee, which discusses important organisation-wide initiatives, oversees our charitable activities and monitors progress on targets.

Our goals and actions

SDG	Commitment / Target	Actions
 	Gender pay We are committed to reducing our gender pay and bonus gaps, understanding the root causes, removing barriers to career-progression that disproportionately impact women, and expanding the support and benefits we provide to all colleagues.	<ul style="list-style-type: none"> Flexible working opportunities are now actively promoted for all colleagues. Salaries and pay increases are governed by our base pay policy, and any pay gaps are addressed where necessary. We seek continuous improvement of our recruitment processes that ensure more diverse candidate pools. We provide support for those returning from extended family leave, to ensure career progression and a good work-life balance is achieved. Details on these and other initiatives can be found at medicalprotection.org/genderpay
	Members We know that inclusivity lies at the heart of progress, and we are committed to using our voice to champion a culture of equality, diversity and fairness in all areas of healthcare.	<ul style="list-style-type: none"> We contributed to the Diversity in Dentistry Action Group's report addressing racism and discrimination in UK dentistry, exploring and developing opportunities for representation and inclusion, and seeking organisational commitment to change at all levels. We supported the UK's General Medical Council (GMC) introduction of targets to reduce the number of referrals for ethnic minority doctors and those who graduated overseas. We surveyed international medical graduate (IMG) members in the UK, to learn more about their needs and the challenges they face starting work in the NHS. As a result, we are developing a new area of our website to provide improved information, advice and guidance, and tailoring our Risk Prevention offering to support their careers. Working with the UK charity REACHE North West, we offer special membership arrangements for refugee and asylum-seeking healthcare professionals during their training and transition into NHS work.
	Colleagues We are committed to being an inclusive employer as we recognise the value in divergent experiences and perspectives. We operate in culturally and ethnically diverse markets and actively seek to reflect the diversity of the healthcare profession in our people.	<ul style="list-style-type: none"> We treat all colleagues with respect. We ensure access to employment, development and promotion within MPS is free from discrimination on the grounds of gender, gender reassignment, sexual orientation, pregnancy and maternity, marital status, creed, colour, race, religion, age, ethnic origin, nationality or disability (which can include both physical and mental conditions). We act to remove barriers, both real and perceived, to colleagues' career progression and growth. We always aim to get a diverse pool of candidates for any recruitment that we undertake and seek to achieve a balanced shortlist of candidates. We use agencies who specialise in putting forward a diverse range of candidates to shortlist. We operate various colleague networks to promote and support diversity and inclusion including our Diversity & Inclusion Forum. We seek to ensure our reward across MPS is fair, equitable, measurable and transparent. We publish our gender pay report annually. Inclusion, Equality and Diversity form part of our MADE for Members Strategy, with two diversity and inclusion targets built into our long-term goals to reinforce our pledge. We monitor our performance against our commitment to being an inclusive employer through our Employee Engagement Forum, colleague-led networks, forums and surveys. For more detail on this and all our Diversity and Inclusion actions, please see the Our people and culture section on pages 22 to 23.

SDG	Commitment / Target	Actions
	Members The wellbeing of healthcare professionals has never been more important than it is today. We are committed to advocating and acting in the interests of members and the wider professions, to support their health and wellbeing.	<ul style="list-style-type: none"> We offer counselling to any members experiencing work-related stress, or stress that they feel could impact their practice. We provide a personalised online wellness service to all members, through the ECare app, that helps to monitor, measure and promote balanced healthy living. We host a series of wellbeing podcasts, webinars and more. We call for actions that safeguard the wellbeing of medical and dental professionals, including: <ul style="list-style-type: none"> issuing a joint letter to the UK's Health Secretary to implement a dedicated mental health support service for healthcare workers joining with the South Africa Medical Association to condemn the violence and abuse faced by doctors briefing UK ministers ahead of a debate on dentistry in Parliament on 14 January 2021, in which we highlighted the impact of COVID on dentists and asked for the wellbeing of dental professionals to be supported asking for a coherent mental wellbeing strategy, following the GMC's report on the state of medical education and practice.
	Colleagues MPS cares about the wellbeing of all our people. We commit to providing a supportive and empowering environment where colleagues are enabled to make day-to-day positive choices around their health and wellbeing.	<ul style="list-style-type: none"> For full details on our Wellbeing activities throughout the year, please see the Our people and culture section on pages 23 and 24.
	Public We aim to be a positive contributor in our communities. Our charitable activities – both local and international – align with our Values and Purpose.	<ul style="list-style-type: none"> We nominate international charities to be the focus for our fundraising efforts and donations. In 2021, we continued support for our chosen charities Gift of the Givers and DentAid. Both organisations have an international reach and are healthcare related, enabling MPS colleagues to further support humanitarian patient care to the world's most vulnerable. We support our local communities, by offering all colleagues paid leave to volunteer one day per year, sharing their time and skills.
	As an organisation, we are committed to ensuring we have responsible operations and have set a target of Net Zero emissions across our operations by the end of 2025.	<ul style="list-style-type: none"> MPS has a proactive approach to energy management by monitoring monthly consumption figures and has completed Energy Savings Opportunities Scheme (ESOS) surveys. The electricity contract is supplied by renewable energy and the emissions have been adjusted accordingly. We hold a green gas contract for our UK facilities, which reduces our emissions further. In 2021, we engaged the services of an external specialist to provide advice on how MPS could approach our Net Zero ambition. The work undertaken enabled the organisation to build a robust picture of our most material greenhouse gas (GHG) emissions across the MPS office network. This in turn enabled us to identify where improvements can be made across the portfolio with regards to building energy efficiencies. <p>In 2022, we are committing to the following further actions:</p> <ul style="list-style-type: none"> We will stop heating/cooling the transient spaces in our offices. We will be performing targeted reviews to reduce our use of: <ul style="list-style-type: none"> kitchen equipment – such as kettles and dishwashers desk phones office printing facilities. We will install LED lighting across our Leeds, UK estate. This is the estate which is both owned and occupied by MPS. More information on our carbon emissions and plans to achieve Net Zero can be found on page 18.

SDG	Commitment / Target	Actions	
	We seek to drive improvements through a change in our behaviours more widely and to make positive change on our environmental and social footprint.	<ul style="list-style-type: none">We ask our people to consider the environment at all times, by actively encouraging colleagues to minimise the use of natural resources (such as paper and water) and energy use, including business travel and to recycle waste wherever possible.We have removed single-use plastic cups in our principal offices, and we are working to reduce our waste which goes to landfill with dedicated recycling points.Through our association with World Land Trust (WLT) and our printing and marketing services partner, Resource, we use Carbon Balanced Paper for our publications, offsetting the equivalent of 215kg of carbon dioxide. This support enables WLT to protect 150m² of tropical forest currently under imminent threat of deforestation and degradation.	<ul style="list-style-type: none">We donate unwanted information and communication technology equipment to not-for-profit charities which refurbish the equipment and pass them on to educational and non-profit organisations in developing countries. In 2021, 68 items were marked to be sent to partner organisations of Computer Aid and 235 were recycled, with all component parts broken down and re-used. <p>In 2022, we are committing to the following further actions:</p> <ul style="list-style-type: none">We will install water saving devices to conserve water in our toilet cisterns, which will reduce our water usage each time a toilet is flushed.We will install tap aerators across our operations to help further reduce our water usage.
	<p>We are fundamentally committed to building a long-term, sustainable business, which will grow and secure members' funds in an environmentally and socially responsible manner.</p> <p>We commit to adopting and implementing the UN's six Principles for Responsible Investing (PRI):</p> <ol style="list-style-type: none">1: We will incorporate ESG issues into investment analysis and decision-making processes.2: We will be active owners and incorporate ESG issues into our ownership policies and practices.3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.4: We will promote acceptance and implementation of the Principles within the investment industry.5: We will work together to enhance our effectiveness in implementing the Principles.6: We will report on our activities and progress towards implementing the Principles.	<ul style="list-style-type: none">We have signed up to the UN PRI.Environmental Social Governance (ESG) is incorporated into our risk mitigation, compliance and investment strategies.We ensure ESG philosophy and/or ESG credentials are integrated into our fund managers' decision-making processes. We also seek to understand how they do so and favour a policy of engagement, but will use divestment pragmatically in the event of lack of a change in behaviour.We have reviewed our equity investments for what we call 'sin stocks' – companies whose business operations run counter to our values and CSR goals, such as tobacco, fossil fuels, and gambling – and have begun to remove these from our portfolio.	<p>In 2022, we are committing to the following further actions:</p> <ul style="list-style-type: none">We will monitor key ESG metrics, such as carbon intensity, greenhouse gas emissions and negative exposures within the investment portfolio.We will seek investment opportunities that provide a positive impact, such as funds that support climate solutions.More information on our ESG investing on page 17.

Responsible and ethical investing

We aim to use our scale and ability to make a real, positive impact on the companies and markets in which we invest and on society as a whole.

We have developed an investment strategy which not only serves to protect members' funds but also incorporates ESG factors into our risk mitigation, compliance and investment strategies.

- Environmental** – those companies across all sectors that are adapting their business model for a sustainable future, for example by reducing their carbon emissions and reserves
- Social** – those companies which focus on diversity (eg representation in company boards, executive, management and the workforce) and those which focus on human capital (making sure policies are in place to ensure companies have the right culture and treat workers fairly)
- Governance** – companies that have a strong track record on a range of criteria such as investor rights and remuneration.

The Council's Asset and Liability Committee (ALCO) oversees this work and has implemented the following considerations:

Risk management

ESG factors, though non-financial, have a material impact on the long-term risk and return of investments.

- Managing these risks forms part of the fiduciary duty of ALCO.
- ESG integration, and managing ESG factors, should lead to better risk-adjusted outcomes. We believe there should be a rigorous decision framework in making investment allocations, which is clearly linked to our ESG policy and continually monitored and assessed on an ongoing basis.
- We will adhere to this ESG policy and continue to communicate progress (see Monitoring and reporting opposite).

Framework

We believe that certain sectors or opportunities that provide a positive impact will outperform others, as countries transition onto more sustainable development paths. We will investigate opportunities to allocate funds to these sectors where there is clear alignment with objectives.

- We expect our investment managers to integrate ESG considerations into their investment processes and in their stewardship activities. We also seek to understand how they do so and favour a policy of engagement; but, we will use divestment pragmatically in the event of lack of a change in behaviour.
- We have a desire to avoid harmful industries, or companies, or those which have a high revenue dependency on such activities (eg over 25% of revenue from fossil fuels), in particular those which have negative health and environmental impacts (including tobacco, the worst violators to climate change and those with contravening acceptable social and governance practices). We review exposures to negative factors in consultation with our investment advisors and consider mitigation options, including engagement and divestment.
- As far as is practically possible, we breakdown investment decision-making and monitoring into Environmental, Social and Governance components separately, to ensure that progress is being made on all three areas individually, as well as on ESG more generally at a total portfolio level.

Voting and engagement

We believe that engaging with investment managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the investment managers in the first instance.

- ESG factors are relevant to all asset classes, whether liquid or illiquid investments, and investment managers have the responsibility to engage with companies on ESG factors.
- We want to understand the impact and effectiveness of voting and engagement activity within their investment mandates.
- Using an ESG scorecard, we will monitor progress against these actions.
- Divestment will be considered on a pragmatic basis, in the event that the engagement with the investment manager has not produced positive results.

Monitoring and reporting

We will continue to communicate progress and canvas views from key stakeholders, including members.

- We seek to monitor key ESG metrics, such as carbon intensity, greenhouse gas emissions and negative exposures within the investment portfolio to understand the impact of their investments and monitor how this evolves over time.
- ESG factors are dynamic and continually evolving, therefore we will receive training, as required, to continue to develop our knowledge in this area.
- We will also set pragmatic ESG targets based on our learnings and data availability and how key ESG metrics evolve over time.

Collaboration

Our investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices.

- As well as best practice, we have signed up to and comply with common codes, such as the UN PRI.
- We review the available industry bodies or ESG frameworks which align with our policy and beliefs. We will consider signing up to a suitable body, under which MPS would comply with the internal (reporting) and external (publishing) requirements, and further consider collaboration with other investors and organisations.

Where are we in the journey?

We have already started our journey to transition our portfolio into more ESG-focused funds. We established our ESG Investing Policy and ESG Steering Group in 2021, specifically to look into these funds, monitor and report on our activities. We proactively avoid harmful industries or companies which have negative social, health and environmental impacts. We look to invest in sectors or businesses that provide a positive impact, such as those that support climate and social solutions. We are investigating opportunities to allocate investment funding to these sectors where there is clear alignment with our objectives.

Over the next four years we are looking to invest more of our portfolio into renewable infrastructure mandates, social real estate mandates, as well as other opportunities that directly improve the communities and environment in which we all live.

Net zero

Net Zero refers to a state in which the greenhouse gases (such as carbon dioxide) going into the atmosphere are balanced by removal out of the atmosphere. The term Net Zero is important because – for carbon dioxide at least – this is the state at which global warming stops.

We all have a responsibility to help limit the effects of climate change, which is why we are targeting Net Zero emissions in terms of our operations by the end of 2025.

Beyond 2025, we plan to embed this across our supply chain and partnerships.

Our carbon emissions in 2021

As MPS is defined as a large company by the Companies Act 2006, we continue to report in line with Streamlined Energy and Carbon Reporting (SECR) legislation, to report on our energy and carbon usage in the UK. All scope 1 and 2 sources of energy and emissions have been disclosed as well as mandatory scope 3 sources of energy and emissions. These disclosures cover all UK activities across the Group.

Energy consumption (kWh)

	2021 MWh	2020 MWh
Electricity	2,416.12	2,503.02
Natural Gas	-	830.98
Bio Gas	713.63	-
Transport Fuels	25.27	33.38
Total Energy Consumption	3,155.02	3,367.38

Our CSR measures now form part of a wider Net Zero strategy by 2025. To that end we have engaged a consultant to measure our global emissions and to use these figures on a virtual model of our Leeds buildings to propose a holistic strategy of reduction. This is quite a wide ranging piece which will start this year and run over the period to 2025. It includes both physical changes, behaviour changes and also strategies which encompass travel. During 2021, MPS moved into a Green Gas Contract, or 100% Bio Gas which has seen emissions fall significantly.

Greenhouse Gas Emissions (tCO2e)

	2021 tCO2e	2020 tCO2e
Natural Gas	-	152.80
Bio Gas	0.16	-
Transport Fuel for Company Vehicles	9.95	8.50
From Combustion of Fuel	10.11	161.30
From Purchased Electricity, Steam, Heat and Cooling	513.01	583.55
From Other Activities including Process and Fugitive	513.01	583.55
Total Gross Emissions	523.12	744.85
Renewable Electricity	(513.01)	(390.49)
Total Net Emissions	10.11	354.36

Intensity Ratios

	2021	2020
Annual MWh per No. of FTE Employees	2.988	3.269
Annual tCO2e per No. of FTE Employees	0.010	0.387

SECR methodology

All conversion factors and fuel properties used have been taken from the 2021 “UK Government Greenhouse Gas Conversion Factors for Company Reporting” published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Average fuel prices have been taken from “Retail Prices of Petroleum Products and Crude Oil Price Index” published by BEIS. All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.

Where possible, energy consumption expressed in kilowatt-hours has been taken from suppliers’ invoices. Actual consumption was not available for the London site which has utilities supplied by the landlord, therefore the consumption has been estimated from the cost using the average unit rate of all other sites. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions.

The mileage of fuel purchases for company owned-vehicles has been taken from expense records for 2021. The conversion factors for average forecourt blends have been used to calculate greenhouse gas emissions and underlying energy use.

No other sources of emissions have been identified.



The reuse of MPS equipment since 2021 has prevented **639,620 Kg** of Carbon Dioxide being released into the atmosphere through e-Waste.



This is the equivalent of taking **313** cars off the road for 12 months



or planting **30,458** new trees to absorb CO2 from the atmosphere

Financial performance report

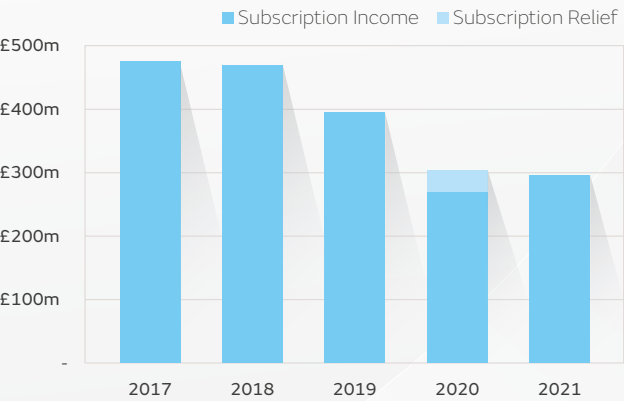
For my first financial report to members, I am pleased to share that net contribution to member funds increased by £94m in 2021 (2020: £44m surplus). The net contribution this year and compared to 2020 was mainly driven by better than expected returns from the investment portfolio.

Membership and income during the pandemic

Member numbers have increased year-on-year in all major regions, despite challenges in the student market and in areas which were impacted by longer lockdowns and restrictions on private practice than initially anticipated.

For the year ended 31 December 2021, member subscription income increased by 10% to £296m (2020: £268m). The 2020 subscription relief initiative (£35m), to support members during the first year of the pandemic, was not replicated in 2021, although members have been able to reduce activity levels on renewal as a result of new product initiatives. Excluding this relief, there was a decrease in income of 2%, driven by our commitment to improve prices for members, as well as continued COVID lockdowns in certain economies.

Member subscriptions – 5 year trend



* During the period 2017 to April 2019, MPS recognised subscription income from GPs in England and Wales for NHS-related work. In 2019, the governments in those regions implemented a state-backed indemnity scheme and MPS subscription income reduced as a result.

Cost focus

Close management of our cost base is a key component of MPS's strategy. For the year ended 31 December 2021, MPS continued to review costs across all areas of our business to ensure we delivered the best value for members. MPS is committed to achieving further progress on costs in 2022 and beyond.

Claims and advisory costs

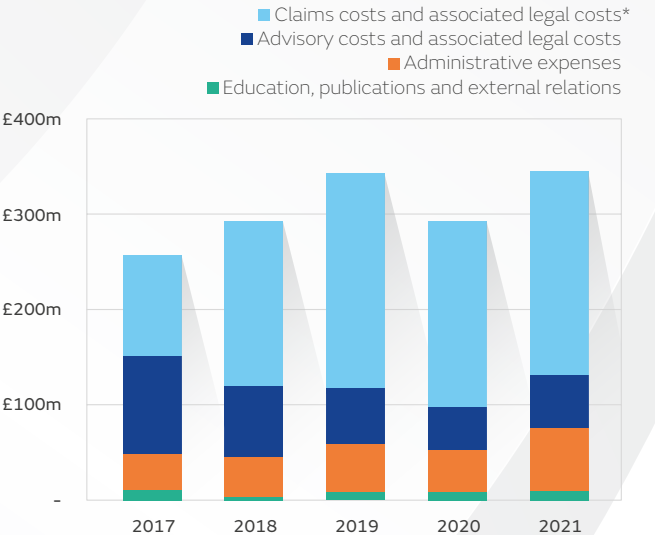
Claims costs and associated legal costs represent external legal costs and settlement costs for claims of negligence, together with the change in value during the year of all claims of negligence that have been reported and accepted by MPS. In 2021, these costs increased by 10% to £214m driven by a small number of one-off large claims in Ireland and in Hong Kong, two of which were birth injury claims, and an increased frequency, relative to expected, for Ireland Medical over the more recent three incident years.

Advisory and associated legal costs represent external costs and a proportion of MPS internal costs for matters other than negligence. In 2021 these costs increased by 23% to £55m. Internal costs increased as MPS continues to provide more in-house support across UK, Ireland, Singapore and South Africa. In 2020 there was a reduction in the estimated cost of non-negligence claims that had been reported and accepted. This was not repeated in 2021.

Administrative expenses

For the year ended 31 December 2021, MPS saw an increase in administrative expenses to £66m (2020: £44m). Within this, MPS recognised a write-down of its owned properties and provided for a one-off onerous lease cost of £16m (2020: £nil) for premises in London, in line with applicable accounting standards. Excluding these charges, underlying administrative expenses were broadly in line with 2020.

Total cost base – 5 year trend



* Claims costs reported for 2019 included the contribution made by MPS to the UK Department of Health and Social Care and the reduction in claims reserving liabilities.

Balance Sheet

MPS's financial position remains robust and we continue to have the largest asset portfolio of any medical defence organisation in the world. As at 31 December 2021, MPS had a net asset value of £2,158m, with the increase since 2020 being driven through asset growth and stable liabilities.

To monitor the financial health of MPS, we also monitor the estimated cost of future assistance relating to incidents not yet reported. This is known as the Estimated Potential Future Cost (EPFC). EPFC is not recognised as a liability until MPS exercises its discretion to assist, therefore any movements in EPFC are not recognised in the Consolidated Statement of Comprehensive Income. As MPS offers occurrence-based discretionary indemnity, MPS takes the potential quantum of EPFC into careful consideration when managing the financial position of the Group.

As at 31 December 2021, the estimated future cost of assistance and support was £870m (2020: £978m). This includes allowances for the added exposure of vicarious liability, delayed claims as a result of the COVID backlog and for inappropriate surgical mesh practices. For further detail on EPFC, see note 22 on page 79.

Taking EPFC into consideration, the net asset value of MPS as at 31 December 2021 would still represent £1,288m (2020: £1,059m) of assets in excess of liabilities and expected future potential claims, demonstrating the financial strength of the business.

Investment portfolio

MPS maintains a well-diversified portfolio across a number of financial instruments and at the end of December 2021, MPS assets under management were £2,623m (2020: £2,562m).

Investment assets by class 2021

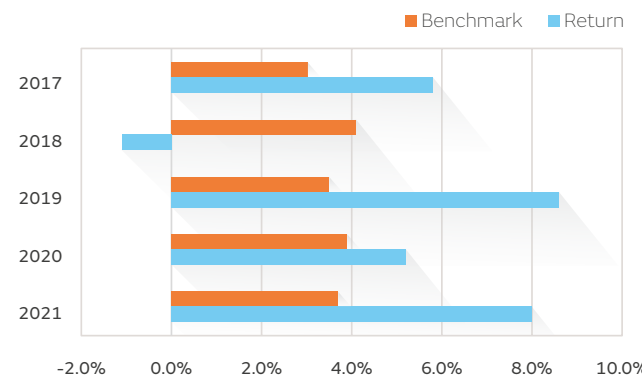


- Cash
- Derivative financial instruments
- Government and other bonds
- Equities
- Multi-asset credit
- Direct lending
- Inflation opportunities portfolio
- Infrastructure
- Real estate debt

Investment returns

MPS uses Return on Investments as the key measure, with a targeted return of +3% above the risk-free rate (ie the rate of return of an investment with no risk of loss). The performance of the overall portfolio is shown below, using this metric:

Investment return by year vs benchmark



During 2021 we saw global financial markets bounce back, as the vaccination rollouts allowed economies to reopen across the globe.

Credit markets delivered positive returns in 2021, benefitting from narrowing credit spreads, low default rates and supportive monetary policies, despite rising concerns towards the end of the year that rising inflation may be more permanent than initial expectations.

MPS's assets that are linked to inflation outperformed in 2021, with long-lease property being the largest contributor. In addition, infrastructure assets (mainly US linked) benefitted from the successful vaccine roll out and ongoing federal government stimulus.

UK bonds and gilts have delivered positive returns over 2021, despite a gradual decline over the final nine months of the year, driven by inflationary pressures and the October 2021 announcement that future gilt issuance would be significantly lower than first expected. In South Africa, MPS's inflation-linked bonds have delivered positive returns as a result of increased levels of inflation.

Estimated claims

For reported and accepted claims where costs are unknown, our actuarial team look at the historical trends and calculate an expected cost. As at 31 December 2021, MPS recognised provisions relating to claims and cases of £833m, marginally higher than in 2020 (note 17).

The estimates which MPS applies to the final settlement values of claims and cases changes over time, dependent on underlying actuarial assumptions. One key assumption is the discount rate and 2021 saw underlying risk-free rates increase resulting in a lower value of claims and cases provisions based on today's time value of money.

A key component of the discount rate is the Personal Injury Discount Rate (PIDR). Two changes are noted with PIDR, both of which increased the cost of current and future personal injury compensation. First, the Northern Ireland PIDR was dramatically lowered from 2.5% to -1.75% in May 2021. Secondly, the PIDR rate in Ireland is expected to change in 2022. Both of these changes impact claims where future costs are involved, such as care costs and loss of earnings and means that those claims yet to be settled through the courts, in both regions, will now cost more than initially estimated. Both of these changes have been recognised in the financial statements in the year ended 31 December 2021.

A sustainable future

Firstly, to our investment strategy, MPS has a well-diversified portfolio across asset class and geography and management continues to monitor exposure to market risk, adjusting accordingly.

In addition to this, I believe in a sustainable future for MPS, its members, future members and the society that we operate in. We can all do more to achieve this; I am committed to ensuring our investment portfolio can have a positive impact on the environment and society, whilst also providing the necessary returns. The new ESG Investing Policy created in 2021 will identify new opportunities to do this, whilst also monitoring and reporting on the ESG activities of our current portfolio. I look forward to providing updates during 2022. Further detail can be found in the **Supporting our communities and the environment** section on pages 16 and 17.

Secondly, MPS is very aware of the rising cost of indemnity to our members and increasing pressures outside of MPS's control, such as changes in PIDR and the rise in inflation. MPS is committed to focusing on cost efficiencies within the organisation, to help mitigate some of these pressures.

Finally, and above all, MPS is, and will continue to be, strong and secure. The business is well placed to support members with the products and services they need to manage their professional risks.

I would like to thank all our members for their loyalty in 2021 and to thank MPS colleagues for their contribution to our success.

Richard Pile
Executive Director of Finance

Our people and culture

Our business is to help healthcare professionals navigate the ethical challenges and legal risks of modern practice. Success depends crucially on the expertise of our people who deliver those services.

The quality of members' experience – from product design, 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.

Therefore, attracting, developing and retaining high-performing colleagues is vital for the success of MPS.

Inclusion, equality and diversity

Respect for each other and appreciation of our differences lie at the heart of our Values.

At MPS we want everyone to feel represented, nurtured and supported to be themselves, and know they are valued, and empowered to do their very best for members.

We need people who have different experiences and expertise, and bring innovation, creativity and a fresh perspective. Critically we are committed to ensuring that our culture allows colleagues to flourish, realise their true potential and achieve the recognition they deserve.

That is why Diversity and Inclusion (D&I) is one of our strategic goals with a focus on building a more inclusive culture and improving the representation of gender, ethnicity, sexuality and disability at all levels across MPS. Our Inclusion, Equality and Diversity Policy is at the heart of

this commitment and underpins our D&I Strategy.

To monitor our progress, we launched an Inclusion Survey in Spring 2021 and have since created Inclusion and Representation Indexes with targets to be achieved by 2025. Pleasingly our December 2021 Inclusion Index result showed a 5 percentage points improvement to 78% (8 percentage points above the external benchmark) indicating that our actions are making a difference to our people.

2021 has been a year where the implementation of our D&I Strategy has certainly gained momentum. The insight we have gained from our D&I data has been invaluable and our D&I Forum remains committed to sponsoring the collation of improved diversity data under the banner #includeme – enabling us to better understand our people and continue to shape the D&I Strategy for the future.

Diversity & Inclusion Forum

Our global D&I Forum comprises colleagues from diverse backgrounds who champion initiatives that deliver on our D&I Strategy and action plan. Complementing our D&I Forum are the Women's Inspirational, Parenting and Menopause Networks which have been enriched this year with the launch of our Proud@MPS (LGBTQIA+), Black, Asian and Neurodiversity Networks. We are delighted that these colleague-led

networks are being created by those who feel passionately about enhancing our understanding of potentially sensitive diversity matters which are important to them. In turn this honest and respectful dialogue informs actions that make a sustainable change for the better.

Initiatives championed by the D&I Forum and Networks implemented in 2021 include:

- Upward Mentoring Scheme to increase diversity of thought and provide development opportunities for our junior colleagues. All the Executive and many Non-Executive Directors have a mentor from a different background to themselves.
- The introduction of Public Holiday Trading where colleagues 'trade' public holidays with days that matter most to them such as Chinese New Year, Ramadan, Eid, Pride Week and Hanukkah.
- A campaign to encourage colleagues to provide their diversity data.
- Setting and obtaining Executive and Council's agreement to the Inclusion Index and Diversity Representation five-year targets.
- Adopting the Halo Code, the UK's first Black hair code which we hope will move us closer to a world free from discrimination and where all Black members of our community have their identities fully recognised and celebrated.

Our education on D&I matters has also gained more traction during the year, with a calendar of annual events, supported by Forum and Network members regularly posting blogs to engender debate. 'Diversity Moments' have also been embedded across MPS, creating time for reflection and debate on diversity and inclusion matters, and reinforcing our culture where open discussion and proactive action is the norm.

Closing the gender pay gap

We are pleased that our overall gender pay gap has continued to reduce in 2021, with the average hourly rate differing by 3% or less for the vast majority of colleagues.

Although delighted to be making progress, we know we are not where we want to be and are committed to improving the representation in senior leadership not only across gender but also ethnicity, disability and sexuality. Details of Gender Pay reports for the last five years can be found at medicalprotection.org/genderpay.

3% or less
gender pay gap for
the vast majority
of colleagues

Equal opportunities

The rights of disabled persons and the responsibilities of the Group are embedded within our Inclusion, Equality and Diversity 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.

Recruitment and retention

We are committed to 'growing our own' and seeing our talent progress through the organisation. Talent management is a continuous process throughout the year and throughout every colleague's career cycle, with the aim of building a diverse pool of highly talented people, capable of supporting our current and future business requirements.

We have continued to review our recruitment and promotion processes with the aim to ensure a diverse shortlist of candidates. We have assessed our preferred recruitment agencies and the job boards we use for advertisements and introduced two new agencies who specialise in attracting diverse talent. This has helped us successfully appoint both female candidates and candidates from under-represented groups. In 2021, we filled a total of 221 vacancies with 151 of these filled with external candidates and 70 internal candidates (32%). Of the external candidates 59% were female and 41% male.

We remain committed to increasing the diversity of our Board (MPS Council) and the Dental Board and stipulated that any Non-Executive Director recruitment must have a balanced shortlist of candidates in terms of gender, age and ethnicity. In 2021, we have been delighted to welcome new Council and Dental Board Non-Executive Directors from more diverse backgrounds and lived experiences. Further detail can be found in our **Remuneration report** on page 45.

Colleague wellbeing

The health and wellbeing of our people has been a key focus to ensure everyone has felt supported, resilient, and able to provide guidance and service to members through what has been a difficult and distressing time for many.

The well-established Wellbeing Committee extended its global representation so that during the pandemic it could better support the varying cultural needs of colleagues and the impact of prolonged lockdowns

on our people. In response, our Mental Health First Aider Network has grown with newly trained colleagues covering wider territories and time zones.

The annual Wellbeing Calendar for 2021 provided a variety of activities and themes that were relevant to colleagues and were well attended:

- Walking Month offered a series of challenges across teams naturally raising awareness of the physical benefits of daily exercise and creating a social feeling where colleagues supported each other and celebrated personal and team achievements, virtually.
- In June we held the first World Wellbeing Week showcasing videos from senior leaders discussing the importance of wellbeing and their personal stories. This helped to reduce the stigma associated with talking about mental health and asking for help and encouraged colleagues to take control of their own wellbeing.
- November focused on Men's Health Awareness in particular male suicide. External experts delivered interactive sessions which are now accessible on our internal MPS Academy. Men's Health Awareness will return in 2022 and has inspired a Women's Health Awareness month to be run in the year.
- In November our Risk Prevention team ran a session on *Caring for your Mental Health* and shared practical ways to sustain physical and mental wellbeing during times of challenges and uncertainty.
- Interactive wellbeing webinars were held throughout the year covering topics such as *Taking Care of Yourself in the Pandemic*, sleep health, physio tips and resilience, meditation and fitness bootcamps – combining social support with physical and mental wellbeing.

Our people and culture

These initiatives received many positive comments such as:

"The Wellbeing Committee is doing a fantastic job and I have enjoyed the activities and updates they provide."

"It's great that MPS has a wellbeing Committee and I appreciate all the different topics they look after."

"The introduction of the Mental Health First Aiders has provided much needed support in what has been a very challenging 8 months."

"Recovering from COVID is tough, so the Wellbeing support is perfect for me. It's great to have resources at our fingertips. Thanks."

Outstanding culture and engagement

We are delighted that our focus and investment in our people has been recognised through our excellent 2021 Employee Survey Results.

Our engagement score of 89% places MPS in the upper quartile of all external organisations surveyed by People Insights – 7 percentage points above the external benchmark and an award of "Outstanding Workplace – 2021" from our external survey provider.

Reflecting the positive Employee Survey results, we have also seen many positive reviews on Glassdoor and currently have a rating of 3.9 out of 5.



Flexible working

At the beginning of 2021, we announced our commitment to continue home working, a decision in line with most businesses, giving colleagues some reassurance about the future and their ability to maintain a work-life balance.

We invited the Employee Engagement Forum and our people directly, to help co-create a 'New Reality' – a policy on our future ways of working, whilst ensuring that we continue to support our members and each other. This will inform our future office footprint, working environment and policy design and implementation.

New Reality is based upon full trust and empowerment, and we are committed to working with our people throughout the year to ensure its successful implementation. This includes delivering the technological and physical capabilities for successful hybrid working.

MPS Values Awards

Our Values of Member First, Ambitious, Determined and Empowered (MADE for Members) are celebrated through the MPS Values Awards. We recognise the exceptional actions of colleagues who live and breathe the MPS values and for the first time in 2021, we were delighted to make a cross-divisional collaboration award to a team who MADE a tangible difference to the organisation and members.

Developing ourselves and our leaders

We aspire for our colleagues to be recognised as experts in their field, maximise their potential and build the skills, knowledge and experience to provide the service our members deserve.

Throughout 2021 we continued to develop our MPS Academy, supported by Training and Competence Schemes, Technical Development Frameworks, Learning Pathways, newly designed learning materials and accreditations.

Building leadership capability remained a strategic priority in 2021 as it is essential that we have quality leaders who consistently live our Values and reinforce 'putting members first'.

Over 150 leaders from across MPS globally have now successfully progressed through our Leadership Programme and, we have seen a strong improvement in our year-on-year Leadership Index, by 4 percentage points, to an MPS high of 89% – 10 percentage points above the external benchmark.

2021 also saw the launch of the Emerging Senior Leaders Programme aimed at developing high potential Medics and Dentists into senior roles. This programme has received outstanding initial feedback and has also strengthened our succession plans.

MADE for Me

2021 saw the introduction of the MADE for ME global benefits platform which provides access to remuneration benefits all in one place. We recognise that our people have different needs and therefore providing fixed benefits without any ability to personalise them is not conducive to an inclusive culture. We have started the journey to improve the transactional capability on the platform enabling colleagues to choose throughout their career, the benefits that are most important to them and their families.

What our colleagues have said



What is the best thing about working here?

The working environment encourages staff to be their best selves, the staff are accepting, helpful, considerate and caring. You feel part of a team that cares about its staff and values your input and contributions

Knowing that what we do makes a difference, I find my work at MPS both fascinating and challenging, it's a very professional environment with respect amongst colleagues and respect towards the members we support

The people in my team, and the line management I've received at MPS has been outstanding

A sense of purpose – helping the healthcare professions

It definitely has to be the culture. The efforts put in by MPS to ensure that their employees are well taken care of is just amazing and a first that I have experienced

The support of my manager during a difficult time in my life was amazing. I am privileged to work with my amazing colleagues. The pandemic identified that colleagues are able to work from home and be productive in their role. It is great that we are able to continue working on a hybrid (go to the office once a week) basis which gives a better work life balance and being able to take ownership of my work without being micro-managed

MPS provide a flexible and safe place to work where employees are encouraged to have a voice. The benefits and pay compare favourably with other organisations and the people and culture has always been friendly and relaxed

I enjoy working at MPS as I feel it has a very diverse colleague base, meeting new people from all different backgrounds is brilliant and something I haven't experienced as much in other workplaces, the forums that MPS offer is also like no others that I have experienced, I truly feel there is a place for everyone at MPS. The benefits that are offered are also very appealing especially with the addition of the MADE For Me platform

How we operate

Our business model

We are owned by our members, and have been since we were founded.

We exist solely to serve and protect their interests.

Members pay subscriptions that go into a central pool.

If they face a complaint, claim, regulatory investigation or any other matter arising from their professional practice, members have a right to request assistance from this central pool. Being member-owned, our default position is to see how we can help.

Once a request for assistance is approved, our experienced team of doctors, dentists, lawyers and case managers can help by offering the right level of assistance for a case.

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

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

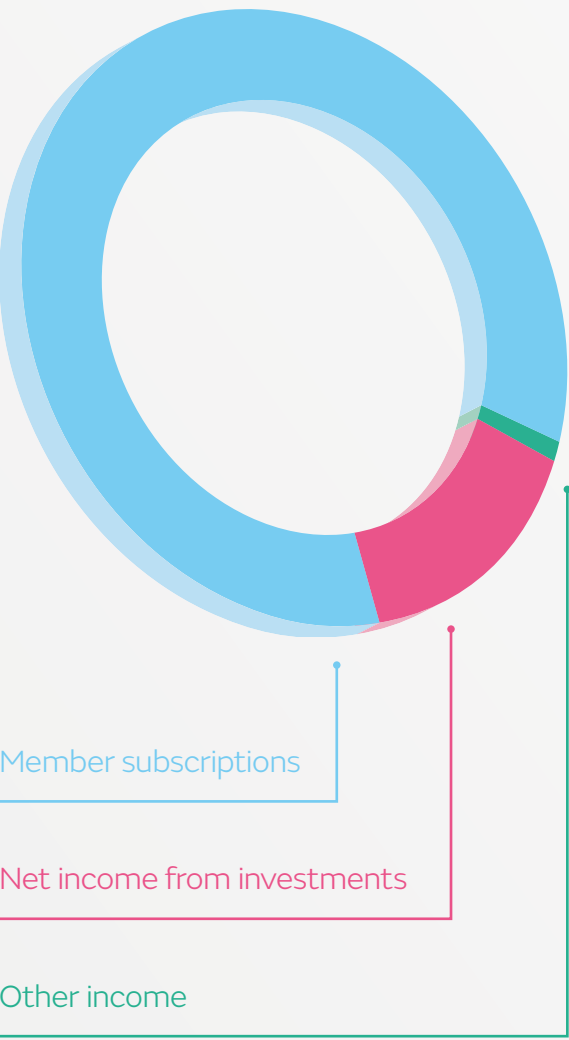
Clinical negligence is a specialist area of expertise and is very different to areas covered by traditional forms of insurance, such as car or household cover. It can be – and often is – several years between an incident taking place and the resulting claim emerging.

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.

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’s 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 the utmost rigour and fairness, and with the benefit of specialist professional insight.

Where our funding comes from

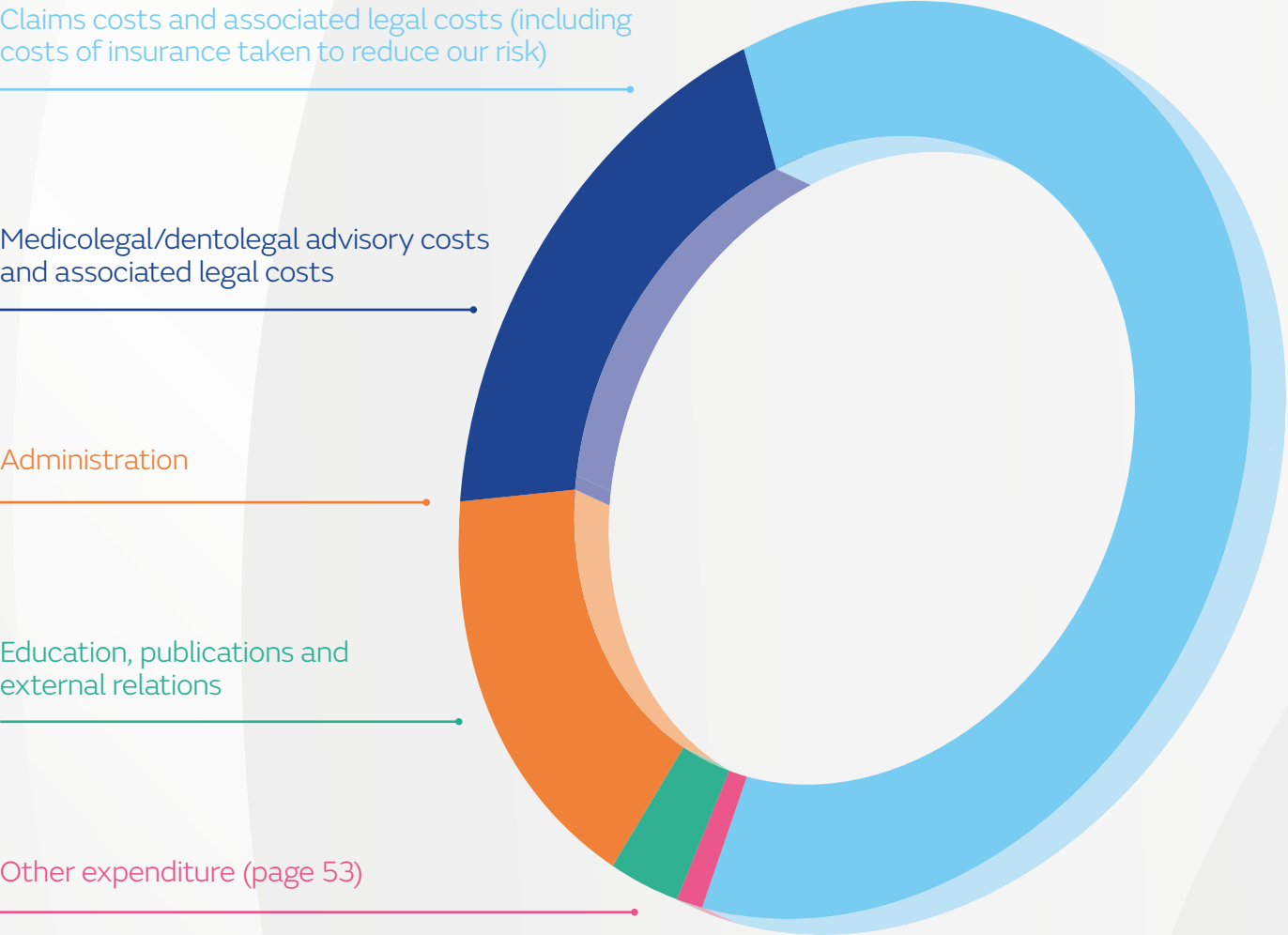


How we grow the member fund

- The vast majority of our income comes from member subscriptions.
- We also sell risk management programmes to corporate healthcare providers and hospital groups across the world.
- Income is invested in financial markets in line with our sustainable investment strategy to generate additional funds (or ‘financial surplus’) for our members. (page 21)

How we spend the member fund

MPS does not have any shareholders or investors, to whom we pay dividends, and exists purely for the benefit of members. With this in mind, we spend the member fund in the following ways:



What we use our funds for

- To provide benefits to members today
- To assist and support members in the future (page 10)
- To reinvest in our services; maintaining the excellence and expertise which members deserve and have come to expect from MPS
- To run our business effectively and in the interest of members.

Our brands and principal activity

Our principal activity

MPS is the world’s leading member-owned, not-for-profit protection organisation for doctors, dentists and healthcare professionals, with more than 300,000 current members and 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 brands

Our portfolio contains several brands, each catering to a defined audience and 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 three core services: medical malpractice insurance, risk prevention and individual indemnity. These solutions enable healthcare organisations around the world to protect their organisational 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 by 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.

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.



* Non-indemnity dental membership

2021 operational performance

Powered by our vision to be the most trusted, expert and valued protection organisation, we measure our performance using brand trackers and invest in member-focused risk management training.

As a membership organisation, our members have high expectations of us. 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 from us.

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 **Financial performance report** on pages 19 to 21 and **Our business model** on pages 26 and 27.

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. We also routinely survey members who contact our member administration call centre, our medicolegal and dentolegal advice lines, as well as 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.

Scoring our performance

Our Brand score

Statement	2021	2020	YoY
Offers good value for money	72%	66%	+6%
Are a provider I trust	97%	95%	+2%
Are financially secure	95%	90%	+5%
Has legal and support teams on hand that have an extensive medical/dental background	95%	93%	+2%
Offers a high level of expertise that will protect and reassure me	96%	93%	+3%

Average monthly member feedback scores achieved

On a scale of 1-7, where 1 represents “Very Poor” and 7 represents “Excellent”.

	2021	2020
Member administration	6.3	6.3
Medicolegal or dentolegal advice	6.3	6.4
Risk prevention workshops	*	*

* workshop activity halted due to the pandemic

Member administration

We answered 157,726 calls to our Member Services team in the year (2020: 156,888), 86% of which were answered within 20 seconds (2020: 49%).

Of the 53,643 of items of correspondence received in the year (2020: 71,692), 93% of routine items were dealt with within two business days (2020: 69%) and 99% of complex matters were handled within five business days (2020: 86%), against an internal benchmark of 90%.

Medicolegal and dentolegal advice

In relation to the 8,214 calls received during working hours into our medicolegal and dentolegal advice lines during the year (2020: 10,432 calls), 86% (2020: 86%), were answered within 20 seconds, outperforming our internal target of 80%.

Member survey feedback on in-house legal services

We survey members who have utilised in-house legal services, to rate the professional support and advice received. Feedback is also given on a scale of 1-7, again where 1 represents “Very Poor” and 7 represents “Excellent”.

	2021	2020
Clarity of advice	6.8	6.8
Ease of communication	6.5	6.5
Keeping you informed and updated	6.7	6.7
Our ability to listen and understand the issues	6.8	6.8
Tone/politeness and empathy	6.9	6.8
Overall satisfaction with the service	6.9	6.8

Risk Prevention

The COVID pandemic not only disrupted healthcare, but it turned on its head the way our members think about and undertake professional education. With scientific annual college conferences the mainstay, and for MPS our face-to-face workshops, COVID continued to force a shift to digital learning and virtual events. But like telemedicine, these changes are here to stay, challenging long-held education practices and preferences by clinicians around the world, and in doing so seeing the latent opportunity of technology platforms transforming forever how our members interact, stay up to date and look for solutions to their professional challenges.

MPS is adapting and changing in this new environment to meet member needs, and to take advantage of the cost savings, convenience and immediacy that technology presents.

MPS’s 2021 Risk Prevention programme mirrored our approach undertaken in 2020, with outbreaks, member concerns and demands on healthcare professionals meaning no face-to-face workshops were held around the world. In many countries activity was attempted to be planned, but as soon as the opportunity presented to host responsibly, local challenges re-emerged.

However, in 2021, we piloted and launched our first ever, highly interactive virtual workshops, adapted from our longstanding face-to-face Mastering series. A testimony to the quality and professionalism of MPS risk prevention, members rated these virtual workshops just as highly as they have their face-to-face equivalents. Virtual workshops will be offered to all members around the world and presenting even more accessibility and convenience, particularly for those in regional and remote areas.

More than 30,000 members participated in the webinar programme which continued to focus on issues arising from COVID. This number is less than 2020 participation, and most likely attributable to members reporting “zoom fatigue”, burnout, and with some members being offered deferral or relief from CME/CPD compliance by their professional bodies. Members were supported with key issues emerging from COVID impacts, including:

- teleconsulting
- burnout and resilience for members and their support of colleagues
- managing COVID related adverse incidents
- medicolegal issues arising from withholding or withdrawing treatment
- rights and responsibilities of doctors arising from vaccinations, including seeing unvaccinated patients
- high risk colleague interactions conducted by videoconference and telephone.

Risk Prevention also produced an insightful and highly praised report on Irish GP risk, with more than 1,000 visits to MPS’s report site.

We expanded our support of members in hospitals and practices in the UK and Caribbean, delivering programmes from our specialist healthcare improvement company, Cognitive Institute. The Institute also secured accreditation from Harvard Medical Institution’s risk management arm CRICO, to deliver under licence its safety audit for client hospitals and practices.

What our members have said

I feel Dental Protection is one of the best. In those stressful times I feel assured that [the] service I will get is second to none. I intend to practice in a way that I don’t have to use it but it’s a safety net

Thank you for always being there when I have needed you

Whilst I did not like the advice you gave me [it] does not mean you are wrong :-). You are a valuable sounding board for potential problems and an ally when things go wrong. Thank you for having my back

Excellent service. So glad I stayed with Medical Protection when other options kept asking me to move

Dental protection staff have always been very helpful and calming in times of great stress. They have held my hand through cases, written letters and given good advice when my stress levels have been through the ceiling, and I have been unable to think straight

Excellent support & communication wrapped up in human kindness

Section 172(1) statement

Members of the Council have considered their duty to promote the success of MPS for the benefit of its members as a whole, and in doing so have had regard to other relevant stakeholders, in accordance with the Companies Act 2006 Section 172(1), as outlined on page 46.

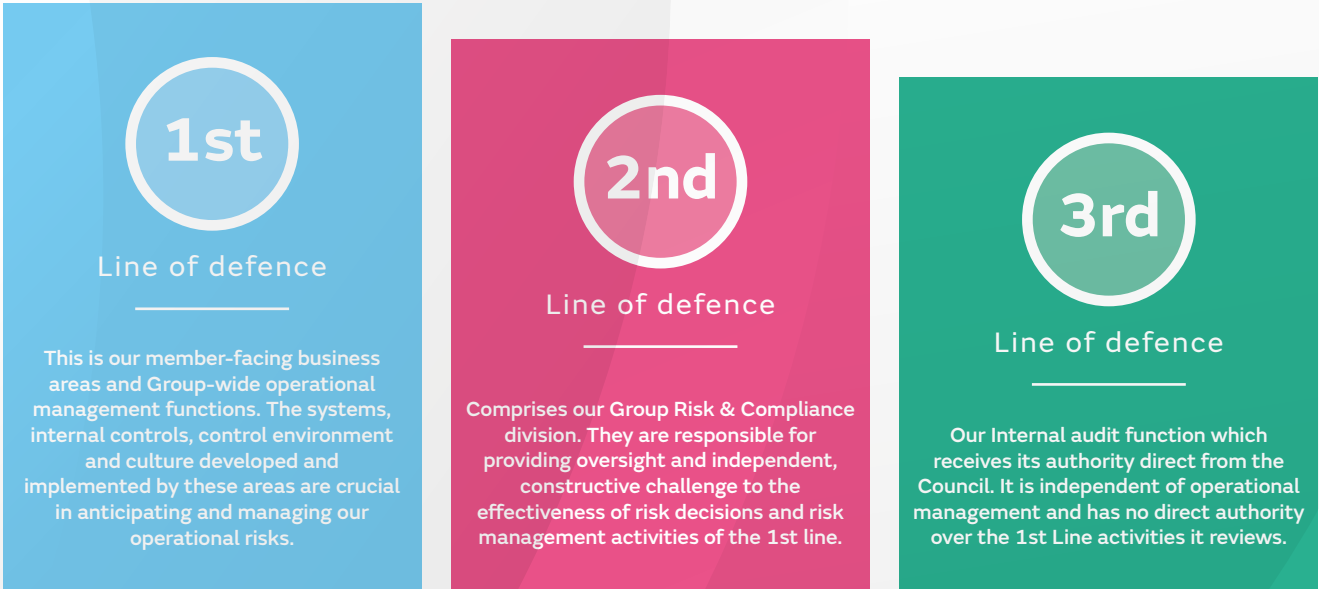
Key decisions made by the Council and its sub-committees are included on pages 43 to 48.

Stakeholder group	Why it is important to engage	Ways we engage	How we ensure we are doing this well	Their key interests	Further details
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• Member communications• MPS presence at events• Risk prevention workshops, webinars and online modules• Social media engagement• Annual General Meeting• Member Forum• Research	<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	<ul style="list-style-type: none">• Expertise and quality of customer service• Availability and ease of access to services• Value for money	<div>Supporting members10-12</div> <div>How we operate30-31</div> <div>Report of the Council47</div>
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">• Employee Engagement Forum• Manager 1-2-1s• Intranet – including discussions, blogs, news, social pages and activities• MS Teams channels• CEO briefing sessions and sessions with Exec• Monthly manager calls• Recognition and reward schemes• Colleague engagement surveys• Charity and social activities• Wellbeing Committee• New Reality working group• Colleague-run support networks• Diversity and Inclusion Forum• Coaching and mentoring programmes• Mental health first-aiders	<ul style="list-style-type: none">• Internal communications function• Communications strategy and plans to support change projects• Annual survey and twice-yearly pulse survey• Leadership framework, values, talent management, core behaviours and performance bonuses• Employee Engagement Forum• Feedback from Diversity & Inclusion Forum and colleague-run support networks	<ul style="list-style-type: none">• Being here for members• Career opportunities• Health and wellbeing• Training and development• Pay and conditions• Reward and recognition• Colleague engagement• Job security	<div>Our people and culture22-25</div> <div>Report of the Council47</div>
Partner organisations and suppliers	Working with 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 relies 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	<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	
Governments and public bodies	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. Relationships with state run schemes and other bodies are also important.	<ul style="list-style-type: none">• Regular meetings with officials• Engagement with ministers on key developments• Campaigning on key issues• Monitoring local developments	<ul style="list-style-type: none">• Dedicated public affairs team• Regional directors and other specific market focused colleagues• Stakeholder mapping in each major market• Support from in-country advisers	<ul style="list-style-type: none">• Costs of clinical negligence• Expertise on medicolegal and dentolegal issues• Quality of member service• Issues facing the professions	<div>Supporting the professions8-9</div>
Healthcare providers	MPS provides risk prevention and 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.	<ul style="list-style-type: none">• Direct engagement with corporates through targeted pipeline approach• Risk Prevention programmes• MPS Partnerships	<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	<div>Supporting the professions8-9</div>

How we operate

Stakeholder group	Why it is important to engage	Ways we engage	How we ensure we are doing this well	Their key interests	Further details
Professional bodies	Working with professional bodies (colleges, societies and unions) enables MPS to influence the wider debate on issues linked to our work. It also enables us to better understand our 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 	<ul style="list-style-type: none"> Dedicated public affairs team Regional directors and other specific market focused colleagues Stakeholder mapping in each major market Support from in-country advisers 	<ul style="list-style-type: none"> Affordability of indemnity/costs of clinical negligence Expertise on medicolegal and dentolegal issues Quality of member service Issues facing the professions 	Supporting the professions 8-9
Professional regulators	Working with professional regulators enables us to influence the way in which they regulate our members for the benefit of our membership.	<ul style="list-style-type: none"> Regular scheduled meetings Attending events Protecting members before the regulator 	<ul style="list-style-type: none"> Dedicated public affairs team working with colleagues across MPS Medical Director, Dental Director and country medical/dental leads 	<ul style="list-style-type: none"> Fair and efficient regulatory processes 	
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, blogs and dilemmas to key publications regularly Issue statements on behalf of members about cases Meetings with journalists Pre-empt and prepare for risks to reputation 	<ul style="list-style-type: none"> KPIs based on coverage in key publications in priority markets in comparison to main competitors 	<ul style="list-style-type: none"> Diverse and quality content that is relevant to their audience Accurate and timely information Expert advice 	
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 		<ul style="list-style-type: none"> Patient care and patient safety Compensation 	
Communities and the environment	We aim to be a sustainable business and recognise our responsibility to the communities in which our members operate.	<ul style="list-style-type: none"> Corporate Social Responsibility Committee Support volunteering days for the healthcare profession and for MPS colleagues Ethical investment strategy (ESG) Carbon emission reporting and responsible consumption initiatives Recycling older technology 	<ul style="list-style-type: none"> Corporate Social Responsibility Committee established to identify and monitor initiatives 	<ul style="list-style-type: none"> Sustainable investing Reducing the impact of climate change Supporting local community initiatives 	Supporting our communities and the environment 13-18

Our risks and risk management



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 and this 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 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	<p>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.</p> <p>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.</p>
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 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.

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 our 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 our 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 of Defence’ risk management model to ensure effective segregation between risk management (1st Line), risk oversight (2nd Line) and risk assurance (3rd Line).

At each scheduled meeting, the Audit and Risk Committee (the Committee), as the delegated authority for the Council, receives a report from the Executive Director of Risk & Compliance 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 with the business areas and the MPS Group Risk Register.

The Committee also receives updates from the Executive Director of Risk & Compliance 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 Executive Director of Risk & Compliance during the year.

The MPS governance structure is set out in detail in our **Statement of corporate governance arrangements** on pages 40 and 41.

Risk management strategy and framework

To enable us to manage the business with the necessary understanding of our risks and controls we have a risk management strategy and framework which includes:

- **Risk Vision** – to actively identify, understand and manage our risks responsibly and effectively, to enable MPS to deliver sustainable growth within risk appetite
- **Risk Aware Culture** – fostering the need for transparency of our risks, acknowledging that we are not immune from risk and we need to be responsive to our risks, adhering to the rules and not acting to benefit ourselves to the detriment of the wider organisation
- **Risk Appetite** – articulating the level of risk we are prepared to take to meet our objectives, and measured by key risk indicators
- **Risk Governance and Policies** – which collectively articulate our approach to risk management
- **Risk Universe** – our key risk categories through which all our risk processes such as assessment, aggregation and reporting must align
- **Risk Management Processes and Controls** – our risks are controlled end-to-end with key business processes mapped, effective outcomes and quality assurance; and clear escalation routes and reporting.

Future developments

We are always looking ahead while continually providing value for our members and clients. Our five-year vision focuses on our 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.

The Chief Executive's and Financial performance reports refer to key initiatives during the year and touch on future developments in specific areas. Below is a summary of those plans:

COVID

We continue to monitor developments in each region and do all we can to support members – from offering flexible membership options for those with reduced incomes, to providing timely advice on the latest guidance from respective governments and regulatory bodies worldwide and extending benefits as new issues and risks arise. We also campaign for legal protections for healthcare professionals to help reduce the burden of anxiety they carry when caring for their patients.

Regulation

We continue to work with the UK Government on their proposal to regulate professional indemnity, contributing our knowledge and experience to ensure that members' needs remain at the forefront of any decisions made. We are proud of the high level of service we have provided members for over 130 years and are committed to maintaining the highest possible standards, should there be a mandatory change to our business in the UK. We await the decision from the consultation, which was published in late 2018.

Insurance

In 2019, MPS began to offer insurance to corporate healthcare providers in the UK, which requires many aspects of our business to comply with insurance regulations. We are committed to continuing to offer individual members discretionary indemnity. However, it may become a requirement for healthcare professionals in some jurisdictions to purchase regulated indemnity cover, which we expect to be a policy of insurance, in the next few years. Should the UK Government decide that doctors and dentists need to hold

a policy of insurance for clinical negligence risks, we will be 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 overwhelmingly require us to offer insurance in existing countries of MPS business, outside the UK, and we need to be poised to enter new countries with an insurance offering where local conditions or regulation so require. With all this in mind, we are initiating a significant programme to prepare for insurance, including the development of our products, systems and processes.

Approval of the Strategic Report

Pages 26 to 38 of the Annual Report form the Strategic Report.

The Strategic Report was approved by the Council on 20 April 2022 and signed on its behalf by:

David Wheeler
Company Secretary

President and members of the Council

President	Professor Dame Jane Dacre MD, FRCP, FHEA
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 BA(Hons) FCA MBA

Members of the Council for the year ended 31 December 2021
Richard Brennan MB BCH MICGP FRCGP LRCP&SI ^{2 3}
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 2 4 5 7}
Simon Kayll BA(Hons) FCA MBA <i>Chief Executive (ex officio)</i> ^{1 4 6 7}
Howard Kew BSc(Hons) PGCE ^{1 4 6} (retired 31 March 2021)
Suzy Lishman CBE MA MB BChir FRCPath ^{3 5} (retired 23 June 2021)
James McLenachan MB ChB MRCP FRCP ^{3 4}
Edmund Morris BSc (Hons), MBBS, FRCA (appointed 1 September 2021)
Gozie Offiah BSc MB BCH BAO (NUI) LRCS & PI MD MMedSc PhD (appointed 1 April 2022)
Simon Pashby BA(Hons) FCA ^{1 2 4 5 6} (retired 23 June 2021)
Meghana Pandit MBBS FRCOG MBA (appointed 1 September 2021)
Stuart Purdy BA(Hons) FCII ^{1 2 4 6}
David Roytowski MBChB MBA MMED FC Neurosurg (SA) ³
Alexander Scott MB ChB ^{1 2 4 6}
Sally Scutt BA(Hons) MBA MA ^{2 3 5}
Graham Stokes BDS MFGDP(UK) DPDS Dip Imp Dent RCS CertMedEd ^{2 7}
Michael Urmston BA FIA ^{1 2 4 6}
Tom Weitzman QC BA(Hons) ^{3 4 5}
Callum Youngson BDS DDSc FDS DRD MRD FDS(Rest Dent) RCS(Ed) FDSRCS(Eng) ^{1 7}

- 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 MPI (London) Limited
- 7 Member of the Board of Dental Protection Limited

Report of the Council

The Council, which for the purposes of the Companies Act 2006 is the Board of Directors, presents its Annual Report for the year ended 31 December 2021.

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
Financial instruments	76
Financial risk management	77-78
Future developments	38
Equal opportunities	23
Employees	64

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.

Members of the Council

The names of the members of the Council of MPS who served during the year are set out on page 39.

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

During the year ended 31 December 2021, the Council has monitored the governance practices of MPS and it 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 opposite:

Application of the Wates Principles to MPS		
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 – to protect the careers, reputations and financial security of doctors, dentists and healthcare professionals around the world – was reviewed by the Council in 2021. 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 our Values through its performance related bonus arrangement MPS also monitors culture through colleague engagement surveys and through Committee feedback sessions.</p> <p>During 2021, the Council continued to promote the MADE for Members strategy designed to generate long-term sustainable growth for MPS.</p>
Board composition	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. The size of a Board should be guided by the scale and complexity of the company.	<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 comprises a majority of medical and dental professionals, who are complemented by experienced Directors in sectors relevant to our business operations.</p> <p>The Chair is assisted by a Vice Chair, thus facilitating working with relevant but divergent backgrounds.</p> <p>See the Remuneration report on page 46 for further information.</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 2021, the Council reviewed its terms of reference and those of 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 2025 at its annual strategy day in 2021, 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 2021 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 report on pages 45 to 46 for further information.</p>
Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned to the company’s purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	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 page 46.

Report of the Council

The following sections provide details of MPS's governance.

The Council

The Council currently consists of a Non-Executive Chair, 15 other Non-Executive Directors and one Executive Director, who is the Chief Executive. The role of Non-Executive Vice-Chair remains vacant. 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 2021. All of the 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 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.

The Council met formally five times during 2021. The attendance record of members of the Council at the five meetings is shown in the table opposite (eligible meetings for attendance shown in brackets):

Member of the Council	Appointed/ Retired	Number of meetings attended	
		2021	2020
Richard Brennan		5(5)	5(5)
Fiona Cornish		4(5)	5(5)
Ian Eardley		5(5)	5(5)
Simon Kayll		5(5)	5(5)
Howard Kew	Retired 31 March 2021	1(1)	5(5)
Suzy Lishman	Resigned 23 June 2021	3(3)	5(5)
James McLenachan		5(5)	5(5)
Edmund Morris	Appointed 1 September 2021	2(2)	-
Meghana Pandit	Appointed 1 September 2021	2(2)	-
Gozie Offiah	Appointed 1 April 2022	-	-
Simon Pashby	Retired 23 June 2021	5(5)	5(5)
Stuart Purdy		5(5)	1(1)
David Roytowski		5(5)	5(5)
Alexander Scott		5(5)	5(5)
Sally Scutt		5(5)	5(5)
Graham Stokes		5(5)	5(5)
Michael Urmston		5(5)	4(5)
Tom Weitzman		4(5)	5(5)
Callum Youngson		5(5)	5(5)

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

Non-Executive members of the Council met on occasions during the year without the executive members. 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 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 the subsidiary 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. To date, this has been based upon a

questionnaire and Council members have an individual review with the Chair on performance issues. The results of the most recent evaluation have been reported to the Council by the Chair, reviewed and discussed.

Linstock, board performance consultants, carried out an independent review of the Council's effectiveness in early 2020. The results of this review were presented in September, and the Council was satisfied that it functioned effectively during the review period.

Internal control

The Council has overall responsibility for MPS's system of internal controls and for reviewing its effectiveness, whilst the role of management is to implement the Council's policies on risk and control. MPS has an Executive Director of Risk & Compliance, responsible for fostering a member-focused and appropriate risk culture across the business which supports the delivery of financial security of our membership fund. The Executive Director of Risk & Compliance 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 the undertaking of regular reviews at departmental and corporate level. From these reviews, management identifies the key risks and determines their significance, based on the likelihood of each risk occurring and the potential impact on MPS if it were to do so. Management then determines what action can be taken, cost-effectively.

The Council has delegated the function of monitoring the effectiveness of the system of internal control and of the risk management process to the Audit and Risk Committee. See the 'Audit and Risk Committee' section below 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 Code for large private companies, and relevant FRC guidance on key risks such as such as going concern and liquidity. 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. These are the Audit and Risk Committee, Management Oversight Committee, Asset and Liability Committee, Medical Committee, and Remuneration and Nominations Committee. The members of these Committees are listed on page 39. 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	April, June, September and November
Medical	March, June and September
Management Oversight	January February, May, September and November
Remuneration and Nominations	February, September and December

In addition, the separate Board of Dental Protection Limited, comprising a majority of Non-Executive dental practitioners, met four times to consider issues affecting the dental profession and dental members.

For details on the Remuneration and Nominations Committee, see pages 45 to 46.

Audit and Risk Committee

The Audit and Risk Committee was chaired by Simon Pashby, until June of 2021, then Stuart Purdy, from June 2021 onwards, and met five times in the year. MPS's external auditors, Chair, Chief Executive, Executive Director of Finance, Executive Director of Risk & Compliance and internal auditors also attend the meetings. In addition, as part of the planned handover prior to joining the Council, Stuart Purdy attended two meetings, beginning in September 2020. 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 these meetings.

In fulfilling its responsibilities to the Council, the Audit and Risk Committee:

- Discusses with internal audit a plan of work each year, agrees the resource commitment and reviews findings of their work.
- Discusses with the external 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 and, in conjunction with the Asset and Liability Committee, determine 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 Executive Director of Risk & Compliance.

- Initiates as necessary and considers reports from management on systems of internal control and on the effectiveness of risk management.
- Reports the results of its work, with any necessary recommendations, to the Council and ensures that actions required by the Council are implemented. One such report is made at the year end before producing this statement.

MPS engages the services of KPMG to provide an internal audit function, whose responsibilities include providing assurance over a wide range of issues including financial, corporate and operational risks. Assurance is provided through reporting and the provision of opinion following a range of monitoring activities, discussion and review. The internal audit function is independent from all operational departments and its work is overseen and co-ordinated by the Audit and Risk Committee. The Committee receives summaries of all internal audit reports, is involved in approving the annual internal audit plan and is able to question the internal auditors about their work at each Committee meeting. The Committee also monitors and, where appropriate, challenges 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 the 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 pages 36 and 37).
- 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.

- Considered the requirements and impact of new accounting standards during the year.
- Completed a full tender process for selection of new external auditors.

Management Oversight Committee

The Management Oversight Committee is chaired by a Non-Executive member of the Council, Alexander Scott. The 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 analysis on the membership, including member movements, membership 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 is chaired by a Non-Executive member of the Council, Michael Urmston. The Committee oversees MPS’s investment strategy, quantification of reserves and its capital position. The members of the Committee are the members of the Board of MPI (London) Limited (MPI), 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 is chaired by a Non-Executive member of the Council, James McLenachan. 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, their issues and needs.

Dental Board

The Board of the wholly-owned subsidiary Dental Protection Limited is chaired by a Non-Executive member of the Council, Callum Youngson. The Board 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, their issues and needs.

Remuneration and Nominations Committee

Information on the Committee’s purpose and activities in the year can be found in the following Remuneration report.

Remuneration report

The Remuneration and Nominations Committee is chaired by a Non-Executive member of the Council, Sally Scutt and met three times in 2021.

Our President, Professor Dame Jane Dacre, the Chief Executive and the Executive Director of People and Culture were also in attendance at the meetings. The Chief Executive takes no part in discussions concerning his own remuneration.

In June 2021, Suzy Lishman resigned and Simon Pashby retired from Council, with David Roytowski succeeding Suzy Lishman on the Committee from September 2021.

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 sub-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.

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
- fair and equitable offering
- transparent with our reward
- accessible to all through flexible delivery
- differentiation for performance
- competitive in the market.

In February 2022, MPS published information on gender pay as of 5 April 2021, including bonus paid by gender based on the preceding 12-month period to 5 April 2021. It is important to stress that a gender pay differential or “gap” is not the same as pay inequality and we are confident that our colleagues are paid equally for doing equivalent jobs. Details of our

Gender Pay reports for the last five years can be found at medicalprotection.org/genderpay.

Remuneration paid

Directors’ emoluments

The standard remuneration for all Non-Executive members of the Council (other than the Chair) remained the same at £27,600 (2020: £27,600). Most Non-Executive members of the Council also received fees for appointments to various Boards and Committees. The President of the Council received a fee of £36,000 (2020: 36,000). Details of Council member appointments can be found on page 39.

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	2020 £'000
Executive members						
Simon Kayll (Chief Executive)	385	14	58	68	525	572
Howard Kew (Executive Director, retired 31 March 2021)	51 ²	3	60	9	123	314
Non-Executive members						
Ian Eardley (Chair of Council)	64	-	-	-	64	68
Richard Brennan	36	-	-	-	36	37
Fiona Cornish	36	-	-	-	36	36
Suzy Lishman (resigned 23 June 2021)	18	-	-	-	18	36
James McLenachan (Chair of Medical Committee)	42	-	-	-	42	42
Simon Pashby (retired 23 June 2021)	26	-	-	-	26	55
Stuart Purdy (Chair of Audit and Risk Committee)	47	-	-	-	47	11
David Roytowski	33	-	-	-	33	34
Alexander Scott (Chair of Management Oversight Committee)	47	-	-	-	47	48
Sally Scutt (Chair of Remuneration and Nominations Committee)	47	-	-	-	47	47
Graham Stokes	37	-	-	-	37	37
Martin Thomas (Vice Chair of Council, resigned 16 December 2020)	-	-	-	-	-	59
Michael Urmston (Chair of Asset and Liability Committee)	47	-	-	-	47	47
Tom Weitzman	40	-	-	-	40	40
Callum Youngson (Chair of Dental Board)	49	-	-	-	49	50
Meghana Pandit (Appointed 1 September 2021)	11	-	-	-	11	-
Edmund Morris (Appointed 1 September 2021)	11	-	-	-	11	-
	1,027	17	118	77	1,239	1,533

Key:	
TB	Taxable benefits – includes car allowance, medical benefits, other allowances and taxable expenses.
PR	Performance reward relating to the financial year, payable in the following March.
PEN	Employer pension contributions into defined contribution schemes or via alternative arrangements.
Note:	
1	An additional performance award, equal to the PR award paid, is deferred and payable in three years, subject to certain financial thresholds being met. The deferred element of the 2018 bonus became payable in 2021, after the relevant financial thresholds were met. That bonus was paid in March 2021.
2	Remuneration represents 80% full-time employment in 2021 to the date of leaving.

Report of the Council

During 2021, no Executive members of the Council (2020: none) were members of MPS's defined benefit pension scheme, details of which are set out in note 9 of the financial statements. During the same period, no members of the Council (2020: none) were members of the defined contribution pension scheme.

In addition, ten (2020: nine) Non-Executive members of the Council had personal membership of MPS.

Executive Director Performance Related Bonus achieved in 2021		
Name	In-Year 2021 Payable £'000	Deferred 2021 Payment (Potentially payable 2025 to 2028) £'000
Simon Kayll (Chief Executive)	58	58

Non-Executive members of the Council

The remuneration of the members of the Council was reviewed as part of the 2021 annual pay review. Recognising the difficult year that members globally had experienced through the pandemic on both a professional and personal level, the Remuneration and Nominations Committee determined that the remuneration of the Executive and Non-Executive members of Council should remain unchanged.

Non-Executive Members of Council do not receive a performance related bonus. Non-Executive Members of Council are reimbursed for travel and accommodation expenses for attending Council and Committee meetings. All reimbursements in relation to meetings held in London are treated as part of taxable gross pay through payroll, as London is deemed to be their normal place of work. Expenses are paid in line with the MPS Expenses Policy. Through 2021 most meetings were held virtually.

Nominations

Non-Executive appointments

Following election by the members, Stuart Purdy was appointed to the role of Chair of the Audit and Risk Committee from June 2021.

In September 2021, Drs Meghana Pandit and Edmund Morris were appointed to Council and joined the Medical Committee.

In June 2021, Charles Ormond retired after 10 years on our dental subsidiary Board, Dental Protection Limited. Drs Jigar Patel, Shaam Shamsi, Rubina Fur and Ryan Henessy were appointed to the Board in the same month.

Committee on Nominations

In 2021, individual performance assessment of the members of Council continued, complementing the Council's performance review. In 2021 this was undertaken internally by the Company Secretary and findings have informed the Council development plan, membership of sub-committees and succession plans – ensuring that MPS optimises the skills, knowledge and experience of the diverse backgrounds and perspectives of Council members.

The 2021 Council Development Plan continued to be delivered through e-learning and online sessions hosted by the Executive and their teams. These have been beneficial, ensuring that through COVID lockdowns, development has continued whilst enabling members of Council to meet colleagues from across MPS that ordinarily they may not have met in pre-COVID times. All members of Council continue to have access to the Non-Executive Directors' Association, which provides online reading and learning as well as access to networking and training events.

Political donations

No political donations were made in the financial year, which is Group policy (2020: £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 2021 and 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 2021. 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, a Director is briefed on their duties and they 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 Directors 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 43 to 45.

The following paragraphs summarise how the Directors 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 to 2025 and beyond. 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 fundamental to the delivery of our strategy. We aim to be a responsible employer in our approach to the pay and benefits colleagues receive. The health, safety and wellbeing of our colleagues is one of our primary considerations in the way we do business. Council members also meet a selection of MPS colleagues at informal dinners throughout the year, with the majority of meetings being virtual in 2021.

The Council is committed to empowering colleagues through formal and informal channels and promoting engagement by taking the views of colleagues into account 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. 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, the CEO briefings, divisional updates, Walking in Members Shoes Podcasts and other forums such as the Diversity & Inclusion Forum, the colleague-run 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 2021, we have 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 during 2021. Supporting colleagues through unprecedented times has been very important to us and people leaders have received additional training on how to support the wellbeing of their teams.

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 32 to 35.

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 Company'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 section **Supporting our communities and the environment** on pages 13 to 18.

Good governance and business conduct

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 pages 46 and 47). 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 its 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 the **Our stakeholders** section on pages 32 to 35.

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. See page 41 for more details on this.

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, including the latest FRC guidance on COVID published in December 2020. 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 doubts on MPS's ability to continue as a going concern for at least 12 months from the date of signing.

Auditors

At the Annual General Meeting in June 2021, BDO LLP were appointed as the external auditor of the Group and its subsidiary entities across the globe.

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

Statement of the Council's responsibility for the financial statements

The Council is responsible for preparing the Strategic Report (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 parent company, and of the total comprehensive income of the Company and Group for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make 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 20 April 2022 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 Company's affairs as at 31 December 2021 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Medical Protection Society Limited ("the Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated and Company Statements 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 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's and 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 Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on page 48, 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 and 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 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, are detailed below:

- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations and the control environment in monitoring compliance with the laws and regulations;
- Our responses to significant audit risks over management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specially we review manual adjustments made to the financial statements and the application of various estimation techniques;
- Considered the accounting policies and estimation techniques to ensure that they are compliant with UK GAAP;
- Enquiries of management;
- Review of minutes of Board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

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: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

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 2021

	Note	2021 £'000	2020 £'000
Income			
Members' subscriptions and other income		301,253	285,294
Expenditure			
Claims costs and associated legal costs	17	213,606	194,892
Advisory costs and associated legal costs	17	55,346	44,816
Movement in projected insurance recoveries		(211)	(3,974)
Education, publications and external relations	5a	9,650	8,726
Administration expenses	5b	65,960	44,491
Finance cost (unwinding of discount)	17	9,100	34,801
(Profit)/loss on exchange movements	5c	(5,911)	21,748
		347,540	345,500
Deficit of members' subscriptions and other income over expenditure		(46,287)	(60,206)
Net income from investments	6	52,202	63,002
Net interest on defined benefit pension asset	9	302	529
Change in fair value of investments	12a	112,278	73,034
Change in fair value of derivatives	12a	19,805	(4,607)
Contribution before taxation		138,300	71,752
Tax charge on investment income and gains	7a	(44,541)	(27,739)
Net contribution for the year to funds available for members		93,759	44,013
Other comprehensive income			
Remeasurements of defined benefit pension scheme	9	27,635	(4,749)
Total comprehensive income for the financial year		121,394	39,264

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

The notes on pages 57 to 79 form part of these financial statements.

Financial Statements

Consolidated and Company Balance Sheets As at 31 December 2021

	Note	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Fixed assets					
Intangible assets	10	18,291	20,149	18,466	20,340
Tangible assets	11	26,349	34,743	26,068	34,725
Investments	12a	2,622,603	2,561,733	1,336,601	1,259,601
Derivative assets	12a	66,342	14,113	-	-
Defined benefit pension asset	9	49,501	21,564	49,501	21,564
		<u>2,783,086</u>	<u>2,652,302</u>	<u>1,430,636</u>	<u>1,336,230</u>
Current assets					
Debtors - receivable within one year	14	34,953	31,967	121,652	163,717
- receivable after one year	14	20,729	31,640	26,693	37,962
Bank deposit accounts		206,508	178,877	19,986	24,570
Cash at bank and in hand		<u>103,581</u>	<u>28,295</u>	<u>21,991</u>	<u>27,451</u>
		<u>365,771</u>	<u>270,779</u>	<u>190,322</u>	<u>253,700</u>
Creditors: amounts falling due within one year	15	<u>(105,429)</u>	<u>(124,666)</u>	<u>(126,468)</u>	<u>(129,563)</u>
Net current assets		<u>260,342</u>	<u>146,113</u>	<u>63,854</u>	<u>124,137</u>
Total assets less current liabilities		3,043,428	2,798,415	1,494,490	1,460,367
Creditors: amounts falling due after one year	16	(669)	(548)	(669)	(548)
Provisions for liabilities	17	(833,621)	(742,547)	(769,101)	(706,422)
Derivative liabilities	12a	<u>(51,225)</u>	<u>(18,801)</u>	<u>-</u>	<u>-</u>
Net assets		<u>2,157,913</u>	<u>2,036,519</u>	<u>724,720</u>	<u>753,397</u>
Accumulated funds					
Income and expenditure		<u>2,157,913</u>	<u>2,036,519</u>	<u>724,720</u>	<u>753,397</u>
Funds available for members	22	<u>2,157,913</u>	<u>2,036,519</u>	<u>724,720</u>	<u>753,397</u>

The parent company's net contribution for the financial year was a deficit of £56.3m (2020: £32.8m deficit).

The financial statements were approved and authorised for issue by the Council on 20 April 2022 and were signed on its behalf by:

Ian Eardley
Chair of Council

Simon Kayll
Chief Executive

The Medical Protection Society Limited
Registered Company No. 00036142

The notes on pages 57 to 79 form part of these financial statements.

Consolidated Statement of Cash Flows Year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Net contribution for the year to funds available for members	93,759	44,013
Adjustments for:		
Amortisation of intangible assets	3,033	3,266
Depreciation of tangible assets	1,756	1,806
Revaluation of investment property	4,524	464
Impairment of tangible assets	2,749	-
Foreign exchange translation	(5,911)	21,748
Interest received	(4,988)	(6,036)
Dividends received from fixed asset investments	(47,214)	(56,966)
Taxation charge	44,541	27,739
Net fair value gains recognised in Statement of Comprehensive Income	(132,083)	(68,427)
Loss on disposal of tangible assets	96	20
Loss on disposal of intangible assets	141	318
(Increase)/decrease in debtors	(19,309)	17,950
Increase/(decrease) in creditors	21,649	(8,160)
Increase in provisions	55,767	63,758
Net interest on defined benefit pension asset	<u>(302)</u>	<u>(529)</u>
Cash from operations	<u>18,208</u>	<u>40,964</u>
Income taxes paid	<u>(26,122)</u>	<u>(69,535)</u>
Net cash used in operating activities	<u>(7,914)</u>	<u>(28,571)</u>
Cash flows from investing activities		
Purchase of intangible assets	(1,316)	(1,744)
Purchase of tangible assets	(731)	(564)
Proceeds from sale of fixed asset investments	1,182,562	1,568,985
Purchase of fixed asset investments	(1,221,605)	(1,558,096)
Interest received	4,988	6,036
Dividends received from fixed asset investments	47,214	56,966
Net cash generated from investing activities	<u>11,112</u>	<u>71,583</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	3,198	43,012
Foreign exchange translation	9,268	(21,729)
Cash and cash equivalents at beginning of year	399,325	378,042
Cash and cash equivalents at end of year	<u>411,791</u>	<u>399,325</u>

The notes on pages 57 to 79 form part of these financial statements.

<i>Analysis of changes in net funds</i>	At 1 Jan 2021 £'000	Cash flow movement £'000	Foreign exchange £'000	At 31 Dec 2021 £'000
Cash at bank and in hand	28,295	60,479	14,807	103,581
Bank deposit accounts	178,877	28,401	(770)	206,508
Cash with investment managers	192,153	(85,682)	(4,769)	101,702
Net funds	399,325	3,198	9,268	411,791

Of the net funds held by MPS, £15.2m (2020: £15.1m) 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 2021

	Income and expenditure £'000
At 1 January 2020	1,997,255
Net contribution for the year	44,013
Remeasurements of defined benefit pension scheme	(4,749)
Total comprehensive income for the year	39,264
At 31 December 2020	2,036,519
Net contribution for the year	93,759
Remeasurements of defined benefit pension scheme	27,635
Total comprehensive income for the year	121,394
At 31 December 2021	2,157,913

Company Statement of Changes in Equity
Year ended 31 December 2021

	Income and expenditure £'000
At 1 January 2020	790,954
Net contribution for the year	(32,808)
Remeasurements of defined benefit pension scheme	(4,749)
Total comprehensive income for the year	(37,557)
At 31 December 2020	753,397
Net contribution for the year	(56,312)
Remeasurements of defined benefit pension scheme	27,635
Total comprehensive income for the year	(28,677)
At 31 December 2021	724,720

The notes on pages 57 to 79 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 47. 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 settlement values require management’s judgement and are detailed in the relevant accounting policy (note 4(k)) and the disclosure for provisions (note 17).

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.

3 Significant accounting judgements and estimates (continued)

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 12(d).

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(g) and 4(h).

Deferred tax
In preparing the financial statements the Directors 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 that would be taxable on disposal has been calculated at 25% (2020: 19%), the tax rate applicable from 1 April 2023, except where the disposal is expected to occur in 2022 where the appropriate rate of corporation tax is 19%.

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 on 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 on 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. 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.

4 Principal accounting policies (continued)

(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 fashion.

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

In addition, the Group's investment managers are permitted to hold derivative financial instruments to enhance investment returns. These instruments are measured at fair value with any changes in value and gains or losses credited or charged to net contribution to funds.

The 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 within finance costs in net contribution to funds.

Incurred but not reported (IBNR)

Provisions are created, as appropriate, for estimated future claims costs which are expected to arise from reinsurance contracts where incidents have not been reported 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 8.1% (2020: 8.1%).

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

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

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

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if the 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 income 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 cost 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, with the aim of reducing risk and liaising with regulators, legislators and professional representative bodies around the world, on behalf of members and the wider professions, on matters relevant to MPS and our members.

5b Administration expenses

	2021 £'000	2020 £'000
Included under this classification are:		
Operating lease rentals:		
- Land and buildings	2,652	2,733
- Motor vehicles	-	121
- Office equipment	241	179
Depreciation of tangible assets (note 11)	1,756	1,806
Amortisation of intangible assets (note 10)	3,033	3,266
Employer contributions to defined contribution pension schemes	7,418	6,912
Onerous lease provision (note 17)	16,000	-
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	155	159
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	89	66
<i>Services to the Company's associated pension scheme</i>		
Audit of the financial statements of the Scheme, pursuant to legislation	12	12

5c Exchange movements

The majority of the (gains)/losses on exchange movements relate to the restatement of cash 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

	2021 £'000	2020 £'000
Bond and gilt interest	41,067	36,274
Bank interest	4,988	6,036
Other investment income	23,696	18,449
Derivative (payments)/income	(17,549)	2,243
	52,202	63,002

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 on investment income and gains

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	11,921	61,632
Adjustments in respect of prior years	3,587	1,725
Overseas taxation	743	556
Total current tax	16,251	63,913
Deferred tax:		
Origination and reversal of timing differences	24,541	(33,833)
Changes in the tax rate	6,730	-
Adjustment in respect of prior years	(2,981)	(2,341)
Total deferred tax	28,290	(36,174)

Tax charge on investment income and gains in the Consolidated Statement of Comprehensive Income for the year

	44,541	27,739
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7b Factors affecting tax charge for the year

	2021 £'000	2020 £'000
The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom at 19% (2020: 19%). The differences are explained as follows:		
Contribution before tax	138,300	71,752
Income and net gains from investments multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	26,277	13,633
RPI linked indexation	(1,121)	(230)
Adjustment in respect of prior years – current tax	3,587	1,725
Adjustment in respect of prior years – deferred tax	(2,981)	(2,341)
Disallowable mutual trade losses	11,104	6,879
Difference in tax rates	6,730	7,517
Foreign tax	743	556
Deferred tax not recognised	202	-
Tax charge for the year	44,541	27,739

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 (2020: £nil).

7c Factors that may affect future tax charges

The UK corporation tax rate for the year is 19% (2020: 19%). An increase in the main rate of UK corporation tax, to 25%, has been enacted in 2021, which is effective from 1 April 2023. Consequently, deferred tax previously provided at 19% has now been provided at 25% on all investments expected to be retained beyond 2023. This results in an increase in the 2021 deferred tax liability and the 2021 tax charge of £6.7m (2020: £7.5m). The increase in the UK corporation tax rate will increase future tax charges and balances accordingly.

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 1,056 for the Group (2020: 985) and 995 for the Company (2020: 949). Costs in respect of these employees were:

	2021	2020	2021	2020
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Wages and salaries	49,555	49,774	46,729	48,093
Social security costs	4,922	5,259	4,826	5,161
Pension costs	8,194	7,439	7,949	7,314
	62,671	62,472	59,504	60,568

A detailed analysis of Directors’ remuneration, including salaries, fees, benefits, bonuses and pension contributions, is provided in the Remunerations report, which forms part of these financial statements (see page 45).

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. However, 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. These were signed on 30 March 2022. The valuations 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 2021.

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

	2021	2020
	£'000	£'000
Fair value of scheme assets	224,835	218,426
Present value of obligations	(175,334)	(196,862)
Defined benefit pension asset	49,501	21,564

Movement in net defined benefit asset

	2021	2020
	£'000	£'000
Opening defined benefit pension asset	21,564	25,784
Gain in net contribution to funds	302	529
Amount recognised in other comprehensive income	27,635	(4,749)
Closing defined benefit pension asset	49,501	21,564

Amounts recognised in the statement of comprehensive income

	2021	2020
	£'000	£'000
Net interest income on defined benefit pension asset	302	529
Total gain recognised in net contribution to funds	302	529
Remeasurements	27,635	(4,749)
Amounts recognised in other comprehensive income	27,635	(4,749)

Assets

	2021		2020	
	%	£'000	%	£'000
Equities	17	37,259	16	35,336
Liability driven investment	68	153,034	68	147,194
Diversified growth fund	15	33,535	16	35,685
Cash and net current assets	-	1,007	-	211
Total	100	224,835	100	218,426

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

	2021	2020
	£'000	£'000
Opening fair value of scheme assets	218,426	198,903
Interest on assets	3,038	3,998
Benefits paid	(2,935)	(7,813)
Actual return on plan assets less interest	6,306	23,338
Closing fair value of scheme assets	224,835	218,426
Actual return on assets	9,344	27,336

Notes to the Financial Statements

9 Pensions (continued)

Liabilities

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

	2021 £'000	2020 £'000
Opening present value of obligations	196,862	173,119
Interest on obligation	2,736	3,469
Benefits paid	(2,935)	(7,813)
Actuarial (gain)/loss	(21,329)	28,087
Closing present value of obligations	175,334	196,862

Actuarial assumptions

	2021 % pa	2020 % pa
Price RPI inflation	3.5	3.1
Discount rate	1.8	1.4
Pension increases (LPI 5%)	3.4	3.1
Pension increases (LPI 3%)	2.6	2.5

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 26.6 years (2020: 28.3 years) and a female pensioner currently aged 60 would be expected to live for a further 29.4 years (2020: 30.5 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 2021 (2020: £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 2021	32,097	16	32,113
Additions	1,316	-	1,316
Disposals	(145)	-	(145)
At 31 December 2021	33,268	16	33,284
Amortisation			
At 1 January 2021	11,949	15	11,964
Charge in year	3,032	1	3,033
Disposals	(4)	-	(4)
At 31 December 2021	14,977	16	14,993
Net book value			
At 31 December 2021	18,291	-	18,291
At 31 December 2020	20,148	1	20,149
	Software £'000	Copyrights £'000	Total £'000
Company			
Cost			
At 1 January 2021	32,082	394	32,476
Additions	1,312	-	1,312
Disposals	(145)	-	(145)
At 31 December 2021	33,249	394	33,643
Amortisation			
At 1 January 2021	11,940	196	12,136
Charge in year	3,027	18	3,045
Disposals	(4)	-	(4)
At 31 December 2021	14,963	214	15,177
Net book value			
At 31 December 2021	18,286	180	18,466
At 31 December 2020	20,142	198	20,340

Software additions include £1.2m (2020: £1.6m) of capital expenditure relating to the member administration IT system. The remaining amortisation relating to this asset at the end of 2021 is £17.8m, which will be released over its remaining useful economic life of six years.

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

Notes to the Financial Statements

11 Tangible assets

Group	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 2021	2,181	31,412	5,200	8,159	41	46,993
Additions	-	14	286	381	50	731
Disposals	-	-	(352)	(362)	(48)	(762)
Transfer between categories	12,143	(12,143)	-	-	-	-
Revaluation	(4,524)	-	-	-	-	(4,524)
Impairment	-	(2,749)	-	-	-	(2,749)
At 31 December 2021	9,800	16,534	5,134	8,178	43	39,689
Depreciation						
At 1 January 2021	-	4,459	1,500	6,256	35	12,250
Charge in year	-	800	371	576	9	1,756
Disposals	-	-	(346)	(287)	(33)	(666)
At 31 December 2021	-	5,259	1,525	6,545	11	13,340
Net book value						
At 31 December 2021	9,800	11,275	3,609	1,633	32	26,349
At 31 December 2020	2,181	26,953	3,700	1,903	6	34,743

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 2021	2,181	31,412	5,200	8,097	41	46,931
Additions	-	14	34	313	50	411
Disposals	-	-	(352)	(361)	(48)	(761)
Transfer between categories	12,143	(12,143)	-	-	-	-
Revaluation	(4,524)	-	-	-	-	(4,524)
Impairment	-	(2,749)	-	-	-	(2,749)
At 31 December 2021	9,800	16,534	4,882	8,049	43	39,308
Depreciation						
At 1 January 2021	-	4,459	1,500	6,212	35	12,206
Charge in year	-	800	340	550	9	1,699
Disposals	-	-	(346)	(286)	(33)	(665)
At 31 December 2021	-	5,259	1,494	6,476	11	13,240
Net book value						
At 31 December 2021	9,800	11,275	3,388	1,573	32	26,068
At 31 December 2020	2,181	26,953	3,700	1,885	6	34,725

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 2021.

At 31 December 2021, one of our properties in Leeds was reclassified from Freehold land and buildings into Investment property, due to the vast majority of the building being leased, or available for lease. Following this reclassification, a revaluation was performed, as noted above, and the carrying value was subsequently reduced by £5.8m to £6.3m. Conversely, an increase in valuation of £1.3m was recognised for existing investment properties.

The historical cost of investment properties held at fair value is £18.5m (2020: £4.7m).

During the year ended 31 December 2021, the Directors considered the current economic conditions, specifically around changes in working practices and the utilisation of office space. As such, an impairment charge of £2.7m has been recognised within Administration expenses in the Consolidated Statement of Comprehensive Income.

All of the leasehold properties held at 31 December 2021, by the Group and by the Company, are short leaseholds.

Capital commitments

Capital expenditure approved and contracted for amounted to £nil (2020: £0.3m).

12a Investments and derivatives

Group	Total investments £'000	Total derivatives £'000
Valuation at 1 January 2021	2,561,733	(4,688)
Investment additions	1,221,605	-
Disposals at carrying value	(1,182,562)	-
Movement in cash balances	(90,451)	-
Fair value adjustments	112,278	19,805
At 31 December 2021	2,622,603	15,117

Company	Total investments £'000
<i>Investment in subsidiaries (note 13)</i>	
Cost as at 1 January 2021	1,259,601
Additions	77,000
As at 31 December 2021	1,336,601

Investments comprise:

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Listed investments	1,386,253	1,265,953	-	-
Unlisted investments	1,105,605	1,074,584	-	-
Shares in Group undertakings	-	-	1,336,601	1,259,601
	2,491,858	2,340,537	1,336,601	1,259,601
Cash	130,745	221,196	-	-
	2,622,603	2,561,733	1,336,601	1,259,601
<i>Derivative financial instruments (12b):</i>				
- assets	66,342	14,113	-	-
- liabilities	(51,225)	(18,801)	-	-
	15,117	(4,688)	-	-

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	1,541,907	62,938	(45,373)

Forward foreign exchange contracts

Duration	Nature of contract	Notional value '000	Asset £'000	Liability £'000
3 months	Sell USD Buy HKD	HKD 2,247,999		(451)
3 months	Sell USD Buy ILS	ILS 85,000	699	-
3 months	Sell USD Buy MYR	MYR 150,000	151	-
3 months	Sell USD Buy SGD	SGD 120,000	219	-
3 months	Sell EUR Buy GBP	EUR 326,000	-	(3,272)
2 months	Sell GBP Buy ZAR	USD 1,604	-	(2)
3 months	Sell USD Buy GBP	GBP 269,139	-	(2,127)
2 months	Sell GBP Buy USD	USD 7,399	58	-
3 months	Sell ZAR Buy GBP	GBP 49,277	2,277	-
			3,404	(5,852)
Total derivatives			66,342	(51,225)

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	7,286	114

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 2021				
Equities	532,659	-	-	532,659
Government and other bonds	361,373	-	-	361,373
Infrastructure	-	-	145,068	145,068
Multi-asset credit	492,221	-	215,894	708,115
Inflation opportunities portfolio	-	-	305,367	305,367
Real estate and ground rent	-	-	101,839	101,839
Direct lending	-	-	337,437	337,437
	1,386,253	-	1,105,605	2,491,858

Derivative financial instruments	-	66,342	-	66,342
	1,386,253	66,342	1,105,605	2,558,200

At 31 December 2020

Equities	432,267	-	-	432,267
Government and other bonds	462,082	-	-	462,082
Infrastructure	-	-	145,595	145,595
Multi-asset credit	371,604	-	284,852	656,456
Inflation opportunities portfolio	-	-	250,552	250,552
Real estate and ground rent	-	-	118,770	118,770
Direct lending	-	-	274,815	274,815
	1,265,953	-	1,074,584	2,340,537

Derivative financial instruments	-	14,113	-	14,113
	1,265,953	14,113	1,074,584	2,354,650

Financial liabilities at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2021				
Derivative financial instruments	-	(51,225)	-	(51,225)
At 31 December 2020				
Derivative financial instruments	-	(18,801)	-	(18,801)

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 1Valued using quoted prices in active markets for identical assets.
- Level 2Valued by reference to valuation techniques using observable inputs other than quoted prices included in level 1.
- Level 3Valued by reference to valuation techniques using inputs that are not based on observable market data.

Notes to the Financial Statements

13 Investments in subsidiary undertakings

The parent company has the following direct 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.
DPL Australia Pty Limited	100%	-	Level 26, 181 William Street, Melbourne, Vic 3000 Australia.	To manage the administrative affairs of dental members in Australia.
MPS Holdings Australia Pty Limited	100%	10	Level 26, 181 William Street, Melbourne, Vic 3000 Australia.	Holding company.
The Cognitive Consulting Group Pty Limited ²	100%	-	Level 26, 181 William Street, Melbourne, Vic 3000 Australia.	To provide communication skills and risk management training to healthcare professionals in Australia.
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%	-	Units 1603-4, 16th Floor, Causeway Bay, Plaza 1, 489 Hennessy Road, Hong Kong.	To provide administration, training and oversight functions relating to members of MPS 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 members of MPS 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 members of MPS in Singapore.
MPS Claims Services Limited	100%	-	32 London Bridge Street, SE1 9SG, England.	To provide claims services for the policies sold by MPSUW Limited.
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.	An approved Lloyd's of London Coverholder; distributing medical malpractice insurance policies to corporate healthcare providers.
MPSUW Ireland Limited ²	100%	-	25-28 North Wall, Dublin 1, D01H104, Ireland	An approved Lloyd's of London Coverholder; distributing medical malpractice insurance policies to corporate healthcare providers.
MPSCM Limited	100%	29,050	32 London Bridge Street, SE1 9SG, England.	A Corporate Member of Lloyd's of London; supporting the underwriting activities of the MPS Special Purpose Arrangement Lloyd's syndicate.
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 members of MPS in Trinidad & Tobago.
MPSJS Limited	100%	-	48 Duke Street, Kingston CSO, Kingston, Jamaica.	To provide administration, training and oversight functions relating to members of MPS in Jamaica.
		1,336,601		

¹ Parent and Group 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.

14 Debtors

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Receivable within one year				
Membership debtors	8,879	18,335	8,879	18,335
Other trade debtors	403	1,043	309	920
Recoverable insurance claims	8,859	4,595	9,522	5,298
Amounts owed by subsidiary undertakings	-	-	87,772	131,235
Other debtors	9,372	2,412	9,314	2,392
Prepayments	5,941	5,582	5,856	5,537
Corporation tax	1,499	-	-	-
	34,953	31,967	121,652	163,717
Receivable after one year				
Recoverable insurance claims	20,729	31,640	26,693	37,962
	20,729	31,640	26,693	37,962
Total debtors	55,682	63,607	148,345	201,679

One of the loan balances within amounts owed by subsidiary undertakings is interest bearing at a rate of LIBOR +3% (2020: LIBOR +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

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Corporation tax	-	8,379	-	-
Other taxes and social security	3,484	5,445	3,331	5,261
Other creditors and accruals	49,083	47,211	69,389	59,398
Deferred subscription income	52,862	63,631	52,862	63,594
Amounts owed to subsidiary undertakings	-	-	886	1,310
	105,429	124,666	126,468	129,563

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

16 Creditors: amounts falling due after one year

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Other creditors and accruals	669	548	669	548

Notes to the Financial Statements

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 2021	27,722	559,804	65,431	80,083	8,957	550	742,547
Movements in the Statement of Comprehensive Income:							
- Reported negligence claims	-	190,649	-	23,480	(523)	-	213,606
- Reported other claims	-	-	5,490	49,856	-	-	55,346
- Deferred taxation	28,290	-	-	-	-	-	28,290
- Onerous lease	-	-	-	-	-	16,000	16,000
- Finance cost (unwinding of discount)	-	8,100	1,000	-	-	-	9,100
Paid	-	(148,393)	(25,535)	(57,340)	-	-	(231,268)
At 31 December 2021	56,012	610,160	46,386	96,079	8,434	16,550	833,621

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.

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 reported claims to conclusion.

Finance costs reflect the unwinding of 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 2.9% (2020: 4.0%) 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 membership 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 5.6% (2020: 6.5%) 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, plus 2.9% (2020: 2.9%) for all territories other than South Africa. The South Africa risk-free rate published by EIOPA plus -1.2% is used (2020: -0.6%). The average period to payment is estimated as 2.3 years (2020: 2.3 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 (2020: £nil).

Property provisions relate wholly to leasehold property. The opening balance relates to provision for dilapidations, being the estimated cost for restoring leasehold property assets back to their original condition. The charge for the current year covers future commitments, until the end of the lease, for the currently vacant proportion of a leased property space. This cost has been recognised within Administration expenses within the Consolidated Statement of Comprehensive Income.

Company	Reported negligence claims £'000	Reported other claims £'000	Claims handling £'000	Dilapidations £'000	Total £'000
At 1 January 2021	560,438	65,431	80,003	550	706,422
Movements in the Statement of Comprehensive Income:					
- Reported negligence claims	200,916	-	23,461	-	224,377
- Reported other claims	-	5,490	49,856	-	55,346
- Onerous lease	-	-	-	16,000	16,000
- Finance cost (unwinding of discount)	8,100	1,000	-	-	9,100
Paid	(159,294)	(25,535)	(57,315)	-	(242,144)
At 31 December 2021	610,160	46,386	96,005	16,500	769,101

18 Deferred tax

Deferred tax provided at 19% (2020: 19%) in the financial statements is set out below:

	2021 Group	2020 Group	2021 Company	2020 Company
Timing differences on fixed asset equity investments	56,012	27,722	-	-

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 Company under ordinarily non-cancellable commitments are as follows:

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Operating lease annual commitments				
Land and buildings:				
Within one year	2,472	2,581	2,376	2,487
Between one and five years	9,290	9,517	9,025	9,148
Over five years	10,638	12,878	10,638	12,878
	22,400	24,976	22,039	24,513
Office equipment:				
Within one year	73	55	73	55
Between one and five years	-	18	-	18
	73	73	73	73

Notes to the Financial Statements

20 Financial assets and liabilities

	2021 Group £'000	2020 Group £'000	2021 Company £'000	2020 Company £'000
Financial assets measured at fair value through net contribution to funds				
- Listed investments	1,386,253	1,265,953	-	-
- Unlisted investments	1,105,605	1,074,584	-	-
- Interest rate swaps	62,938	2,621	-	-
- Forward foreign exchange contracts	3,404	11,492	-	-
	<u>2,558,200</u>	<u>2,354,650</u>	<u>-</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost				
- Amounts due from subsidiary undertakings	-	-	87,772	131,235
- Cash held within fixed asset investments	130,745	221,196	-	-
- Bank deposit accounts	206,508	178,877	19,986	24,570
- Cash at bank and in hand	103,581	28,295	21,991	27,451
- Membership debtors	8,879	18,335	8,879	18,335
- Other trade debtors	403	1,033	309	920
- Other debtors	9,325	2,407	9,314	2,392
- Recoverable insurance claims	29,588	36,236	36,215	43,260
	<u>489,029</u>	<u>486,379</u>	<u>184,466</u>	<u>248,163</u>
Financial liabilities at fair value through net contribution to funds				
- Interest rate swaps	(45,373)	(12,706)	-	-
- Forward foreign exchange contracts	(5,852)	(6,095)	-	-
	<u>(51,225)</u>	<u>(18,801)</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost				
- Amounts owed to subsidiary undertakings	-	-	(886)	(1,310)
- Other creditors	(13,056)	(18,856)	(10,013)	(17,506)
- Accruals	(54,697)	(36,644)	(53,023)	(31,995)
	<u>(67,753)</u>	<u>(55,500)</u>	<u>(63,922)</u>	<u>(50,811)</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).

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 that we try to achieve from these invested assets, the greater the fluctuations in the value of those assets, and thus, the greater the risk that MPS will see a fall in the value of its assets. Such volatility in the value of MPS's assets is, when asset values fall, damaging to the strength of the balance sheet, and significant volatility in investment returns makes it more difficult to plan for the longer-term.

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 page 78, in the UK it is in fact fixed, by the Lord Chancellor.

MPS's response to the risk inherent in our liabilities is firstly to ensure that we have an appropriate investment make-up to closely match the liabilities and secondly to ensure that 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.

21 Financial risk management (continued)

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

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

In addition to the variation inherent in the claims, there are also external factors – mainly changes in legislation – which can have a profound impact on claim estimates.

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

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

A further step relates to ensuring the accuracy of the expected outcome in the first place and this relies heavily on the accuracy of data used and the quality of analysis in determining the expected outcome. At MPS, we use the skill of our internal staff to determine accurate estimates for individual claims and ensure that levels of skill are maintained by supporting ongoing training initiatives.

We also have many checks and balances in our internal systems to allow regular review and monitoring of these estimates to help ensure a high degree of accuracy and consistency. MPS's 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 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, with the result that MPS will not have 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 that it is willing to accept. MPS also runs an internal programme to identify individual members who appear to represent a higher than normal risk and tries to work with them to reduce their risk. In a limited number of cases, members are not accepted into, or do not continue in membership, as we consider their risks to be too high. We continue to invest in improving and developing the systems, resources and processes involved in the management of member risk, and we purchase insurance to reduce the impact of the highest value claims made against our members.

22 Funds available for members

MPS seeks to hold a long-term surplus which is available to support requests for assistance which 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 Company.

MPS estimates the expected cost of future requests for assistance arising from incidents already incurred by reference to past experience and projected trends of the potential number and magnitude of these requests. As discretionary indemnity is provided on an occurrence year basis and the period for actual claims to be made can be 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 work performed is peer-reviewed by an external actuarial consultancy for material segments of business. 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 2021, the Council's estimate of this potential future cost, if it agrees to assist, was £870m (2020: £978m).

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 46, ten (2020: nine) Non-Executive members of the Council have personal membership of MPS, which is purchased on a basis consistent with that of other members.

MPS considers 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 39), plus other executive Directors of MPS that are not members of Council. This combined Group has aggregate remuneration of £4.0m (2020: £3.7m).



medicalprotection.org
dentalprotection.org

The Medical Protection Society Limited (MPS) is a company limited by guarantee registered in England with company number 00036142 at Level 19, The Shard, 32 London Bridge Street, London, SE1 9SG. MPS is not an insurance company. All the benefits of membership of MPS are discretionary as set out in the Memorandum and Articles of Association. MPS® and Medical Protection® are registered trademarks.

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