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Letter from the Chair

Dear members,

Through my own practice and through my role as Chair of MPS, I know all too well that this past year has been a turbulent one for the medical and dental professions. There have been several particular challenges that either persisted from previous years or developed in 2022.

For many of us, the early part of the year was again dominated by COVID, with repeated waves of infection that restricted clinical activity and resulted in illness amongst colleagues, which resulted in temporary workforce shortages. Latterly, and thankfully, the effect of these waves has been much less severe; but the aftermath of the pandemic has left many health economies with significant backlogs of patients requiring treatment, including large numbers awaiting elective surgery. The medical and dental workforce, often exhausted by the rigours of the pandemic, has had little chance to catch its breath before being pressed into dealing with this backlog. However, as one might expect, they are rising to this challenge with determination.

The other significant global event in 2022 has been the war in Ukraine, with the associated movement of refugees, allied to fuel and energy shortages and the economic consequences of increasing inflation often associated with temporary recession. Medical and dental professionals are not immune to these economic pressures which have also been exacerbated in many countries by increasing industrial disruption, even amongst healthcare workers.

At the same time, the practice of medicine continues to evolve with increased digitisation, a growing transition to the use of electronic health records and the rising focus upon virtual health. Change is ever present, with the professions needing to adapt, often at pace, while at the same time maintaining the highest possible standards of care for patients.

Given these challenges, as a medical defence organisation it is our duty to ensure that you have the expert support and advice you need – when you need it – so that you have peace of mind. Over the past year, MPS has seen an increased demand for its services, as members navigate the complex and rapidly changing landscape of healthcare. Despite these difficulties, I am proud of the dedication and continued resilience you have shown in providing care to your patients.

Tried and tested support in uncertain times

The pressures placed on health systems these past three years have highlighted the need to ensure that services remain high-quality, accessible, and sustainable. Here, too, MPS is keen to play our part. This year we expanded our risk prevention programmes and we enhanced the provision of wellbeing support and resources for members, while offering more flexible membership options and holding subscription rates below claims inflation. While doing all this we have continued to champion important medicolegal and regulatory issues for the benefit of the professions. I invite you to read more about this work in our President of Council's letter **Standing up for the professions and patient safety** and in the **Chief Executive's report**.

MPS must also ensure its operations are sustainable in the long-term interests of members. Therefore, our focus over the next five years will be centred on growth, controlling costs and managing risks, with the ultimate goal of ensuring that our members' careers and financial security remain in safe hands. Through innovative solutions and a commitment to excellence, we are confident in our ability to navigate the uncertainties of the future while continuing to provide exceptional services to our members. More detail on this can be found in the **Chief Executive's** and **Strategic reports**.

2022 also saw changes across Council. Sally Scutt and Drs Alexander Scott, James McLenachan and Richard Brennan stepped down after serving eight years,

and I want to thank them for their dedication, service and contribution during their time on Council. In their place, we welcomed Samantha Blackie and Drs Damien Marmion, Anthony Fung and Gozie Offiah, who bring a wealth of experience and expertise to the organisation from across the globe.

Our CEO, Simon Kayll, will also be retiring in 2023. This will mark the end of a successful 12-year tenure as Chief Executive. During this time, MPS has achieved marked growth and success. It has cemented its position as the world's leading medical defence organisation, increased member numbers, attained financial security, and expanded operations so that we are closer to members in each of our markets. We will thank him properly for his contribution and commitment to the organisation in due course and will continue to work closely with him over the coming months to ensure we continue to deliver our strategic objectives.

Finally, I would like to extend my sincerest gratitude to you, our members, for continuing to place your trust in MPS, and for your commitment to your patients. Together, we will continue to address the challenges faced by medical and dental professionals and to work towards a brighter future for healthcare.

Sincerely,
Ian Eardley
Chair of MPS Council



Our Purpose 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 London and Counties Medical Protection Society, which later became The Medical Protection Society Limited (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, our Values – guide our thinking, our actions and our decisions.



Member First

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



Ambitious

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



Determined

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



Empowered

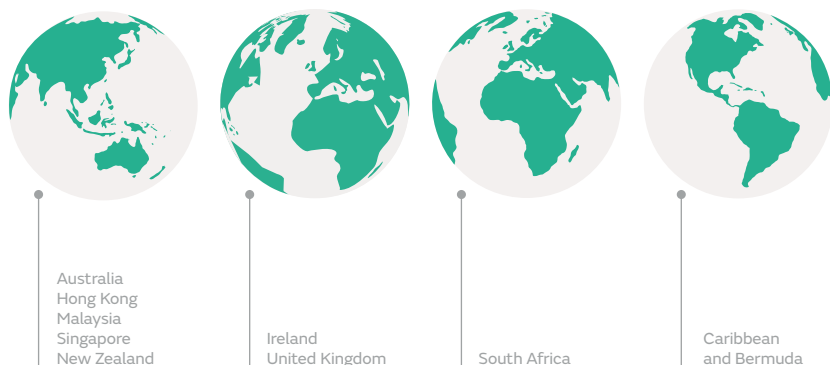
We are inclusive and value the diverse skills, experience and expertise of others. We have the confidence to make decisions, we are accountable for the choices we make and trust each other to deliver our responsibilities with integrity.

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

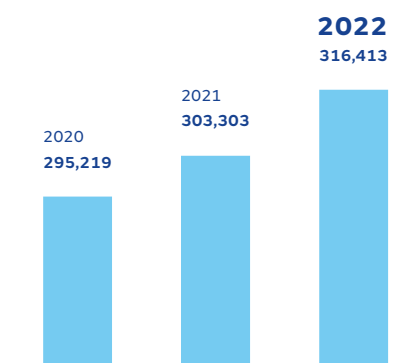
- championing legal and regulatory reforms
- promoting safer, more reliable practice that ensures better patient outcomes and sustainable healthcare systems
- funding research, globally, to help clinicians provide better care for their patients and improve their own wellbeing
- investing member funds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

In safe hands

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



Growing global membership



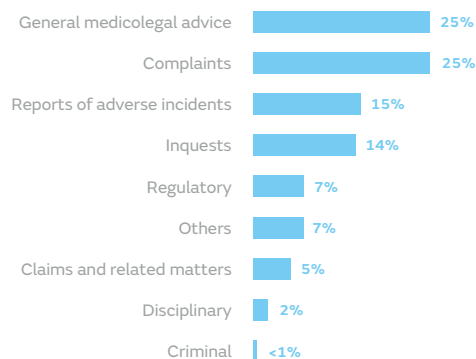
Expertise and excellence

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.

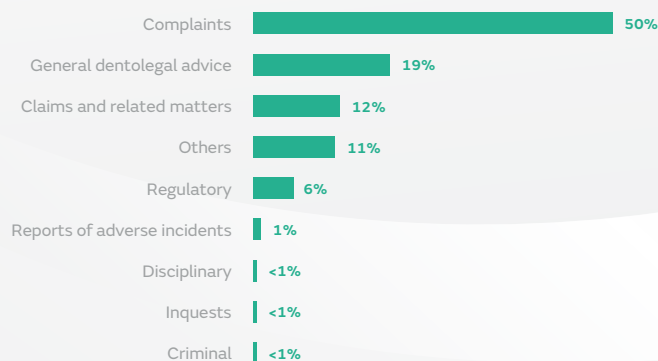
19,227

new cases were
opened on behalf
of members
across the world¹

Case type Medical



Case type Dental



14,752 Medical

2021: 17,179

4,475 Dental

2021: 5,176

Risk prevention



226
webinars, virtual workshops
and conferences delivered
across the world in 2022



21,500⁺
attendees²



25,000⁺
members accessed our online learning
hub, with 18,000+ eLearning
course completions



4,000⁺
downloads of our new, global
podcast channel



**Celebrating
15 years of
Ethics For All³**



Exclusive webinar
series provided for
Health Education England's
specialty trainees

Global Expertise Score⁴



62

**Medical
61**

**Dental
69**

Global Net Promoter Score



+52

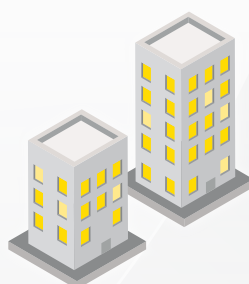
**Medical
+51**

**Dental
+54**

Our financial results in 2022



**£2.1bn net assets
available to members**
(2021: £2.2bn)



**Investment portfolio of £2.7bn
of assets under management**
(2021: £2.6bn)



**Return on Investments
of -0.4%**
(2021: +7.3%)

Satisfaction scores

In-house legal services⁵



Overall satisfaction
with the professional
support and advice received

2021: 100%, 2020: 95%



Ability to listen and
understand the issues

2021: 100%, 2020: 95%



Quality of
advice given

2021: 100%, 2020: 94%



Clarity of
advice given

2021: 100%, 2020: 94%



Tone/politeness and
empathy when dealing
with your issue

2021: 100%, 2020: 96%



Keeping you informed
and updated

2021: 99%, 2020: 94%



Ease of
communication

2021: 96%, 2020: 88%

1. New cases opened in 2022 breakdown by case type; figures as at 31 December 2022

2. Combining webinar, workshop and conference attendee figures; 2021: 104 webinars, 30,000 attendees; change in attendance due to lifting of local COVID restrictions and return to practice

3. MPS's annual conference for healthcare professionals in South Africa. More information is on page 21

4. 12-month rolling global NPS survey of members who contacted MPS in 2022; Maximum score = +100 and minimum score = -100, with +50 considered 'Excellent' for any service provider; results as at 31 Dec 2022. This is the first year we have measured on a global basis.

5. MPS in-house legal services survey results UK and Ireland

Standing up for the professions and patient safety

As healthcare professionals, we have a great responsibility to our patients. We manage risk every day and we accept accountability for the decisions we make.

We are also human. Things do not always go as planned and we work within systems and cultures which make it hard to deliver the best results every time.

We should therefore be able to expect that any concern or complaint raised about our actions will be dealt with proportionately, efficiently, fairly, sensitively, and that we will not be blamed for the failures of the settings in which we work. Sadly, many do not feel confident that this will be the case.

When I first joined MPS as a member I did so because I wanted to be part of an organisation that was ready, in my corner, should I need them. As President, I believe that MPS does – and can do – much more than this. As well as respond to individual cases and claims, we need to be a leader around the world in addressing the wider issues raised closer to the source of the problem – influencing governments, regulators, employers and legal systems to ensure that complaints and claims are dealt with appropriately.

2022 was yet another year that demonstrated the importance of our work in this area. I will refrain from listing everything we have done, but I would like to provide a few key examples.

After working with UK regulators behind the scenes, we welcomed steps taken by the General Medical Council to improve the way they communicate with doctors when an investigation is opened, and the decision by the General Dental Council to be more transparent about the number of dentists who die by suicide during an investigation.

Sometimes a more vocal stance is needed to achieve change, and we seek to lead a coalition of medical and dental organisations to support our campaigns. In South Africa, we led a group of stakeholders in calling for a review of how the law is applied in

culpable homicide cases against doctors. In Ireland, we took a similar approach in calling on the government to introduce pre-action protocols, a measure which would lead to cases being resolved more quickly, reducing the stress for all parties as well as the very high legal costs.

Ultimately, some matters need to be resolved in the courts. As well as fighting individual cases in instances where we are supporting the member, we also do so when we think there is a wider point of principle for the profession. In New Zealand, we are judicially challenging the Health and Disability Commissioner's (HDC) ability to find a practice in breach of code by vicarious liability. The relevant statute provides a defence for a practice where the act/conduct in question has occurred without its express or implied authority – whether that authority be given before or after the events. The HDC has adopted a narrow interpretation of those words whereas we say they should be given their plain and ordinary meaning. The issue is one that will have significance for all New Zealand members – whether in private, general or specialist practice. We have also supported an appeal in England and Wales which means that it will now be harder for claimant solicitors to bring a vicarious liability claim against dental practice owners. To succeed with a claim against a practice owner the patient would now have to establish that they were owed a duty of care which could not be delegated to another.

Alongside this work, I am pleased that MPS has continued to play a strong role in supporting efforts to reduce the chances of cases and claims in the first place. Across Ireland and the UK, we have taken on a stronger role in encouraging healthcare organisations to provide better support for the doctors and dentists they employ and contract. In England, I was delighted that we could support the development of national guidance which set out what a good induction for doctors coming to the country should look like.

MPS also fronted a campaign across Ireland and the UK calling for better support for doctors and dentists

experiencing the menopause, and who otherwise might leave the profession early, so they are able to continue working in a supportive environment.

The newly formed MPS Foundation has started to award its first funding for ground-breaking, applied research into patient safety, patient outcomes, mitigating risk and healthcare professional and team wellbeing. We have so far supported medical and dental research in Hong Kong, New Zealand, Ireland and the UK through our Grant Programme.

Our risk prevention team have also continued to expand the ways in which we provide advice to members. You can read more about this exciting work on page 21.

As our Chair describes in his opening letter, all healthcare systems are currently facing challenges, many of which have been aggravated by the pandemic. The challenges we all face as healthcare professionals will also continue to evolve. I can assure you MPS will continue to work hard to support you when you need us, while also continuing to influence others for the benefit for all healthcare professionals.

Professor Dame Jane Dacre
President of MPS Council



Chief Executive's report

The years 2019 to 2021 were dominated by the impact of external events. 2019 saw the introduction of state indemnity for the NHS work undertaken by general practitioners in England and Wales and 2020 and 2021 saw the emergence, peak and decline of COVID-19, which impacted the healthcare professions and the operations of almost all organisations across the globe, MPS included. In these three years, MPS had to adapt and adjust.

Whilst I am pleased we met, addressed and overcame these external factors, coping with these events and their aftermath diminished our ability to progress our strategy. Not so in 2022, where the absence of significant external factors has enabled us to fully resume, undistracted, our focus on the development of the business and organisation in the interests of members.

Our strategy, titled MADE for Members, is to ensure that MPS is sustainable; able to meet the demands of members now and long into the future, because the long-tail nature of clinical negligence means that a claim arising from an adverse clinical incident in 2022 will not be resolved for an average of six years, and it could in fact take 20 years or more, as we have seen in the past. To ensure sustainability, we need to continue to grow – more members and therefore more income. This will improve our resilience to changes in the global market, help attract and retain colleagues of the highest calibre, support stable financial results and enable us to price more competitively as each member will pay a smaller contribution towards our fixed cost base.

Growth can only be achieved if we continually improve the value we provide to members. To deliver value we need to know what is important. Our member research shows that members want us to be expert in what we do, trusted to provide robust support and protection, to be there when needed and to be affordable.

Affordability

Everything else being equal, the cost of indemnity for claims of clinical negligence

should rise annually by the rate of claims inflation. Claims inflation is a combination of many factors and retail or consumer price inflation is only one element. Claims inflation varies by country and by claim size, but in our experience, it averages around 6% per annum.

A repeated 6% per annum rise in MPS's subscriptions is unsustainable, as it is likely to outstrip rises in members' earnings. MPS is committed to ensuring our subscriptions remain affordable for our members and we aim to, on average, set our prices below claims inflation.

To achieve this, we need to reduce the cost of running MPS, we need to better control the risk that MPS accepts on behalf of members, and we need to spend less on resolving claims and cases (our largest cost), without compromising the robust support and protection we deliver for members.

We have made progress in all of these areas in the last year and our strategy sets out further plans on these fronts over the next five years. To reduce running costs and increase operational efficiency and effectiveness, we are:

- improving our IT systems
- improving the speed with which we resolve claims
- ensuring high-value claims are subject to further claims-management protocols
- using our extensive data base and insights into the risk of cases and claims to better price and control the risks which MPS accepts.

This was evidenced last year by the roll out of 'Types of Work', an algorithm pricing mechanism, for Irish medical consultants, following in the footsteps of other market segments in the UK and Ireland since the end of 2018.

Trusted

We are acutely aware of the trust that members place in MPS. An adverse clinical incident can be traumatic for the patient, but it is often devastating for the clinician. It is likely to prompt feelings of self-doubt and hurt, on top of which will be piled the anxiety and concern

of litigation and potentially regulatory and disciplinary enquiries. Against such a backdrop, members turn to MPS for help. They need to know that MPS is there in their time of need, that we are responsive, that we have the knowledge and resources to help and that we will be robust in supporting and protecting them. They need absolute trust in MPS.

Delivering on this trust is at the heart of everything we do and there is no better demonstration than the degree to which we help members in their time of need. Of the many instances where we have helped members, I pick a couple of examples to demonstrate the value that trust in MPS can provide.

- In the Isle of Man, we were successful in having gross negligence manslaughter charges, which were brought against three anaesthetist members, dismissed at a committal hearing without referral to the Crown Court. Early instruction of very experienced experts and highly skilled counsel enabled us to take a robust approach at the hearing and achieve an excellent result for our members.
- We assisted a UK dental member whose competence as an expert witness and actions in court had been heavily questioned, and subsequently was ordered to pay over £50,000 in wasted costs. However, we considered the judgment to be wrong both in fact and law, in many different respects, and sought permission to appeal the decision. In January of this year, the Third-Party Cost Order was successfully overturned by the High Court.

We seek to understand the degree to which members have trust in MPS in a number of ways and the most encompassing measure is probably the Net Promoter Score (NPS), where members respond to the question of whether they would recommend MPS to colleagues. This score can range from minus 100 (least likely) to plus 100 (most likely), and scores of 50 or more are considered 'excellent' for the professional services industry.⁶ Measured across our international membership base, our NPS has improved to 51.8 at the end of 2022.

6. Net Promoter Score (NPS) for Professional Services Firms - Compass | Rudder

Expertise

Part of the trust equation is members being confident that MPS has the knowledge and experience to support and protect them. Just as anyone seeking a clinical consultation wants to feel that they are engaging with an experienced, knowledgeable and empathetic clinician, so too our members have the same requirements when seeking our assistance. We have an extensive range of doctors, dentists, lawyers, case and claims managers within MPS to provide professional services to our members. We objectively define and assess the level of knowledge and expertise across MPS, to ensure we are delivering the expertise that members rightly demand.

This requires a considerable investment of time and energy but is crucial to maintain and develop expertise and ensure we meet the needs of members.

Expertise in MPS goes well beyond the provision of legal advice and assistance. Ensuring affordability means developing a deep understanding of the professional activity members undertake, the risks associated with such activity and what can be done to help reduce that risk. This expertise is reflected in the development of our pricing approach, encapsulated in Types of Work, the development of unstructured data analysis to provide added insight and understanding and the development of advice and interventions based on the risk insight to create risk learnings.

UK Government consultation on appropriate clinical negligence cover

MPS is not an insurer and is not subject to insurance regulation. In 2018, the UK Government launched a consultation on appropriate clinical negligence cover for regulated healthcare professionals. This sought views on whether to change legislation to ensure that all regulated healthcare professionals in the UK, not covered by state indemnity hold regulated insurance, rather than discretionary indemnity. The Government subsequently extended this programme to consider the issues raised by the Paterson inquiry.

In the Government's response to the independent inquiry into Paterson, published in December 2021, they committed to survey healthcare professionals about their indemnity arrangements, continue to engage with stakeholders and continue to consult.

In December 2022 they published an update which indicated that in addition to the on-going consideration of regulation, they were considering, as an alternative, the introduction of safeguarding measures to the current system of discretionary indemnity.

MPS fervently believes that the current model of discretionary indemnity has significant advantages for healthcare professionals and is actively promoting this view to the Government. We have had discussions with the Government over what safeguarding measures to the current system of discretionary indemnity might look like. As and when the Government comes to a conclusion, we will share more information with members about our view of the outcome and what impact it may have.

The future

MPS remains a mutual, owned by its members and focused on providing robust support and protection for now and long into the future. At the heart of this is our financial strength and the Financial performance report on page 9 will attest to this. However, we need to continually develop, to meet the changing needs of our members, and strive to improve affordability. We are investing to achieve this through our strategy, MADE for Members, and barring any unforeseen significant external events, 2023 promises to see good progress made in delivering it.

After nearly 30 years at MPS – 12 of these as Chief Executive – this will be my last Annual Report statement as I have informed Council of my intention to retire in 2023.

The process of appointing a successor has already begun. In the meantime, I will continue to lead and fully support the organisation, so as to ensure a smooth transition to the new leadership.

Finally, any organisation is only as good as its people. It is people that get things done, that deliver service and engage with members. Part of our strategy, as outlined above is to invest in our people, so that we attract and retain the very highest calibre. I would like to thank all those at MPS for their hard work, dedication and continued member focus during 2022. The statistics such as Value for Money and Net Promoter Score, as well as the testimonials which appear throughout this report, all show that we are improving what we do and that members recognise this.

Thank you all.

Simon Kayll
Chief Executive



Financial performance report

Despite the peak and demise of COVID-19 and the introduction of state indemnity, both now behind MPS, 2022 continued to provide a challenging backdrop for the global economy. With our significant investment portfolio, we have had to manage a volatile year for global markets and I am proud to report that our financial resilience, and therefore our financial position, remains strong, and we continue to have the largest net asset position of any UK medical defence organisation.

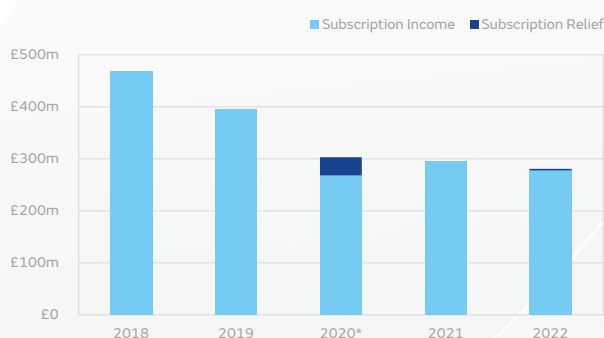
This year the net deficit to member funds was £12m (2021: £94m surplus), which represents a good outcome for the fund given the challenges faced across our investment portfolio.

Membership income

Member subscriptions decreased by £18m to £278m (2021: £296m), despite growth in member numbers across all regions. This reflects average subscription income per member reducing, as more members were provided with tailored pricing aligning to their working hours.

Subscription relief was once again made available in 2022, specifically to Medical Protection members in Hong Kong, reflecting the continued COVID lockdown challenges faced in the region and MPS's commitment to provide support to those impacted by the events.

Member subscriptions | 5 year trend

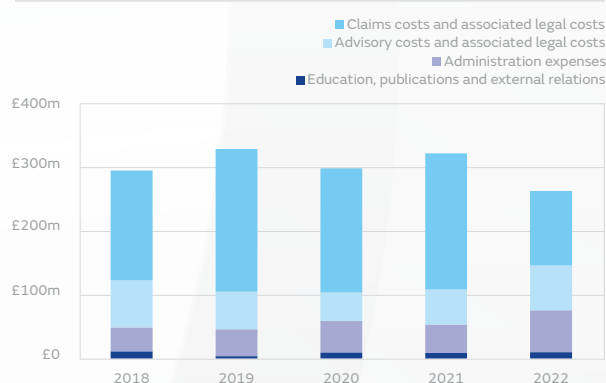


*2020 was the first full year in which claims indemnity for general medical practice members (GPs) in England and Wales was covered by the state, with consequent year-on-year reductions in MPS subscription income.

Running costs and value for members

The organisation's core costs decreased in 2022 to £248m (2021: £335m). The core costs are made up of administrative expenses for running MPS, investment fees as well as advisory and associated legal costs for both negligence and case matters.

Total cost base | 5 year trend



Administrative expenses decreased by £5m in 2022. The 2021 onerous lease cost (£16m) was a large part of this relative reduction, although this was offset by inflationary pressures to staff costs and the running costs of the organisation. We also saw some costs going back towards pre-COVID levels, with travel bans lifted and face-to-face interaction with members and staff back on the agenda.

The largest increase in administration costs related to investment fees (£8m increase), driven by the increase in activity in the portfolio, as we instructed new mandates and sold investments which were nearing the end of cycle. This crystallised some contractual investment fees for some of MPS's investment managers. We expect these fees to reduce again in 2023.

We continued to invest in our people, processes and systems with the aim of driving future efficiencies and improvements to member service. These efficiencies will take some time to crystallise but rest assured, the management of our cost base is a key component to MPS's strategy and we are committed to improving affordability for members. I expect to provide the membership with an update at the end of 2023.

Advisory costs and associated legal fees represent external costs and a proportion of MPS internal costs for matters other than negligence. Where we have exercised discretion to support such incidents, we have seen inflationary increases across our global footprint. This additional cost has been recognised in 2022, ensuring we hold sufficient reserves to settle those incidents.

Close management of external cases and claims 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.

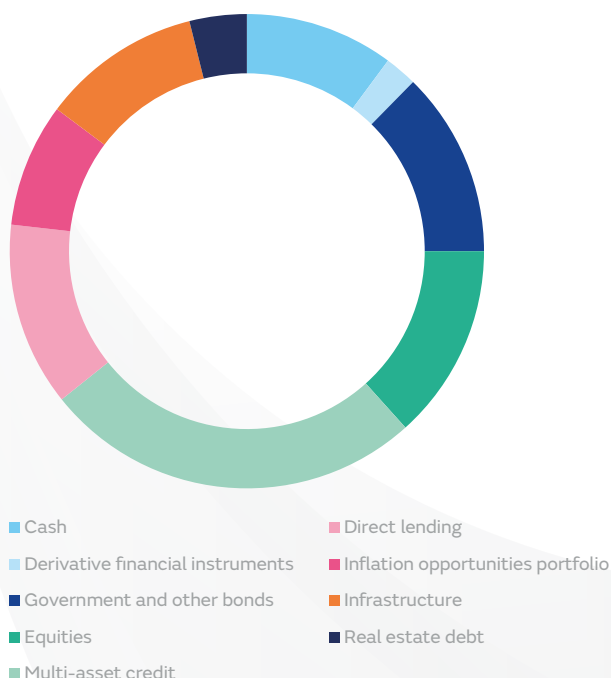
The charge for reported negligence claims in the year amounted to £117m (2021: £214m); these costs represent claims notified and primarily linked to memberships prior to 2022. This is a lower movement than experienced in 2021, with 2021 seeing unprecedented settlements and one-off large claims in Ireland and Hong Kong, which did not repeat in 2022.

Financial security from the investment portfolio

MPS maintains a well-diversified portfolio across a number of financial instruments. At the end of December 2022, MPS's investments under management (including cash and cash deposits) were £2.90bn (2021: £2.95bn).

Further details on our investment portfolio are included in note 12 to the financial statements.

Investment assets by class | 2022

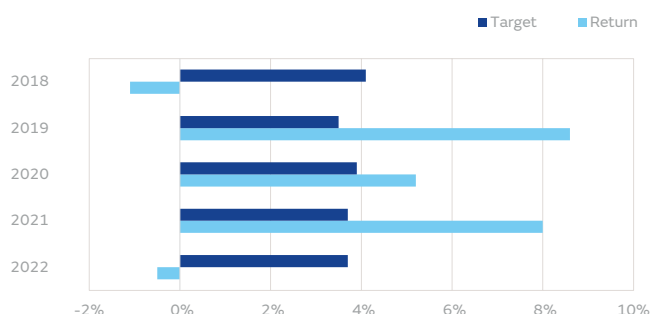


Investing for long-term returns, increasing the fund and protection against the unknown

MPS uses Return on Investments as the key measure of investment performance, with a long-term target 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.

The fund returned a negative one-year performance, however, the diversification of the fund has minimised the impact of these macro-economic events and the fund continues to be well positioned to return the long-term targets set by Council.

Investment return by year vs target | 2022



Markets were turbulent in 2022 following the invasion of Ukraine by Russia, persistent high inflation and volatility in gilt markets through the last three months of the year, which all presented challenges for investors.

Russia's invasion in late February had significant ramifications for asset classes globally. The impact of economic sanctions and supply chain issues underpinned equity market volatility and a widening of credit spreads, ultimately contributing to a surge in inflation and rising global recessionary fears. MPS was not immune to these events and saw a fall in value of the equity and multi-asset credit mandates.

The illiquid sub-portfolios continue to be resilient and provided some positive returns, in particular, the infrastructure funds, whilst the inflation opportunity funds were the main detractor from performance as real yields rose throughout most of the year.

A strong financial position for members

As at the year end, reported reserves, that is, claims which are known to MPS and where MPS has exercised discretion to support those claims, were £733m (2021: £753m). The fall in reserves can be attributed to one-off releases in relation to prior year claims, including a release relating to the change in our assumption relevant to the personal injury discount rate (PIDR) in Ireland, with some offset from large adverse claims experience across the UK Medical sector.

As at 31 December 2022, the estimated potential future cost of assistance and support (EPFC) was £871m (2021: £870m). This estimate relates to adverse incidents where MPS has not yet been notified of the matter and therefore has not exercised discretion to support the claim. EPFC is not recognised on the Balance Sheet. For further detail on EPFC, see note 22 on page 63.

Taking both known and potential cases and claims together, MPS expects to provide financial support for members totalling £1.69bn. With a fund size of £2.90bn, MPS is confident it has the financial strength to meet these demands and has additional funds to protect against unforeseen events.

As of 31 December 2022, MPS had a net asset value excluding EPFC of £2.14bn (2021: £2.16bn).

A sustainable future

I have spoken before about the rising cost of indemnity and increasing pressures outside of MPS's control and this has only increased throughout 2022 with inflation at levels not seen by many of our members.

We have plans to invest in our infrastructure and in our people, who provide a great service to members. At the same time MPS is on a journey to reduce the cost, maintain the great service and bring focus to what really matters to members, to you.

I believe next year we can update you with the progress we have made in some of these key areas of investment. The MPS investment portfolio continues to provide a solid footing, and as highlighted above, I am confident we are well capitalised to meet the needs of members, including during unforeseen periods of challenge. The fall in investment values this year provides an example where despite the downturn, MPS still maintains assets in excess of known and expected liabilities.

The business is well placed to support members today and I am keen to provide the financial direction and financial transparency to maintain this for many years to come.

I would like to thank all our members for their loyalty in 2022 and to thank MPS colleagues for their contribution to our success.

Richard Pile
Executive Director of Finance



Supporting our communities and the environment


There's nothing neutral about our commitment

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

The following provides an overview of our CSR framework, goals and what we've achieved so far, demonstrating our ongoing commitment to responsible and sustainable practices.

Giving back to our communities and being an inclusive workplace


3 GOOD HEALTH AND WELL-BEING



Advocating and acting in the interests of members, our people and the wider professions, to support their health and wellbeing.

- Calling for actions that safeguard the wellbeing of medical and dental professionals.
- Giving members and colleagues access to independent and confidential counselling, face-to-face and online support, podcasts, webinars and more, to support their mental health.
- Providing a supportive work environment where colleagues are enabled to make day-to-day positive choices around their health and wellbeing.
- Offering paid volunteering days so that colleagues can contribute to their charity or cause of choice.
- Protecting healthcare professionals carrying out humanitarian work, so they can deliver critical services to people in crisis.
- Funding research, through the MPS Foundation, into clinician wellbeing and patient safety.


5 GENDER EQUALITY



Reducing our gender pay and bonus gaps, understanding the root causes and removing barriers to career-progression.

- External benchmarking and transparency of our pay and bonus frameworks.
- Reducing our gender pay gap year-on-year (page 15).

10 REDUCED INEQUALITIES




Championing a culture of equality, diversity and fairness for our people and in all areas of healthcare.

- Providing an inclusive and empowering workplace, wherever our people are.
- Celebrating and participating in the diversity of our people's cultures across the world.
- Enhancing our support for international medical graduates transitioning into work in the UK.
- Providing special membership for refugee and asylum-seeking healthcare professionals.

A member fund with impact

17 PARTNERSHIPS FOR THE GOALS



Protecting and growing members' money whilst ensuring we have a positive impact on climate and social issues.

- All investment managers are monitored and scored annually on their ESG credentials.
- 58% of managers are now rated "Above Satisfactory" (2021: 30%).
- Our ESG exposures (positive and negative) are monitored on a biennial basis.
- Negative ESG factors (ie "sin stocks") make up 3% of our portfolio (2021: 7%), with more work underway for further reductions.
- We moved £480m into the Legal and General Future World Fund (a leading ESG-focused fund with a successful track record of returns on investment).
- Committed £100m into the River and Mercantile Infrastructure Income Fund, focused on solar and wind power assets, energy from waste, and high-speed broadband coverage for the remote areas of the UK (the 'E' and 'S' in ESG).
- Became a signatory to UN-supported Principles for Responsible Investing, committing our investment portfolio to align to the following principles:
 1. We incorporate ESG issues into investment analysis and decision-making processes.
 2. We are active owners and incorporate ESG issues into our ownership policies and practices.
 3. We seek appropriate disclosure on ESG issues by the entities in which we invest.
 4. We promote acceptance and implementation of the Principles within the investment industry.
 5. We work together to enhance our effectiveness in implementing the Principles.
 6. We report on our activities and progress towards implementing the Principles.



Reducing our waste and consumption of resources and achieving Net Zero carbon emissions by 2027.

- 99.9% renewable energy used across the entire estate.
- Organisation-wide hybrid working to reduce our office use (heating and lighting) and commuting.
- Electric vehicle (EV) chargers installed at our Leeds office (where the majority of colleagues are based).
- Encouraging 'green' behaviours through our Cycle to Work scheme, recycling and reduced-use campaigns.
- World Land Trust certification and carbon-balanced paper for our printed marketing and member communications, enabling the protection and restoration of 1,313.8m² of threatened tropical habitat.
- Offering new digital-only formats of our popular Casebook and Riskwise publications, significantly reducing the environmental impact from their production, distribution and recycling (by as much as 86%).
- Donating and recycling unused IT equipment to our partner charity Computer Aid, saving these from landfill.

Through this work, MPS has prevented 225,977kg of Carbon Dioxide being released into the atmosphere. This is the equivalent to:

- taking 110 cars off the road for 12 months
- planting 10,761 new trees to absorb CO₂ from the atmosphere.

Greenhouse Gas Emissions & Carbon Reporting

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

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

Energy consumption (kWh)	2022	2021
Electricity	2,220.00	2,416.12
Natural Gas	-	-
Bio Gas	773.48	713.63
Transport Fuels	89.94	25.27
Total Energy Consumption	3,083.42	3,155.02

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

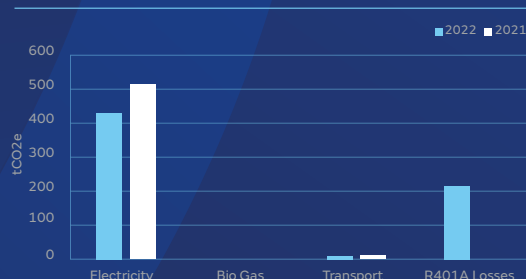
Our chosen 'Intensity Ratio' is based on carbon emissions per number of employees. The number of UK employees at the end of 2022 was 873, down from the 2021 head count of 898. There was significant refrigerant loss of 178.76kg of R401A refrigerant from the Leeds site during the hottest year on record.⁷ This loss impacted the net tCO₂e emissions creating an intensity ratio much higher than would otherwise be expected.

Intensity ratio	2022	2021
Annual MWh per No. of FTE Employees	3.531	2.988
Annual tCO ₂ e per No. of FTE Employees	0.254	0.010

SECR methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the Greenhouse Gas Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Emissions in tCO₂e by source type



Measures taken to improve energy efficiency

We remain fully committed to the use of renewable energy and reducing our year-on-year electricity usage. During 2022, we did so by the equivalent of 67 UK households, which was achieved through:

- the 'Big Switch Off' campaign – achieving up to 50% consumption reduction on white goods and office tech
- energy reduction programmes which encouraged behavioural changes in colleagues covering ongoing measures
- reducing employee commuting and transport emissions by promoting hybrid working.

We are pipelining more significant energy and carbon reduction opportunities by:

- achieving early compliance with the UK Government's Energy Saving Opportunity Scheme Phase 3 in order to bring forward project opportunity evaluation and implementation
- conducting a full building assessment of our Leeds office, targeting building management systems and a heating, ventilation and air conditioning systems overhaul.

7. Climate change drives UK's first year over 10°C – Met Office

Our people and culture

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



Colleague experience and engagement

The future of work

As we emerge out of the COVID pandemic our people now balance working in the office with home working. Like many organisations, MPS is still adjusting to hybrid working; and whilst there are advantages of greater contribution towards global sustainability with reduced emissions from commuting, improved colleague wellbeing and ability to attract talent further afield, there are some challenges to overcome. In response, we have introduced a framework to ensure colleagues remain connected, comprising:

- team 'rhythms' that meet the needs of the team, members and colleagues
- colleague-led networks to build stronger collaboration
- an improved working environment to better enable purposeful face-to-face and virtual collaboration with enabling technology.

Engagement and wellbeing of our people

We are delighted that our focus and investment in our people has again been recognised through our excellent 2022 Colleague Survey Results. Despite a dip in some of our year-on-year scores, we remain ahead of external benchmarks in Engagement, Leadership and Inclusion – the three important indices that we track.

In a hybrid working environment, colleagues stay connected with the Purpose, Vision, strategy and Values of MPS through frequent briefings and informal 'Ask me Anything' sessions with our executive team as well as through the Employee Engagement Forum.

We recognise that 2022 has been another challenging year for colleagues. Our Wellbeing Committee was very active, working with the colleague-support networks and the Diversity and Inclusion and Employee Engagement Forums to encourage open debate, build awareness and develop support on matters such as:

- men's physical and mental health
- women's health including menopause, breast and cervical cancer screening
- the benefits of exercise and healthy eating
- financial wellbeing.

	Leadership	Engagement	Inclusion
2022	84%	83%	76%
2021	89%	89%	78%
External Benchmark	76%	82%	69%



88%

of colleagues know where
to go for support for their
health, safety and wellbeing⁸

Committed to an inclusive, equal and diverse culture

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

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.

The Diversity, Equality and Inclusion Forum has sponsored a range of cultural and educational events and celebrations from around the world with activities such as:

- participation in the Leeds Pride March
- inclusivity training through Communications Access UK
- launch of Contemplation Rooms for quiet reflection and prayer
- support for those working during Ramadan
- commitment to the HALO Code to eliminate hair discrimination for Black people in the workplace.

To further build our understanding, MPS has also worked with Toby Mildon mildon.co.uk to educate leaders on inclusion, equality and diversity matters with attendance extending to all colleagues in 2023.

To read more about Diversity, Equality and Inclusion at MPS, please visit mpscareers.org

Closing the gender pay gap

In February 2023, MPS published information on gender pay, as of 5 April 2022. 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.

We are pleased that our overall median gender pay gap has continued to reduce in 2022, resulting in a pay gap below the UK national average. This is the result of the proactive policies and initiatives put in place since 2017 to develop all talent within MPS and which has resulted in more females progressing into leadership roles. Details of Gender Pay reports for the last five years can be found at medicalprotection.org/genderpay

	2022	2021	2020	2019	2018
MPS median gender pay difference	14.7%	22.8%	24.3%	27.6%	33.6%
UK national average (median) ⁹	14.9%	15.1%	14.9%	17.4%	17.8%

Attracting and developing talent

The quality of our leadership is critical to drive accountability and the performance of MPS whilst role-modelling and reinforcing our Values.

Over the years we have worked hard to raise the capability with over 150 people attending our Leadership Programme and Clinical Senior Leaders Programme. Work is now progressing to launch a Senior Leaders Programme and Emerging Leader Programme in 2023, aimed at strengthening capability that will enable the MADE strategy.

Building technical expertise is equally critical to ensure we provide the most expert, trusted and valued protection for members. Throughout 2022 we continued to develop our internal MPS Academy, introduced in 2021, with around half of our colleagues mapped to Technical Development Frameworks, Learning Pathways, newly designed learning materials and accreditations.

Recruitment and retention

We are committed to ‘growing our own’ and seeing our talent progress through the organisation. In 2022, we filled a total of 212 (2021: 221) vacancies with 67 (2021: 70) taken by internal candidates. Of all external appointments 60% (2021: 59%) were female and 40% (2021: 41%) male. We have also signed up to the CircleBack Initiative, to ensure every candidate gets a response to their application.

8. 2022 MPS colleague survey

9. Office for National Statistics – Annual Survey of Hours and Earnings (ASHE)

Our business model

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.

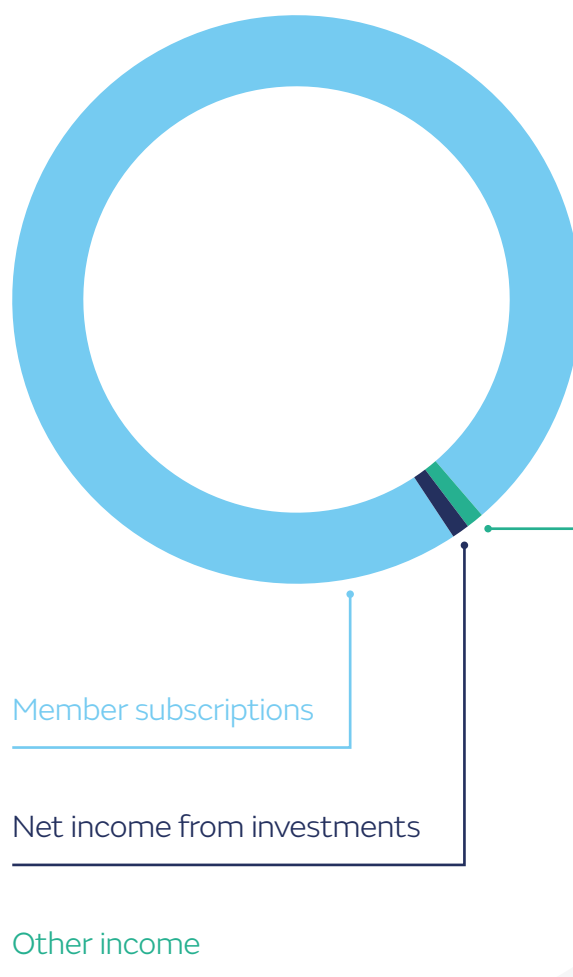
MPS is not an insurance company. All the benefits of MPS membership are discretionary, as set out in paragraph 40 of our Memorandum and Articles of Association. However, the MPS Group does offer an insurance product through an arrangement with Lloyd’s of London. For more details see **Our brands** on page 18.

What is ‘discretion’?

Discretion means we have the flexibility to treat every case on its individual merit, offering help in unusual circumstances or where a new problem appears. It’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 income came from 2022



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 around 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 39).

How we spend the member fund

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

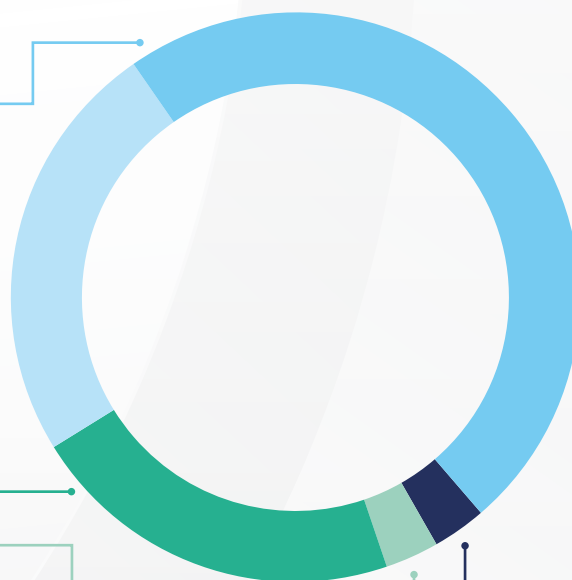
Claims costs and associated legal costs
(including costs of insurance taken to reduce our risk)

Medicolegal/dentolegal advisory costs
and associated legal costs

Administration

Education, publications and
external relations

Other expenditure (page 38)



What we use our funds for

- To provide benefits to members today
- To assist and support members in the future (page 38)
- 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 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, 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 organisation's financial security and reputation alongside the careers of their clinicians.

Healthcare Protection

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

Cognitive Institute

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

The MPS Foundation

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

Our key markets

MPS offers membership in a number of international markets. This international perspective allows many members to practise around the world and still enjoy the benefits of MPS membership. It also allows MPS to use its wide and diverse experience for the benefit of all members.

MPS's key markets are:

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

* Non-indemnity dental membership



Medical
Protection



MPS | 
PARTNERSHIPS

HEALTHCARE
PROTECTION | 

Dental
Protection | 

THE
MPS | 
FOUNDATION

Cognitive
Institute | 

* Non-indemnity dental membership

Operational performance

We monitor financial performance using several Key Performance Indicators (KPIs), including funding levels and Return on Investments. These are covered in more detail in the **Financial performance report** on pages 9 to 11. Alongside financial measures of performance, we track non-financial KPIs in relation to member interactions and, importantly, the member feedback that we receive in relation to the services we offer.

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

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

For 2022, we started to measure and track our performance using more qualitative metrics on a rolling monthly basis, which is industry-standard. The following represent our scores as of 31 December 2022.

Global Expertise Score



62

Medical
61

Dental
69

- Industry standard measures.
- Respondents score 0 to 10 on likelihood of recommendation.
- Score represents promoters % (scoring 9 or 10) minus detractors % (scoring 0 to 6). Maximum score of +100 and minimum score of -100.
- A score of 50+ for professional services is considered 'excellent'.
- Passives (scoring 7 or 8) are excluded from the calculation.
- This is the first time we have measured on a global basis and therefore disclosures from 2021 are not comparable.

Global Net Promoter Score



+52

Medical
+51

Dental
+54

Value For Money Score



7.75

Medical
7.76

Dental
7.69

- Respondents score 0-10 (where 10 is excellent) on perceived value for money
- The mean score between 0 and 10 is reported
- This is the first time we have measured on a global basis and therefore disclosures from 2021 are not comparable.

Member administration

We answered 157,421 calls to our Member Services team in the year (2021: 157,726), 77% of which were answered within 20 seconds (2021: 86%).

Of the 53,460 items of correspondence received in the year (2021: 53,643), 91% of routine items were dealt with within two business days (2021: 93%) and 94% of complex matters were handled within five business days (2021: 99%), against an internal benchmark of 90%.

Medicolegal and dentolegal advice

In relation to the 7,119 calls received during working hours into our medicolegal and dentolegal advice lines during the year (2021: 8,214 calls), 88% (2021: 86%) were answered within 20 seconds, outperforming our internal target of 80%.

Risk Prevention

Following the shift to digital learning and virtual events, caused by the COVID pandemic, we saw a continuation of this delivery during 2022. MPS virtual workshops and webinars continued to provide members with an accessible and convenient platform to undertake their professional development.

Medical Protection launched a new podcast channel, designed to appeal globally, and our *Real World*, *Headliners* and *Case Files* series have proved popular. There are plans for a new Dental Protection podcast channel to follow in 2023. As we focused on our International Medical Graduates (IMG), our first *Headliner* podcast series discussed the challenges of being an IMG and more than 300 IMG members attended our first *IMG Essential* webinar and the new *Communications Skills for IMGs* virtual workshop.

In October 2022, we celebrated the 15th year of our annual conferences for members and healthcare professionals in South Africa, *Ethics for All*. Speakers explored the challenges faced by healthcare and medical professionals and the impact they have on everyday practice, along with the latest in medicolegal and ethical issues. This was also the 3rd year these conferences were held virtually, which proved more popular than ever with over 6,500 delegates watching the live events.

What our members have said

Best thing was being able to access online and avoid loss of surgery time

Wow! This is really a great podcast series – keep up the good work

One of the best online CPD talks I have attended (and I attend many). Thank you!

This year's speakers and topics exceeded my expectations... I was engaged and enthralled by every presentation. Very relevant and presented excellently!

Very useful webinar, as doctors we do not look after our mental health and wellbeing. The webinar provides a helpful guide to help ourselves and build resilience



Face-to-face Workshops

	2022	2021
Medical Delivered:	21	-
Attended:	136	n/a

	2022	2021
Dental Delivered:	17	-
Attended:	107	n/a



Virtual Workshops

	2022	2021
Medical Delivered:	88	21
Attended:	855	224

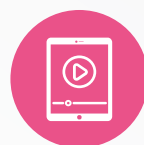
	2022	2021
Dental Delivered:	62	22
Attended:	494	251



Webinars

	2022	2021
Medical Delivered:	26	60
Attended:	3,357	9,772

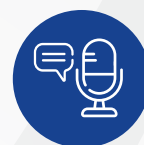
	2022	2021
Dental Delivered:	27	39
Attended:	2,443	3,958



E-Learning

	2022	2021
Medical Completed:	6,336	15,246

	2022	2021
Dental Completed:	12,115	10,848



Podcast

	2022	2021
Medical Downloaded:	3,970	n/a

	2022	2021
Dental Downloaded:	424	n/a



Total member accessing in 2022

25,322

2021: 24,673



New users activating registration in 2022

9,357

2021: 9,329



Net Promoter Score

+59

2021: 57

How we operate

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 Companies Act 2006 Section 172(1), as outlined on page 33.

Stakeholder group	Why it is important to engage	Ways we engage
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 • Annual General Meeting • Member Forum • MPS Foundation
Colleagues	Interacting with colleagues is one of the main ways in which members experience the MPS brand. Our colleagues are fundamental to the achievement of our member experience ambitions and are the cornerstone of our service.	<ul style="list-style-type: none"> • 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 • Colleague-run support networks • Diversity and Inclusion Forum • Coaching and mentoring programmes • Mental health first-aiders and Menopause Advocates
Partner organisations and suppliers	Working with partners (eg panel law firms and associations) enables us to deliver core MPS services to members. Good member outcomes and the MPS brand rely heavily on these services being provided to a high standard.	<ul style="list-style-type: none"> • Regular engagement via MPS operational, business development, claims delivery, and medicolegal and dentolegal teams, with our engagement model differing across countries depending on the services provided and the nature of the relationship
Governments and public bodies	<p>Policies and regulatory changes introduced by Governments provide opportunities and pose risks to our operations. Working closely with Governments enables us to identify and influence potential changes as well as ensure that our products and services evolve.</p> <p>Relationships with state run schemes and other bodies are also important.</p>	<ul style="list-style-type: none"> • Regular meetings with officials • Engagement with ministers on key developments • Campaigning on key issues • Monitoring local developments
Healthcare providers	<p>MPS provides risk prevention and protection services to healthcare providers.</p> <p>Working with healthcare providers enables us to create a better understanding of developments in healthcare delivery, their likely impact on our members and their consequential needs from MPS.</p>	<ul style="list-style-type: none"> • Direct engagement with corporates through targeted pipeline approach • Risk Prevention programmes • MPS Partnerships

Our stakeholders

How we ensure we are doing this well	Stakeholders' key interests	Further details	Pages
<ul style="list-style-type: none"> Correspondence and feedback Member research and satisfaction surveys Tracking engagement scores and content analytics Monitoring member movements Assessing complaints Member experience ambassadors Advisory groups 	<ul style="list-style-type: none"> Expertise and quality of service Availability and ease of access to services Value for money Corporate social responsibility 	<p>Chief Executive's report</p> <p>Standing up for the professions and patient safety</p> <p>Operational performance</p> <p>Report of the Council</p>	<p>7, 8</p> <p>6</p> <p>20, 21</p> <p>28-35</p>
<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"> Our member focus Reward and recognition Career opportunities Job security Training and development Health and wellbeing Colleague engagement Corporate social responsibility 	<p>Our people and culture</p> <p>Report of the Council</p>	<p>14, 15</p> <p>34</p>
<ul style="list-style-type: none"> New contracts on a global basis to create more consistency in control, reporting and governance Designated relationship managers responsible for panel performance 	<ul style="list-style-type: none"> Quality of services Logistical efficiencies and value for money Sharing insights and expertise 		
<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 	<p>Standing up for the professions and patient safety</p>	<p>6</p>
<ul style="list-style-type: none"> Dedicated business development leads Member movements and monitoring of prospective corporate members Team approach combining commercial and medical expertise 	<ul style="list-style-type: none"> Quality and price of indemnity services Risk assessment and management Understanding issues facing members and healthcare systems 	<p>Standing up for the professions and patient safety</p>	<p>6</p>

How we operate

Stakeholder group	Why it is important to engage	Ways we engage
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
Professional regulators	Working with professional regulators enables us to influence the way in which they regulate members, for the benefit of the membership.	<ul style="list-style-type: none"> ▪ Regular scheduled meetings ▪ Attending events ▪ Protecting members before the regulator
Media	Effective engagement with the media provides MPS with strong multi-channel exposure to connect with members and our wider stakeholder audience. It is also crucial to maintaining our reputation.	<ul style="list-style-type: none"> ▪ Issue press releases and provide features, 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
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
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

How we ensure we are doing this well	Their key interests	Further details	Pages
<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 	<p>Chief Executive's report</p> <p>Standing up for the professions and patient safety</p>	<p>7, 8</p> <p>6</p>
<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 		
<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 the audience ▪ Accurate and timely information ▪ Expert advice 		
<ul style="list-style-type: none"> ▪ Media monitoring 	<ul style="list-style-type: none"> ▪ Patient care and patient safety ▪ Compensation 		
<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 	<p>Supporting our communities and the environment</p>	<p>12, 13</p>

Our risks and how we manage them

Principal risks

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

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

Risk	Description	Mitigation
Strategic risk	The risk that we fail to achieve our business objectives 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 those risks.

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



Risk Management

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



Risk Oversight

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



Risk Assurance

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

Risk Governance

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

At each scheduled meeting, the Audit and Risk Committee (the Committee), as the delegated authority for the Council, receives a report from the 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 by 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 and Compliance during the year.

The MPS governance structure is set out in detail in our **Statement of corporate governance arrangements** on page 29.

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

- Improving our ability to retain and acquire members globally to feed sustainable growth.
- Strengthening our financial position and security for members while enhancing our reputation.
- Expanding our Corporate Insurance offering through Healthcare Protection and Corporate Discretionary support through MPS Partnerships.

Future developments

The 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.

Regulation

We continue to work with the other Medical Defence Organisations and 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

MPS offers an insurance product to corporate healthcare providers in the UK. We are committed to continuing to offer individual members discretionary indemnity; however, it may become a requirement in the next few years for healthcare professionals in some jurisdictions to purchase regulated indemnity cover, which we expect to be a policy of insurance. Should the UK Government decide that doctors and dentists need to hold a policy of insurance for clinical negligence risks, we are in a strong position to offer this as a benefit of membership, alongside the other important membership benefits we offer, such as advice and support.

We also need to be prepared for the possibility that market forces 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 this in mind, we are initiating a significant programme to prepare for insurance, including the development of our products, systems and processes.

Personal injury discount rate

We are engaged in discussions across the UK and the Republic of Ireland which could lead to changes to the PIDR and the way in which the PIDR is set. For England and Wales, the Ministry of Justice is consulting on the relative merits of introducing a dual rate, rather than the single discount rate currently used for all cases, regardless of the size and duration of the damages awarded. We understand that reviews of the rates across the UK will also begin in 2024.

In the Republic of Ireland, we are expecting the outcome of the consultation carried out in 2020 on how the PIDR is set.

Approval of the Strategic Report

Pages 16 to 27 of the Annual Report form the Strategic Report.

The Strategic Report was approved by the Council on 19 April 2023 and signed on its behalf by:

David Wheeler
Company Secretary

Report of the Council

President	Professor Dame Jane Dacre BSc MBBS MD FRCP London, Edinburgh, Glasgow FHEA Honorary Fellowships: FRCPI FACP FAcad Med Ed FRCGP
Vice-President	Professor John Bonnar MA MD FRCPI FRCOG
Chair	Ian Eardley BA(Hons) MB BChir MA FRCS MChir FRCS (Urol)
Chief Executive	Simon Kayll BA(Hons) FCA MBA

Members of the Council for the year ended 31 December 2022

Richard Brennan MB BCh MICGP FRCGP LRCP&SI ^{2,3} (retired 22 June 2022)
Samantha Blackie BSc MSc ^{2,3,5} (appointed 22 June 2022)
Fiona Cornish MA MB BChir DRCOG DCH FRCGP ^{3,4}
Ian Eardley BA(Hons) MB BChir MA FRCS MChir FRCS (Urol) <i>Chair</i> ^{1,3,4,5,7}
Anthony Fung BA MB BChir MA MBA FRCS FCSHK FHKAM (Surgery) ³ (appointed 22 June 2022)
Simon Kayll BA(Hons) FCA MBA <i>Chief Executive (ex officio)</i> ^{1,4,6}
Damien Marmion MBBS BSc MBA ^{2,3,4} (appointed 22 June 2022)
James McLenachan MB ChB MRCP FRCP ^{3,4} (retired 22 June 2022)
Edmund Morris BSc (Hons) MBBS FRCA ^{2,3}
Gozie Offiah BSc MB BCh BAO (NUI) LRCS & PI MD MMedSc PhD ^{2,3,7} (appointed 1 April 2022)
Meghana Pandit MBBS FRCOG MBA ^{3,4}
Stuart Purdy BA(Hons) FCII ^{1,2,4,5}
David Roytowski MBChB MBA MMED FC Neurosurg (SA) ^{3,5}
Alexander Scott MB ChB ^{1,2,4} (retired 31 May 2022)
Sally Scutt BA(Hons) MBA MA ^{2,3,5} (retired 22 June 2022)
Graham Stokes BDS MFGDP(UK) DPDS Dip Imp Dent RCS CertMedEd FFGDP(UK) ^{2,5,6,7}
Michael Urmston BA ^{1,2,4}
Tom Weitzman KC BA(Hons) ^{1,4,5}
Callum Youngson BDS DDSc FDS DRD MRD FDS(Rest Dent) RCS(Ed) FDSRCS(Eng) ^{1,4,6}

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

The Council, which for the purposes of the Companies Act 2006 is the Board of Directors, presents its Annual Report for the year ended 31 December 2022.

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	44
Financial risk management	26
Future developments	27
Equal opportunities	34
Employees	48
SECR reporting	13

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 opposite.

Statement of corporate governance arrangements

In the running of its business, MPS seeks to ensure a level of governance appropriate to the size and nature of the Group and to incorporate appropriate best practice; MPS adopted and reports in line with the Wates Corporate Governance Principles for Large Companies (the Wates Principles).

During the year ended 31 December 2022, the Council monitored the governance practices of MPS and concluded that MPS's governance structure and its approach to corporate governance is in accordance with the six guiding principles which underpin the Wates Principles. These are detailed below:

Principle	Requirement	How MPS has complied
Purpose and leadership	An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	<p>Our Purpose – 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 those Values through its performance related bonus arrangement. MPS also monitors culture through colleague engagement surveys and through Committee feedback sessions.</p> <p>During 2022, 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>
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 2022, the Council reviewed the list of matters it reserves for its own decision, and the terms of reference for its sub-committees, to ensure all Council members understand their accountability and responsibilities, and that Council's policies and procedures support effective decision-making and independent challenge.
Opportunity and risk	A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	The Council reviewed MPS's MADE for Members strategy to 2027 at its annual strategy day in 2022, 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 2022 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 32 to 33 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 33.

Report of the Council

The following sections provide details of MPS's governance.

The Council

The Council currently consists of a Non-Executive Chair, 14 other Non-Executive Directors and one Executive Director, who is the Chief Executive. 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 2022. 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 six times during 2022 (February, March, April, June, September & December). The attendance record of members of the Council at the six meetings is shown in the table opposite (eligible meetings for attendance shown in brackets):

Member of the Council	Number of meetings attended	
	2022	2021
Samantha Blackie	3(3)	- (-)
Richard Brennan	3(4)	5(5)
Fiona Cornish	3(6)	4(5)
Ian Eardley	6(6)	5(5)
Anthony Fung	3(3)	- (-)
Simon Kayll	6(6)	5(5)
Damien Marmion	3(3)	- (-)
James McLenachan	3(4)	5(5)
Edmund Morris	5(6)	2(2)
Gozie Offiah	4(4)	- (-)
Meghana Pandit	6(6)	2(2)
Stuart Purdy	6(6)	5(5)
David Roytowski	6(6)	5(5)
Alexander Scott	2(3)	5(5)
Sally Scutt	4(4)	5(5)
Graham Stokes	6(6)	5(5)
Michael Urmston	6(6)	5(5)
Tom Weitzman	6(6)	4(5)
Callum Youngson	6(6)	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 six 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. This has been based on a questionnaire and Council members have an individual review with the Chair on performance issues. The results of the latest evaluation have been reported to the Council and were reviewed and discussed by Council members and the Chair. Overall, the Council was satisfied that it functioned effectively during the review period.

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 and 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 and 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 undertaking 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 following on this page for more detail.

The Council recognises the need to regularly review and monitor the appropriateness of its approach to overseeing the systems of risk management and control operated at MPS. With this in mind, the Council has continued to adapt its approach during the year to take into account the economic climate of recent years, the revisions and ongoing consultations relating to corporate governance standards and guidance, such as the Wates Principles, and relevant FRC guidance on key risks, 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, the members of which are listed on page 28. The Committees met in accordance with the following schedule:

Committee	Scheduled meetings
Council	February, 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	February, May, September and December
Remuneration and Nominations	February, September and December
MPS Foundation	June, September, December

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

Audit and Risk Committee

The Audit and Risk Committee met four times in the year. MPS's external auditors, Chair, Chief Executive, Executive Director of Finance, Executive Director of Risk and Compliance and internal auditors also attend the meetings. The Committee meets with internal audit and the external auditor at least annually without management present. Other senior managers may attend for specific agenda items at the request of the Committee.

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

The Chair of the Audit and Risk Committee reports outcomes of its meetings to the Council and the Council receives the minutes of all these meetings.

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

- Discusses with internal audit a plan of work each year, agrees the resource commitment and reviews their findings.
- Discusses with the external auditors their audit approach and agrees any particular aspect of internal control or risk management to be reviewed by them beyond their statutory responsibilities.
- Discusses with MPS in-house actuaries their approach to statistical reserving of reported claims and potential claims that have yet to be reported (EPFC) and procedures for an independent peer review by external consulting actuaries.
- Considers the results of the external auditor's work with them and with management.
- Reviews the quarterly reports from the Executive Director of Risk and 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 engaged the services of Mazars during the year to provide an internal audit function, taking over from KPMG. Responsibilities of the internal audit function include providing assurance over a wide range of issues including financial, corporate and operational risks. Assurance is provided through reporting and the provision of opinion following a range of monitoring activities, discussion and review. The internal audit function is independent from all operational departments and its work is overseen and co-ordinated by the Audit and Risk Committee. The Committee receives summaries of all internal audit reports, is involved in approving the annual internal audit plan and is able to question the internal auditors about their work at each Committee meeting. The Committee also monitors and, where appropriate, challenges management's timely progress in the clearance of agreed audit recommendations.

The Audit and Risk Committee also reviews the scope and results of the external audit, its quality, effectiveness and value-

for-money, as well as the independence and objectivity of the auditors. The Committee has a written policy on ensuring the continued independence of the external auditors, which includes requiring the auditors to make a statement on their continued independence, placing limits on the amount of non-audit work undertaken by the auditors and having a policy covering the commissioning of non-audit services from the auditors.

In addition, the Committee also receives referrals for ethical guidance, provides oversight of MPS's anti-bribery and corruption policies, has responsibility for the 'anti-bribery' risk assessment including the risk of management override of controls, and has oversight of the whistleblowing policy. It also reviews, prior to publication, the annual financial statements and 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 26 and 27).
- Considered reports produced by internal audit.
- Reviewed the risk management process and the process for which the risk strategy and appetite is determined.
- Recommended the tax strategy for approval by the Council.
- Reviewed key accounting policies for the Group and accounting for major transactions during the year.
- Monitored compliance with the Wates Principles of corporate governance and applicable reporting requirements.

Management Oversight Committee

The Management Oversight Committee is responsible for overseeing all aspects of MPS's day-to-day business operations, where such operations are not otherwise covered by other Council committees or subsidiary Boards.

Activities in the year

During the year, the Management Oversight Committee has:

- Reviewed the financial performance of the Group on a quarterly basis.
- Reviewed any changes to the approved budget for approval by the Council.
- Considered 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 oversees MPS's investment strategy, quantification of reserves and its capital position.

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

Activities in the year

During the year, the Asset and Liability Committee has:

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

Medical Committee

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

Dental Board

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

Remuneration and Nominations Committee

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

Remuneration and Nominations report

The Remuneration and Nominations Committee met three times in 2022. 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.

The Committee is responsible for:

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

Remuneration policy

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

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

Remuneration paid

Directors' emoluments

The standard remuneration for all Non-Executive members of the Council (other than the Chair) increased by 2.5%, to £28,290 (2021: £27,600), as of April 2022, in line with the average increase awarded to all colleagues.

In 2022 a three-year benchmarking exercise commenced, in line with the process adopted for all Executives and colleagues, the outcomes of which will be effective from April 2023.

Most Non-Executive members of the Council also received fees for appointments to various Boards and Committees, the details of which are set out in note 8 of the financial statements. The President of the Council received a fee of £40,391 (2021: 36,000). Details of Council member appointments can be found on page 28.

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

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

Nominations

Council is structured to ensure it has an appropriate combination of skills, experience, knowledge and diversity and that over half of the members are qualified medics or dentists. In 2021 the Committee carried out a review of the composition of Council and future successors for the Chair of Council and Committee Chairs and built a recruitment plan to appoint a more diverse Council with a wealth of skills, experience and knowledge aligned to MPS's strategic priorities. During the year the Committee also reviewed the succession pipeline of the Executive Leadership Team.

Non-Executive appointments

During 2022 we saw four of our members retire from Council – Richard Brennan, James McLenachan, Alexander Scott, and Sally Scutt. All had served for the maximum of eight years, and we thank them for the service and contribution during their time on Council.

Following an extensive recruitment campaign and their election by members in June 2022, the Committee is delighted to welcome the following members to Council:

- Samantha Blackie, based in the UK
- Dr Damien Marmion, based in the UK
- Dr Anthony Fung, based in Hong Kong
- Dr Gozie Offiah, based in Ireland.

In 2022, individual performance assessment of the members of Council was undertaken, complementing the review of the effectiveness of Council and its Committees. In 2022 this was undertaken internally by the Company Secretary and findings have informed the Council development plan, membership of Committees and succession plans – ensuring that MPS optimises the skills, knowledge and experience of the diverse backgrounds and perspectives of Council members.

The 2022 Council Development Plan continued to be delivered through e-learning and online sessions hosted by the Executive and their teams and external providers. 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 (2021: £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 2022 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 2022. 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 31 to 32.

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. 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 2022.

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, CEO briefings, divisional updates, Walking in Members Shoes podcasts and other Forums such as the Diversity and Inclusion Network, Women's Inspirational, Parenting, Menopause, Pride, Black, Asian and Neurodiversity networks, and the Wellbeing Committee. Leaders are invited to attend monthly people manager calls to ensure they keep abreast of matters potentially impacting themselves and their teams; they are encouraged to ask questions and provide feedback. During 2022, 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 going forward. Supporting colleagues remains very important to us and people leaders have received training on how to support the wellbeing of their teams.

Equal opportunities

The rights of disabled persons and the responsibilities of the Group are embedded within our 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.

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 22 to 25.

Community and environment

Our duty, in accordance with ISO26000, is to act as a sustainable business and recognise our responsibility to the communities in which our members operate. Our strategy takes into account the impact of the Group's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve across the world. For further details on how we interact with communities and the environment, see the **Supporting our communities and the environment** section on pages 12 and 13.

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 page 29). 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 Strategic report the **Our stakeholders** section on pages 22 to 25.

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

The Council values its dialogue with members throughout the year on a diverse range of subjects. In particular, the Council uses the Annual General Meeting to communicate financial performance to members and encourage their participation. Members of the Audit and Risk, Remuneration and Nomination and Asset and Liability Committees are present at the Annual General Meeting to respond to any relevant questions if necessary. Notice for the Annual General Meeting is sent to members at least 14 clear days before the meeting date.

Going concern

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

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

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

Auditors

At the Annual General Meeting in June 2022, BDO LLP were re-appointed as the external auditor of the Group and its subsidiary entities across the globe.

Statement of the Council's responsibility for the financial statements

The Council is responsible for preparing the Strategic Report (our **How we operate** section), the **Report of the Council** and the financial statements in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Members of the Council confirm that:

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

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

Approval

This report was approved by the Council on 19 April 2023 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 2022 and of the Group's loss 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 'parent company') and its subsidiaries ('the Group') for the year ended 31 December 2022 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 the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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 the Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtaining an understanding of the legal and regulatory frameworks that the Group and its subsidiaries operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group 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 parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Reed

Senior Statutory Auditor

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

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

Financial Statements

Consolidated Statement of Comprehensive Income Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Income			
Members' subscriptions and other income		<u>282,015</u>	<u>301,253</u>
Expenditure			
Claims costs and associated legal costs	17	116,968	213,606
Advisory costs and associated legal costs	17	70,422	55,346
Movement in projected insurance recoveries		(7,989)	(211)
Education, publications and external relations	5a	10,092	9,650
Administration expenses	5b	60,802	65,960
Finance cost (unwinding of discount)	17	28,291	9,100
Loss/(gain) on exchange movements	5c	<u>9,611</u>	<u>(5,911)</u>
		<u>288,197</u>	<u>347,540</u>
Deficit of members' subscriptions and other income over expenditure		(6,182)	(46,287)
Net income from investments	6	4,222	52,202
Net interest on defined benefit pension asset	9	891	302
Change in fair value of investments	12a	(56,565)	112,278
Change in fair value of derivatives	12a	<u>40,082</u>	<u>19,805</u>
Contribution before taxation		(17,552)	138,300
Tax charge on investment income and gains	7a	<u>5,550</u>	<u>(44,541)</u>
Net contribution for the year to funds available for members		(12,002)	93,759
Other comprehensive income			
Remeasurements of defined benefit pension scheme	9	(5,125)	27,635
Total comprehensive income for the financial year		<u>(17,127)</u>	<u>121,394</u>

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

The notes on pages 42 to 63 form part of these financial statements.

Consolidated and Company Balance Sheets

As at 31 December 2022

	Note	2022 Group £'000	Restated 2021 Group £'000	2022 Company £'000	Restated 2021 Company £'000
Fixed assets					
Intangible assets	10	15,184	18,291	15,347	18,466
Tangible assets	11	26,248	26,349	25,939	26,068
Investments	12a	2,638,630	2,622,603	1,338,251	1,336,601
Derivative assets	12a	198,543	66,342	-	-
Defined benefit pension asset	9	45,267	49,501	45,267	49,501
		<u>2,923,872</u>	<u>2,783,086</u>	<u>1,424,804</u>	<u>1,430,636</u>
Current assets					
Debtors - receivable within one year	14	115,376	109,985	193,283	196,684
- receivable after one year	14	21,508	20,729	29,661	26,693
Bank deposit accounts		168,038	206,508	20,073	19,986
Cash at bank and in hand		37,536	103,581	35,684	21,991
		<u>342,458</u>	<u>440,803</u>	<u>278,701</u>	<u>265,354</u>
Creditors: amounts falling due within one year	15	(196,179)	(180,461)	(216,550)	(201,500)
Net current assets		<u>146,279</u>	<u>260,342</u>	<u>62,151</u>	<u>63,854</u>
Total assets less current liabilities		<u>3,070,151</u>	<u>3,043,428</u>	<u>1,486,955</u>	<u>1,494,490</u>
Creditors: amounts falling due after one year	16	(661)	(669)	(661)	(669)
Provisions for liabilities	17	(785,360)	(833,621)	(748,730)	(769,101)
Derivative liabilities	12a	(143,344)	(51,225)	-	-
Net assets		<u>2,140,786</u>	<u>2,157,913</u>	<u>737,564</u>	<u>724,720</u>
Accumulated funds					
Income and expenditure		<u>2,140,786</u>	<u>2,157,913</u>	<u>737,564</u>	<u>724,720</u>
Funds available for members	22	<u>2,140,786</u>	<u>2,157,913</u>	<u>737,564</u>	<u>724,720</u>

The parent company's net contribution for the financial year was a surplus of £18.0m (2021: £56.3m deficit).

The financial statements were approved and authorised for issue by the Council and were signed on its behalf on 19 April 2023:



Ian Eardley
Chair of the Council



Simon Kayll
Chief Executive

The Medical Protection Society Limited
Registered Company No. 00036142

The notes on pages 42 to 63 form part of these financial statements.

Financial Statements

Consolidated Statement of Cash Flows Year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Net contribution for the year to funds available for members	(12,002)	93,759
<i>Adjustments for:</i>		
Amortisation of intangible assets	3,568	3,033
Depreciation of tangible assets	1,784	1,756
Revaluation of investment property	-	4,524
Impairment of tangible assets	-	2,749
Foreign exchange translation	9,611	(5,911)
Interest received	(4,850)	(4,988)
Dividends received from fixed asset investments	(15,135)	(47,214)
Taxation charge	(5,550)	44,541
Net fair value losses/(gains) recognised in Statement of Comprehensive Income	16,483	(132,083)
Loss on disposal of intangible assets	-	96
Loss on disposal of tangible assets	210	141
Increase in debtors	(39,499)	(19,309)
Increase in creditors	54,268	21,649
(Decrease)/increase in provisions	(25,930)	55,767
Net interest on defined benefit pension asset	(891)	(302)
Cash from operations	(17,933)	18,208
Income taxes paid	(16,327)	(26,122)
Net cash used in operating activities	(34,260)	(7,914)
Cash flows from investing activities		
Purchase of intangible assets	(461)	(1,316)
Purchase of tangible assets	(1,893)	(731)
Proceeds from sale of fixed asset investments	1,197,214	1,182,562
Purchase of fixed asset investments	(1,196,831)	(1,221,605)
Interest received	4,850	4,988
Dividends received from fixed asset investments	15,135	47,214
Net cash generated from investing activities	18,014	11,112
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	(16,246)	3,198
Foreign exchange translation	(14,152)	9,268
Cash and cash equivalents at beginning of year	411,791	399,325
Cash and cash equivalents at end of year	381,393	411,791

The notes on pages 42 to 63 form part of these financial statements.

Analysis of changes in net funds

	At 1 Jan 2022 £'000	Cash flow movement £'000	Foreign exchange £'000	At 31 Dec 2022 £'000
Cash at bank and in hand	103,581	(48,528)	(17,517)	37,536
Bank deposit accounts	206,508	(40,977)	2,507	168,038
Cash with investment managers	101,702	73,259	858	175,819
Net funds	411,791	(16,246)	(14,152)	381,393

Of the net funds held by MPS, £14.7m (2021: £15.2m) is held in trust on behalf of the MPS Periodical Payments Trust, which was established to provide security for payments to be made in satisfaction of periodical 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 2022

	Income and expenditure £'000
At 1 January 2021	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
Net contribution for the year	(12,002)
Remeasurements of defined benefit pension scheme	(5,125)
Total comprehensive income for the year	(17,127)
At 31 December 2022	2,140,786

Company Statement of Changes in Equity Year ended 31 December 2022

	Income and expenditure £'000
At 1 January 2021	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
Net contribution for the year	17,969
Remeasurements of defined benefit pension scheme	(5,125)
Total comprehensive income for the year	12,844
At 31 December 2022	737,564

The notes on pages 42 to 63 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 35. 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)).

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.

Provisions are recognised for future claims which have not yet been notified in relation to insurance contracts through our Healthcare Protection brand (note 4(k) IBNR).

Defined benefit pension scheme (note 9)

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

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

Valuation of unlisted investments (note 12a)

Some of the investments held by the Group are not traded on active markets, so it is not possible to value the asset or liability using a quoted price in an active market. Where

there is no quoted price available it is sometimes possible to use observable market data for valuation; examples include forward foreign exchange contracts and interest rate swaps. Where there is an absence of quoted prices and observable market data the Company relies on the valuation methodology applied by the investment manager to ascertain the fair value of the assets, these are disclosed in level 3 of the fair value hierarchy in note 12d.

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

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

Deferred tax

In preparing the financial statements 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% (2021: 25%), the tax rate applicable from 1 April 2023, except where the disposal is expected to occur in 2023 where the appropriate rate of corporation tax is a hybrid rate of 23.5%.

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.

4 Principal accounting policies (continued)

(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.

(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 insurance 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 8.7% (2021: 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 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.

Notes to the Financial Statements

4 Principal accounting policies (continued)

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.

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

	2022 £'000	2021 £'000
Included under this classification are:		
Operating lease rentals:		
- Land and buildings	1,036	2,652
- Office equipment	136	241
Depreciation of tangible assets (note 11)	1,784	1,756
Amortisation of intangible assets (note 10)	3,568	3,033
Employer contributions to defined contribution pension schemes	7,262	7,418
Onerous lease provision (note 17)	680	16,000
Auditor's remuneration:		
Services to the Company and its subsidiaries		
Fees payable to the Company's auditor for the audit of the annual financial statements	187	155
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	110	89
Services to the Company's associated pension scheme		
Audit of the financial statements of the Scheme, pursuant to legislation	14	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

	2022 £'000	2021 £'000
Bond and gilt interest	53,086	41,067
Bank interest	4,850	4,988
Other investment income	21,997	23,696
Derivative payments	(75,711)	(17,549)
	4,222	52,202

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 (credit)/charge on investment income and gains

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	22,703	11,921
Adjustments in respect of prior years	(275)	3,587
Overseas taxation	977	743
Total current tax	23,405	16,251
Deferred tax:		
Origination and reversal of timing differences	(37,272)	24,541
Changes in the tax rate	6,083	6,730
Adjustment in respect of prior years	2,234	(2,981)
Total deferred tax	(28,955)	28,290
Tax (credit)/charge on investment income and gains in the Consolidated Statement of Comprehensive Income for the year	(5,550)	44,541

7b Factors affecting the tax (credit)/charge for the year

	2022 £'000	2021 £'000
The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:		
Contribution before tax	(17,552)	138,300
Income and net gains from investments multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(3,335)	26,277
RPI linked indexation	(1,292)	(1,121)
Adjustment in respect of prior years – current tax	(275)	3,587
Adjustment in respect of prior years – deferred tax	2,234	(2,981)
Disallowable mutual trade losses/gains	(10,002)	11,104
Difference in tax rates	6,083	6,730
Foreign tax	977	743
Deferred tax not recognised	85	202
Utilisation of losses brought forward	(25)	-
Tax (credit)/charge for the year	(5,550)	44,541

The disallowable mutual trade losses/gains 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 (2021: £nil).

7c Factors that may affect future tax charges

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

Notes to the Financial Statements

8 Directors and employees

The average number of people, including Directors and all members of the Council, employed in the provision of services to members during the year was 1,047 for the Group (2021: 1,056) and 979 for the Company (2021: 995). Costs in respect of these employees were:

	2022	2021	2022	2021
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Wages and salaries	51,760	49,555	48,589	46,729
Social security costs	6,069	4,922	5,972	4,826
Pension costs	8,200	8,194	7,884	7,949
	66,029	62,671	62,445	59,504

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	2021 £'000
Executive members						
Simon Kayll (Chief Executive)	393	13	53	69	528	525
Howard Kew ² (Executive Director)	-	-	-	-	-	123
Non-Executive members						
Ian Eardley	84	-	-	-	84	64
Richard Brennan	17	-	-	-	17	36
Fiona Cornish	40	-	-	-	40	36
Suzy Lishman	-	-	-	-	-	18
James McLenachan	21	-	-	-	21	42
Simon Pashby	-	-	-	-	-	26
Stuart Purdy	54	-	-	-	54	47
David Roytowski	37	-	-	-	37	33
Alexander Scott	20	-	-	-	20	47
Sally Scutt	23	-	-	-	23	47
Graham Stokes	50	-	-	-	50	37
Michael Urmston	48	-	-	-	48	47
Tom Weitzman	41	-	-	-	41	40
Callum Youngson	50	-	-	-	50	49
Meghana Pandit	34	-	-	-	34	11
Edmund Morris	35	-	-	-	35	11
Gozie Offiah	27	-	-	-	27	-
Damien Marmion	26	-	-	-	26	-
Samantha Blackie	26	-	-	-	26	-
Anthony Fung	19	-	-	-	19	-
Total	1,045	13	53	69	1,180	1,239

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.

Notes

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 2019 bonus became payable in 2022, after the relevant financial thresholds were met. That bonus was paid in March 2023.

2. Remuneration represents 80% full-time employment in 2021 to the date of leaving.

Executive Director Performance Related Bonus achieved in 2022

Name	In-Year 2022 Payable £'000	Deferred 2022 Payment (Potentially payable 2026 to 2029) £'000
Simon Kayll (Chief Executive)	53	53

9 Pensions

MPS operates two types of pension scheme: a funded defined benefit pension scheme, which is administered under Trust and a defined contribution pension scheme, which is overseen by the Defined Contribution Oversight Committee. The assets of both schemes are held independently of MPS's finances.

Contributions to the defined contribution scheme are charged to the Statement of Comprehensive Income in the year to which they relate.

Contributions to the defined benefit scheme were paid to the scheme in accordance with the Schedule of Contributions agreed between the Trustees and MPS. 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 2022.

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

	2022 £'000	2021 £'000
Fair value of scheme assets	143,072	224,835
Present value of obligations	(97,805)	(175,334)
Defined benefit pension asset	45,267	49,501

Movement in net defined benefit asset

	2022 £'000	2021 £'000
Opening defined benefit pension asset	49,501	21,564
Gain in net contribution to funds	891	302
Amount recognised in other comprehensive income	(5,125)	27,635
Closing defined benefit pension asset	45,267	49,501

Amounts recognised in the Statement of Comprehensive Income

	2022 £'000	2021 £'000
Net interest income on defined benefit pension asset	891	302
Total gain recognised in net contribution to funds	891	302
Remeasurements	(5,125)	27,635
Amounts recognised in other comprehensive income	(5,125)	27,635

Notes to the Financial Statements

9 Pensions (continued)

Assets

		2022		2021
	%	£'000	%	£'000
Equities	-	-	17	37,259
Liability driven investment	92	131,241	68	153,034
Diversified growth fund	8	11,111	15	33,535
Cash and net current assets	-	720	-	1,007
Total	100	143,072	100	224,835

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

	2022	2021
	£'000	£'000
Opening fair value of scheme assets	224,835	218,426
Interest on assets	4,001	3,038
Benefits paid	(5,124)	(2,935)
Actual return on plan assets less interest	(80,640)	6,306
Closing fair value of scheme assets	143,072	224,835
Actual return on assets	(76,639)	9,344

Liabilities

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

	2022	2021
	£'000	£'000
Opening present value of obligations	175,334	196,862
Interest on obligation	3,110	2,736
Benefits paid	(5,124)	(2,935)
Actuarial gain	(75,515)	(21,329)
Closing present value of obligations	97,805	175,334

Actuarial assumptions

	2022	2021
	% pa	% pa
Price RPI inflation	3.4	3.5
Discount rate	4.7	1.8
Pension increases (RPI 5%)	3.0	3.4
Pension increases (RPI 3%)	2.2	2.6

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 26.5 years (2021: 26.6 years) and a female pensioner currently aged 60 would be expected to live for a further 29.3 years (2021: 29.4 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 2022 (2021: £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 2022	33,268	16	33,284
Additions	461	-	461
At 31 December 2022	33,729	16	33,745
Amortisation			
At 1 January 2022	14,977	16	14,993
Charge in year	3,568	-	3,568
At 31 December 2022	18,545	16	18,561
Net book value			
At 31 December 2022	15,184	-	15,184
At 31 December 2021	18,291	-	18,291
	Software £'000	Copyrights £'000	Total £'000
Company			
Cost			
At 1 January 2022	33,249	394	33,643
Additions	461	-	461
At 31 December 2022	33,710	394	34,104
Amortisation			
At 1 January 2022	14,963	214	15,177
Charge in year	3,562	18	3,580
At 31 December 2022	18,525	232	18,757
Net book value			
At 31 December 2022	15,185	162	15,347
At 31 December 2021	18,286	180	18,466

Software additions include £0.4m (2021: £1.2m) of capital expenditure relating to the member administration IT system. The remaining amortisation relating to this asset at the end of 2022 is £14.5m, which will be released over its remaining useful economic life of two 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

	Investment property £'000	Freehold land and buildings £'000	Leasehold property £'000	Computers, furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation						
At 1 January 2022	9,800	16,534	5,134	8,178	43	39,689
Additions	-	14	91	1,788	-	1,893
Disposals	-	-	(327)	(115)	-	(442)
At 31 December 2022	9,800	16,548	4,898	9,851	43	41,140
Depreciation						
At 1 January 2022	-	5,259	1,525	6,545	11	13,340
Charge in year	-	655	394	724	11	1,784
Disposals	-	-	(182)	(50)	-	(232)
At 31 December 2022	-	5,914	1,737	7,219	22	14,892
Net book value						
At 31 December 2022	9,800	10,634	3,161	2,632	21	26,248
At 31 December 2021	9,800	11,275	3,609	1,633	32	26,349

	Investment property £'000	Freehold land and buildings £'000	Leasehold property £'000	Computers, furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Company						
Cost or valuation						
At 1 January 2022	9,800	16,534	4,882	8,049	43	39,308
Additions	-	14	25	1,751	-	1,790
Disposals	-	-	(327)	(115)	-	(442)
At 31 December 2022	9,800	16,548	4,580	9,685	43	40,656
Depreciation						
At 1 January 2022	-	5,259	1,494	6,476	11	13,240
Charge in year	-	655	339	704	11	1,709
Disposals	-	-	(182)	(50)	-	(232)
At 31 December 2022	-	5,914	1,651	7,130	22	14,717
Net book value						
At 31 December 2022	9,800	10,634	2,929	2,555	21	25,939
At 31 December 2021	9,800	11,275	3,388	1,573	32	26,068

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 2022.

The historical cost of investment properties held at fair value is £18.5m (2021: £18.5m).

All of the leasehold properties held at 31 December 2022, by the Group and by the Company, are short leaseholds.

Capital commitments

Capital expenditure approved and contracted for amounted to £nil (2021: £nil).

12a Investments and derivatives

Group	Total investments £'000	Total derivatives £'000
Valuation at 1 January 2022	2,622,603	15,117
Investment additions	1,196,831	-
Disposals at carrying value	(1,197,651)	-
Movement in cash balances	78,942	-
Transfers	(5,530)	-
Fair value adjustments	(56,565)	40,082
At 31 December 2022	2,638,630	55,199

Company	Total investments £'000
<i>Investment in subsidiaries (note 13)</i>	
Cost as at 1 January 2022	1,336,601
Additions	1,650
As at 31 December 2022	1,338,251

Investments comprise:

	2022 Group £'000	2021 Group £'000	2022 Company £'000	2021 Company £'000
Listed investments	1,044,399	1,386,253	-	-
Unlisted investments	1,384,542	1,105,605	-	-
Shares in Group undertakings	-	-	1,338,251	1,336,601
	2,428,941	2,491,858	1,338,251	1,336,601
Cash	209,689	130,745	-	-
	2,638,630	2,622,603	1,338,251	1,336,601
<i>Derivative financial instruments (12b):</i>				
- assets	198,543	66,342	-	-
- liabilities	(143,344)	(51,225)	-	-
	55,199	15,117	-	-

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.

Notes to the Financial Statements

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	1,782,118	<u>168,418</u>	<u>(143,344)</u>

Forward foreign exchange contracts

Duration	Nature of contract	Notional value '000	Asset £'000	Liability £'000
3 months	Sell USD Buy HKD	HKD 1,770,000	725	-
3 months	Sell USD Buy ILS	ILS 61,500	34	-
3 months	Sell USD Buy MYR	MYR 130,000	1,479	-
3 months	Sell USD Buy SGD	SGD 110,000	4,161	-
3 months	Sell EUR Buy GBP	EUR 395,000	1,808	-
2 months	Sell GBP Buy ZAR	USD 2,168	15	-
3 months	Sell USD Buy GBP	GBP 312,962	21,320	-
3 months	Sell ZAR Buy GBP	GBP 92,095	583	-
			<u>30,125</u>	<u>-</u>
Total derivatives			<u>198,543</u>	<u>(143,344)</u>

12c Collateral amounts given/received

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

Derivative held	Form of collateral	Given £'000	Received £'000
Interest rate swaps	Cash	<u>-</u>	<u>(8,255)</u>

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 2022				
Equities	380,496	-	-	380,496
Government and other bonds	380,209	-	-	380,209
Infrastructure	-	-	309,543	309,543
Multi-asset credit	283,694	-	366,667	650,361
Inflation opportunities portfolio	-	-	240,398	240,398
Real estate and ground rent	-	-	110,653	110,653
Direct lending	-	-	357,281	357,281
	1,044,399	-	1,384,542	2,428,941
Derivative financial instruments	-	198,543	-	198,543
	1,044,399	198,543	1,384,542	2,627,484
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

Financial liabilities at fair value through net contribution to funds

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2022				
Derivative financial instruments	-	(143,344)	-	(143,344)
At 31 December 2021				
Derivative financial instruments	-	(51,225)	-	(51,225)

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

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

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

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

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%	30,700	32 London Bridge Street, SE1 9SG, England.	A Corporate Member of Lloyd's of London; supporting the underwriting activities of the Lloyd's syndicate 1892.
Medical and Dental Defence Services Limited	100%	-	6A Palmiste Drive Phillipine, 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.
		1,338,251		

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

	2022	Restated 2021	2022	Restated 2021
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Receivable within one year				
Membership debtors	86,397	83,911	86,397	83,911
Other trade debtors	2,361	403	364	309
Recoverable insurance claims	11,415	8,859	12,321	9,522
Amounts owed by subsidiary undertakings	-	-	78,960	87,772
Other debtors	5,554	9,372	5,498	9,314
Prepayments	9,649	5,941	9,614	5,856
Corporation tax	-	1,499	129	-
	115,376	109,985	193,283	196,684
Receivable after one year				
Recoverable insurance claims	21,508	20,729	29,661	26,693
	21,508	20,729	29,661	26,693
Total debtors	136,884	130,714	222,944	223,377

One of the loan balances within amounts owed by subsidiary undertakings is interest bearing at a rate of SONIA +3% (2021: 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.

Membership debtors have been restated to include those instalments which were not due for payment as at the end of the prior year. See note 26 for more detail.

15 Creditors: amounts falling due within one year

	2022	Restated 2021	2022	Restated 2021
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Corporation tax	5,637	-	-	-
Other taxes and social security	3,761	3,484	2,790	3,331
Other creditors and accruals	48,536	49,083	76,055	69,389
Deferred subscription income	138,245	127,894	136,415	127,894
Amounts owed to subsidiary undertakings	-	-	1,290	886
	196,179	180,461	216,550	201,500

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

Deferred subscription income has been restated to include those instalments which were not due for payment as at the end of the prior year. See note 26 for more detail.

16 Creditors: amounts falling due after one year

	2022	2021	2022	2021
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Other creditors and accruals	661	669	661	669

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 2022	56,012	610,160	46,386	96,079	8,434	16,550	833,621
Movements in the Statement of Comprehensive Income:							
- Reported negligence claims	-	99,397	-	16,524	1,047	-	116,968
- Reported other claims	-	-	29,794	40,628	-	-	70,422
- Deferred taxation	(28,955)	-	-	-	-	-	(28,955)
- Onerous lease	-	-	-	-	-	680	680
- Finance cost (unwinding of discount)	-	25,030	3,261	-	-	-	28,291
- Released	-	-	-	-	-	(1,641)	(1,641)
Paid	-	(155,270)	(26,767)	(51,989)	-	-	(234,026)
At 31 December 2022	27,057	579,317	52,674	101,242	9,481	15,589	785,360

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

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

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

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 4.1% (2021: 2.9%) per annum.

MPS uses its internal staff to determine accurate estimates for individual claims, based on past experience and factors relevant to each claim. In addition, MPS uses the experience of its internal actuarial team, to use the internal individual claim estimates, and historical claims data, to arrive at a statistical reserve for the likely cost of all reported claims.

The principal financial assumptions used in the calculation of the claims provision are that average claims inflation will be 5.5% (2021: 5.6%) per annum over the period to payment where claims inflation assumptions are estimated and applied by territory by the internal actuarial team, having been approved by the Asset and Liability Committee. Investment return, used to discount future claims payments back to the Balance Sheet date, will be the UK risk-free rate published by the European Insurance and Occupational Pensions Authority (EIOPA) as at the year end, for all territories other than South Africa where the South African risk-free rate published by EIOPA is used. This is a change from previous years where we included an additional margin above risk-free when discounting. The average period to payment is estimated as 2.1 years (2021: 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 (2021: £nil).

Property provisions relate wholly to leasehold properties. The opening balance relates in part to dilapidations, being the estimated cost for restoring a leasehold property asset back to its original condition. More significantly, the opening balance includes a larger charge for the future commitments, until the end of the lease, for the currently vacant proportion of the same leased property. The charge for the current year relates to dilapidations for a different leasehold property. This cost has been recognised within Administration expenses within the Consolidated Statement of Comprehensive Income. This release relates to the now vacant proportion of the property, which was provided for in 2021.

	Reported negligence claims £'000	Reported other claims £'000	Claims handling £'000	Property £'000	Total £'000
Company					
At 1 January 2022	610,160	46,386	96,005	16,550	769,101
Movements in the Statement of Comprehensive Income:					
- Reported negligence claims	109,579	-	16,481	-	126,060
- Reported other claims	-	29,794	40,628	-	70,422
- Onerous lease	-	-	-	680	680
- Finance cost (unwinding of discount)	25,030	3,261	-	-	28,291
- Released	-	-	-	(1,641)	(1,641)
Paid	(165,452)	(26,767)	(51,964)	-	(244,183)
At 31 December 2022	579,317	52,674	101,150	15,589	748,730

18 Deferred tax

Deferred tax provided at 25% (2021: 19%) in the financial statements is set out below:

	2022 Group	2021 Group	2022 Company	2021 Company
Timing differences on fixed asset equity investments	27,057	56,012	-	-

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:

	2022 Group £'000	2021 Group £'000	2022 Company £'000	2021 Company £'000
Operating lease annual commitments				
Land and buildings:				
Within one year	2,602	2,472	2,482	2,376
Between one and five years	9,466	9,290	9,261	9,025
Over five years	8,666	10,638	8,666	10,638
	20,734	22,400	20,409	22,039
Office equipment:				
Within one year	56	73	55	73
Between one and five years	1	-	-	-
	57	73	55	73

Notes to the Financial Statements

20 Financial assets and liabilities

	2022	Restated 2021	2022	Restated 2021
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Financial assets measured at fair value through net contribution to funds				
- Listed investments	1,044,399	1,386,253	-	-
- Unlisted investments	1,384,542	1,105,605	-	-
- Interest rate swaps	168,418	62,938	-	-
- Forward foreign exchange contracts	30,125	3,404	-	-
	<u>2,627,484</u>	<u>2,558,200</u>	<u>-</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost				
- Amounts due from subsidiary undertakings	-	-	78,960	87,772
- Cash held within fixed asset investments	209,689	130,745	-	-
- Bank deposit accounts	168,038	206,508	20,073	19,986
- Cash at bank and in hand	37,536	103,581	35,684	21,991
- Membership debtors	86,397	83,911	86,397	83,911
- Other trade debtors	531	403	364	309
- Other debtors	5,549	9,325	5,498	9,314
- Recoverable insurance claims	32,923	29,588	41,982	36,215
	<u>540,663</u>	<u>564,061</u>	<u>268,958</u>	<u>259,498</u>
Financial liabilities at fair value through net contribution to funds				
- Interest rate swaps	(143,344)	(45,373)	-	-
- Forward foreign exchange contracts	-	(5,852)	-	-
	<u>(143,344)</u>	<u>(51,225)</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost				
- Amounts owed to subsidiary undertakings	-	-	(1,290)	(886)
- Other creditors	(21,275)	(13,056)	(17,163)	(10,013)
- Accruals	(53,124)	(54,697)	(51,062)	(53,023)
	<u>(74,399)</u>	<u>(67,753)</u>	<u>(69,515)</u>	<u>(63,922)</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

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 on page 62, 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 discretionary indemnity to members for the costs and damages associated with clinical negligence claims and the costs associated with other claims. At any time there are, as a result of past adverse incidents, claims that have already been reported and claims that have not yet been reported (unreported potential claims). Subject to discretion, MPS will be responsible for all of these claims.

For 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 outcomes 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 Group.

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

The Council engages its internal actuaries to help model and determine likely levels of future claims in accordance with relevant actuarial guidance. The work performed is peer-reviewed by an external actuarial consultant 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 interest 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 2022, the Council's estimate of this potential future cost (EPFC), if it agrees to assist, was £871m (2021: £870m).

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 30, ten (2021: ten) Non-Executive members of the Council have personal membership of MPS, which is purchased on a basis consistent with that of other members.

MPS considers the Council and the Executive Committee together to be its Key Management Personnel. The Executive Committee includes the Executive members of Council (as detailed on page 28), plus other executive Directors of MPS that are not members of Council. This combined Group has aggregate remuneration of £3.9m (2021: £4.0m).

26 Prior year adjustment

Where memberships are paid by instalments, those instalments which are not yet due for payment have previously been shown net against deferred subscription income, recognising the value of aged debtors due.

Following a review of accounting practice and disclosure, it was identified that debtor balances relevant to the full period of subscription should have been shown as a gross amount, rather than net against deferred income in instances where those membership instalments are not yet due. The Balance Sheet has therefore been restated for 2021 to gross-up the value of membership debtors and deferred subscription income, recognising the value of membership instalments which were not due for payment as at the Balance Sheet date.

This restatement has not materially impacted any other areas of the financial statements, including the Consolidated Statement of Comprehensive Income and the Consolidated Cash Flow Statement.

A summary of the restatement implications is shown below.

Debtors	2021	2021
	Group	Company
	£'000	£'000
Receivable within one year		
Membership debtors :	8,879	8,879
Membership instalments previously net against deferred subscription income	75,032	75,032
Restated membership debtors	83,911	83,911
Creditors: amounts falling due within one year		
	2021	2021
	Group	Company
	£'000	£'000
Deferred subscription income	52,862	52,862
Membership instalments previously net against deferred subscription income	75,032	75,032
Restated deferred membership debtors	127,894	127,894

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