

13707492

36142

THE MEDICAL PROTECTION SOCIETY

ANNUAL ACCOUNTS

31ST DECEMBER 1991

COMPANIES HOUSE
2 JUL 1992
M 62

COMPANIES HOUSE
24 JUL 1992
M 62

13-01792

2 1 . . .

THE MEDICAL PROTECTION SOCIETY

Members of the Council

H Baderman BSc MB BS FRCP JP
Professor J Bonnar MD FRCOG
J J Bradley MB FRCP FRCPsych
Professor Sir Paul Bramley DDS MB ChB FDS FRCS FRACDS
Professor A G M Campbell MB ChB FRCPEd
D.G.A. Eadie MB MS FRCS
R Myles Gibson ERD TD MD FRCSEng FRCSEd
R. Gray FCA
M J Healy MB BS MRCP DOBstRCOG
D. St.J. McGee MA *Chief Executive (ex officio)*
Margaret Seward BDS MDS MCD FDSRCS
C. Stewart Munro
W. McN Styles MB BChir DOBstRCOG FRCGP
T H Taylor MB BS FFARCS
A.R. Tyrrell QC
D.J. Youngman BA

Secretary to Council

R N Palmer LLB MB BS DOBstRCOG Barrister

Professional Advisers Solicitors

Messrs Le Brasseurs
Drury House, 34-43 Russell Street, London WC2B 5HA.

Auditors

Messrs Robson Rhodes,
Chartered Accountants,
186 City Road, London EC1V 2NU.

Bankers

Barclays Bank PLC (Cocks Biddulph Branch)
16 Whitehall, London SW1A 2EA.

Actuaries

Messrs Lane Clark & Peacock
30 Old Burlington Street, London W1X 1LB.

Investment Managers

Barclays de Zoete Wedd Investment Management Ltd.,
Seal House, 1 Swan Lane, London EC4R 3UD.

Insurance Brokers

NOREX Insurance Brokers Ltd.,
NOREX Court, 195 Marsh Wall, London E14 9SG.

CHIEF EXECUTIVE'S REPORT

During 1991 the Medical Protection Society continued to build on the strengthened financial position provided by the introduction of HCHS Indemnity in the United Kingdom. The balance sheet shows a thirty per cent increase in net assets from £38.3m at the end of 1990 to £49.6m at the end of 1991. This increase of £11.3m is largely due to the surplus of income over expenditure of £9.2m, which is itself a forty-four per cent increase on the £6.4m surplus of income over expenditure at the end of 1990. The balance of £2.1m is the result of the upward revaluation of investments.

Costs and damages rose from £7.0m to £10.3m largely due to the settlement of a small number of very large claims. Legal expenses increased only in line with inflation. The Medical Protection Society's contingent liability has risen by twenty-two per cent due to an increase in both the frequency and value of claims made during the year. This increase is outweighed by the thirty per cent increase in net assets reported above; it is important that the Society continues to generate healthy surpluses to meet contingent liability rises in the future.

As I reported last year we are continuing to strive to reach a mutually acceptable solution to the difficulties that arose out of the cessation of the schemes of co-operation with the Medical Defence Association of Victoria and the Medical Defence Association of Western Australia. We remain resolute in the defence of our position, having taken legal advice including the opinion of leading counsel both in Australia and in England.

I am particularly pleased to be able to report a reduction in the administration costs of the Medical Protection Society in 1991. This has been achieved through increased efficiency which, in turn, has enhanced the quality of service we provide to members.

In summary 1991 was a most satisfactory year for the Medical Protection Society. Our financial position means that we are well poised to meet successfully the challenges of the future.

D St J McGee
Chief Executive

31st March 1992.

**Lane
Clark &
Peacock**

Actuaries

30 Old Burlington Street
London W1X 1LB

Telephone: 071-439 2266

Fax: 071-439 0183

International Office at:
39a Southgate Street
Winchester
Hampshire SO23 9EH

17th March 1992

Mr D St. J McGee
The Medical Protection Society
50 Hallam Street
London W1N 6DE

Dear Sir

We have reviewed the position of the Society based upon reported cases as at 31st December 1991 and our main conclusions are as below.

Review of 1991

The total claims paid and reported throughout the world were broadly in line with expectations, but 1991 saw record awards by the Courts in a number of countries. Although most of these cases did not involve MPS members, there must be an expectation that such awards will become more commonplace and this has led to a significant increase in the estimate at the year end of the outstanding liabilities for claims that have been reported but not yet settled.

There was again a substantial surplus on the income and expenditure account for the year. This, together with the revaluation on investments, resulted in an increase in assets in excess of the rise in the outstanding liabilities for reported claims mentioned above. All in all the Society can be considered to have made a satisfactory advance over the year.

Subscription Policy

In advising the Society on possible subscriptions rates we have taken account of its current stated objective to implement subscriptions which will fully cover the cost of incidents occurring during the subscription year, even though these may not be reported, and finally settled, for many years. If such objective is maintained in future years, we would expect the Society to remain able to meet those liabilities as they fall due.

Yours faithfully

Lane Clark & Peacock

D W Peacock C R C Hawkes R J N Young Susan M Wilcock G W Orpwood Price M R Slack Alan Bradley Roger R Heard A M Newman
Fiona J Morrison A D Mason I R H Scott FIAA A P Cunningham ASA P D G Tompkins Petrea A Simmons N J R Curry
Consultant B J Clark

FELLOWS OF THE INSTITUTE OF ACTUARIES

The firm is regulated by the Institute of Actuaries in the conduct of its UK investment business.
Chief Executive David Ellis, FCIS, FCIL, FInstD



REPORT OF THE COUNCIL

The Council present their report and accounts for the year ended 31st December 1991.

PRINCIPAL ACTIVITIES

The Society's business is to protect, support and safeguard the character and interests of medical and dental practitioners. The Society is non-profit making and does not pay a dividend.

REVIEW OF THE BUSINESS

The results for the year are stated in detail on pages 2 to 12.

The review of the business appears in the Chief Executive's Report above.

FIXED ASSETS

The movement in the fixed asset account is set out in Note 9. Freehold and long leasehold properties are included at their open market value at 31st December 1988.

MEMBERS OF COUNCIL

The present members of Council of the Society are set out above. All members of the Council served throughout the year.

INDEMNITY FOR MEMBERS OF COUNCIL

During the year the Society has purchased and maintained policies of insurance for the members of Council against the financial consequences of actions brought against them for acts or omissions in the performance of their duties as members of Council.

AUDITORS

Robson Rhodes have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

50 Hallam Street
London W1N 6DE



By order of the Council
R.N. Palmer
Secretary

Date: 1st April 1992

The Medical Protection Society Limited

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 1991

	Notes	1991	1990
		£'000	£'000
Income			
Members' subscriptions and other income		<u>33,930</u>	<u>28,515</u>
Expenditure			
Costs and damages (including cost of insurance)		10,285	7,015
Insurance recoveries		(316)	(1,046)
Legal expenses		7,141	6,841
Medical and dental advisory services	3	4,793	4,608
Administration expenses	3	5,262	5,611
Exchange adjustments		<u>76</u>	<u>356</u>
		<u>27,241</u>	<u>23,385</u>
Excess of Income over Expenditure		6,689	5,130
Income from Investments	4	2,830	2,218
Realised gains from disposal of Investments		<u>783</u>	<u>85</u>
Surplus on ordinary activities before taxation		10,302	7,433
Tax on Income and realised gains from Investments	5	<u>(1,065)</u>	<u>(1,039)</u>
Surplus representing the contribution for the year available to meet future liabilities and charges	15	<u>9,237</u>	<u>6,394</u>

The notes on pages 5 to 12 form part of these accounts.

The Medical Protection Society Limited

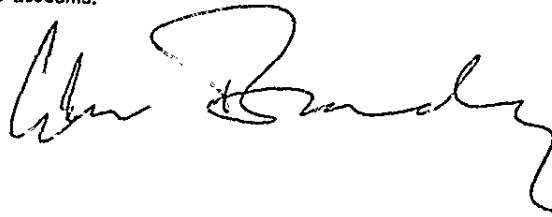
CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 31 December 1991

	Notes	1991	1990	1991	1990
		Group £'000	Group £'000	Company £'000	Company £'000
Fixed assets					
Tangible assets	9	5,609	4,849	5,609	4,849
Investments	10	34,140	25,574	34,140	25,574
Current assets		<u>39,749</u>	<u>30,423</u>	<u>39,749</u>	<u>30,423</u>
Debtors					
Bank deposit accounts	12	6,725	5,697	6,723	6,000
Cash at bank and in hand		7,600	16,965	7,600	16,965
		1,044	1,595	1,034	1,253
		<u>15,369</u>	<u>24,257</u>	<u>15,357</u>	<u>24,218</u>
Creditors:					
amounts falling due within one year	13	(5,489)	(7,355)	(5,473)	(7,313)
Net current assets		<u>9,880</u>	<u>16,902</u>	<u>9,884</u>	<u>16,905</u>
Total assets less current liabilities		<u>49,629</u>	<u>47,325</u>	<u>49,633</u>	<u>47,328</u>
Creditors :					
amounts falling due after more than one year	14	-	(9,052)	-	(9,052)
Net assets		<u>49,629</u>	<u>38,273</u>	<u>49,633</u>	<u>38,276</u>
Accumulated funds					
Income and expenditure	15	40,884	31,647	40,888	31,650
Revaluation reserve		8,745	6,626	8,745	6,626
Fund available to meet future liabilities and charges	16	<u>49,629</u>	<u>38,273</u>	<u>49,633</u>	<u>38,276</u>

The notes on pages 5 to 12 form part of these accounts.

John Jennery Bradley - Chairman of Council

1st April 1992



The Medical Protection Society Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 Year ended 31 December 1991

	1991	1990
	£'000	£'000
Source of funds		
Surplus on ordinary activities before taxation	<u>10,302</u>	<u>7,433</u>
Items not involving movement of funds		
Depreciation	362	380
Profit on disposal of investments and fixed assets	<u>(703)</u>	<u>(85)</u>
	(421)	295
Funds generated by operations	9,881	7,728
Funds from other sources		
Proceeds from sale of investments	6,375	8,651
Proceeds from sale of fixed assets	70	69
Total funds generated	<u>16,326</u>	<u>16,448</u>
Application of funds		
Purchase of investments	12,067	4,907
Purchase of fixed assets	1,163	383
Taxation paid	<u>1,033</u>	<u>1,109</u>
	14,263	6,399
Movements in working capital	<u>2,063</u>	<u>10,049</u>
Represented by:		
Increase in debtors	1,028	1,005
Decrease in creditors	10,802	2,474
Movements in net liquid funds		
(Decrease)/increase in cash and bank balances	<u>(9,767)</u>	<u>6,570</u>
	<u>2,063</u>	<u>10,049</u>

The notes on pages 5 to 12 form part of these accounts.

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

1 Basis of preparation of the accounts

The accounts are prepared in accordance with applicable accounting standards and the constitution of the Society as summarised below.

The Society is a mutual society, the function of which is to protect, support and safeguard the character and interests of medical and dental practitioners. It is a non-profit making company limited by guarantee and all income and property must be applied solely towards its objects as defined by the Society's Memorandum of Association. Members are not entitled to dividends or other distributions, and the surplus is retained by the Society to set against future liabilities.

One of the objects of the Society is to grant indemnity to members in respect of claims and demands which may result in the payment of costs and damages. The Articles of Association set down in paragraph 28 that "the grant of indemnity shall be entirely in the discretion of the Council who shall have power to impose such terms and conditions on the grant of any indemnity as it thinks fit and may in its absolute discretion limit or restrict such indemnity or decline altogether to grant the same." Such discretionary powers differentiate the Society from insurance companies. Provision is not therefore made in the accounts for future costs and damages arising on claims which have been reported to the Society but have not been settled but the amount of such outstanding claims has been estimated and details are set out in Note 16. The Society has not estimated the amount of claims arising from incidents which have occurred by the balance sheet date but for which no notification of a claim has been received.

It is the Society's policy to set a subscription level such that each year the income derived will meet the cost of incidents, in claims and damages, occurring during that year. The calculation of the subscription income necessary is carried out in consultation with the Society's actuaries. The Council is advised that the application of this policy will generate sufficient funds to meet claims as and when they fall due. The Society also has the right to call each year for additional funds from its members up to an amount equal to the annual subscription.

2 Accounting Policies

(a) Convention

The accounts include investments, freehold and long leasehold property at valuation but in all other respects have been prepared in accordance with the historical cost convention. The principal accounting policies adopted by the Society within that convention are set out below.

(b) Consolidation

The Group accounts comprise a consolidation of the accounts of the parent company and all its trading subsidiary undertakings. In accordance with the exemptions given by Section 230 of the Companies Act 1985, the company does not publish its own income and expenditure account.

(c) Subscriptions

Subscription income is apportioned between accounting periods to the extent that it is matched by expenditure within those accounting periods. Pursuant to Schedule 4 para 55 (5) of the Companies Act 1985 no geographical analysis of subscription income is shown.

(d) Depreciation

Depreciation is not provided in respect of freehold land. On other assets it is provided in equal annual instalments over their anticipated useful lives. The rates of depreciation are as follows:

Freehold property	- 2% per annum
Leasehold properties	- over life of leases
Furniture and fittings	- 5% per annum
Heating	- 10% per annum
Office equipment	- 15% per annum
Motor Vehicles	- 25% per annum
Computers	- 20% per annum

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

2 Accounting Policies

(e) Translation of foreign currency transactions

Debts paid and subscriptions received in foreign currencies are translated to their sterling equivalent at the date of payment or receipt. Current assets and liabilities appearing in the balance sheet are translated at the rate of exchange ruling at 31st December.

(f) Dividends and interest receivable

Dividends are brought into account when received. Interest receivable is brought into account on an accruals basis.

(g) Investments

Listed investments are included in the balance sheet at market valuation. The net surplus or deficit on revaluation is credited or charged to the revaluation reserve. On disposal the net proceeds are compared with original cost and the profit or loss credited or charged to the income and expenditure account.

(h) Costs and damages

Provision is made in the accounts for all costs and damages paid in the financial period.

(i) Taxation

Provision is made in the accounts for taxation on investment income received in the year and on capital gains on investments disposed of during the year. Provision is made for tax deferred because of timing differences between the treatment of items for tax and accounting purposes, except to the extent that there is reasonable probability that such deferred tax will not become payable in the future.

(j) Pensions

The Society operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the Society.

In principle the Society contributes to the scheme an amount equal to the regular cost of pensions as calculated by a qualified actuary based on a constant percentage of current pensionable payroll. The regular pension costs so calculated are charged to the income and expenditure account.

Triennial valuations of the pension scheme are performed by the actuary using the projected unit method. These valuations may reveal a surplus or deficit, which the Society then eliminates by temporarily varying its contributions to the scheme.

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

3 *Medical and dental advisory services and administration expenses*

	1991 £'000	1990 £'000
Charged under this classification are:		
Audit fee	47	50
Emoluments and expenses of members of Council (Note 6)	280	159
Depreciation on fixed assets	<u>362</u>	<u>380</u>

4 *Income from Investments*

	1991 £'000	1990 £'000
Dividends: listed investments		
- franked	1,084	1,089
- unfranked	248	231
Bank interest	2,169	1,946
Rental income	24	52
Other income	55	18
	<u>3,580</u>	<u>3,336</u>
Attributable to HCBS fund	<u>(750)</u>	<u>(1,118)</u>
	<u>2,830</u>	<u>2,218</u>

5 *Tax on income and realised gains from investments*

	1991 £'000	1990 £'000
Tax on franked income	271	266
Corporation tax at 33.25% on income (1990 34.2%)	812	773
Overseas tax payable	11	21
Overseas tax recoverable	(11)	(21)
Prior year adjustment	(18)	-
	<u>1,065</u>	<u>1,039</u>

No provision has been made for taxation of approximately £490,000(1990 £90,000), which would arise should the Society's investments, freehold and long leasehold properties be sold at the market value included in the balance sheet.

6 *Emoluments of members of Council*

	1991 £'000	1990 £'000
Chairman	22	18
Highest Paid Director (In 1990 the Chairman was the highest paid Director)	110	-

The emoluments of other members of Council fell in the following ranges:

	1991	1990
£0 - £5,000	-	21
£5,001 - £10,000	8	5
£10,001 - £15,000	5	3
£15,001 - £20,000	1	1

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

7 *Employees' remuneration*

The average number of people employed by the Society during the year was 139 (1990 - 150)

Costs in respect of these employees:

	1991 £'000	1990 £'000
Wages and salaries	3,348	3,310
Social security costs	318	292
Pension costs	483	475
	<u>4,149</u>	<u>4,077</u>

8 *Pensions*

The Society operates a pension scheme providing benefits based on Final Pensionable Earnings. Contributions to the Scheme are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was carried out as at 31 December 1990 using the Projected Unit method. It was assumed that investment returns would be 9 1/2% pa, that increase in earnings would average 7 1/2% pa and that pensions would increase at the rate of 5 1/2% pa.

The valuation showed that the market value of the Fund's assets was £3.7 million and that the actuarial value of those assets represented approximately 110% of the value of the benefits that had accrued to members after allowing for expected future increase in earnings.

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

9 Tangible assets : Group and company

	Freehold property £'000	Leasehold property £'000	Computers, furniture, and office equipment £'000	Motor cars £'000	Total £'000
Cost or valuation					
As at 1 January 1991	464	3,581	1,630	432	6,107
Additions	300	63	679	121	1,163
Disposals	-	-	(4)	(131)	(135)
Transfer	3,252	(3,252)	-	-	-
As at 31 December 1991	4,016	392	2,305	422	7,135
Depreciation					
As at 1 January 1991	18	160	929	151	1,258
Provided in year	9	73	178	102	362
Released on disposals	-	-	(4)	(90)	(94)
Transfer	143	(143)	-	-	-
As at 31 December 1991	170	90	1,103	163	1,526
Net book values					
As at 31 December 1990	446	3,421	701	281	4,849
As at 31 December 1991	3,846	302	1,202	259	5,609

On 28 May 1991 the Society acquired the freehold of its property at 50 Hallam Street London W1N 6DE for £300,000.

All the leasehold property held at 31 December 1991 are short leaseholds (1990 -£326,477).

The revaluation of Freehold and long Leasehold property was performed at 31 December, 1988, by Messrs Stanley Hicks & Sons, Chartered Surveyors, on the basis of their open market value.

If the land and buildings had not been revalued they would have been stated in the accounts at the following amounts:-

	Freehold Property £'000	Leasehold Property £'000
Cost	883	392
Depreciation	(25)	(90)
At 31 December 1991	858	302
At 31 December 1990	87	914

Capital commitments

Capital expenditure approved but not contracted for £3.5 million (£1990 Enil).
Capital expenditure approved and contracted for £856,000(1990 Enil).

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

10 Investments - Group and Company

	1991 £'000	1990 £'000
Valuation at 1 January	25,574	26,447
Additions	12,067	4,907
Disposals	(6,517)	(10,221)
Surplus/(deficit) on revaluation of listed investments	3,016	(5,559)
At 31 December	<u>34,140</u>	<u>25,574</u>

Investments at 31 December 1991 comprise:

General fund - listed		
- on UK stock exchange	34,038	25,474
Other	<u>102</u>	<u>100</u>
	<u>34,140</u>	<u>25,574</u>

Historical cost		
Listed investments	<u>28,253</u>	<u>21,806</u>

11 Investment in subsidiary undertakings

The following subsidiaries are wholly owned by The Medical Protection Society Limited:-

<u>Name</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Dental Protection Limited	England	To manage the advisory and administrative affairs of the dental division of the Society
Medical Claims Management Services Limited	England	To provide management services and advice in respect of medical and dental negligence or malpractice claims.
Medical Protection (Europe) Limited	England	To manage the advisory and administrative affairs of the European division of the Society
Medical Protection Society of New South Wales Limited	Australia	To manage the advisory and administrative affairs of the medical division of the Society in New South Wales in Australia.

The following subsidiaries are wholly owned by Medical Protection (Europe) Limited :-

<u>Name</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Medical Protection GMBH	Germany	To manage the administrative affairs of the German operation of Medical Protection (Europe) Limited
Medical Service Kft	Hungary	To manage the administrative affairs of the Hungarian operation of Medical Protection (Europe) Limited

12 Debtors

	1991 £'000	1990 £'000	1991 £'000	1990 £'000
	Group	Group	Company	Company
Subscriptions owing	4,740	3,584	4,740	3,584
Trade debtors	82	106	48	41
Amounts owed by subsidiary undertakings	-	-	105	390
Employee loans	-	15	-	15
Investment debtors	374	830	374	830
Other debtors	814	534	741	512
Prepayments	715	628	715	628
	<u>6,725</u>	<u>5,697</u>	<u>6,723</u>	<u>6,000</u>

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

13 Creditors: amounts falling due within one year

	1991 £'000	1990 £'000	1991 £'000	1990 £'000
	Group	Group	Company	Company
Bank overdraft	89	238	89	238
Corporation tax	745	712	745	712
Other taxes and social security	118	120	113	134
Deferred income	3,656	2,986	3,656	2,986
Other creditors and accruals	681	2,099	870	2,043
HCHS fund	-	1,200	-	1,200
	5,489	7,355	5,473	7,313

**14 Creditors: amounts falling due after more than one year
Group and Company**

	1991 £'000	1990 £'000
HCHS fund	-	9,052

Under the NHS Indemnity scheme, the Society agreed with the Department of Health to create a fund, known as the HCHS fund, as a contribution to the liability being accepted by the NHS health departments at 31 December 1989. The fund is made available to Health Authorities to help meet the costs and damages of medical or dental negligence cases. Agreement has been reached to transfer the balance of the HCHS fund to the Department of Health. The Society continues to manage that fund on behalf of the Department of Health, but the assets of the fund amounting to £8.6 million are kept entirely separate from the assets of the Society.

15 Movement on reserves - Group

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
As at 1 January 1991	6,626	31,647	38,273
Surplus on revaluation of listed investments	3,016	-	3,016
Release on disposal of investment	(897)	-	(897)
Surplus for the year after taxation	-	9,237	9,237
At 31 December 1991	8,745	40,884	49,629

Movement on reserves - Company

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
As at 1 January 1991	6,626	31,650	38,276
Surplus on revaluation of listed investments	3,016	-	3,016
Release on disposal of investment	(897)	-	(897)
Surplus for the year after taxation	-	9,238	9,238
At 31 December 1991	8,745	40,888	49,633

The Medical Protection Society Limited

NOTES TO THE ACCOUNTS

16 Future liabilities and charges

The estimate of the contingent liability to the Society for damages and legal costs in respect of all claims notified by 31 December 1991 and after estimated recoveries from underwriters is £55 million (1990 £45 million).

17 Guarantee

The Society is limited by guarantee of up to £1 per member.

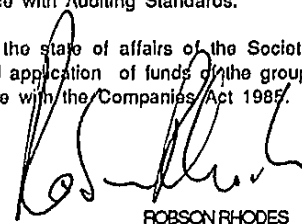
**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE MEDICAL PROTECTION SOCIETY LIMITED**

We have audited the accounts set out on pages 2 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Society and the group at 31 December 1991 and of the surplus and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

186 City Road
London EC1V 2NU

1st April 1992



ROBSON RHODES
Registered Auditor
Chartered Accountants