



MDU

Report & Accounts 2016

The Medical Defence Union Limited

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The Medical Defence Union Limited is a mutual not-for-profit medical defence organisation with a proud 132-year history of assisting our medical and dental members when their clinical practice is called into question.

We provide help to members with medico-legal and dento-legal difficulties, and in-house claims and legal expertise for members facing a claim for clinical negligence or a complaint to their regulator.

COMPANY INFORMATION

REGISTERED OFFICE: One Canada Square, London E14 5GS

REGISTERED NUMBER: 21708

AUDITORS: BDO LLP
55 Baker Street, London W1U 7EU

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REPORT OF THE CHAIRMAN

In a time of unprecedented change for our members and for the National Health Service, it is important organisations like the MDU hold firm to those principles on which they were founded – in our case, 132 years ago.

First and foremost, we are a not-for-profit mutual company run for doctors, by doctors. Having doctors running the company as well as interfacing with members, we believe that we are in the best position to understand our members' needs and give them good advice.

Secondly, we at the MDU believe in the quality of the service we provide, even if it means it costs a little more. Cheaper indemnity options will always exist, but for these alternative indemnifiers it will be hard to offer the same range of services that we can give, the expertise that is needed when a doctor, dentist or other health worker is in trouble, and the advocacy that is essential when livelihood is threatened.

Experience comes from dealing with similar problems over a considerable period of time and from having a knowledgeable team. While every problem is unique and its impact on a member is a highly personal matter, knowing what to expect and how to mount a defence involves skill and previous knowledge of cases. The MDU has remained the leading defence organisation in the UK with a growing membership base, despite challenges from other providers.

Thirdly, we believe in a personal service to our members. We appreciate how important it is to have a thread of continuity when it comes to dealing with a medico-legal problem. Our team of experts, working on your behalf, will see to it you are kept properly informed

and advised on every step of a claim or regulatory matter. Having a team of in-house lawyers gives us a wealth of expertise in medico-legal matters which is easily and quickly accessed. For those problems that need the advocacy of a specialist barrister, be it at the GMC, the GDC or in the High Court, we are linked to chambers experienced in the field.

Holding on to what you believe to be important in running a company owned by its members doesn't mean you resist change. Some change is both good and necessary – ensuring, for instance, that there is fair pricing of risk. Some specialties and methods of working attract proportionately more claims, as well as higher value claims, than others. As more work is devolved from doctors to other professionals and health workers, there is also a transfer of risk, and that has to be reflected in subscriptions so that some aren't paying more than they should, and others less.

As subscriptions rise to keep pace with claims, so we must be mindful of what is realistically affordable. Claims inflation

continues to rise, as do damages. And as our chief executive has pointed out, do we want to live in a society where the legal system for dealing with clinical negligence claims can adversely affect access to health care?

We know our members are having second thoughts about taking on higher risk activities. Some express reservations about entering specialties where the cost of indemnity is high relative to their income. This is worrying, particularly when standards of clinical care remain high and there is more emphasis on risk management.

It is abundantly clear that the numbers of claims and the size of compensation awards are connected to changes in the civil justice system, rather than to doctors' and dentists' performance and professional standards. Change is needed, and the MDU is at the leading edge in advocating a system that is both fair and proportionate for all parties. Importantly, the MDU is a trusted and respected institution and therefore its voice is likely to be listened to.

This hasn't been an easy year for health professionals generally, and while we are not a party-political organisation (nor should we be), in an era of rapid change it is important we articulate what we believe to be threats to the profession and reasons for health workers to either have second thoughts about joining the profession or to leave it prematurely. We are in touch with the regulatory bodies, the Department of Health, NHS England and the Royal Colleges, as well as with individuals concerned with the circumstances in which our members work. Our opinion is frequently sought on a wide variety of issues and you will have heard our response to current issues in the media. As our chief executive explains in her report, examples of our recent work to influence and inform the medico-legal climate on your behalf can be found on our website.

It is now two years since we re-located to Canary Wharf, and 2016 saw the bedding down of our new IT system called Compass, an expansion of our digital communication to members, an involvement with the GMC in looking at



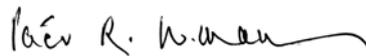
Dr Peter R Williams
Chairman of the board
of management and
President of the MDU

dealing with referrals to the regulatory body more speedily, and seeing to it that out-of-hours indemnity costs for GPs are reimbursed for a further year. We have never been busier; a reflection of the times in which we live and I want to thank all members of the organisation for rising to the challenge and to you, our members, for continuing to support us.

On Council we have four new members; Dr Lynette Hykin and Professor Malcolm Lewis (both general practitioners) joined in January 2017, while Dr David Richmond (a specialist in obstetrics and gynaecology) and Mr Ashok Handa (a consultant surgeon) joined in March 2017.

Professor Keith Cartwright has retired from the Board but continues to serve on the Council, and Dr Susan Bewley, Dr Oliver Foster, Dr Femi Oyebode, Professor David Sowden and Professor Matt Thompson stepped down as Council members in the course of 2016.

Finally, it is with sadness that I report the deaths of two former presidents of the MDU; Mr Joe Smith and Mr David Markham. Both were loyal members of the MDU, as was Mr Richard Pearson, the previous chair of the audit committee, whose death also occurred in 2016. They will all be remembered for their substantial contributions to the company.



Dr Peter R Williams
Chairman of the board of
management and President
of the MDU

25 April 2017

GROUP STRATEGIC REPORT

2016 was an uncertain year for many working in the NHS. As the financial and other pressures on the NHS increased, this inevitably translated into greater financial, professional and personal pressure on MDU members doing their best to continue providing a high standard of care for patients. It was reassuring, therefore, to see the GMC begin its analysis of the 'State of Medical Education and Practice 2016' with the words, 'Patients should be assured that the standard of healthcare provided by doctors working in the UK remains among the best in the world...'. The GMC also noted that, 'the vast majority of doctors are not complained about to the GMC', and this applies equally to dental professionals and the GDC.

The healthcare regulators are the arbiters of standards for healthcare professionals and their fitness to practise (FTP) figures demonstrate that even when doctors and dentists are referred to their regulator, the majority of cases are closed without investigation or at an early stage. In the relatively few cases where

regulators make misconduct or impaired fitness to practise findings, there have been no dramatic changes in numbers in this last few years, proof that the high standard of care provided by UK doctors and dentists remains unimpaired by the pressurised environment in which it is delivered.

You might think these high standards of care would be reflected in the number of claims made against the health service and individual doctors and dentists practising in the primary and independent sectors, and even that there might have been a decrease in number. Sadly the truth is very different. Notifications of new claims against our medical members have remained high. We still see more claims than we did in 2012, when they first started to rise so dramatically in anticipation of the introduction of a less favourable costs regime for claimants' lawyers by the Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) 2012. In 2016 there were slightly fewer lower value medical cases, which appeared to be a result of better selection of cases by claimant solicitors leading to fewer non-meritorious case notifications, and we successfully defended 85% of the medical claims that closed during the year. However, claims costs continue to rise unsustainably.

The underlying problem of claims size inflation, particularly in the higher value cases, continued to drive up our

high value case reserves (estimated settlement values of open cases). It is no longer unusual to see a claim for more than £10 million. The size of awards sought is no indication of the 'seriousness' of the incident, nor are they intended to serve a punitive function. The ever-increasing value of claims is solely a result of the spiralling cost of compensating severely-damaged patients who are usually expected to live many years because of medical and technological advances. The high cost is largely a result of the legal requirement to calculate compensation awards on the assumption that care will be provided privately, irrespective of how it is later sought and delivered.

In secondary and community care, claims are made against trusts rather than members of staff, and are paid by the NHS Litigation Authority (rebranded NHS Resolution in April 2017) which is funded by the tax payer. NHS hospital doctors are protected in this way by NHS indemnity, but their GP colleagues are named in claims and generally have to pay for their own indemnity whether they are partners, salaried or locums. Early in 2016 many GPs voiced their

understandable concern at this rapidly increasing financial burden, which is not of their making and over which they have no control. The Department of Health and NHS England conducted a GP Indemnity Review (to which the MDU contributed on behalf of members) and it reported in July. As a result NHS England undertook to provide direct financial support to primary care through a winter indemnity scheme for out-of-hours care, as well as reimbursing GPs for the inflationary element of indemnity costs for two years until April 2018, when the scheme should be reviewed. The review also acknowledged the need to work with other bodies such as the MDU to identify the most effective way of addressing rising indemnity costs.

We welcomed the short-term support promised for our GP members and the commitment to work towards a longer-term solution to address unsustainable claims costs. Since then, in November, Lord Justice Jackson announced a review to consider extending fixed costs to all civil litigation, and in January 2017 the Department of Health launched a consultation proposing fixed recoverable costs for clinical negligence cases

with awards up to £25,000. The MDU submitted information and observations to both, but even if they were to result in changes that produced proportionate legal costs in clinical negligence cases, without any unforeseen consequences, other drawbacks or loopholes, fixed legal costs will not address the fundamental problem that is the uncontrollable escalation of future care costs.

The announcement by the Ministry of Justice (MoJ) in February 2017 of a lowering of the discount rate (the mechanism the courts use to adjust large compensation payments to take account of future investment returns) from 2.5% to minus 0.75% has made matters very much worse. This immediately inflated the cost of ongoing claims and will apply to those arising from future incidents. Worse than that, it is retrospective and will also apply to claims made in future as a result of incidents that have already happened but where MDU members have not yet been notified. This will add billions of pounds to the cost of clinical negligence claims. None of this is fair. Lowering the discount rate by 3.25% has not only moved the goal posts retrospectively but widened them too, for

claims where planned funding was based on a 2.5% discount rate and not minus 0.75%; a rate change imposed in one fell swoop.

The MoJ's advice is that the law does not consider the potential effect of such a change on defendants to be relevant. But it cannot be right that there was no proper consideration of the full effects for hospitals and GPs. The Lord Chancellor's decision to reduce the discount rate is a stark illustration of the fact that the drivers of claims and their costs are far removed from the clinical coalface and lie in the hands of those who make and interpret the law. Claims costs will continue to spiral out of control and billions will be spent on litigation the NHS and society cannot afford unless we have root and branch reform of personal injury law. We are continuing our fair compensation campaign and will do our best to encourage the Government to take this bold but necessary step as it is the only way to cut soaring claims costs effectively. Details of the Fair Compensation campaign are available on the MDU's website at www.themdu.com/faircomp

It is not just the claims climate that is adversarial, MDU expertise is equally vital in the advisory side of our work. The fact there remains significantly greater overall demand for assistance from the MDU's advisory teams now than there was five years ago is explained by the relentless medico-legal climate, which continues to encourage complaints and claims against doctors and dentists. Our advisory teams are themselves doctors and dentists who bring a unique combination of skills, knowledge and insight to their work in assisting and supporting members as fellow professionals. Members need to know they are being advised by experts and we invest heavily in training, using in-house programmes that deliver an essential part of our advisory teams' medico and dento-legal knowledge and expertise and ensure it is up to date. In acknowledgment of our training programme's quality and significance we entered the Princess Royal Training Awards, created to highlight the positive impact that training and skills initiatives can have on business performance. We were short-listed for the award, and although we did not receive one in our first year, the process of reviewing our training programme was extremely



Dr Christine Tomkins
Chief executive

beneficial. The positive feedback we received has allowed us to further build upon our programme and encouraged us to submit an entry again this year.

Our medico-legal and dento-legal teams opened well over 13,000 new case files on behalf of members facing complexities or problems arising from their practice. These teams guide, support and defend members through complaints, disciplinary procedures, regulatory body enquiries, coroners' inquests, criminal investigations and other legal or ethical difficulties or questions they face as a result of their clinical practice.

While it is pleasing to see that the drop in complaints to the GMC overall resulted in slightly fewer members needing to seek our assistance with GMC inquiries in 2016, the number of case files opened to assist members with local disciplinary procedures increased. This may be a result of the GMC's work on identifying cases at an early stage that do not meet its threshold. It is welcome to see the GMC is closing less serious cases early, though many of these complaints are then referred to the doctor's employer

or to NHS England to consider whether they need to investigate. When they do investigate, their disciplinary procedures have a lower threshold than the GMC's and members need specialist expertise. We have a specialist in-house medico-legal team dedicated to supporting members facing disciplinary procedures arising from their clinical actions or performance. In 2016 the team assisted over 300 members involved in such cases.

On the dental side, a further increase in our advisory assistance work reflected a rise in requests for advice and assistance with patient complaints and with GDC investigations. We are working with the GDC to identify ways to better inform patients and the public that its powers only relate to serious concerns. We are also monitoring the new case examiners who were appointed towards the end of 2016, along with the other FTP changes that should help to improve the speed and efficiency of the FTP process.

Our in-house legal team had another excellent year under the guidance of new head of department Joanne Bateman. The MDU's specialist solicitors support

members with a wide range of medico-legal issues including claims, inquests, criminal investigations and GDC and GMC cases. In 2016, of those GMC cases that went to a panel hearing, our in-house solicitors achieved a finding of no impairment for 54.5% of members, compared with the GMC's most recent four-year average figure of 22% (2012–15). 2016 also saw in-house legal move onto the same case management system used by our claims handlers and medico-legal advisers, further streamlining working practices within the professional services division.

The work the MDU does to influence the medico-legal climate on behalf of our members is one of the less well-known benefits of membership. Our multi-disciplinary teams dedicate considerable time and expertise to representing members' interests to a wide range of governmental and external bodies, and we now provide regularly updated information about our work on the 'Our impact: influencing others on your behalf' pages of our website. In the last year we have been active in policy areas ranging from the Scottish Government's proposals for a 'no-blame

redress scheme' for clinical negligence claims, to commenting on the GMC's proposals to expand the information it publishes about doctors on the register, to the Department of Health's proposals to create a safe space in investigations into patient safety incidents.

Another important area is medical manslaughter, where the MDU is the only medical defence organisation with a dedicated in-house team specialising in criminal law. We use their knowledge and experience to advocate changes to the procedure. The vast majority of investigations of doctors for manslaughter do not result in a charge, and convictions are even rarer; but the upheaval they cause is profound. Involvement in manslaughter investigations has a disproportionately adverse impact on doctors in terms of their length (which can be three years or more) and the disruption they cause to professional and personal lives. For example, most doctors subject to a lengthy manslaughter investigation are given interim conditions or suspended by the Medical Practitioners Tribunal Service and are likely to become deskilled. Even if they are not charged, they may have to

face a lengthy retraining process in order to get back to clinical work.

It would be unrealistic to suggest that doctors, dentists or other healthcare professionals should be exempt from a law that applies to all, but we know from experience there are changes that could be made to reduce the number of unnecessary investigations and result in fewer and better informed decisions to charge and prosecute. Medical manslaughter is a complex area. The MDU believes that fostering a better understanding by the prosecuting authorities of the complexity of clinical practice and the way system errors can play a significant part in medical mishaps is particularly important. Seeking to blame is rarely, if ever, helpful in fixing a problem to ensure it does not recur.

While our principal focus is in initiating and facilitating discussions and policy changes in areas that will benefit our members, our views, contributions and support are sought by a wide range of government and external bodies. We are recognised for our expertise and ability to draw on experiences and lessons we have learnt in one sector or forum and to

translate them into practical suggestions that can be implemented effectively elsewhere.

For example, we successfully contributed to the GMC's work to reduce the stress upon doctors of an FTP investigation. For many years we have made it clear that, in our experience, a 'one-off' single clinical incident is unlikely to be anything more than an unfortunate and unique set of circumstances that must be brought to the patient's attention and dealt with swiftly and appropriately. Single clinical incidents present opportunities for learning and improving practice, but they are generally not reliable indicators of concerns about patient safety. However, this has not stopped doctors being reported to the GMC and having to undergo an FTP investigation.

We were pleased, therefore, when in July 2016 the GMC added single clinical incidents to its criteria for provisional enquiries. This procedure aims to identify cases that can be closed without a full, formal investigation, subject to examination of key pieces of information that are sufficient to satisfy the GMC that the doctor in question presents no risk

to patient safety and has, if necessary, taken steps to ensure the incident is not repeated. The GMC estimates the single clinical incident initiative could avoid the need for a full investigation in around 230 additional cases a year, as well as significantly increasing the speed with which these cases are handled. We also used the experience of members going through FTP investigations to contribute significantly to the GMC's introduction of measures it announced during the year aimed at reducing the impact and stress of FTP investigations on doctors. We will continue to work with the healthcare regulators and encourage changes that have the greatest and most positive impact on members and minimise the distress caused to doctors and dentists.

BUSINESS REVIEW

STRATEGY

In each annual report I explain the combination of factors that create the backdrop against which we need to plan the MDU's long-term strategy.

The medico-legal climate remains harsh, and we influence development of policy and procedures through which members

are scrutinised and held accountable for their treatment of patients, to the full extent that we can. We also make sure we understand the environment in which members work, including the various economic, societal and other pressures, and the impact all this has on decisions you make, both personally and professionally.

This is important to our success in meeting the company's objective of providing the highest quality support to members at the lowest cost compatible with financial security. Our core services must always meet members' needs, and we must ensure we remain in the best position to provide members with specialist advice from doctors, dentists, lawyers and other professionals who combine an understanding of the realities of clinical practice with medico-legal expertise.

KEY PERFORMANCE INDICATORS

The company is committed to maintaining strong management, organisational effectiveness, tight cost control and appropriate investment in systems and technology, to deliver the optimal service to members.

The MDU monitors its business activity by means of a number of key performance indicators (KPIs), which the Board considers on a quarterly basis. These KPIs are designed to track the activity and achievement of the company. They are described below in conjunction with relevant results, in order to illustrate the MDU's achievements during 2016.

Membership statistics

The MDU monitors all areas of membership and evaluates any movements in renewals activity, leavers, junior doctor, graduate and student applications, and recruitment overall.

Quality of service

We understand how important it is to members that your calls are answered as quickly as possible. I am pleased to report that our membership staff answered 94% of the 195,000 calls received, and almost 70% of those were answered within 20 seconds. In addition, we answered 88% of the 92,000 items of members' correspondence within five days of receipt.

We take the quality of our membership department service seriously and only

0.15% of these contacts from our members resulted in a complaint. We aim to provide service of such a high quality that members have no cause for complaint but we also acknowledge that, occasionally, things do go wrong. Our aim is therefore to keep complaints from members as low as possible and when members do complain, to ensure we respond swiftly, fully and courteously.

In recognition of the high standard of service we provide to members, our membership department was again successfully re-accredited under the Customer Service Excellence Standard. This is a recognised independent benchmark of excellent service. The Standard tests in depth the areas that research shows are important to you – timeliness, accuracy, professionalism and staff attitude – and places great emphasis on how well the MDU understands our members' experience of service.

2016 proved to be a successful year for membership growth. We saw increases in our general practice, consultant and dental membership numbers despite increasingly active and diverse competition.

themdu.com

Our new membership computer system, introduced in late 2015, allows us to tailor our subscriptions closely to the work that individual members are doing, while offering the opportunity to introduce product variations more easily in future.

Our corporate membership numbers also grew significantly such that we now have over 50 GP federations with corporate membership. Crucial to our offer is providing a personal and bespoke service, as the indemnity needs of different organisations can vary considerably.

PRINCIPAL RISKS AND UNCERTAINTIES

The MDU is always looking at the options open to us to ensure we best serve members' needs to the first class standard they expect, and as economically as is feasible, while still ensuring subscription income is sufficient to provide members with long-term security and peace of mind.

The MDU has a risk management procedure which includes assessment of reinsurance security including credit risk, currency risk and risks associated with financial instruments. More information

is set out below. The MDU's policies and processes encompass areas such as staff development and training, conflicts of interest, and fair treatment of members.

Risks are regularly reviewed by the Board to ensure the necessary procedures and strategies are in place to manage risks appropriately. An assessment is given below of the principal risks.

Increasing claims cost

A significant increase in claims cost could affect the funding levels of the MDU. The MDU mitigates this risk in the following ways: first, by having in place highly trained claims and legal staff, managing claims on behalf of members; second, by the purchase of a well-established programme of reinsurance cover to protect against unexpected changes to claims frequency and inflation, including an assessment of the reinsurance security; third, by continuing to lobby for reform on how medical claims can best be funded. This is explained earlier in this report, where on your behalf we continue to pursue a package of reforms, including tort reform and pressing the government to take steps that will mitigate the

impact on our members of the reduction in the discount rate announced on 27 February 2017.

Government changes that impact our members

The MDU actively represents members' interests with the government, regulators and other bodies where there may be a medico-legal or dento-legal impact. We are in active discussion with the government about the repercussions of the change in the discount rate announced on 27 February 2017.

Competition and meeting members' needs

The MDU aims to differentiate itself from the competition on the quality of service it provides to its members. We continuously monitor our status in the market and have processes in place to respond quickly to potential threats. We also monitor all areas of membership and evaluate any movements in renewals activity, leavers, junior doctor, graduate and student applications, and recruitment overall. We undertake research to monitor members' service and product needs.

Information management

The MDU has IT and information management and security policies and procedures in place. These are subject to monitoring and review by the IT and information services departments and the information risk and security officer.

Lack of effective corporate governance

The directors' report explains the committee structures in place which help to mitigate this risk.

Investment risk

The MDU, through MDU Investments Limited (MDUIL), is assisted by advice from an independent investment adviser. The MDU is responsible for setting the company's investment strategy and for reviewing the investment performance of its third party fund managers. In setting our investment objectives we take into account the estimated provision for future indemnity payments, and the effect of general economic risks which include market, credit, interest rate, inflation, liquidity and currency risks. Details of these risks can be found in note 18(d).

During the year the fund managers held derivative financial instruments in order to achieve the group's financial risk management objective. These instruments involve the purchase or sale of an underlying asset at a price fixed today for delivery at some date in the future. The net finance income and cost of these contracts are included in note 4 to the financial statements.

RISK CHARACTERISTICS OF FINANCIAL INSTRUMENTS

Market risk

The MDU has adopted a prudent investment strategy that identifies the levels of risk and return acceptable in its portfolio. External professional advice is regularly sought and investment performance is subject to regular review.

Credit risk

The MDU manages this risk through its investment policy, which sets out the type and quality of investments that can be held and the maximum exposure to any particular investment. Cash deposits are largely held within a well-diversified AAA

Money Market Fund, consequently, the credit risk is considered to be low.

Interest rate risk

The group's financial risk management objective is broadly to seek to realise neither profit nor loss from exposure to interest rate risks. Derivatives are sensitive to interest rate movements so it is necessary to determine the interest rate risk that such contracts will be exposed to. This is done by comparing the risk of the underlying asset against the risk of the derivative to determine the number and type of derivatives that need to be held.

Inflation risk

The estimate of the MDU's indemnity provision is influenced by the likely cost of future claims, some of which can take many years to settle and are affected by compensation for future costs and losses, such as loss of earnings and cost of future care. Such costs are affected by inflation, and therefore to mitigate this risk the MDU holds investments in UK

index-linked gilts and bonds and inflation-sensitive financial derivatives, which by their very nature provide protection against movements in inflation.

Liquidity risk

The MDU group monitors the likely timing of the payment of its claims liabilities, and its policy is to finance these through matching subscription and other receipts, and investment assets. As the group's investment assets are mostly in easily traded financial instruments or cash, the group ensures that any liquidity risk is minimal.

Currency risk

The MDU group's financial risk management objective is broadly to seek to realise neither profit nor loss from exposure to currency rate risks. The group monitors its likely exposure to non-sterling claims and advisory costs, and its policy is, where possible, to finance these through matching subscription and other receipts, and investment assets, held in the same currency. Where investments are held in non-sterling currencies, the exchange rate risk is largely hedged.

FINANCIAL PERFORMANCE

Every quarter the Board reviews the MDU's overall financial performance including subscription levels, reinsurance premiums, claims payments, legal costs and claims reserves. Details are given in the financial review, but the key figures are as follows.

The MDU's net assets now total £222m (2015: £253m). This follows a substantial increase in the indemnity provision to £727m (2015: £408m) following the lowering of the discount rate referred to earlier in this report. The effect of the MoJ announcement has been to increase the indemnity provision by an additional £212m for the year ending 31 December 2016.

This indemnity provision does not represent the total potential liability of our members since it excludes incurred but not reported cases (IBNR). As these are notified they can be picked up by the MDU under its discretionary indemnity provided to members.

FINANCIAL REVIEW

SUBSCRIPTION INCOME

Total subscription income for the year ended 31 December 2016 was £261.8m (2015: £248.1m), of which 99.0% was received from our UK members, the remainder, amounting to £2.5m, being from our members in Ireland.

INVESTMENT RESULT

There were positive changes in the market value of investments in 2016 resulting in a gain of £41.6m. In addition there was also net investment income of £20.2m bringing the total net investment result to £61.8m (2015: loss of £15.6m).

EXPENDITURE

In 2016 the MDU paid out £50.6m (2015: £39.6m) in discretionary indemnity claims and legal costs, of which £2.1m relates to our Irish members' claims.

Medical and dental advisory costs amounted to £28.7m in 2016 (2015: £28.8m).

Reinsurance premiums in 2016 were £11.4m (2015: £17.9m).

Administration costs in 2016 were £19.8m (2015: £18.0m).

RESULT AFTER TAX

The total comprehensive result is a loss of £31.4m (2015: gain £54.1m). The loss resulted from the lowering of the discount rate which has increased the indemnity provision by £212m in the year.

ASSETS/INDEMNITY PROVISION

The Statement of Financial Position for the MDU shows total assets less current liabilities of £983m, compared to £694m in 2015, the growth of £289m is largely due to an increase in the amount of funds invested, investment performance in the year, and an increase in reinsurance recoveries.

In assessing the provision for indemnity, the MDU takes account of all reported incidents notified up to the Statement of Financial Position date. This includes all notifications from members, including incidents relating to potential claims,

pre-claims where incidents are still being investigated and actual claims where there has been a demand for compensations or where legal proceedings have been served. It does not include any case where the Board has declined to exercise or to continue to exercise its discretion to assist.

No provision is made for discretionary indemnity claims that may arise from incidents occurring before the Statement of Financial Position date but not reported to the MDU at that date, or for defendant legal costs. As these claims are notified they can be picked up by the MDU under its discretionary indemnity provided to members.

The level of indemnity provision (note 19) has been estimated on the advice of the company actuary, taking all of the above factors into consideration, including the discount rate change, and is shown in the accounts at £727m (2015: £408m).

In summary, the MDU is a not-for-profit mutual owned by its members.

We concentrate on providing the best advisory, risk management and claims handling service to members, while controlling costs and managing funds prudently for members' financial security.

This strategic report was approved by order of the board of management.

A handwritten signature in black ink, appearing to read 'C. Tomkins'.

Dr Christine Tomkins
Chief executive

For and on behalf of the board of management

25 April 2017

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2016.

ACTIVITIES

The Medical Defence Union Limited's (MDU) activities include the discretionary provision, in accordance with the memorandum and articles of association, of indemnity and medico-legal and dento-legal services for its members.

The MDU continues to set subscriptions which the directors, on the advice of the company actuary, consider sufficient for overheads and foreseeable discretionary indemnity payments and legal costs.

The MDU represents members' medico-legal interests by informing and thereby influencing the government and other bodies on matters relating to healthcare law and the regulatory environment with a view to ensuring that any changes in these areas are equitable and fair.

Until the end of March 2013, through MDU Services Limited (MDUSL), the group provided paying members in the UK with insurance policies against claims of clinical negligence. These are underwritten by SCOR UK Company Limited and International Insurance Company of Hannover SE. MDUSL, a wholly owned subsidiary of the MDU, is authorised and regulated by the Financial Conduct Authority as an insurance intermediary.

MDU Investments Limited (MDUIL), a wholly-owned subsidiary of the MDU, manages investments on behalf of the MDU. Funds are invested with third party investment managers and MDUIL does not undertake any direct investment activity.

The MDU takes its corporate social responsibility seriously as reflected in its commitment to treating its members and employees fairly, and managing its business with due regard to its impact on the environment.

DIRECTORS

The following served as directors in 2016:

BOARD MEMBER

P R Williams ^{1 3 4 5}

K A V Cartwright ^{1 6}

H E Clarke ^{1 2 4 5}

W R J Dinning ^{4 5}

N A Dungay ⁴

C L A Edginton ^{1 4 5}

M M Gallivan ^{4 5}

C W Heron ^{1 2 4}

I D Hutchinson ^{1 2 3 4 5}

M T Lee ⁴

P Riordan-Eva ^{1 2 3 4 5}

O C E Sparrow

C M Tomkins ^{1 3 4 5}

S W Watkin

P D Webster ^{1 2 4 5}

NO. OF MEETINGS ATTENDED*

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3

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- 1 Members of the remuneration committee
- 2 Members of the audit committee
- 3 Members of the nomination committee
- 4 Directors of MDU Services Limited

- 5 Members of the investments committee of MDU Investments Limited
- 6 Retired on 20 September 2016
- * 5 meetings were held throughout the year

In accordance with the articles of association, the following directors are due to retire by rotation and, being eligible, offer themselves for re-election at the next annual general meeting:

H E Clarke
O C E Sparrow
C M Tomkins

P R Williams and P D Webster retire by rotation under article 49 but will not put themselves forward for re-election.

The MDU's articles of association give the members of the Board an indemnity (including qualifying third party indemnity provisions within the meaning of section 234 Companies Act 2006, which were in force during the year ended 31 December 2016 and remain in force) against liabilities incurred in relation to the affairs of the MDU. The group also purchases directors' and officers' liability insurance which gives appropriate cover for legal action brought against directors of group companies.

CORPORATE GOVERNANCE

Set out below is a summary of the MDU's approach to corporate governance. The participation of MDU members on the Board is a particular feature and strength of the governance arrangements.

There are four executive directors, two of whom are also MDU members. The Board has five non-executive directors

who are not members of the MDU and have no financial interest in the MDU other than their fees as Board members.

There are five non-executives with MDU membership, who receive fees as Board members and as expert witnesses. The Board does not consider that this compromises their independence as Board members. All the non-executive directors are therefore considered to be independent. The non-executive directors are sufficiently strong in numbers and independence to provide a proper balance on the Board.

The posts of chairman and chief executive are separate. This distinguishes the running of the Board from executive responsibility for the business. The roles of chairman and chief executive are defined in writing.

There is an induction process for new directors. This is tailored to meet the needs of individuals. It is designed to give new directors knowledge of the business and of their role in it as directors.

The Board undertakes an annual evaluation of its performance by questionnaire. The chairman reports back to the Board on the results of the evaluation.

All Board members are subject to election by MDU members at the first annual general meeting after their

appointment. All, including the executive directors, are also subject to retirement by rotation and re-election at least every three years.

The Board met five times in the year. The attendance record of the directors at the Board meetings is set out on page 18. The Board has a schedule of matters reserved to it for decision, including the following:

- approval of commercial strategy
- changes to corporate structure
- internal control arrangements
- board and committee appointments
- contracts not in the ordinary course of business

The Board has a procedure for directors to obtain independent advice. All Board members have access to the advice and services of the company secretary.

AUDIT COMMITTEE

The Board has an audit committee, which meets as often as necessary. The committee is chaired by Mr I D Hutchinson, a non-executive director without MDU membership. Mr Hutchinson is a chartered accountant. The committee includes four other non-executive members of the Board. The committee meets, and spends time alone with, the internal and

external auditors. The committee reviews risk management and internal control arrangements, and their effectiveness. It guides the activities and reviews the results of internal audit. The committee also reviews the scope and results of the external audit, and reviews the annual financial statements and other information in the annual report before publication. The committee meets the company actuary each year, reviews the results of his work and receives and considers a report from consulting actuaries on their peer review.

The audit committee has a written policy dealing with any recommendation to the Board concerning the appointment of the external auditors, and with their remuneration including fees for non-audit work.

NOMINATION COMMITTEE

The Board's nomination committee, chaired by the chairman of the Board, makes recommendations on the appointment of directors. Membership of the nomination committee comprises the chairman and vice-chairman of the Board, the chairman of the audit committee and the chief executive. Other Board members may be co-opted by the committee according to the nature of the vacancy under consideration. The committee prepares a description of the role and capabilities required for a particular appointment. It selects a shortlist of candidates for consideration by the Board, on merit and against objective criteria.

REMUNERATION COMMITTEE

The remuneration committee, also chaired by the chairman of the Board, makes recommendations on the remuneration of the executive directors, non-executive directors and members of the Council and of committees. The remuneration committee works on the basis that remuneration should be sufficient to attract, retain and motivate individuals of the quality required but without paying more than is necessary.

INTERNAL CONTROL

The Board is ultimately responsible for the internal control and risk management of the MDU and for the effectiveness of these systems. The audit committee has authority to advise the Board on these matters. Management is responsible for identifying, assessing, managing and monitoring risk, and for developing, operating and monitoring the system of internal control. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. Information is regularly provided at all levels and compared with budgeted targets which are reviewed on a quarterly basis. The Board considers regular reports on the risks inherent in the business. The principal risks are identified in the strategic report at pages 13 to 15.

The internal control and risk management systems cannot eliminate risks to the business, but they are designed to

manage them. Internal controls can provide only reasonable and not absolute assurance against material misstatement or loss. The Board, with advice from the audit committee, reviews the effectiveness of the risk management and internal control of the group.

GOING CONCERN

The financial statements are prepared on a going concern basis. In deciding to adopt the going concern basis the directors have reviewed the group's business plans and budgets and taken account of the discretionary nature of the Company's indemnity obligations.

RELATIONS WITH MEMBERS

The MDU uses the annual report and annual general meeting to communicate with members about the business. It values highly communications with members, and encourages members to attend the annual general meeting. Members of the audit, remuneration and nomination committees attend the AGM to respond to any relevant questions if necessary. The notice for the AGM is sent to members at least 14 days before the meeting.

DISABLED EMPLOYEES

The MDU group gives full and fair consideration to applications for employment from disabled people where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the MDU's policy wherever

practicable to provide continuing employment under normal terms and conditions.

Training, career development and promotion are provided to disabled employees where possible.

STAFF INVOLVEMENT

Employees are provided with information about the group's performance at annual staff briefings and more frequently through the group's intranet.

Employees' views are sought when decisions are required which are likely to affect their interests.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors 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 Company and the Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

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

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

By order of the board of management



N J Bowman
Company secretary

25 April 2017

INDEPENDENT AUDITOR'S REPORT

to the members of The Medical Defence Union Limited

We have audited the financial statements of The Medical Defence Union Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting

Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's deficit 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



David Roberts

(senior statutory auditor)
For and on behalf of BDO LLP
Statutory auditor
London, United Kingdom
27 April 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Members' subscriptions		261,821	248,050
Less			
Medical and dental advisory services		(28,699)	(28,820)
Indemnity, legal and reinsurance costs	6	(271,161)	(134,034)
Administrative costs		(19,794)	(17,954)
Finance cost - indemnity/pension provision	7	(6,516)	(4,405)
Operating (deficit)/surplus	8	(64,349)	62,837
Changes in fair value of investments	3	41,551	(14,091)
Net investment income/(loss)	4	20,186	(1,459)
Interest payable	5	(6,082)	(1,266)
Income and expenditure before taxation		(8,694)	46,021
Taxation	10	(8,625)	2,829
Income and expenditure after taxation		(17,319)	48,850
Other comprehensive income			
Actuarial (loss)/gain on pension scheme	21	(14,100)	5,200
Total other comprehensive (loss)/income		(14,100)	5,200
Total comprehensive (loss)/income for the year		(31,419)	54,050

The notes on pages 31 to 57 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

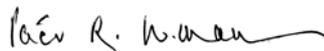
Registered Number: 21708

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	11	18,065	18,553
Investments	12	1,213,847	885,092
		<u>1,231,912</u>	<u>903,645</u>
Current assets			
Debtors: amounts falling due after more than one year	14	116,830	31,113
Debtors: amounts falling due within one year	14	25,066	16,947
Cash at bank and in hand		37,432	17,414
		<u>179,328</u>	<u>65,474</u>
Creditors: amounts falling due within one year	16	(428,342)	(274,915)
Net current liabilities		<u>(249,014)</u>	<u>(209,441)</u>
Total assets less current liabilities		982,898	694,204
Creditors: amounts falling due after more than one year	15	(26,285)	(35,172)
Provisions			
Indemnity provision	19	(727,151)	(407,651)
Other provisions	19	(2,430)	(2,330)
Net assets excluding pension scheme		<u>227,032</u>	<u>249,051</u>
Pension (liability)/asset	21	(5,300)	4,100
Net assets including pension scheme		<u>221,732</u>	<u>253,151</u>
Reserves			
Revaluation reserve		24,363	(17,188)
Retained earnings		197,369	270,339
		<u>221,732</u>	<u>253,151</u>

The financial statements were approved and authorised for issue by the Board on 25 April 2017 and were signed on its behalf by:



C M Tomkins - Chief executive



P R Williams - Chairman

The notes on pages 31 to 57 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

Registered Number: 21708

	Note	2016 £000	2015 £000
Fixed assets			
Investments	12	<u>25,160</u>	<u>15,160</u>
		25,160	15,160
Current assets			
Debtors: amounts falling due after more than one year	14	116,830	31,113
Debtors: amounts falling due within one year	14	757,213	609,400
Cash at bank and in hand		<u>6,848</u>	<u>3,220</u>
		880,891	643,733
Creditors: amounts falling due within one year	16	<u>(671)</u>	<u>(170)</u>
Net current assets		880,220	643,563
Total assets less current liabilities		905,380	658,723
Provisions			
Indemnity provision	19	<u>(727,151)</u>	<u>(407,651)</u>
		(727,151)	(407,651)
Net assets excluding pension scheme		178,229	251,072
Pension (liability)/asset	21	<u>(5,300)</u>	<u>4,100</u>
Net assets including pension scheme		172,929	255,172
Reserves			
Retained earnings		<u>172,929</u>	<u>255,172</u>
		172,929	255,172

The Statement of Comprehensive Income for the year ended 31 December 2016 for the parent company only was a loss of (£68.1m) (2015: gain of £63.3m).

The financial statements were approved and authorised for issue by the Board on 25 April 2017 and were signed on its behalf by:



C M Tomkins - Chief executive



P R Williams - Chairman

The notes on pages 31 to 57 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 January 2016	(17,188)	270,339	253,151
Comprehensive loss for the year			
Result after taxation	-	(17,319)	(17,319)
Actuarial loss on pension scheme	-	(14,100)	(14,100)
Transfer to/from retained earnings	41,551	(41,551)	-
At 31 December 2016	<u>24,363</u>	<u>197,369</u>	<u>221,732</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 January 2015	1,054	198,047	199,101
Comprehensive income for the year			
Result after taxation	-	48,850	48,850
Actuarial gain on pension scheme	-	5,200	5,200
Transfer to/from retained earnings	(14,091)	14,091	-
Realised on disposal of investments	(4,151)	4,151	-
At 31 December 2015	<u>(17,188)</u>	<u>270,339</u>	<u>253,151</u>

The notes on pages 31 to 57 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Retained earnings £000	Total equity £000
At 1 January 2016	255,172	255,172
Result after taxation	(68,143)	(68,143)
Actuarial loss on pension scheme	(14,100)	(14,100)
At 31 December 2016	<u><u>172,929</u></u>	<u><u>172,929</u></u>

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Retained earnings £000	Total equity £000
At 1 January 2015	186,708	186,708
Result after taxation	63,264	63,264
Actuarial gain on pension scheme	5,200	5,200
At 31 December 2015	<u><u>255,172</u></u>	<u><u>255,172</u></u>

The notes on pages 31 to 57 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016	2015
	£000	£000
Cash flows from operating activities		
Income and expenditure after taxation	(17,319)	48,850
Adjustments for:		
Depreciation of tangible fixed assets	3,038	2,689
Loss on disposal of tangible fixed assets	68	54
Foreign exchange differences	(4,441)	(689)
Net changes in fair value of investments	(41,551)	14,091
Increase in provisions (indemnity & other)	319,600	95,022
(Gain)/loss on disposal of investments	(8,517)	1,264
Non cash investment expense	1,396	1,653
Finance (credit)/charge on pension scheme	(200)	200
Increase/(decrease) in deferred taxation	6,328	(2,829)
(Increase)/decrease in debtors (excluding taxation)	(99,863)	27,251
Increase in creditors	10,227	754
Payments made - other provisions	(9)	(79)
Pension contributions made in excess of service cost	(4,500)	(4,100)
Increase in corporation tax creditor	1,167	-
Corporation tax recovered	-	733
Net cash generated from operating activities	165,424	184,864

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2016

	2016 £000	2015 £000
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,618)	(4,346)
Sale of tangible fixed assets	-	31
Purchase of investments	(739,707)	(538,177)
Sale of investments	486,381	200,380
Movement in other liquid resources	(19,182)	25,491
Purchase of derivative contracts	70	(5,649)
Net cash from investing activities	<u>(275,056)</u>	<u>(322,270)</u>
Cash flows from financing activities		
Increase in bank borrowings	85,244	16,640
Increase in other bank borrowings	44,406	123,887
Net cash used in financing activities	<u>129,650</u>	<u>140,527</u>
Net increase in cash and cash equivalents	20,018	3,121
Cash and cash equivalents at beginning of year	<u>17,414</u>	<u>14,293</u>
Cash at bank and in hand	<u><u>37,432</u></u>	<u><u>17,414</u></u>

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Income and expenditure after taxation	(68,143)	63,264
Adjustments for:		
(Increase)/decrease in debtors	(99,511)	25,169
(Decrease)/increase in creditors	(77)	33
Increase in amounts receivable from subsidiary undertakings	(134,019)	(172,662)
Pension contributions made in excess of service cost	(4,500)	(4,100)
Increase in indemnity provision	319,500	94,913
Finance (credit)/cost on pension scheme	(200)	200
Increase in corporation tax creditor	578	-
Net cash generated from operating activities	<u>13,628</u>	<u>6,817</u>
Cash flows from investing activities		
Purchase of ordinary shares in subsidiary undertaking	(10,000)	(10,000)
Net cash from investing activities	<u>(10,000)</u>	<u>(10,000)</u>
Net increase/(decrease) in cash and cash equivalents	3,628	(3,183)
Cash and cash equivalents at beginning of year	<u>3,220</u>	<u>6,403</u>
Cash at bank and in hand	<u><u>6,848</u></u>	<u><u>3,220</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. ACCOUNTING POLICIES

1.1 *Basis of preparation of financial statements*

These financial statements comply with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and certain financial liabilities included within creditors and in accordance with Financial Reporting Standard FRS 102 and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 *Basis of consolidation*

The group Statement of Comprehensive Income and Financial Position consolidate the financial results of the company and its subsidiary undertakings for the year ended 31 December 2016. No Statement of Comprehensive Income is presented for the Medical Defence Union Limited as permitted by section 408 of the Companies Act 2006.

1.3 *Members' subscriptions*

Members' subscriptions consist of subscriptions for members' services. These are accounted for on the basis of amounts received/receivable by the group before the Statement of Financial Position date, without apportionment.

Subscriptions support the funding of indemnity payments and the provision of advisory services to members. It is not practical to allocate a separate fair value to these two components.

1.4 *Insurance premiums payable*

The insurance arrangements described in the Directors Report provide for an adjustment in premiums if the actual claims experience is better than envisaged at the time the premium is initially established. Such amounts are brought into the accounts as debtors (premium

element adjustment) when they can be reliably measured and are re-assessed each year.

1.5 *Indemnity, legal and reinsurance costs*

The charge for indemnity costs, including indemnity payments, including the movement on the indemnity provision between the beginning and end of the year, and on legal charges covers the aggregate of all indemnity payments, and legal services provided for members, together with the cost of reinsurance premiums paid/payable. These include claimants' costs, payments on account, legal costs, representation at service committee appeals, at hospital enquiries and at the General Medical and Dental Councils, and legal assistance to members.

1.6 *Indemnity provision*

Provision is made for the estimated future cost of settlement, including related claimants costs of claims against members which have been notified at the date of the Statement of Financial Position and in respect of which the company has exercised its discretion to provide indemnity. The gross provision is calculated by the company actuary and peer reviewed by consulting actuaries.

No provision is made for claims that may arise from incidents occurring before the Statement of Financial Position date but not reported to the group at that date (IBNR) nor for defendant legal costs, nor for claims where The Medical Defence Union Limited has not exercised its discretion to assist.

The estimated value of this provision is stated before estimated recoveries from insurers, which are disclosed separately as debtors and calculated by the company actuary. The provision will be paid over an extended period and subject to agreement by all parties. The provision is discounted to reflect the time value of money. The movement on the provision separately identifies the unwinding of the discount which is disclosed as a finance cost in the Consolidated Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Other Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision is recognised.

Subsequently, provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

1.8 Tangible fixed assets

The cost of tangible fixed assets is written off evenly over their useful economic lives. Reviews are made periodically of the estimated remaining lives of individual assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful economic life range as follows:

Long-term leasehold property	–	15 years
Furniture, office equipment, computer equipment and software	–	3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.9 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the Statement of Financial Position date or the appropriate forward contract rate. All differences are taken to the Consolidated Statement of Comprehensive Income.

1.10 Taxation

Provision is made in the financial statements for tax on investment and trading income received and receivable in the year and revaluation gains and losses realised on investments disposed of in the year.

Deferred taxation is provided using the full provision method. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. Deferred tax assets and liabilities are calculated at the tax rate expected to be effective at the time that the timing differences are expected to reverse, and are not discounted. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

Where gains and losses are recognised in the Consolidated Statement of Comprehensive Income, the related taxation is also taken directly to the Consolidated Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Investments

(i) Recognition

Initial recognition of investment financial assets/liabilities occurs when the entity becomes party to the contractual provisions of the instrument. The investment financial asset/liability is recognised initially at the transaction price (including transaction costs). For commercial real estate loans, arrangement fees paid upfront by the borrower are recognised as deferred income on the date the facility is drawn.

Investments in subsidiaries are included at cost less any necessary provision for impairment.

(ii) Subsequent Measurement

Investment financial assets and liabilities at the Statement of Financial Position date are subsequently measured at market value or amortised cost.

Financial assets/liabilities at fair value:

Financial assets and liabilities measured at fair value, include; gilts, bonds, equities, pooled funds, short sold government bonds and derivative contracts. Subsequently, movements on revaluation are accounted for through the Consolidated Statement of Comprehensive Income. At the year end, changes in fair value recognised through the Consolidated Statement of Comprehensive Income are transferred to the revaluation reserve.

Financial assets/liabilities at amortised cost:

Financial assets and liabilities measured at amortised cost, include; commercial real estate loans, certain loans receivable and cash and cash equivalents held with investment managers. Commercial real estate loans are carried at cost with a consideration for impairment. Fair value was not selected for commercial real estate loans since market valuations are not readily available. Arrangement fees are credited to the Consolidated Statement of Comprehensive Income over the term to maturity of the facility.

(iii) Derecognition

A financial asset is derecognised when: the contractual rights to cash flows expire or are settled, substantially all the risks and rewards of ownership are transferred to another party, or some of the risks and rewards are transferred to another party, in addition, control of the asset is transferred to that party such that the other party will be able to sell the whole asset externally without any restrictions.

When some significant risks and rewards are retained by the entity and the entity retains control of the asset, this does not result in derecognition of the asset, but instead the recognition of a financial liability for the consideration received. These are not offset. On derecognition, the proceeds are compared to the carrying value and the resulting gain or loss, credited or charged to the Consolidated Statement of Comprehensive Income.

(iv) Derivatives

Derivative financial instruments "derivatives" are held and traded in conjunction with the groups' risk management objectives. Derivatives are defined as a financial instrument that derives its value from the price or rate of some underlying item. Derivatives are carried on the Statement of Financial Position at market value ("marked to market"). Derivatives with a positive market value are included within investments, those with a negative market value are shown as liabilities. Changes in that value are recognised in the Consolidated Statement of Comprehensive Income. This method is used for all derivatives which are held for trading purposes.

1.12 Investment income

Investment income includes; interest, dividends, coupons, foreign exchange gains/(losses), swap settlements and deferred arrangement fees (see note 1.11).

Investment income is accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Operating lease

Operating lease rentals are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Lease incentives

- (i) Landlord contributions are initially recognised as a deferred income liability on the Statement of Financial Position. These contributions are then released to administrative expenses over the length of the lease.
- (ii) During a rent-free period, a liability is built up on the Statement of Financial Position which is then charged to the Consolidated Statement of Comprehensive Income over the life of the lease. Rent free periods are not discounted.

1.14 Pension costs

The group operates two pension schemes; a defined benefit pension scheme and a defined contribution pension scheme.

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

Under the terms of the arrangements between the company and MDU Services Limited the company is responsible for any deficit, or can recover any surplus, of the defined benefit pension scheme for which MDU Services Limited is the principal employer.

The assets of the defined benefit pension scheme are measured at their market value at the Statement of Financial Position date and the liabilities of the scheme are measured using the projected unit method. The discount rate used is the current rate of return on an AA corporate bond of equivalent term to the liabilities.

The extent to which the scheme's assets exceed/fall short of their liabilities is shown as a surplus/deficit in the Statement of Financial Position to the extent that a surplus is recoverable by the company or that a deficit represents an obligation of the company. The following are charged to the Consolidated Statement of Comprehensive Income:-

- the increase in the present value of pension scheme liabilities arising from employee service in the current period;
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest;
- gains and losses arising on settlements/ curtailments;
- a credit in respect of the expected return on the scheme's assets; and
- a charge in respect of the increase during the period in the present value of the scheme's liabilities because the benefits are one period closer to settlement.

Actuarial gains and losses are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

2. EMPLOYEE INFORMATION

	2016 £000	2015 £000
Salaries	26,419	25,306
Social security costs	3,064	2,921
Pension costs - defined benefit scheme	2,000	2,500
Pension costs - defined contribution scheme	1,529	1,409
Other staff costs	1,899	1,594
	<u>34,911</u>	<u>33,730</u>
	2016	2015
Average number of employees in the year	454	438
	<u>454</u>	<u>438</u>

There are no staff employed by the parent company.

3. CHANGES IN FAIR VALUE OF INVESTMENTS

	2016 £000	2015 £000
Changes in fair value - assets	39,961	(17,042)
Changes in fair value - liabilities	1,590	2,951
	<u>41,551</u>	<u>(14,091)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

4. NET INVESTMENT INCOME/(LOSS)

	2016 £000	2015 £000
Exchange rate movements	4,441	689
Bond and interest income	7,882	7,328
Bank interest	327	251
Other investment income	2,308	(6,100)
Gain/(loss) on disposal of investments	8,517	(1,264)
Investment management fees/expenses	<u>(3,289)</u>	<u>(2,363)</u>
	<u>20,186</u>	<u>(1,459)</u>

Investment income from listed investments in the year was £7.0m (2015: £6.9m)

5. INTEREST PAYABLE

	2016 £000	2015 £000
Bank interest payable	<u>6,082</u>	<u>1,266</u>

6. INDEMNITY, LEGAL AND REINSURANCE COSTS

	2016 £000	2015 £000
Reinsurance premiums	11,406	17,889
Increase in indemnity provision (see note 19)	343,876	128,777
Premium element adjustment (see note 1.4)	(12,271)	(11,913)
Legal costs	20,261	16,507
Reinsurance recoveries (including the movement in reinsurance provision)	<u>(92,111)</u>	<u>(17,226)</u>
	<u>271,161</u>	<u>134,034</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

7. FINANCE COST - INDEMNITY/PENSION PROVISION

	2016 £000	2015 £000
Finance cost relating to indemnity provision (see note 19)	6,716	4,205
Finance (credit)/cost relating to pension provision (see note 21)	(200)	200
	6,516	4,405

8. RESULT BEFORE TAXATION

The result before taxation has been arrived at after charging the following:

	2016 £000	2015 £000
Depreciation of tangible fixed assets (see note 11)	3,038	2,689
Loss on disposal of fixed assets	68	54
Operating lease rentals - land and buildings	1,184	1,882
Operating lease rentals - motor vehicles	200	216
Fees payable to the company's auditors and its associates:		
▪ for the audit of the company's accounts	59	63
▪ for the audit of accounts of subsidiaries	68	73
▪ for tax services	359	290
Defined contribution pension cost	1,529	1,409
Defined benefit pension cost (see note 21)	2,000	2,500

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

9. DIRECTORS' REMUNERATION

	2016	2015
	£000	£000
Fees	468	492
Directors' emoluments	1,082	1,416
Amounts due and receivable under long-term incentive plans	518	202
	2,068	2,110

The highest paid director in the year earned:

	2016	2015
	£000	£000
Emoluments (including short-term incentive plan (STIP) and benefits under the long-term incentive plan (LTIP))	617	779
Accrued annual pension (excluding indexation)*	148	147

* The highest paid director is in receipt of a pension from the scheme. The pension figure shown is the annual pension in payment.

Retirement benefits are accruing to two directors (2015: two) under a defined benefit scheme.

The fees disclosed above in respect of services to the company represent the remuneration of the non-executive directors of The Medical Defence Union Limited. In addition five (2015: six) of the non-executive directors received fees totalling £51,000 (2015: £46,000) for acting as expert witnesses on behalf of members.

Executive directors

	Fees/Salary	Benefits	STIP/ LTIP	2016	2015
	£000	[i]	[ii]	£000	£000
		£000	£000		
C M Tomkins	311	19	287	617	779
M M Gallivan	200	17	153	370	315
N A Dungay	126	16	96	238	204
M T Lee	204	15	156	375	320
	841	67	692	1,600	1,618

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

9. DIRECTORS' REMUNERATION (CONTINUED)

Non-executive directors

	Fees/Salary £000	Other [iii] £000	2016 £000	2015 £000
P R Williams	73	4	77	87
K A V Cartwright	17	19	36	51
H E Clarke	37	6	43	41
A W Craft	-	-	-	19
W R J Dinning	36	4	40	38
C L A Edginton	36	4	40	40
C W Heron	15	22	37	39
I D Hutchinson	43	4	47	47
P Riordan-Eva	36	16	52	47
P D Robinson	-	-	-	17
O C E Sparrow	17	10	27	14
S W Watkin	12	16	28	11
P D Webster	36	5	41	41
	<u>358</u>	<u>110</u>	<u>468</u>	<u>492</u>

[i] Benefits include car allowances, medical and other benefits in kinds or their equivalent monetary value.

[ii] STIP represents those amounts that have been paid in 2016 and amounts accrued in respect of the year to 31 December 2016. The STIP is determined by comparing actual performance against set targets for the key performance indicators over the year.

LTIP represents those amounts that have been paid in 2016 and amounts accrued in respect of the year ended 31 December 2016. The LTIP is determined by comparing actual performance against set targets over a three year period; and relates primarily to the overall financial position of the company and its key membership statistics.

[iii] "Other" represents expenses paid to Board members and any fees and expenses for attendance at council and committee meetings other than MDU Board and its related committees.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

10. TAXATION

	2016	2015
	£000	£000
Corporation tax		
Current tax on result for the year	<u>2,297</u>	-
Total current tax	2,297	-
Deferred tax		
Timing differences	6,453	(3,407)
Adjustments for prior periods	(125)	(133)
Difference in tax rate on deferred tax movement	-	711
Total deferred tax	<u>6,328</u>	<u>(2,829)</u>
Taxation charge/(credit)	<u>8,625</u>	<u>(2,829)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). Reconciling items are explained below:

	2016	2015
	£000	£000
Result from mutual activities before taxation	<u>(8,694)</u>	<u>46,021</u>
Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	(1,739)	9,319
Effects of:		
Net mutual expense/(income) not subject to corporation tax	13,294	(12,803)
Expenses not deductible for tax	1	2,631
Non allowable depreciation	130	148
Adjustments in respect of prior periods	(125)	(133)
Non-taxable income	(2,959)	(2,701)
Difference in tax rate on deferred tax movement	(717)	711
Deferred tax not recognised	(1)	(1)
Capital gains	741	-
Total tax charge/(credit) for the year	<u>8,625</u>	<u>(2,829)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

11. TANGIBLE FIXED ASSETS

Group

	Long-term leasehold property £000	Furniture, office equipment, computer equipment and software £000	Total £000
Cost or valuation			
At 1 January 2016	10,492	15,544	26,036
Additions	-	2,618	2,618
Disposals	-	(2,752)	(2,752)
At 31 December 2016	<u>10,492</u>	<u>15,410</u>	<u>25,902</u>
Depreciation			
At 1 January 2016	683	6,800	7,483
Charge for the year	684	2,354	3,038
Disposals	-	(2,684)	(2,684)
At 31 December 2016	<u>1,367</u>	<u>6,470</u>	<u>7,837</u>
Net book value			
At 31 December 2016	<u>9,125</u>	<u>8,940</u>	<u>18,065</u>
At 31 December 2015	<u>9,809</u>	<u>8,744</u>	<u>18,553</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

12. FIXED ASSET INVESTMENTS

Group

	Investments in cash & cash equivalents £000	Funds held by Investment Managers £000	Total £000
Cost or valuation			
At 1 January 2016	9,890	875,202	885,092
Additions	-	739,707	739,707
Disposals	-	(486,381)	(486,381)
Foreign exchange movement	-	4,441	4,441
Revaluation of investments	-	39,961	39,961
Net movement in cash and accrued income	(3,238)	20,892	17,654
Profit/(loss) on disposal	-	13,373	13,373
At 31 December 2016	<u>6,652</u>	<u>1,207,195</u>	<u>1,213,847</u>
At 31 December 2015	<u>9,890</u>	<u>875,202</u>	<u>885,092</u>

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016	15,160
Additions	10,000
At 31 December 2016	<u>25,160</u>
Net book value	
At 31 December 2016	<u>25,160</u>
At 31 December 2015	<u>15,160</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

12. FIXED ASSET INVESTMENTS (CONTINUED)

The company, either directly or indirectly, holds the entire issued ordinary share capital of the following subsidiaries which principally affect the figures shown in the company's financial statements: directly MDU Services Limited and MDU Investments Limited both incorporated in England (registered offices: One Canada Square, London, E14 5GS) and indirectly MDU Reinsurance Limited, an insurance company, incorporated in Guernsey (registered office: PO Box 34, St. Martins House, Le Bordinge, St. Peter Port, Guernsey, GY1 4AU).

During the year, the company increased its investment in MDU Investments Limited by a further £10m.

Dormant companies are disclosed in note 26.

13. ANALYSIS OF FUNDS HELD BY INVESTMENT MANAGERS

	2016	2016	2015	2015
	%	£000	%	£000
UK index-linked government gilts [i]	26.2	317,204	26.3	230,201
Sterling index-linked corporate bonds	4.7	56,469	7.3	63,622
Sterling fixed interest corporate bonds	0.2	1,908	0.2	1,884
UK equities	-	-	2.1	18,336
Overseas equities	-	-	2.7	23,519
Cash and liquidity balances	2.5	29,902	0.9	7,483
Pooled funds [ii]	48.6	586,095	40.6	354,959
Commercial real estate loans [iii]	4.0	48,614	5.6	48,614
Loans receivable [iv]	13.8	167,003	14.5	126,584
	100	1,207,195	100	875,202

Valuation basis of investments

	2016	2015
	£000	£000
Fair value	961,676	692,522
Amortised cost [v]	245,519	182,680
	1,207,195	875,202

[i] Index linked gilts include the assets with a carrying value of £226.2m (2015: £141.2m) provided as collateral against the bank borrowings detailed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

13. ANALYSIS OF FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

- [ii] Pooled funds represent investments in funds that hold short term debt and similar instruments; medium to long term debt; and diversified assets that aim to balance equity, interest rate and inflation risks.
- [iii] Commercial real estate loans are syndicated loans made via an investment manager to the UK's commercial property sector. These loans are secured against the underlying property.
- [iv] Loans receivable are loans made to banks. Collateral of £167.0m (2015: £126.6m) was provided by the counterparties.
- [v] Fixed asset investments at amortised cost, include; commercial real estate loans, loans receivable and cash and cash equivalents with investment managers.

14. DEBTORS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due after more than one year				
Reinsurance recoveries	116,830	31,113	116,830	31,113
	116,830	31,113	116,830	31,113
	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due within one year				
Reinsurance recoveries	9,364	3,400	9,364	3,400
Amounts owed by subsidiary undertakings	-	-	735,528	601,509
Other debtors	1,795	1,434	-	-
Deferred taxation [i]	-	6,027	-	-
Prepayments and accrued income	3,996	6,086	2,410	4,491
Premium element adjustment	9,911	-	9,911	-
	25,066	16,947	757,213	609,400

- [i] The deferred tax asset recognised will reverse over future accounting periods, as depreciation is charged to the Statement of Comprehensive Income and investments are revalued.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Deferred income (see note 1.13)	2,090	2,272	-	-
Other creditors and accruals	401	729	-	-
Derivative contracts [i]	23,794	32,171	-	-
	<u>26,285</u>	<u>35,172</u>	<u>-</u>	<u>-</u>

[i] Derivative contracts are held by investment managers within investment portfolios managed for the group.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank borrowings [note i, iii]	226,216	141,153	-	-
Trade creditors	36	-	-	-
Derivative contracts [note iii]	882	833	-	-
Short sold government bonds [note ii, iii]	178,631	122,521	-	-
Corporation tax	1,167	-	578	-
Taxation and social security	872	859	34	32
Deferred taxation (see note 20)	301	-	-	-
Other creditors and accruals	20,237	9,549	59	138
	<u>428,342</u>	<u>274,915</u>	<u>671</u>	<u>170</u>

[i] Bank borrowings are secured against index-linked gilts with a market value of £226.2m (2015: £141.2m) as part of a sale and repurchase agreement, with repurchase to occur within one year. Bank borrowing are measured at amortised cost.

[ii] As at 31 December 2016, there is a commitment to purchase government bonds, within one year, with a current market value of £178.6m (2015: £122.5m).

[iii] Current creditors include £405.7m (2015: £264.5m) of financial liabilities held within investment portfolios managed by investment managers for the group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

17. CREDITORS: VALUATION BASIS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Fair value [i]	203,307	155,526	-	-
Amortised cost	251,320	154,561	671	170
	454,627	310,087	671	170

[i] Financial liabilities at fair value include derivative contracts and short sold government bonds.

18. NET FUNDS HELD BY INVESTMENT MANAGERS

	2016 £000	2015 £000
Financial assets: investments (see note 12)	1,207,195	875,202
Financial liabilities: current (see note 16)	(405,729)	(264,508)
Financial liabilities: non-current (see note 15)	(23,794)	(32,171)
	777,672	578,523

The historic cost of net funds held by investment managers is £756.0m (2015: £595.7m).

(a). Financial assets/(liabilities) valuation basis

	2016 £000	2015 £000
Fair value (see note 18b)	758,369	536,994
Amortised cost (see note 18b)	19,303	41,529
	777,672	578,523

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

18. NET FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

(b). Financial assets/(liabilities) valuation basis by category

	2016	2015
	£000	£000
Fair value:		
UK index-linked government gilts	317,204	230,201
Sterling index-linked corporate bonds	56,469	63,622
Sterling fixed interest corporate bonds	1,908	1,884
UK equities	-	18,336
Overseas equities	-	23,519
Pooled funds	586,095	354,958
Derivative contracts	(24,676)	(33,005)
Short sold government bonds	(178,631)	(122,521)
Total net financial assets	<u>758,369</u>	<u>536,994</u>
Amortised cost:		
Cash and liquidity balances	29,902	7,483
Commercial real estate loans	48,614	48,614
Loans receivable	167,003	126,585
Bank borrowings	(226,216)	(141,153)
Total net financial assets	<u>19,303</u>	<u>41,529</u>

(c). Fair value hierarchy

The following hierarchy was used to estimate the value of the investments held:

	2016	2015
	£000	£000
Quoted prices - Level 1	381,669	383,508
Recent quoted prices - Level 2	401,376	186,491
Valuation technique (Unobservable inputs) - Level 3	(24,676)	(33,005)
Total net assets	<u>758,369</u>	<u>536,994</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

18. NET FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

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 assets 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.

(d). Credit risk, liquidity risk, currency risk and market risk

Credit Risk

Source and Exposure:

Credit risk is the risk that the MDU suffers losses, as a result of issuer default. In particular, this risk is associated with loans receivable and similar instruments.

Objectives, policies and processes:

The MDU manages credit risk through its investment policy, which sets a maximum exposure to any particular asset class. This is regularly reviewed and updated. All loans receivable are with banks with a long-term Standard & Poor's credit rating greater than or equal to BBB+. Cash deposits are largely held within a well-diversified AAA Money Market Fund, consequently, the credit risk is considered to be low. Where applicable this exposure is minimised by obtaining collateral held as security and other credit enhancements (see note 13).

Liquidity Risk

Source and Exposure:

Liquidity risk is the risk that the MDU encounters difficulties in meeting its obligations associated with financial liabilities. Details of financial liabilities, including a maturity analysis, are shown below:

Maturity Analysis - Financial liabilities

	2016	2015
	£000	£000
Derivatives:		
Less than 1 year	883	835
More than 1 year, less than 5 years	(2,323)	1,276
More than 5 years, less than 10 years	(1,139)	6,128
More than 10 years	27,255	24,766
Total	24,676	33,005

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

18. NET FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

	2016	2015
	£000	£000
Non-derivatives:		
Less than 1 year*	404,847	263,674
Total	404,847	263,674

*Non derivatives financial liabilities include the bank borrowings and short sold government bonds detailed in note 16.

Objectives, policies and processes:

The MDU invests in a diversified range of asset classes, with differing liquidity profiles, including; collateral assets, liquid assets, semi-liquid assets and illiquid assets.

In addition, where applicable, the fund managers independently perform a review of collateral management, to ensure the MDU is able to meet its financial commitments as they fall due. Liquidity requirements are regularly reviewed and considered as part of the wider investment strategy.

Currency Risk

Source and Exposure:

Currency risk is the risk that the MDU experiences a profit or loss as a consequence of movements in exchange rates against the base currency.

Objectives, policies and processes:

The MDU group's financial risk management objective is broadly not to realise a profit or loss from exposure to currency rate risks. The group monitors its likely exposure to non-sterling claims and advisory costs, and its policy is, where possible, to finance these through matching subscription and other receipts, and investment assets, held in the same currency. Where investments are held in non-sterling currencies, the exchange rate risk is largely hedged.

Market Risk

Source and Exposure:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices.

Interest risk, inflation risk, credit spread risk and equity risk have been identified and explained below as the key drivers impacting market risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

18. NET FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

Objectives, policies and processes:

As part of its wider investments policy, the MDU actively monitors the impact of these market risks. When setting the investment objectives, the estimated provision for future indemnity payments is considered. As such, the sensitivity analysis performed below, summarises the impact on net assets, being the net movement of the investment portfolio and the indemnity provision, in response to changes in these market risks:

(i). Interest risk

Source and Exposure:

Movements in interest rates can cause the fair value of fixed income assets to change and can therefore affect the discount rate used to value the indemnity provision.

Objectives, policies and processes:

The MDU group's financial risk management objective is broadly not to realise a profit or loss from exposure to fluctuations in interest rate risk, in respect to the indemnity provision. This is achieved through investment in financial instruments.

(ii). Inflation risk

Source and Exposure:

The estimate of the MDU's indemnity provision is influenced by the likely cost of future claims, some of which can take many years to settle and are affected by compensation for future costs and losses, such as loss of earnings and cost of future care. Such costs are affected by inflation experience.

Objectives, policies and processes:

The MDU group's financial risk management objective is to invest in a range of financial instruments, which by their very nature provide protection against movements in inflation.

(iii). Credit spread risk

Source and Exposure:

Credit risk is the risk that the MDU suffer losses, as a result of issuer default. In particular, the risk is associated with loans receivable and similar instruments. Associated with this, is credit spread risk, which is the change in fair value of fixed income assets held, due to changes in expectations of the risk of the issuer.

Objectives, policies and processes:

The MDU manages credit and credit spread risk through its investment policy, which sets a maximum exposure to any particular asset class and holdings within. This is regularly reviewed and updated.

All loans receivable are with banks with a long-term Standard & Poor's credit rating greater than or equal to BBB+.

Where applicable credit risk is minimised by obtaining collateral held as security and other credit enhancements (see note 13).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

18. NET FUNDS HELD BY INVESTMENT MANAGERS (CONTINUED)

(iv). Equity risk

Source and Exposure:

Equity risk is the risk that financial instruments held by the MDU will diminish in value due to stock market movements

Objectives, policies and processes:

Exposure to equity risk is managed by holding a diversified investment portfolio and/or the use of financial instruments to mitigate the impact of adverse market movements.

(v). Sensitivity analysis

	Change %	2016 £000	2015 £000
Market risk			
Interest rate	+1	(2,580)	(7,978)
	-1	2,674	9,440
Inflation rate	+1	7,284	19,394
	-1	(5,156)	(16,515)
Credit spread	+1	(16,250)	(10,487)
	-1	17,379	11,629
Equity	+25	19,541	20,595
	-25	(19,541)	(20,595)

Sensitivity analysis assumptions:

- [i] When calculating the impact of a movement in any one market risk factor, it is assumed that all other variables remain constant.
- [ii] The impact above is net of the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

(e). Capital management

The Medical Defence Union Limited actively monitors its capital requirements and those of its subsidiary undertakings. When necessary, investments in subsidiary undertakings are increased.

No external capital requirements are imposed on the MDU group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

19. PROVISIONS - INDEMNITY

	2016	2015
	£000	£000
Group and company		
At 1 January	407,651	312,738
Finance costs	6,716	4,205
Indemnity and insurance paid	(31,092)	(38,069)
Increase in indemnity provision (see note 6)	343,876	128,777
At 31 December	<u>727,151</u>	<u>407,651</u>

The principal financial assumption used in the calculation of the finance cost is that the rate used to unwind the discount is 1.72% (2015: 1.30%) per annum.

The principal financial assumptions used in the actuary's calculation of the gross indemnity provision for the company and the group are that claims inflation will be RPI plus 4.5% per annum (2015: RPI plus 4.5% per annum) over the period of settlement and that a net discount rate of 1.38% per annum (2015: 1.65%) is used to discount the claims payments to the Statement of Financial Position date.

Provisions - other

	2016	2015
	£000	£000
Group		
At 1 January	2,330	2,300
Increase in the year	109	109
Payments	(9)	(79)
At 31 December*	<u>2,430</u>	<u>2,330</u>

*Building dilapidations are recognised on two (2015: two) MDU leased buildings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

20. DEFERRED TAXATION

	2016	2015
	£000	£000
Group		
At 1 January	6,027	3,199
Charged to profit or loss	<u>(6,328)</u>	<u>2,828</u>
At 31 December	<u><u>(301)</u></u>	<u><u>6,027</u></u>

The deferred tax (liability)/asset is made up as follows:

	Group	
	2016	2015
	£000	£000
Accelerated capital allowances	(461)	671
Tax losses carried forward	<u>160</u>	<u>5,356</u>
	<u><u>(301)</u></u>	<u><u>6,027</u></u>

21. PENSION COSTS

As explained in accounting policy note 1.14 the company operates two pension schemes; a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit pension scheme provides defined benefits for employees who accepted employment before 1 January 2003. The company also manages the defined contributions for employees who accepted employment after 31 December 2002. The assets of both pension schemes are held under trust separately from those of MDU Services Limited. The funding of the defined benefit pension scheme is based on regular triennial actuarial valuations. The last full actuarial valuation of the scheme was carried out as at 31 March 2015 and has been updated to 31 December 2016 by qualified independent actuaries for the purpose of reporting pension costs.

The funded status as at 31 December 2016 reflects the status of the defined benefit section of the Scheme only.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

21. PENSION COSTS (CONTINUED)

The major assumptions made by the actuary were:

	2016	2015	2014
Rate of increase in salaries	3.6%	3.4%	3.4%
Rate of increase in pension pre 16 February 2009 retirees	2.2%	2.1%	2.1%
Rate of increase in pensions post 16 February	3.1%	3.0%	3.0%
Discount rate	2.7%	3.8%	3.7%
RPI inflation assumption	3.3%	3.2%	3.1%
CPI inflation assumption	2.2%	2.1%	2.0%

Fair value of scheme assets:

	2016 £000	2015 £000	2014 £000	2013 £000
Equities	14,700	11,900	12,000	10,800
Property	16,500	16,600	14,700	12,400
Government bonds	16,800	20,000	19,300	19,700
Corporate bonds	81,900	57,700	60,200	52,600
Other	1,800	3,700	600	800
	<u>131,700</u>	<u>109,900</u>	<u>106,800</u>	<u>96,300</u>

The approximate fair value of assets and liabilities of the scheme were:

	2016 £000	2015 £000	2014 £000	2013 £000
Total market value of assets	131,700	109,900	106,800	96,300
Present value of scheme liabilities	137,000	105,800	111,800	96,600
Pension (liability)/asset	<u>(5,300)</u>	<u>4,100</u>	<u>(5,000)</u>	<u>(300)</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets as a percentage of liabilities	<u>96.1%</u>	<u>103.9%</u>	<u>95.5%</u>	<u>99.7%</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

21. PENSION COSTS (CONTINUED)

Movement in the fair value of the scheme liabilities during the year:

	2016	2015
	£000	£000
Opening defined benefit obligations	105,800	111,800
Current service cost	2,000	2,500
Interest cost	3,900	4,100
Contributions by scheme participants	200	300
Actuarial gains/(losses) on the scheme liabilities	28,700	(9,400)
Net benefits paid out	(3,600)	(3,500)
Closing defined benefit obligations	<u>137,000</u>	<u>105,800</u>

Movement in the fair value of the scheme assets during the year:

	2016	2015
	£000	£000
Opening fair value of scheme assets	109,900	106,800
Expected return on scheme assets	4,100	3,900
Actuarial gains/(losses) on scheme assets	14,600	(4,200)
Contributions by employer	6,500	6,600
Contributions by scheme participants	200	300
Net benefits paid out	(3,600)	(3,500)
Closing fair value of scheme assets	<u>131,700</u>	<u>109,900</u>

The assets of both pension schemes do not include any of the group's own financial instruments or any property occupied by the Medical Defence Union Limited or its subsidiary undertakings.

A building block approach is employed in determining the long-term rate of return on the defined benefit pension scheme's assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

21. PENSION COSTS (CONTINUED)

Analysis of the amount charged to Statement of Comprehensive Income:

	2016 £000	2015 £000
Current service cost	2,000	2,500
	<u>2,000</u>	<u>2,500</u>

The total estimated pension expense in 2017 is £2.8m.

Analysis of the amount charged to other finance costs:

	2016 £000	2015 £000
Expected return on scheme assets	(4,100)	(3,900)
Interest on scheme liabilities	3,900	4,100
Net return	<u>(200)</u>	<u>200</u>

Analysis of amounts recognised in other comprehensive income:

	2016 £000	2015 £000
Actuarial gains/(losses) on scheme assets	14,600	(4,200)
Actuarial (losses)/gains on scheme liabilities	(28,700)	9,400
Actuarial (loss)/gain recognised in other comprehensive income	<u>(14,100)</u>	<u>5,200</u>

22. CONTINGENT LIABILITIES

Claims are made against The Medical Defence Union Limited in the ordinary course of business. Having obtained legal advice on such claims and on the basis of the information available, in the opinion of the directors no provision is needed for such claims.

23. MEMBERS LIABILITY

The Medical Defence Union Limited is a company limited by guarantee not exceeding £1 per member.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

24. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemptions available in respect of its wholly-owned subsidiary undertakings and the disclosure of related party transactions within the group and balances eliminated on consolidation.

25. COMMITMENTS UNDER OPERATING LEASES

The Group and Company had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Not later than 1 year	1,319	1,353	-	-
Later than 1 year and not later than 5 years	4,820	4,835	-	43
Later than 5 years	8,880	10,064	-	-
	15,019	16,252	-	43

26. DORMANT COMPANIES

The MDU group had the following dormant companies as at 31 December 2016:

Hospital and Community Services Limited	Practice Nurse Defence Limited
Dental Defence Union Limited	Nursing Defence Limited
General Practitioner Defence Union Limited	Nursing Defence Union Limited
MDU Risk Management Limited	Nurse Practitioners Defence Limited
MDU Healthcare Risk Management Limited	Community Nurse Defence Union Limited
Medical Defence Risk Management Limited	Community Nurse Defence Limited
Medical Defence Healthcare Risk Management Limited	Nurse Practitioners Defence Union Limited
Healthcare Risk Management Limited	The Doctors Bank Limited
MDU Medirisk Limited	Doctors and Dentists Bank Limited
Nursing and Midwifery Defence Union Limited	Just for Doctors Limited
Nursing and Midwifery Defence Limited	MDU Healthcare Limited
Dental Auxiliaries Defence Union Limited	Medical Liability Services Limited
Dental Hygienists Defence Union Limited	The Dentists Bank Limited
Practice Nurse Defence Union Limited	No. 1515253 Limited

All of the above are; wholly owned subsidiaries of the Medical Defence Union Limited, incorporated in the UK and included in the consolidation.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The Medical Defence Union Limited (a company limited by guarantee) will be held at One Canada Square London E14 5GS on Tuesday, 19 September 2017 at 2.00pm for the following purposes:

Resolution 1

To receive reports of the board of management and the auditor and the financial statements for the year ended 31 December 2016.

Resolution 2

To elect members of the board of management of whom due notice has been given under article 52.

To re-elect the following members of the board of management who are retiring by rotation under article 49:

Resolution 3

H E Clarke

Resolution 4

O C E Sparrow

Resolution 5

C M Tomkins

Resolution 6

Dr P R Williams and Mr P D Webster retire by rotation under article 49 but have not put themselves forward for re-election.

To elect the following member of the board of management, who is retiring under article 54:

P Goldsmith

Resolution 7

To invite the board of management to appoint as members of the Council of the MDU for 2017 - 2018 the following:

A R Aitkenhead

BSc MD FRCA
Nottingham

D Alderson

MD FRCS
Birmingham

D F Badenoch

DM MCh FEBU
FRCS(Urol)
London

M M Brown

MD FRCP
London

J D Budd

MA MB BChir FRCGP
Somerset

S R Cannon

MA MB BChir(Cantab)
MCh(Orth) FRCS
London

K A V Cartwright

MA BM FRCP FRCPATH
FFPH
Gloucester

B Chana

Dip Dental Hygiene
Dip Dental Therapy
London

K S Channer

BSc(Hons) MB
ChB(Hons) MD FRCP
Sheffield

P I Clark

MA MD FRCP
Liverpool

Sir Alan Craft

Kt MD FRCPCH FRCP
FMedSci
Newcastle upon Tyne

P Goldsmith

BM BCh MRCP PhD
Newcastle upon Tyne

T E E Goodacre

MB MS LRCP FRCS
Oxford

R H Hammond

MB ChB FRCS(Ed)
FRCOG
Nottingham

C W Heron

MB BS FRCP FRCR
London

A I Handa

MA MBBS FRCS(Edin)
FRCS CCST
Oxford

L R Hykin

MBBS BSc(Hons)
MRCP MRCGP
Bucks

A J Ireland

PhD MSc BDS FDS
MOrth RCS(Eng)
Bath

G J Jarvis

MA(Oxon) FRCS
FRCOG
London

P R Kay

MB ChB BA(Maths)
FRCS(G) FRCS
Lancashire

M E Lewis

MB BS MRCGP
DRCOG LLM FRCGP
Swansea

A Middleton

BSc(Ed) MB ChB MPhil
Cornwall

K W Murphy

MD FRCOG FRCPI
DCH
London

T J Norfolk

BDS MFGDP LLM
Suffolk

D H Richmond

BSc MB ChB MD
FRCOG FFMLM FRCPE
FRCPI FACOG FSOGC
Liverpool

M S Richmond

BSc MB ChB
West Kirby

B Riley

MBE BSc MB BS FRCA
FFICM
Nottingham

P Riordan-Eva

MA MB BChir FRCS
FRCOphth
London

K G Smith

BDS FDSRCS PhD
Sheffield

H S Sandhu

MB ChB DRCOG
MRCGP
Cheshire

S Shaunak

MD PhD FRCP
FRCPATH
London

O C E Sparrow

MBCh MMed FCS(SA)
FRCS(Ed) FRCS
Southampton

L Turner-Stokes

MA MB BS DM FRCP
ARCM
Middlesex

S W Watkin

BSc MB ChB MD FRCP
Roxburghshire

E J Whaites

MSc BDS
FDSRCS(Edin)
FDSRCS(Eng) FRCR
DDRRCR
London

A Whaley

MA(Cantab) MB BS
MRCP FRCA FFICM
FCICM(Aust)
Bristol

J Whittaker

BSc MB ChB MRCGP
DRCOG
Cheshire

C G Winearls

MB ChB(Cape Town)
DPhil(Oxon) FRCP
Oxford

J S Wyatt

FRCP FRCPCH
London

Resolution 8

To appoint BDO LLP as auditor and to authorise the board of management to determine the remuneration of the auditor.

By order of the board of management



N J Bowman
Company secretary

25 April 2017

REGISTERED OFFICE
One Canada Square
London E14 5GS

NOTICE OF ANNUAL GENERAL MEETING

Notes

- 1a. Every member is entitled to attend and vote or may appoint a proxy who need not be a member of the MDU. The proxy form is enclosed with this annual report. To be effective it must be signed and deposited at the registered office not later than 2.00 pm on 17 September 2017.
- 1b. Any corporate member can appoint a corporate representative who may exercise on its behalf all of its powers as a member.
2. Mr H E Clarke MA MSc FIA was a director in the European Actuarial Services practice of Ernst & Young. He was also a founder member of the Board for Actuarial Standards, which is part of the Financial Reporting Council and is the body responsible for setting actuarial standards. He was a partner of Deloitte & Touche from 2001 to 2005 and before that, a partner at Bacon & Woodrow from 1983 to 2001. He has specialised in non-life insurance since the mid 1980s. He was appointed to the MDU's board of management in 2007 and is a member of the audit committee and chairman of the Pension Fund Trustees. He is also a non-executive director of Aioi Nissay Dowa Insurance Company of Europe Limited and Antares Managing Agency Limited.
3. Mr O C E Sparrow MBBCh MMed FCS(SA) FRCS(Ed) FRCS is a consultant neurosurgeon in Southampton, retiring from the NHS in 2016. He has published and lectured nationally on clinical topics and training. He has served on the Council of the Society of British Neurological Surgeons, has chaired the Specialist Advisory Committee in Neurosurgery, and the Intercollegiate Specialty (examinations) Board as well the European Neurosurgical Examinations Committee. He is a member of the Royal College of Surgeons Invited Review Panel, the secretary of the Council for European Specialist Medical Assessments of the UEMS and a member of the Medical Advisory Board of the Trigeminal Neuralgia Association (UK). He was appointed to the MDU Council and Cases Committee in 2009.
4. Dr C M Tomkins BSc(Hons) MBChB(Hons) DO FRCS FRCOphth MBA FFFLM FRCP, spent her clinical years training in ophthalmology. Dr Tomkins joined the MDU as a medico-legal adviser in 1985 and was appointed head of claims handling in 1993. She was appointed to the MDU's board of management as professional services director in 1995. She was appointed deputy chief executive in 2005 and chief executive in 2009.
5. Dr P Goldsmith MA BM BCh MRCP PhD is a consultant neurologist at the RVI in Newcastle. He trained in Cambridge, Oxford, London and Newcastle. His PhD utilized the simplicity of developmental biology to understand complex human disease. He then went on to co-found and help build two biotech and two digital health companies. His NHS experience included Clinical Networks, Vanguard and Clinical Senate roles. He has contributed to various policy strategy work, including on medical negligence. He is a member of the MDU Council and Cases Committee.

MDU SERVICES LIMITED

Chairman of the Board and President of Council

Dr P R Williams
MA MB BChir(Cantab) MRCGP

Vice-chairman of the Board and Vice-president of Council

Mr P Riordan-Eva
MA MB BChir FRCS FRCOphth

Board of management

Mr H E Clarke
MA MSc FIA

Mr W R J Dinning
MA(Oxon) MA

Mr N A Dungay
BA(Hons) ACII FIDM

Mr C L A Edginton
MA

Mr M M Gallivan
BA(Hons) MBA FCMA CGMA

Dr C W Heron
MB BS FRCP FRCP

Mr I D Hutchinson
MA FCA

Dr M T Lee
BM MBA FRCP FFFLM MRCPCH

Mr P Riordan-Eva
MA MB BChir FRCS FRCOphth

Mr O C E Sparrow
MBBCh MMed FCS(SA) FRCS(Ed) FRCS

Dr C M Tomkins
BSc(Hons) MBChB(Hons) DO FRCS
FRCOphth MBA FFFLM FRCP

Dr S W Watkin
BSc(Hons) MB ChB MD FRCP(UK)
FRCP(Edin.)

Mr P D Webster

Dr P R Williams
MA MB BChir(Cantab) MRCGP

Company secretary

Mr N J Bowman
BSc(Econ)(Hons) ACIS

Council

Prof A R Aitkenhead
BSc MD FRCA
Nottingham

Prof D Alderson
MD FRCS
Birmingham

Mr D F Badenoch
DM MCh FEBU FRCS(Urol)
London

Prof M M Brown
MD FRCP
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Dr J D Budd
MA MB BChir FRCGP
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Mr S R Cannon
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Prof K A V Cartwright
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Dip Dental Therapy
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BSc(Hons) MB ChB(Hons) MD FRCP
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Prof P I Clark
MA MD FRCP
Liverpool

Prof Sir Alan Craft
Kt MD FRCPCH FRCP FMedSci
Newcastle upon Tyne

Mr A Fitzgerald O'Connor
MB ChB FRCS
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Dr P Goldsmith
MA BM BCh MRCP PhD
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Mr T E E Goodacre
MB MS LRCP FRCS
Oxford

Mr R H Hammond
MB ChB FRCS(Ed) FRCOG
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Mr A I Handa
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Dr C W Heron
MB BS FRCP FRCP
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MDU SERVICES LIMITED

(Continued)

Dr L R Hykin

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Bucks

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PhD MSc BDS FDS MOrth
RCS(Eng)
Bath

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London

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FRCS
Lancashire

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(OBE) MBBS(Hons) LLM
FRCGP FAcadMedEd
Swansea

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Cornwall

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BDS FDSRCS DGDP DPDS
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FACOG FSOGC FFMLM
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Dr J W Brooke Barnett

MB BS

Dr M T Saunders

MBE MB BS FFFLM MRCS
LRCP DObstRCOG MRCGP

Dr J A Wall

MB BS DObstRCOG

THE DENTAL
DEFENCE UNION
THE SPECIALIST
DENTAL DIVISION OF
THE MDU

*Dental advisory
committee*

Ms B Chana

Dip Dental Hygiene
Dip Dental Therapy
London

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Auditor

BDO LLP

MDU SERVICES LIMITED

Chief executive

Christine Tomkins

BSc(Hons) MBChB(Hons) DO
FRCS FRCOphth MBA FFFLM
FRCP

Professional services director

Matthew Lee

BM MBA FRCP FFFLM
MRCPCH

Finance director

Maurice Gallivan

BA(Hons) MBA FCMA CGMA

Marketing and sales director

Nick Dungay

BA(Hons) ACII FIDM

Company secretary

Nicholas Bowman

BSc(Econ)(Hons) ACIS

Director of Legal Services and Scottish Affairs

Hugh Stewart

MB ChB MRCGP LLB MPhil
FFFLM DipLP

Head of Professional Standards and Liaison

Michael Devlin

MB BS LLM MBA FRCGP
FFFLM DCH DRCOG

Medical Advisory

Caroline Fryar

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DRCOG

Catherine Wills

MA(Oxon) MB BS LLM FRCP
MFFLM

Sally Barnard

MB ChB LLM MFFLM

Samantha Bell

BSc MBBS LLM MRCP
MRCGP

Diandra Bennett

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DCH DLM

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BSc MB BS MFFLM DA

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FRCR DLM

Helen Burnell

MB BS

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MPhil DLM

Bethan Durrell

BSc(Hons) MB ChB MRCPsych
PGDip(Mental Health Law) DLM

Emma Doherty

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Edward Farnan

MB BCh BAO LLM FRCGP
DCH DRCOG DGM

Sissy Frank

BA JD MD MRCGP

Gareth Gibson

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David Giles

BA(Hons) DLM

Catriona James

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Sarah Jarvis

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Kathryn Leask

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MA MRCPCH FFFLM

Nicola Lennard

MB ChB MD FRCS GDL

Oliver Lord

MB ChB MRCPsych
PGDip(Medical Education)

Claire Macaulay

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MRCP

Eleanor Mein

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Udvitha Nandasoma

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PhD MRCP MFFLM

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MA(Med Law and Ethics)
DipDerm

Ellen O'Dell

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MFFLM

Sally Old

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Joanne Parker

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Michelle Patton

MB BS LLM MRCGP MFFLM

Wendy Pugh

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DRCOG PGDipLaw

Jerard Ross

BSc(MedSci)(Hons) MB ChB
MD FRCS FRCS(Neurosurgery)
DLM

Clare Sweeney

MB BCh BAO LLM (Hons)
MRCGP DCH DRCOG DFFP

Mia Tamlyn

LLB

Christine Walker

MA(Oxon) BM BCh MRCP(UK)
DRCOG DCH

Beverley Ward

MB BS BSc MRCGP DCH DLM

Gaynor Whiter

MA(Cantab) MB BChir Dip
Anaes DRCOG Solicitor
(non practising)

Philip Zack
BSc(Hons) MB ChB(Hons)
MRCP LLB(Hons) MFFLM

Legal

Joanne Bateman
LLB

Eloise Aspinall
LLB

Ian Barker
LLB

Fatema Begum
LLB

Joanne Brooks
LLB MA

Charles Dewhurst
LLB

Catriona Granger
LLB

Rex Forrester
LLB(Cantur) LLM(Cantab)

Kirsty Jeeves
BA

John Kingston
BA MSc

Amanda Knights
LLB

Sara Mason
LLB MA

Elizabeth Nicholson
LLB

Ediri Okonedo
LLB

Bansari Patel
LLB MA

Melanie Robson
BSc Midwifery LLB

Aidan Scully
LLB

Rachel Sloper
LLB MA

James Stevenson
LLB

Marketa Synkova
LLB

Nicholas Tennant
BA

Tamsin Thomas
MA

Alison Troake
BA Law

Victoria Wilson
LLB

Emma Lort
LLB

Gareth Gibson
BA(Hons)

Rekha Randhawa
LLB MA

Vanessa Holt
BSc

Jack Waller
LLB

Medical claims

Jill Harding

Nicola Bailey
MBChB MRCPG DRCOG
DFSRH

Lucy Baird
MB ChB

Patricia Cassidy
LLB (Hons) PgDiP LPC MA

Grace Cheung
BSc MB ChB MRCS

Shabbir Choudhury
MBBS DRCOG DFFP MRCPG
MA

John Dale-Skinner
BMedSci BMBS MRCPG

Sam Hedges
BSc (Hons)

Pamela Hutchinson
LLM PGDip Healthcare Ethics
Cert CII

Lee Lewis

Amelia Lunning
LLB (Hons)(Exon)

Julia Matulewicz-Boyle
LLB (Hons) LLM Cert CII

Sabrina Meetaroo
BSc (Hons) Pharm PGDip
(Qualified Solicitor)

Andrew Norman

Funke Oduwole
LLB (Hons) LLM PgDip(LPC)

Adam Penny
BSc (Hons)

Luke Phillips
BA ACII

David Franklin

Tim Punshon

Donal Quinn
ACII

Peter Renwick
BA (Hons) PGDip

Joe Schmid
MA LLB (Hons) PGDiP(BPTC)

Louise Smy
MB ChB MRCP MA

Charlotte Taylor
LLB (Hons) PgDiP LPC
Cert CII

Catherine Thompson
MB BS MRCP(PaedS) MA

Charles Ware
LLB (Hons) LLM(LPC)

Claire Wratten
BA (Hons) MA MB ChB MRCP
MFFLM

MDU SERVICES LIMITED

(Continued)

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Peter Schütte

MB ChB FRCP FFFLM
MRCGP DMJ DA DRCOG

THE DDU

Dental Advisory

John Makin

BDS PgDL PgCDE FHEA

Leo Briggs

BDS MSc

Rupert Hoppenbrouwers

BDS LDSRCS

Bryan Harvey

BDS DGDP

Eric Easson

BDS LLM MFGDP(UK)

Angela Harkins

BDS MPhil

Debbie Herbst

LDSRC BDS DPPHRCS
MSc PPH

Emily Howden

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