

# Annual Report & Accounts

2020



**Front cover images (clockwise from top left):**

Dr Helen Rimmer, Dentist, Cardiff, Wales.

Dr Ursula Mulholland, Dentist, Coleraine, Northern Ireland.

Dr Sanjay Rajendra, GP, Eastbourne, England.

Dr Gregory Folwell, GP, Eastbourne, England.

Dr Miranda de Burgh, GP, East Linton, Scotland.

**Back cover image:**

Mrs Kim Laverty, Dentist, Ballymoney, Northern Ireland.

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**MDDUS** member

**Dr Helen Rimmer** Dentist  
Cardiff, Wales.



# Chair's report

## 2020 a year like no other

The world we live in has rarely felt the pace of change and been forced to cope with the uncertainties we faced in 2020.

The Covid-19 pandemic brought calamity and grief to communities, turned the familiar patterns of day-to-day life on their head and saw a national healthcare response to the global health crisis inspire innovation, bravery and compassion.

I am proud that, in playing our own part this year to support the doctors and dentists we are privileged to call our members, MDDUS has reinforced its commitment to mutuality and service to our members.

We were established in 1902 to help doctors and dentists keep pace with the acceleration of advances in medicine and dentistry.

Our purpose was set out by founding convener, Dr Robert W Forrest, who said MDDUS would exist to support the professional interests of its members and support them when they faced challenges "made when they are least expected".

Nearly 120 years later, at an unexpected moment that will live long in our shared history, under the excellent leadership of our Chief Executive, Chris Kenny, our purpose – and the trust it creates in MDDUS – held fast.

As a mutual, member-owned organisation our ethos is to provide our membership with exceptional service and expert professional support. In 2020 we went above and beyond the usual high standards we set for ourselves in responding to the surge in demand from our community of doctors, dentists and allied healthcare professionals.

The word "unprecedented" has been bandied about almost carelessly in reference to 2020, and yet very little else comes close to describing the exceptional year we experienced. It really has been a year like no other.

We saw our people at their very best, showing outstanding adaptability and perseverance. Within 24



**Dr Jonathan P Berry**  
Chair

30 June 2021

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# Chair's report

hours in March, we moved operations from our offices in London and Glasgow to totally home-based working to ensure MDDUS could continue to support and help our members, without a moment's break in service.

We have adopted new ways of working, supported one another and prioritised the wellbeing and safety of all colleagues, including making adjustments to work routines so they could care for their families and the people they love.

I am truly grateful to the hardworking and committed people at MDDUS for their exceptional effort in 2020. This is my final year as Chair of the MDDUS Board, and since I took up my role in 2018, I have been pleased to make awards to colleagues nominated by their team or others for their hard work. Reading the nominations this year has been inspirational.

We took several market-leading decisions near the start of the pandemic when it became clear dentistry was facing a financial and professional crisis. We used the flexibility of our mutual status to reduce the financial burden on members when the UK's governments halted all but emergency dental treatment. We were first to reduce the subscription cost for our dental members by as much as 75 per cent. Unlike our competitors, we didn't wait until dentists asked: we addressed the clear need immediately and directly.

We waived membership fees for students starting their Foundation Year 1 posts early as universities brought forward graduations from medical schools to boost the Covid-19 response. And we were first to put free membership in place for all our retired members granted temporary registration by the General Medical Council (GMC) under its emergency powers, maintaining that for those who are now working in the vaccination programme.

As well as our colleagues making extensive use of video digital technologies, our organisation has also not been immune to the impact lockdown has had on the

way people are making purchase decisions and finding their suppliers of choice.

In 2020 we recognised we must increase the pace of change in our transition towards becoming a digital-first business to continue to give our members the quality of service they expect from MDDUS. We are reorganising, streamlining and introducing a truly agile approach to our business. We completed a strategic review to look at how we can develop our existing offer, deploy our medico- and dento-legal expertise, and provide additional services across the MDDUS Group.

Through the course of this year, we invested significant time and resources in a programme of engagement that enabled us to gather and respond to a broad range of internal and external stakeholders. Although this is activity we undertake every year, in 2020 we evolved and adapted how we do it to ensure its effectiveness throughout the Covid-19 pandemic.

Finally, as I hand over the reins to our incoming Chair and fellow director, Professor Iain Cameron, I want to pay tribute and give thanks to the MDDUS Board for its guidance and expert counsel. Their combined wisdom has not only made my time as Chair easier but also more enjoyable and worthwhile.

In particular my thanks go to the three non-executive directors retiring along with me. Dr Robert Donald, Dr Linsey Semple and Mr Peter McDonald made a valuable impact throughout their time on the Board and leave with thanks and gratitude. I should also add my thanks to Mr Barry Seymour, who steps down as Chair of MDDUS Insurance Ltd in June 2021 after more than two decades of service.

While Covid-19 vaccines bring hope, we do not yet fully know what the future will hold following the pandemic. However, MDDUS now moves forward with our purpose clear and a committed and knowledgeable team ready to serve our members in 2021. MDDUS is here for you – our members.

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# Our values

We were established in 1902 to help doctors and dentists keep pace with the acceleration of advances in medicine and dentistry.

Our purpose was set out by founding convener, Dr Robert W Forrest, who said MDDUS would exist to support the professional interests of its members and support them when they faced challenges “made when they are least expected”.

Nearly 120 years later, our purpose holds fast.



## Trusted

We are proud to be a mutual business, and strive to reflect what’s most important to our members.



## Personal

We care about each of our members, offering tailored services and supportive care to give them faith in an uncertain future.



## Responsive

Whenever our members need us, we work hard to achieve the best results for them.



## Valued

We challenge ourselves to innovate and improve, to devise future-proofed solutions that meet our members’ needs.

# Highlights 2020



## Performance highlights

Income:  
**£65.3m**

Total net income available for transfer to reserves:  
**£74.2m**

Fixed assets, investments and cash on deposit:  
**£667.5m**

Provision for reported claims and non-claims:  
**£144.3m**



## Membership highlights

Membership:  
**2.6% increase on 2019**

UK-wide GP membership  
**4.8% increase on 2019**

UK-wide hospital doctor membership:  
**21,631**



UK-wide hospital dental membership:  
**4% increase on 2019**

Total dental active membership:  
**8,653**



Membership growth over last five years (2015 – 2020)  
**45%**

Year	Members
2020	51,190
2019	50,040
2018	46,741
2017	43,448
2016	38,137
2015	35,285

\*Membership, excluding associates, retired and deferred members



## Support highlights

Total emails to members communicating MDDUS support:

**109,971** 

Total membership calls handled:

**55,940**

Increase in members joining our training courses:

**123%**





**MDDUS** member

**Dr Sanjay Rajendra** GP  
Eastbourne, England.



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# Strategic report



**Chris Kenny**  
Chief Executive

30 June 2021

Usually I'd start my report by highlighting what MDDUS has achieved. For 2020, a year like no other, I want instead to start by acknowledging and applauding the exceptional efforts of our members in tackling Covid-19 and say a heartfelt "thank you" to them all.

The pandemic has had a significant impact on our business. It forced us to refocus on our priorities and react quickly to events as they happened. Some in our market have struggled to keep their heads above water. We have not. We have managed the financial shock and responded to our members' needs, reaffirming the fundamental purpose of the organisation.

I'm immensely proud of the way MDDUS has been able to support our members in 2020. Not only because we led our market in the decisions we took in the face of Covid-19, but also because of the commitment and dedication the entire MDDUS team has shown throughout the year.

I am extremely grateful to colleagues throughout our organisation who rose to the challenge and achieved so much in such adverse circumstances.

In April, at the first peak of the pandemic, our advice and membership lines were experiencing more than five times the usual contact level we expect. These numbers alone illustrate the collective shock felt by doctors and dentists as the pandemic hit UK shores.

Meeting this demand was a huge task and our organisation showed immense flexibility and commitment to maintain the high standard of service and response we strive for on behalf of all our members.

As the full impact of Covid-19 on our membership emerged in late spring, we made the decision to prioritise our actions in three ways:

- reducing the financial impact of MDDUS membership on groups whose practices were forced to close
- responding to others facing significantly lower incomes than expected, and
- removing a hurdle to retired doctors and medical school graduates joining the national effort to combat the pandemic by offering them free membership.

We also significantly increased our online member resources. We established a Coronavirus Hub on our website within 48 hours of the first national lockdown being declared, regularly updating it with information for our members. More than 130 separate pages of information were curated on the Hub and viewed 72,500 times.

We also kept our business purpose to the forefront of our stakeholder engagement activity, taking a clear and unique position in support of our members.



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# Strategic report

We worked in partnership with key policy opinion formers in the UK Parliament and the devolved administrations to lobby the governments, regulators and litigators that care must be taken now, in the midst of the pandemic, to record and officially preserve the memory of the Covid-19 experience. This is a vital endeavour for health professionals who may find themselves subject of a claim or complaint months or, more likely, years after the pandemic when memories have faded.

We met with many stakeholder organisations to debate and press home our point, including several of the royal colleges, the GMC, the General Dental Council (GDC), the Professional Standards Authority (PSA) and officials in the Department of Health and Social Care (DHSC). We extended our engagement to politicians, reaching MPs and MSPs from across the spectrum, and also making significant impact in the national and regional press and media with our work on behalf of our community of members.

Our voice has carried weight. I am pleased to see sector regulators and the UK's Chief Medical Officers confirm the circumstances of the pandemic will be taken into account in any claim or complaint raised. We will hold them to this undertaking. I still hope to see a full and formal account of the pandemic and the experience and challenges it created.

It's my hope that the UK Government will also respond positively to the important need to allow clinicians to choose between the indemnity and insurance markets. In our view it would be a mistake to force each and every one of our members to buy insurance, for a number of reasons and not least because this would result in greater costs.

It is unfortunate that this public policy uncertainty remains a key part of our operating environment, especially as it runs alongside our need to ensure that any remaining action in respect of state-backed indemnity for GPs in England and Wales does not lead to competitive distortion in the wider market.

For us, the process of transfer of responsibility for GP claims casework came to an end when the English cases transferred to NHS Resolution in April 2020 and the Welsh cases to NHS Wales Shared Services Partnership – Legal and Risk Services. It is easy to forget about what we were focussed on delivering for

members in the period immediately before Covid-19. At the turn of 2020, we invited members to vote on the transfer of English GP liabilities to Government. Overall 3,738 members responded, of whom 87 per cent agreed with the Board's recommendation. It showed that, with good clear explanation, our members can engage with technical subject matter and inform decisions that benefit the Company in the long term. Being able to complete this transaction at exactly the same time that Covid-19 was breaking was a fine demonstration of the resilience of the business and our staff.

Turning to operational matters, protecting colleagues and keeping them safe has been a priority this year. We temporarily closed our offices in London and Glasgow and made significant changes to our way of working to achieve this. This included ensuring all colleagues were set up to work from home effectively, with the necessary technology and equipment.

We reviewed the home-working arrangements of each colleague to ensure their physical and mental health needs were being met. For anyone who had to attend an office as a part of their role, we provided training and guidance and ensured our offices were Covid-19 secure, with one-way systems, social distancing, limited access, and regular cleaning in place.

It is also a matter of considerable pride to me that no one was furloughed in 2020, including our operational support teams who continued to support colleagues with a resilient IT infrastructure that enabled us to make a seamless transition to home working, as well as keeping offices safe and sustained during the lockdown.

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# Strategic report

The whole team has gone above and beyond to keep our business on track and we have also done our best to support them.

To deliver our purpose, it's critical that we engage our colleagues in the long-term success of our business. This means being an inclusive employer where all colleagues are encouraged to develop their skills and fulfil their potential. To deliver on this commitment, we agreed a challenging Equality, Diversity and Inclusion strategy, and will report on our progress. It is also very important to us that we continue to play an active role in our communities and maintain the highest ethical standards.

MDDUS manages a large investment portfolio and we are conscious that brings with it a responsibility to ensure those investments are managed in line with high standards judged against environmental, social and governance (ESG) criteria. MDDUS has long-standing restrictions on investment in tobacco and infrastructure projects that profit from the NHS. In addition, a significant proportion of our portfolio proactively targets ESG responsible investing.

Our investment managers report to us on a range of ESG matters and we are currently undertaking a review of how best to ensure we continue to drive higher ESG standards across our portfolio in the years ahead.

Despite the challenges of 2020, we retained our healthy fully-funded financial position throughout the year and into 2021. A combination of our strong starting financial position, good investment performance and a fall in claims payouts led to a surplus of £74.2m and so grew our net assets to over £500m, further strengthening confidence in our ability to protect members in meeting unforeseen as well as forecast liabilities.

Our purpose is to make it easier, fairer and simpler for healthcare professionals to practise. We invested in our IT systems and personnel in 2020 to build on our existing capability, and to enable processes that will

bring development and operational teams together to create and improve products at a faster pace than before.

Our Company rebrand is a signal of our drive to modernise and to continually improve our service to our members in the future. Our planned move to a new office environment in Glasgow later in 2021 is an exciting opportunity to fully embrace our new brand.

A change culture now flows through MDDUS because, while the UK indemnity market remains competitive, it is also challenging. We expect and are prepared for challenge from our competition within and beyond the medical defence organisation sector, both now in 2021 and as competition continues to intensify in coming years.

We have long recognised the changes taking place in how clinical care is delivered, and the potential challenges and liabilities faced by our members who choose to form limited liability partnerships or private limited companies, or who contract to provide healthcare services or work with technology platforms. We are also alive to the continuing concern that decisions following the UK Government consultation around insurance and indemnity will restrict, rather than enable, choice for doctors and dentists.

MDDUS Solutions, part of the MDDUS Group, will bring a dedicated team of experts to help our members meet those challenges.

Throughout 2020 I have had the pleasure to continue to work closely with our Chair, Dr Jonathan Berry, who has shown great skill and leadership, and has encouraged a culture of openness and constructive debate on the Board. He embodies our Company values and in this, his fourteenth year on the Board and last year as Chair, has been a guiding light and a strong personal support to me as Chief Executive. He retires from his role with our thanks and appreciation and leaves the Board in a strong position to be led by our incoming Chair, Professor Iain Cameron.





**MDDUS member**

**Dr Clive Barker** retired GP  
Chorley, England.



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# How we responded to the pandemic

Our Covid-19 crisis management plan was anchored in a commitment to communicate regularly and effectively with our members, colleagues and stakeholders. We kept members informed with regular emails from our Chief Executive to reassure and provide strategic advice and support as events emerged.

We briefed colleagues on a weekly basis through a blog authored by a member of our executive team, updating everyone on key decisions being taken and how the Company was continuing to support them.

We engaged with officials at the DHSC and in the devolved administrations to help develop and inform policy-making on indemnity and related issues, including vaccinations, as the Covid-19 situation evolved.

We adhered to our crisis management plan throughout the year, with regular meetings of our Business Continuity Planning team, our Executive Committee and our Board. We are committed to learning lessons from the pandemic experience and developing enhanced processes and protocols we can use in the future.

Our Legal and Advisory Division, made up of five member-facing teams, led our response to support our membership on specific professional issues. Meanwhile, the membership services team answered a record number of emails and phone calls, reassuring members on changes (including refunds) to their membership fees and numerous other queries.

We provided expert legal, medical, dental and employment law advice. We reacted quickly to the changing scenarios our members faced as government advice and direction evolved and patients' needs increased.

The training, CPD and risk advisory team worked tirelessly to make its entire training and engagement programme available online, updating key advice programmes to ensure relevancy to the pandemic and emerging issues in primary and secondary care.

Meanwhile our employment law advice team saw its caseload increase by more than 30 per cent as it assisted members with multiple HR queries and concerns, including complex and sensitive issues unique to the pandemic, such as furloughing employees.

When the immediate impact of Covid-19 has passed, we anticipate the NHS and the private healthcare sector will enter a "new normal" phase. The timescale and duration for this is still uncertain and dependent on key decisions, such as the UK Government's health and social care changes and the impact of any similar policy changes by the devolved administrations in Scotland and Wales. While we await these events, pandemic-related changes are already emerging across our landscape, including the closure of dental practices and, potentially, of GP surgeries.

MDDUS stands ready to support all our members, whenever and with whatever challenges they face next in 2021.



# How we responded to the pandemic

## Covid-19 response

### Our Board

Our Board provided strategic oversight of our response to the pandemic, supporting and advising on direction. The Board continued to meet throughout the year, holding full meetings remotely via video conference.

### Executive Committee (ExCom)

The organisation's senior leadership team controlled and executed the MDDUS response to the pandemic. From initial decision-making on measures to defer memberships and refund fees to making membership freely available to retired members reregistered by the GMC, the ExCom took operational decisions that were both in line with the organisation's purpose and our mutual ethos. Its decisions were regularly communicated to the Board in weekly updates from our Chief Executive.

### Business Continuity Planning team (BCP)

In relation to operational leadership and planning, representatives from all critical areas of the business - advisory (legal, medical, dental), finance, IT, corporate services, HR, membership and communications/digital - met regularly, from daily meetings in March and April, through to weekly and then fortnightly. These meetings informed ExCom on the organisation's resilience and needs and any immediate or longer-term risks posed by the impact of the pandemic on our staff, members and stakeholders. The BCP team's regular meetings ensured operational decisions were taken on a timely basis to keep our business operation at an "as usual" level throughout the year, and it continues to meet in 2021.

### IT team

Our IT team played a pivotal role in moving us from office working to our home-based response. In addition to making our systems fully accessible virtually, the team worked hard throughout the year to ensure our member advice and support services could function efficiently, and adopted an iterative approach to improvement to enable us to continually upgrade our performance across the year.

### Corporate services team

The team kept our properties safe and secure and undertook a programme of work to ensure they were regularly deep cleaned. When Covid-19 health and safety guidance was published, the team made adjustments throughout both our offices, including introducing one-way systems, measures to limit social contact and health protection measures such as sanitiser stations, information points and enhanced first-aid measures.

### Public affairs and communications

The public affairs team both monitored and reported to ExCom on government responses to the pandemic, including the development of the emergency Covid-19 legislation. The team supported senior leaders to influence and inform the development of policy decisions as the pandemic evolved, as well as communicating organisational key messages to stakeholders and members.

- In March 2020 we launched a free "MDDUS GP coronavirus support" package, complementary to the state indemnity put in place by emergency legislation, to ensure medico-legal advice was available instantly to members on the frontline.
- Automatic free membership reinstated for all retired members.
- A reduction in subscriptions of up to 75 per cent for dentist members (reduction dependent on sessions already worked).
- Refunds made to dentist members who had paid their subscription in advance.
- Free membership for FY1 graduates of medical schools and students providing volunteer assistance.
- Option to reduce subscriptions for doctors in private practice facing reductions in their income.
- A unique "no increase" guarantee for English and Welsh GPs with our General Practice Protection product who undertook more sessions during the pandemic than their subscription with MDDUS usually covers.

### Our response in numbers

Board meetings  
**6**

Views of our  
Coronavirus Hub  
**72,500**

Member fees  
refunded  
**£1,765,421**

Colleague  
updates  
**27**

BCP  
meetings  
**29**

ExCom  
meetings  
**11**

All-staff  
Town Hall  
meetings  
**3**

We created a  
Coronavirus Hub  
for our website in  
**2 days**

# Medical team report

The medico-legal advisory team at MDDUS is made of up medico-legal advisers with medical and legal professional backgrounds and who joined us from various clinical fields, including hospital medicine and general practice. This year the team has provided our members with professional, practical and emotional support to enable them to carry out their collective and individual roles on the frontline of the national response to Covid-19. This is their story.

Covid-19 put doctors under extreme pressure and called on them to make incredibly tough decisions to balance their professional and personal commitments, including between the risk of infection to themselves and their families and their duty to care for patients.

In hospitals, doctors faced challenging decisions around the allocation of limited resources and being asked to work outside their field of expertise. In general practice and other outpatient settings, doctors had to adapt to deliver the majority of consultations remotely.

Our medico-legal team became aware very early on in the pandemic that doctors were experiencing significant stresses and pressures on the front line. Typically, doctors made contact with MDDUS when they were concerned that they, their patients or their colleagues were at risk of harm.

Calls to our advice lines early in the pandemic underlined that the fear of the unknown was immense. Our medical members reported needing to adapt their practice regularly, and felt frustrated by what they described as confusing or absent protocols and conflicting national guidance. We heard many reports from members that their working hours had increased dramatically, with little opportunity for rest.

Doctors began to receive complaints very soon after the first lockdown of 2020 about accessibility to medical care. Those who made contact with us shared their concerns about the potential breakdown in the professional relationship between doctor and patient because of the rapid switch away from face-to-face consultation. The medico-legal team supported them

to manage this loss of physical doctor-patient interaction with advice on how to reassure patients of their ongoing commitment, while acknowledging that Covid-19 meant they were obliged to change previous ways of working.

We also gained insight into the concerns our members had about the systemic impact of Covid-19 in their own practice. Some of the members we supported were worried that patient complaints, which arose from systems beyond their control, would disillusion their own staff, many of whom were already exhausted.

Stress, anxiety and exhaustion were common themes in many of the calls to our advice line. This led to a significant number of queries about how to apply existing professional guidance to the evolving pandemic circumstances, including how to approach ethical dilemmas that were previously reserved to textbooks only.

Concern about wellbeing is a theme that will not diminish unless our members are given the time, training and support to recover from the impact of the pandemic.

The GMC recognised this concern early on, and through our ongoing engagement with the regulator we were able to reassure doctors that, while they would need to continue to act in accordance with the principles of good medical practice, the GMC acknowledged doctors would need to change the way they practice in the face of the pandemic.

Our advice line also provided support on concerns about access to appropriate PPE, which was a real source of anxiety and further exacerbated by the deaths of healthcare staff from Covid-19. Some doctors also shared with us the physical impact they encountered from wearing PPE day after day.

From the often long and emotionally-charged conversations we have had across the advice line, our team was left with a shared impression of doctors' Covid-19 experience in 2020. While our medical members were stressed and stretched throughout the year, they attended to their professional duties with an unrelenting commitment – always seeking to do what they could to care for their patients in the best possible way. It was our privilege to support them.



Telephone calls handled

**10,131** calls

**19%** decrease on 2019



Written advice in response to emails and letters

**3,141** hours

**7.4%** increase on 2019



Time spent on delivering telephone advice

**1,742** hours

**29%** increase on 2019



# Case study



## Volunteer vaccinator Dr Clive Barker

Speaking about Covid-19, retired GP Dr Clive Barker likes to quote his favourite satirical magazine, *Private Eye*, which has noted an unprecedented use of the word "unprecedented".

Certainly Clive never expected to be dressed again in scrubs and mask, reassuring patients before jabbing needles in their arms. But this is what he has been doing, inside a temporary marquee at the Ryan Medical Centre in Bamber Bridge near Preston.

Clive volunteers a few sessions a week at the vaccination clinic, which is run by the Bridgedale

Primary Care Network. "Patients come in one end of the marquee and discuss any concerns with a clinician, and are consented," says Clive. "They then move down to one of three booths for the vaccination. It's a one-way system and patients are guided by volunteers from the local community."

The atmosphere at the centre has been nothing other than positive, says Clive. "Patients really want to be there. In fact they are ever so grateful; it's humbling. There's a really good vibe and the time goes very quickly."

The work Clive does is unpaid, which for him was a precondition for becoming a vaccinator. "I felt I had a moral duty to do it," he says. "Seeing what was going on with exhausted colleagues in both primary care and in hospitals, I felt if I could do something that meant that they would be free to get on with their other good work then I should do it. Being able to help the community again is a real privilege."

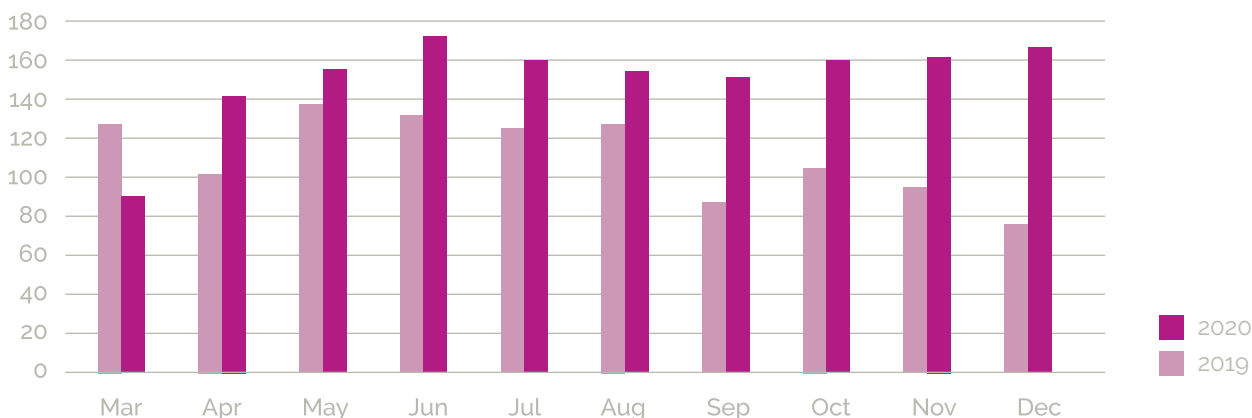
Does he worry about the risks of being involved in the mass vaccination programme?

"Not at all, because the benefits to the community hugely outweigh any personal risk and I think everybody else in there feels the same," says Clive. "We're wearing masks; we're aware of the guidelines."

Clive has welcomed the free membership being extended for all retired MDDUS doctors returning to work in the pandemic.

"MDDUS have been extremely supportive," he says. "I was told we have crown indemnity should anything go wrong, but I felt even more reassured that I was covered by the MDDUS for advice and support. I was a bit of a worrier during my career, and knowing you were there if ever needed was, and still is, hugely reassuring."

## Medical team time spent on advice cases



# Dental team report

The dento-legal advisory team at MDDUS is made up of seven experienced dentists. In 2020, the team managed a substantial increase in the volume of advice it provided our members. From the almost complete close down of dental practice across the UK, to complex PPE requirements and the interpretation of rapidly evolving guidance, our advisers have been on hand to support our dental members throughout this extraordinary year. This is their story.

Covid-19 turned the norm of dental practice on its head. It has been a traumatic, uncertain and, at times, chaotic situation for our members to manage. The team at MDDUS has rarely, if ever, experienced the volume of calls for support and advice we saw in 2020. It has been our privilege to support our dental members.

**Telephone advice calls received**

Increase of  
**21%**  
on 2019

**Case files opened (advice, claims, complaints)**

Increase of  
**15.4%**  
on 2019

**Written requests for advice**

Increase of  
**83%**  
on 2019

At the outset of the pandemic, when dental services were facing shut-down across the four nations of the UK, members were desperately concerned to know how to support patients with acute dental problems, as well those who were caught mid-treatment.

The dento-legal team, with advice from leading healthcare barristers and our in-house legal team, pulled together a comprehensive package of advice, support and information, distilling guidance that emerged in the first months into online FAQs and position statements that were quick and easy to access. We made this information web-based and continually updated it throughout the year.

Our dental members have experienced the full range of human responses during this extraordinary crisis. Many have shown remarkable determination to make the very best of a bad situation to deliver care for their patients and look after their teams. For those who found the situation intensely challenging, our dento-legal advisers have provided support and guidance, dentist-to-dentist, because the pandemic gravely challenged many certainties. This stress continues.

Throughout the year, we took a significant volume of calls from members who were very concerned that their patients were not able to be seen. There were concerns initially about the setting up of urgent dental care centres, particularly about the implementation of the "Triple-A" approach – advice, analgesics and antibiotics. Effectively, this approach ushered back in a way of working that had been abandoned 20 years earlier.

Meanwhile, practices were open to telephone-triage patients and to provide appropriate advice. This added the further complication of remote consultation and how to securely engage with a patient, together with completing an appropriate dental record of that consultation or advice given. MDDUS provided specific guidance to help our members manage this complexity.

When practices re-opened, dentists faced a backlog which inevitably led to unavoidable delays in treatment and so, in turn, to complaints. The team supported members with advice on how to deal with confrontational patients. We saw complaints spike for other associated reasons, including a drop-off of normal levels of patient tolerance following months of lockdown, as well as the difficulties communicating while wearing PPE.

Issues dealt with relating to dentist-patient confrontation included a call from a member after a patient threw a bottle of hand sanitiser at them. Another frequent case file was about how to manage patients refusing to wear a mask in the reception area of their dental practice. It will take time and effort to return to the usual norms.

As well as advising on stressful encounters within the practice setting, the team has been on hand to provide moral support to members who struggled to wear the required PPE. For many this has been cumbersome and unpleasant. Others called us with worries about the immediate and long-term personal health risks they and their staff face carrying out dental treatment before the population is vaccinated.

Regretfully, we have taken calls from a number of our members who are considering leaving the profession. We know this is a real risk from a survey of our members at the very end of 2020, where 61 per cent said the experience of the pandemic tempted them to quit dentistry.

Overall, however, we saw 2020 as a year of resilience in dentistry, with practitioners and the leaders of the profession coming together to put evidence-based and practical guidance in place to manage the re-opening of practices. Developing a "new normal" in 2021 and 2022 will be a challenge, and the MDDUS dental team will be there to help our members manage it.

# Case study

## Covid pandemic - a dentist's view

### Ms Laura Kelly

When the first lockdown came in March 2020, dentist Laura Kelly was managing a busy appointment book at Larkhall Dental Institute and finalising arrangements for her spring wedding.

But with just days to go before the stag and hen party celebrations, she was facing the prospect of not only cancelling her big day, but cancelling scores of patient appointments.

It is a familiar tale that played out across the UK in 2020, as the Covid-19 pandemic forced dental professionals to down tools and restricted them to offering only limited care and advice over the phone.

"It was a very difficult and uncertain time," says Laura, 28, who has worked at Clyde Munro's South Lanarkshire practice for four years. "We had to turn patients away and for a time we could only offer telephone advice. It was frustrating we weren't able to do more. But we worked together with our sister practice in Uddingston to do the best we could to support patients."

Just over a year on, with the NHS mass vaccination programme in full swing, Laura was pleased to eventually return to normal working hours in May 2021. While the practice reopened in June 2020, continuing restrictions meant the dentists spent months working fewer but longer days, staggering patient visits, in a bid to tackle the backlog of appointments.

It has been a stressful and worrying time for the profession, but Laura is determined to remain positive and has made the most of any down-time.

A key role for her has been as a Covid-19 vaccinator, working shifts in her local community centre in February and March.



"A colleague told me positive things about his work as a vaccinator and it encouraged me to look into it," Laura says. "I was keen to help out because the sooner we vaccinate the sooner we can get back to some kind of normal life. It was a really good experience."

Laura credits keeping in regular contact with friends and family, running 5Ks and long dog walks for helping her through the challenges of lockdown. She was also pleased to have financial support from MDDUS in the form of reduced subscription rates for dental members.

Laura says: "It was really good that MDDUS reduced the subscription fee when we had to stop practising. I heard from friends that other providers didn't do that. They also offer really useful online CPD and their advisers are so helpful. That's why I've always stayed with MDDUS."

Looking ahead to 2021, Laura is hopeful she will continue to see patients full time, and is also crossing her fingers that in September she'll finally be able to walk down the aisle.

**"It was quite straightforward to apply and join MDDUS via the online form. I was apprehensive at first but it was easy. Received an email later about providing further information. It was again easy to simply email this information. Quite a different process to other providers that I have joined in the past. I also was able to speak to an adviser very promptly for some advice on a tricky case. I felt very supported"**

- Paula Richardson, dentist, Somerset

# Legal team report

The legal team is proud of the many examples we saw of colleagues in our team supporting one another throughout this most challenging of years, whilst maintaining excellent service to our members who saw no dip in support or in the management of their cases.

The legal team at MDDUS is made up of 31 staff across our offices in London and Glasgow. We comprise 19 lawyers, three case assistants, seven paralegals and two trainee solicitors. This year the team continued its success in repudiating a significant number of claims and greatly reducing the amounts paid in damages, in comparison to the sums claimed.

Like all areas of our organisation, the legal team was required this year to make significant adjustments to their daily working lives, while juggling other personal responsibilities and commitments.

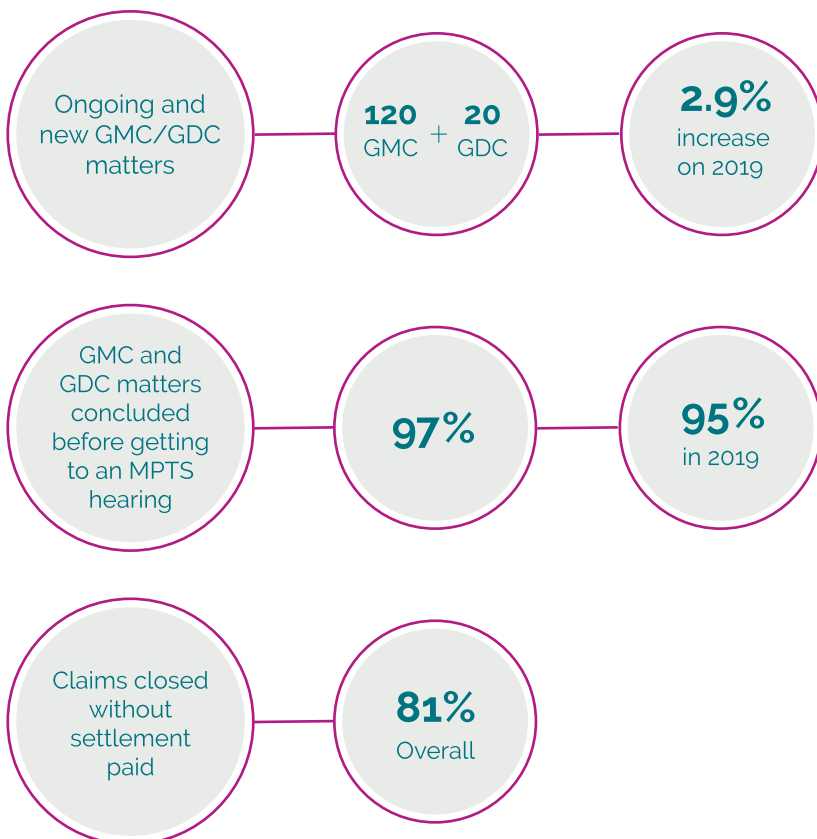
The adjustment to remote meetings and regulatory hearings was not easy for anyone, and in many respects the impact on our members who faced stress and

anxiety associated with regulatory investigation was particularly acute.

To minimise this, we engaged regularly with the GDC, GMC and the Medical Practitioners Tribunal Service (MPTS) to influence their response to the limitations the pandemic placed on face-to-face meetings. We also engaged with the PSA as it developed guidance to ensure remote hearings were efficient and their use proportionate.

At the start of the first lockdown all regulatory hearings were postponed and no new hearings were listed. This meant that the regulators held no hearings at all for five months of 2020. Following the easing of restrictions and the introduction of Covid-19 safe hearing settings, the most complex of those that took place were heard in person, with the MDDUS legal team attending on site three times at the MPTS building in Manchester and twice at the GDC's hearing rooms in London.

It is not yet clear what the legacy of Covid-19 will be. We are yet to see a significant number of Covid-19-related claims, but it may be that once goodwill towards the NHS subsides more claims will be intimated.





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# Training, CPD and risk advisory team

**The pandemic severely curbed our ability to run our planned schedule of face-to-face training courses in 2020. But from April, we worked quickly – and in collaboration with our own members – to create, pilot and then roll out an entirely new and interactive series of courses hosted on virtual platforms.**

We also worked with the Federation of the Royal Colleges of Physicians to refine new online accreditation processes. Within a month, the team had created a portfolio of 28 new virtual courses providing verifiable or approved CPD to members attending.

As the magnitude of Covid-19 unfolded, the team rapidly refunded payments to any of our members pre-booked for the events we were reluctantly forced to cancel as lockdown was confirmed.

The switch to remote training was an almost entirely new venture for us, motivated by our desire to support our members and the wider healthcare communities as they tackled Covid-19. It is fair to say we learned on the job, and we believe the quality and breadth of our output was demonstrated by the popularity of the programme we produced in the second half of the year. Almost 1,000 bookings were received for the new, interactive virtual courses that ran during this period.

Remote courses we delivered included a number of remediation topics to assist members who are going through regulatory processes. The most popular remote courses were:

- Record keeping for doctors
- Complaints handling
- Communication
- Remote consulting (primary and secondary care).

We conducted regular analysis of all our courses, and participants completing evaluations consistently rated courses as excellent or good across all speakers. Average scores sat above four on a scale of 1-5, with five being excellent. It is a source of huge satisfaction to the team that 99.6 per cent of delegates who attended our remote courses in 2020 stated that they would recommend the course they attended to colleagues.

New online CPD courses were launched in 2020 across topics such as GDPR (General Data Protection Regulation) and confidentiality. We received a 35 per cent increase in members completing courses to obtain verifiable CPD. The MDDUS online advice library, which is available within the Advice & support section of [www.mddus.com](http://www.mddus.com), was expanded in 2020 to include further medico-legal topics and also Covid-19 content.

Our members rate MDDUS online courses and CPD videos at an average score of 4.56 out of 5. Members also indicate whether completion of the resource will help them improve patient safety, and this criteria achieved an average score of 4.5 out of 5, with 5 being 'significantly'. In line with previous years, 98 per cent said they would recommend the online resource to colleagues.

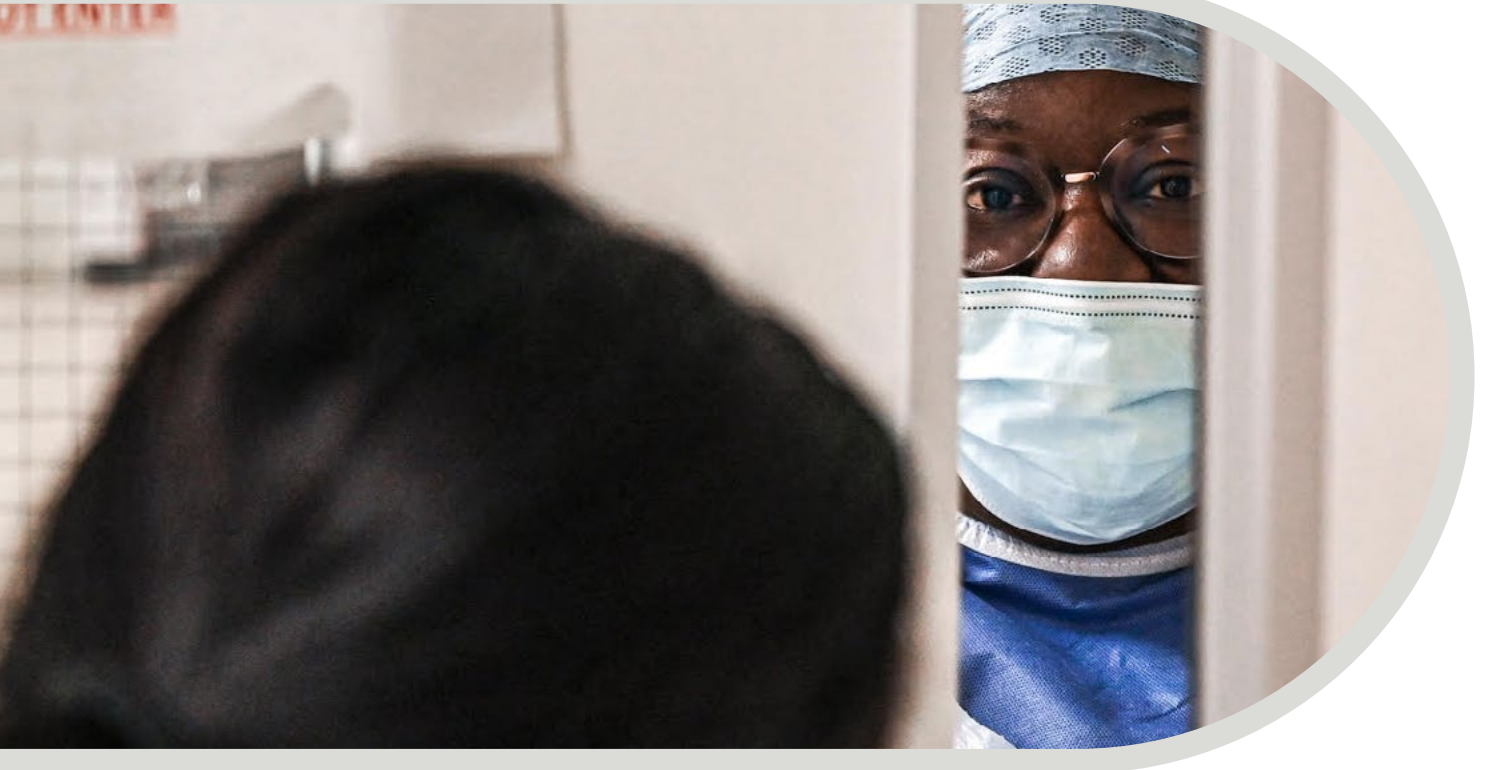
**"I'm really thrilled with the provisions available at MDDUS. Apart from providing me with indemnity, they come up with regular online training courses that I think are extremely useful for my practice. I'd also like to mention the support they gave to members during the unprecedented Covid-19 lockdown"**

- Dr Sampson Anya, hospital doctor, East Sussex

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# Membership services

Photography: ©Dr J D Williamson



**At the height of the first wave of the pandemic in April, the membership services team handled nearly 5,300 calls – a 38 per cent increase on average monthly call volumes.**

In all of 2020, the team responded to nearly 23,000 emails, of which 90.4 per cent of responses were sent within five working days of being received.

The introduction of MDDUS Solutions into the Group provided an opportunity to align our internal operating model across our Customer & Development directorate, with the focus being service excellence across all of our member-facing teams. We will create a larger, more experienced team as we combine knowledge and skills across all areas, allowing us to implement enhanced training and development of team members and foster a culture of continuous improvement.

As we look forward into 2021 and beyond, we have restructured our teams to bring optimum focus on member experience, working collaboratively to continue to build and improve on our service levels, challenging the status quo and driving forward a

number of projects solely focussed on improving service. We will create new ways of capturing member feedback and use the "voice of the customer" to help inform our decision-making, ensuring we make process improvements that are customer centric and add value to the overall member experience.

We are now building our capabilities to serve members based on their individual circumstances, bringing a wider range of products and services and ensuring that we can provide insured indemnity where required. Looking to the future, our aim is for MDDUS Solutions to offer a suite of products, providing choice, value and an efficient and personalised service.

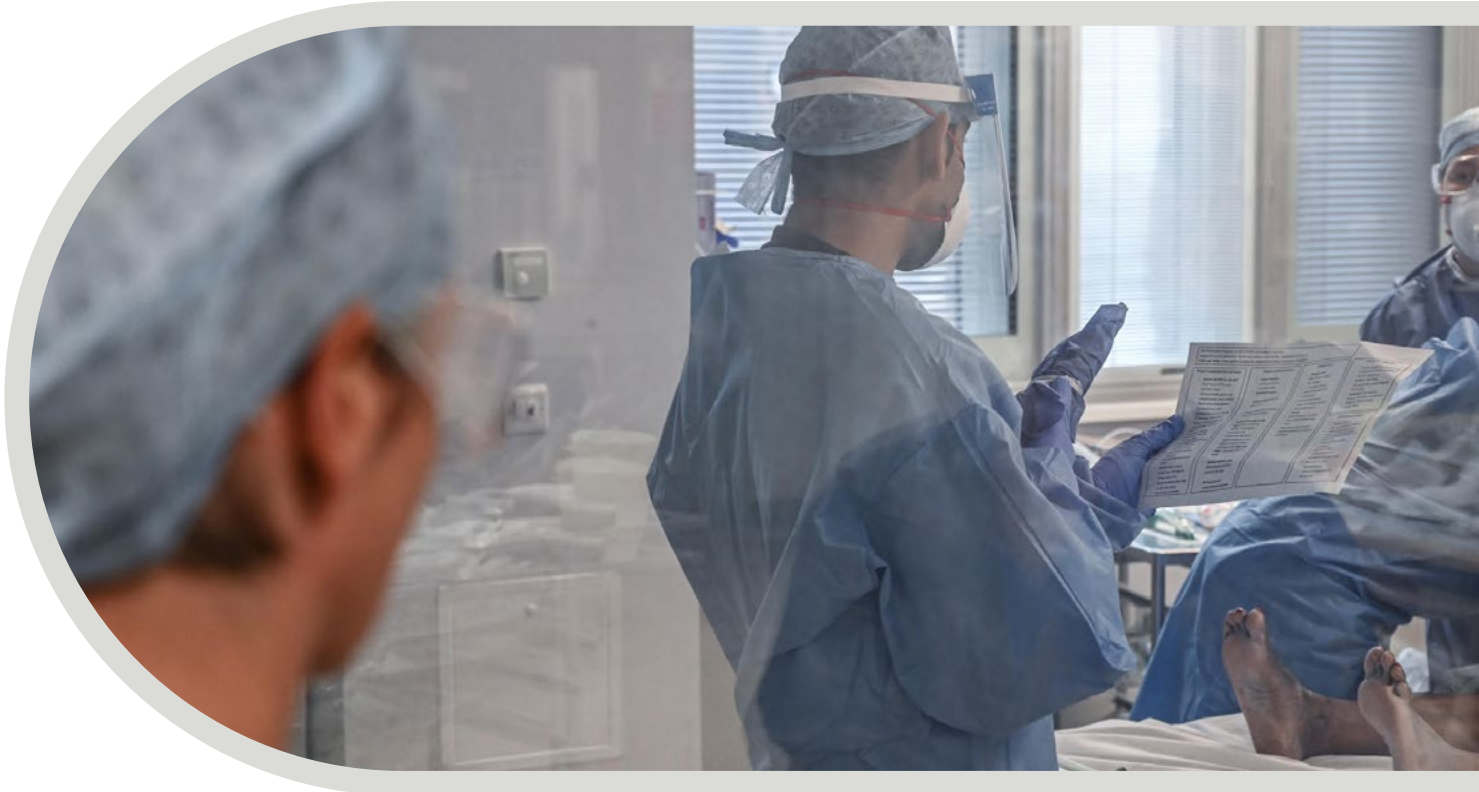
**"Easy to contact by telephone.  
Helpful and knowledgeable staff"**

**Natalie Ryan, hospital doctor, Kent**

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# MDDUS Solutions

Photography: ©Dr J D Williamson



Healthcare is constantly evolving to meet patients' changing needs and to keep pace with the latest treatments.

We recognise that increasing numbers of doctors working in secondary care are joining forces to provide high-quality specialist treatments via limited liability partnerships (LLPs), private limited companies (PLCs) or other corporate entities.

That's one reason why MDDUS launched MDDUS Solutions in 2020, an FCA-regulated intermediary that enables us to offer a wider range of new indemnity products, including a choice of discretionary and insured protection.

It offers flexibility and choice to both existing and new MDDUS members who work in groups, or who have incorporated or formed an LLP.

Crucially, all MDDUS indemnity and insurance options are underpinned by our mutual ethos and provide access to the expertise and support of our legal and advisory teams. We believe that our members deserve choice – and we can respond positively to whatever choice they make.

We are now building our capabilities to serve members based on their individual circumstances, bringing a wider range of products and services and ensuring that we can provide insured indemnity where required. Looking to the future, our aim is for MDDUS Solutions to offer a suite of products, providing choice, value and an efficient and personalised service to individual members and healthcare organisations alike.

MDDUS recognises that healthcare professionals do a really tough job in some trying circumstances. We want to be there to support both individuals and organisations while they deliver the best care they can for their patients.

MDDUS Solutions may be a new company but it has behind it the considerable expertise and experience of MDDUS.





**MDDUS** member

**Dr Gregory Folwell** GP  
Eastbourne, England.



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# People report 2020

**Looking after our colleagues' wellbeing has been at the heart of our People strategy in 2020. The challenges of Covid-19 brought out the very best in our people, who showed resilience and commitment that was quite remarkable. This is everyone's story.**

We asked colleagues to work from home on 16 March 2020 and moved quickly to set up the infrastructure to enable home working. This transition was made easier by the huge amount of goodwill and effort from across the Company.

At the heart of the transition to lockdown working were two key priorities:

- No-one should be furloughed unless every other option to keep them working full time had been exhausted.
- None of our members should experience a drop in service as we moved to remote working.

We are hugely proud none of our colleagues were furloughed, and that operational support roles were adjusted to enable the people doing them to play an active part in the organisation's success from the safety of their home.

ExCom communicated every week to all colleagues through several media, including blogs, virtual Town Hall meetings and our Management Forum. In late 2019 we supported the introduction of mental health first aiders in MDDUS, providing training and expert guidance to those who volunteered to take part. This group played an active and visible role in supporting colleagues throughout 2020.

An open, online resource for colleagues was one of our main sources of help and support. This included tips on working from home, wellbeing guides, and

risk assessments for home working and in the office environment for anyone who had to attend the office because they could not do an aspect of their role from home.

We empowered our managers to have open conversations with their teams about any issues created by home working, especially home schooling and caring responsibilities, and to respond flexibly to individual situations.

Our wraparound approach to colleague wellbeing also included providing lunchtime online yoga sessions, as well as virtual mental health awareness sessions and mindfulness and wellbeing sessions.

An element of our planned People strategy for 2020 was to establish an employee engagement group. Although in lockdown, we forged ahead with volunteers from across the business. All our colleagues' voices are now heard in developing strategic decision-making and in planning for how we rebuild when it is safe to return to our offices.

We took care of our communities throughout this tough year under Covid-19 restrictions. MDDUS made a contribution to the food bank charity, the Trussell Trust. A group of our medical and GP practice advisers organised an event known simply as The Run. Held in memory of our colleague Scott Obrzud, who died in 2019, the group ran a virtual half marathon in September, raising £3,000 for The Brain Tumour Charity. Later, a group from our communications, membership, marketing and risk education teams raised £800 for the charity from a "Five in Five for a Fiver" walking and running challenge.

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## Case study Joining MDDUS in the pandemic



### Claire Clarke Head of Customer Service

It was quite a strange feeling joining a new organisation during lockdown. I had only met colleagues 'virtually' as I went through the recruitment process and on my first day I literally went from my bedroom to my office in five seconds, rather than the 50-minute morning commute I was used to.

I was excited, although a little apprehensive because I didn't know what to expect. However, very quickly I was pleasantly surprised at how efficient our IT teams were at providing me with information and support to get started. It was flawless.

That really helped me quickly set up the remote technology that would allow me to meet new colleagues and gain access to systems and information.

My remote induction was so well thought out. I had time pencilled in, in advance, for 'virtual coffee breaks' and then more formal introductions, providing a balance between understanding this new MDDUS world and carving out key relationships.

Our HR team seemed to have thought of everything that would support a remote induction: using share screen functionality, virtual wellbeing sessions, easy access to central drives with supporting material, and even 'after-work' quiz sessions which helped enormously with breaking down the isolated feeling of working from home.

On the whole, my remote learning journey has been perhaps a little slower than in a face-to-face office setting, but it has been warm and inviting, with the collaborative nature of MDDUS culture at the centre of it.



# Our Section 172(1) statement

The MDDUS Board aims to create value for members and its strategic plan is focussed on the short and long-term success of the Company for our membership as a whole. These efforts are informed by our open and transparent engagement with our stakeholders, which in turn shapes our decision-making and outcomes in a number of key areas. That is not simply how we want to do good, sustainable business, but also reflects our duties under S172(1) of the Companies Act 2006, set out below.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to: (a) the likely consequences of any decision in the long term; (b) the interests of the company's **employees**; (c) the need to foster the company's business relationships with **suppliers, customers** and others; (d) the impact of the company's operations on the **community and the environment**; (e) the desirability of the company maintaining a reputation for **high standards of business conduct**; and (f) the need to act fairly between members of the company.

Illustrations of how S172(1) factors have been applied in the reporting year can be found throughout the Strategic Report, and are cross referenced here.

This section is our S172(1) statement

Who are our stakeholders?	Why we focus on these stakeholders	How do we engage them?	What have we learned?	How have we responded?
<p><b>Our members</b> Members are our stakeholders who use our products and seek our advice and support to protect their professional reputation. Ultimately they are the owners of the Company to whom the Board are accountable.</p> <p><b>Our suppliers</b> The businesses we contract with to ensure we provide an excellent service to our members.</p>	<p>Our members are central to our business and without them we would have no reason to exist.</p> <p>Above all, there is an exact alignment between the objectives of the Company as set out in our Articles of Association – to promote honourable and high standards of clinical practice – and of our members as individual professional practitioners.</p> <p>Our supplier relationships need to be strong, offer value for money and be efficient so we can deliver an excellent service to our members.</p>	<p>Our indemnity and advice service is shaped around our members, tailored to their needs. Our professional advisers are on hand 24/7 and 365 days of the year (p. 13-18).</p> <p>We engage our members through our CPD and risk training (p. 19), with face-to-face contact in person or by video conference. We conduct a range of membership research to understand their priorities and concerns (p. 9), and providing members with excellence in customer service (p. 20-21).</p> <p>In relation to our suppliers, MDDUS is required to publish payment practice reports every six months (Directors' report, p. 37).</p>	<p>In the pandemic we have become more agile in the provision of information, understanding our members were having to adapt at speed to rapidly changing guidance and advice.</p> <p>We've become even more attuned to the nature and topics of training and CPD our members really value. We have done more to ensure we respond to our members quickly and made it easier than ever to contact us. We understand the professional and personal issues that have had the biggest impact on our members in 2020.</p>	<p>In 2020 we developed new services for our members:</p> <ul style="list-style-type: none"> <li>A training and CPD package responsive to the impacts of Covid-19</li> <li>An enhanced membership contact function</li> <li>A Coronavirus Hub on our website carrying regularly updated information about Covid-19</li> <li>Digital magazines for our members, promoted across a new "e-reader" platform and in monthly emails.</li> </ul> <p>We ensured our suppliers were paid on time, maintaining trusted relationships with our commercial providers and partners.</p>
<p><b>Our colleagues</b> Our colleagues embody our internal values of collaboration, integrity and excellence. They support all our efforts on behalf of our members.</p>	<p>Our people all make a positive difference to our business and for our members. They are our greatest asset. We invest in them to protect our effectiveness going forward.</p>	<p>A priority this year has been to establish processes to enable our people's voices to be heard (p. 23). We gathered colleagues' views and listened to their experiences during the pandemic through a pulse survey. We worked hard to ensure everyone knew how we were responding to the pandemic and making changes by holding virtual Town Halls (p. 23).</p>	<p>An all-colleague survey issued in the summer secured an 87 per cent response rate. Following the communication of the, largely positive, survey results, we introduced new initiatives, including a home and office flexible working approach, and our Employee Forum (Directors' report, p. 37).</p> <p>Our Employee Forum initiated a number of diverse activities to support colleagues, including wellbeing support, online yoga classes, and company-wide virtual social events.</p>	<p>The responses we received shaped decisions we took on how we run the business which, we hope, had a positive impact on all our colleagues (p. 37).</p> <p>We kept everyone informed through a combination of ExCom-led communication and information cascaded by our manager community.</p> <p>We focussed support on resilience and mental health initiatives. We provided mental health awareness training to all colleagues, and continued to promote and develop our accredited mental health first aiders (Directors' report, p. 37).</p>
<p><b>Society</b> Is the combination of the communities we represent and engage with, and the places we work in and call home.</p>	<p>We continued to develop and nurture relationships with organisations and interest groups with connections to our members, and influence on the healthcare landscape and more generally on the physical environment.</p> <p>We engaged across the UK, talking to and meeting virtually with representatives of our stakeholder community in England, Scotland, Wales and Northern Ireland.</p> <p>Despite the lockdown environment imposed as a result of the pandemic, we kept our environmental impact at the forefront of our thinking.</p>	<p>Our audiences are many and varied and we put considerable effort into meeting them this year at virtual conferences, roundtables and in one-to-one meetings (p. 38).</p> <p>We participated in working groups run by stakeholders such as the British Medical Association and PSA.</p> <p>We invested time and training in improving our environmental impact credentials. We put greater importance on our ESG policies, including in our investment strategies.</p>	<p>Our stakeholders told us they wanted to understand in greater detail how our members have been impacted by the pandemic.</p> <p>Our work across this area was designed to ensure our corporate messages were heard across the spectrum of our stakeholders and, where possible and appropriate, influence policy and process to the benefit of our members (Directors' report, p. 9,38).</p> <p>We learned from the impact of the lockdown and made an effort to translate lived experience into planning for the future on how we can continue to reduce the environmental impact of our business activities (Directors' report, p. 39).</p>	<p>We undertook an extensive survey of our membership, reporting on the outcomes via stakeholder meetings, meetings with regulators and royal colleges.</p> <p>More generally, MDDUS engaged with our stakeholders through a blend of direct and general communications, both face-to-face and across online platforms (Directors' report, p. 9,38).</p> <p>Our Board agreed an Equality, Diversity and Inclusion statement, which is available on our website, showing our commitment to making a difference over time for colleagues and members.</p> <p>Our investment managers report to us on a range of ESG matters and we are currently undertaking a review of how we can best ensure we continue to drive higher ESG standards across our portfolio in the years ahead (Strategic report, p. 10).</p>
<p><b>Regulators/policy makers/government</b> Our stakeholders who influence and govern us, as well as having a stake in our sustainability and success as a business.</p>	<p>Our decisions and effectiveness are shaped by the impact and influence of multiple stakeholders, especially health professional regulators and governments across the UK.</p>	<p>We conducted extensive engagement with officials and elected representatives both lobbying and in working groups. Our core purpose was to maintain open and transparent relationships with these groups to contribute to the safe and effective management of healthcare during 2020. We maintained existing relationships and forged new, better connections with important stakeholders (p. 9).</p>	<p>We became ever more aware of the important differences in policy development and implementation across the UK, sometimes subtle, sometimes more far-reaching. We were always mindful to reflect these and to respond to them both in the way we supported our members, and to ensure our advice to them was relevant and useful.</p>	<p>Our discussions with parliamentarians, regulators and royal colleges included:</p> <ul style="list-style-type: none"> <li>How the collective memory of Covid-19 could be recorded to ensure any future claims were fair and in context.</li> <li>Operational application of best practice, and the practical and logistical challenge of running tribunals and other hearings.</li> </ul>





**MDDUS member**

**Dr Miranda de Burgh GP**  
East Linton, Scotland.





# Finance Director's report



**James Parker**  
Finance Director  
30 June 2021

In last year's report I said that we were well placed to take whatever challenges 2020 might throw at us in our stride. As we all know, 2020 turned out to deliver challenges of an exceptional nature and scale, in particular of course the many and varied effects of Covid-19 not only on our business but on the wider society across the world. Despite that, I am pleased to say that we have demonstrated our financial resilience and ended the year with reassuringly positive financial results. More importantly, we have achieved these results whilst still providing the high standard of support and service that you, our members, have come to expect.

## Financial performance

Our consolidated statement of income and retained earnings shows a surplus of £74.2m (2019: £116.5m deficit), driven by both a surplus on our business activities and by a strong return on our investment portfolio. This surplus is after charging £8.2m of "other settlement costs" relating to the transaction we entered into with the Welsh Government (WG), whereby WG assumed responsibility for the historical clinical negligence liabilities of our members who were GPs in

Wales prior to 1 April 2019. This transaction was similar to the larger deal concluded in 2019 with the DHSC in respect of members who were GPs in England, which was disclosed in last year's report and was the reason behind our 2019 deficit.

## Subscriptions

Members' subscriptions and other income totalled £65.3m in 2020, a fall of 27 per cent (2019: £89.6m). Most of this fall in subscriptions in 2020 was as a result of lower premiums following the removal of claims indemnity cover for GPs in England and Wales as part of the introduction of the state-backed indemnity schemes (SBIS) in each of those jurisdictions on 1 April 2019. In 2020 subscriptions were also adversely impacted by the lower levels of dental and private medical activity due to restrictions in response to Covid-19. We proactively reduced subscriptions for our dental members who were unable to offer their usual services during lockdown, which was the major factor in dental subscriptions being £4.7m below the 2019 level.

Despite difficult trading conditions, our membership numbers grew by 2.6 per cent in the year. This positions us well to grow our future revenue, as activity across dentistry and non-NHS medicine increases as Covid-19 restrictions are lifted.

## Claims cost

Claims costs were £14m, a significantly lower figure in 2020 than in the previous year (2019: £120.3m). In part, this is a result of the SBIS reducing the claims as well as the premiums for GPs in England and Wales when compared to previous years. However, we have also seen favourable claims experience during the year, which reflects the lower case activity in general that the Covid-19 pandemic has caused to date. We have also seen favourable movements in our provisions for the expected costs of open claims at the end of the year based on our actuarial projections. Actual claims paid in 2020 were £20.1m (2019: £34.4m).

## Investments

On average it takes approximately six years for claims to occur and be settled after a subscription is paid. This means that, in any given year, it is important that we set aside sufficient money to cover the cost of claims in the future and then invest that money carefully to get an appropriate return, taking account of risk, inflation and financial security. Consequently, MDDUS has a sizeable investment portfolio that needs careful stewardship.



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# Finance Director's report

We take a balanced approach to managing our investments, apportioning sufficient funds assets such as good quality government and corporate bonds in a "matching fund". This covers our projected liabilities on known claims that we have been made aware of and should also be sufficient to cover our expected level of claims that have been "incurred but not yet reported", the so-called "IBNR" claims.

Our remaining investments are put into a "growth fund" made up of assets in higher-returning sectors, such as equities and property. Here we seek a higher return than in our matching fund to help mitigate the effects of inflation but without taking undue risk.

Investment values can of course go both up and down, and as a long-term investor MDDUS accepts that there will be short-term fluctuations in value, especially in volatile market conditions such as those that prevailed for most of 2020.

In this light, I am delighted to report that our investments returned £50.7m in 2020 (2019: £63.9m). This was an excellent result in a year when markets rose and fell by large amounts, often over the course of a few days.

## Provisions for liabilities and charges

As well as paying for claims and non-claims costs during the year, MDDUS makes provision for future claims and non-claims costs in respect of matters we are aware of but which have not yet concluded. This provision was £144.3m at the end of 2020, a significant reduction over the previous year (2019: £339.9m), which included liabilities secured by the state-backed Existing Liabilities Scheme that legally transferred to the DHSC on 6 April 2020.

In addition, there are IBNR claims and non-claims which have not yet been reported to us but which concern incidents that have occurred during a prior period of membership. Our actuaries calculate the appropriate value of the IBNR at the end of 2020 as £184.2m (2019: £149.2m), including an allowance for those items related directly to Covid-19.

We believe it would be remiss of us not to include the IBNR figure in our reporting, as readers of our report and accounts would be unable to come to a sensible view of the financial health of MDDUS without it. We have

not treated the IBNR as formal liabilities in our financial statements, as MDDUS has not yet had sight of them so has been unable to exercise its discretion. It is worth noting, however, that our net assets of £512m comfortably exceed the IBNR claims and non-claims figure above.

## Taxation

As a mutual, MDDUS has until now only paid tax on non-trading income, for example investment gains or property rental profits. In 2019, HMRC raised an assessment on MDDUS's trading income for 2017, claiming that the clause in the MDDUS Articles of Association which included any surplus on winding-up to go to charity or other suitable organisations/causes rather than to the members, meant that technically the mutual tax exemption should not apply. It is worth noting that, legally, MDDUS is and always has been a mutual by virtue of its ownership structure. The dispute relates purely to the tax treatment of any trading surplus.

MDDUS has contested HMRC's position and the discussion is ongoing. However, given there is a possibility that trading from 2015 will be deemed taxable, it is prudent to adopt this treatment in the 2020 Accounts. We calculate that the net effect, which takes into account taxation from 2015 to 2019, is to produce a £7m tax charge in 2020. However, we would also expect £90m of unrelieved losses in respect of the same period to be available to carry forward for use against future profits, with a tax impact of £17m at 19 per cent rate. A sum of £7m of the brought-forward losses has been utilised against the corporation tax charge in 2020. The remaining unrelieved losses are recognised as a deferred tax asset carried forward of £10m.

## Net financial position

We ended 2020 with a surplus of £74.2m and net assets of over £512m. In times of financial volatility, our members can take reassurance from the strength of our balance sheet and our prudent approach to financial management. The year 2020 has demonstrated our ability to continue providing support, pay claims and maintain and develop our services whilst proactively helping members hardest hit by the financial effects of the pandemic.

We enter 2021 with a strong balance sheet and in good financial shape to continue to serve our members and grow our business in the months and years ahead.

# Directors' report

## Overview

The Board of Directors is committed to a high standard of corporate governance.

As a member of the Association of Financial Mutuals (AFM), MDDUS applies and reports against the principles of the AFM Corporate Governance Code (January 2019) ('the Code'). In doing so, the Board has regard to: the guidance provided in the Code; our business model, management and mutual ownership status; and the overriding statutory and fiduciary duties of a director. This Directors' report will consider each of these principles in turn (albeit there is some crossover), before turning to other matters relevant to the corporate governance of MDDUS.

The Board is satisfied that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess our position and performance, business model and strategy in 2020 (and, where relevant, 2021).

## Principle one – Purpose and leadership

**An effective Board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.**

### Strategic statement and values

The Board met for an externally facilitated strategic event in March 2019, leading to the approval in February 2020 of a strategic statement for 2020-23. As evidenced in this Annual Report, the Board used this and the agreed annual business plan, which was reviewed in April 2020 in light of the Covid-19 pandemic, to monitor our performance during 2020. A business plan for 2021 was agreed in December 2020.

The focus of these plans, and the underlying goals and objectives, is to deliver against our new mission statement – to protect, support and advise healthcare professionals and organisations through our advisory legal, financial, practice management and risk education services.

This is supported by our new external values and, as noted in Principle six, internal values and behaviours, the latter being used to evaluate performance in personal development reviews.

## Fair treatment statement

MDDUS treats all members fairly, delivering a high-quality service that meets their reasonable expectations throughout their relationship with us and beyond. The MDDUS Fair Treatment Policy Statement is

available on our website. We treat all complaints fairly, reasonably and promptly, and seek to identify root causes and apply lessons learned. A new complaints process was implemented in August 2019 and the Board received its first annual report about resolving and reducing complaints in June 2020.

## Principle two – Board composition

**Effective Board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the organisation.**

The membership of the MDDUS Board in 2020 and 2021 is set out later in this report (p. 68). Current biographies are available on our website. Prior to the Annual General Meeting (AGM) in September 2020, the Board consisted of 17 directors, comprising 13 non-executive directors and four executive directors: the Chief Executive, the Finance Director, the Director of Advisory and Legal Services and the Special Executive Director (who retired on 30 June 2020). After the AGM, the Board reduced to 15 directors, comprising 12 non-executive directors and three executive directors, with experience from the fields of medicine, dentistry, business development, financial services and law.

At the year-end, seven of the 12 non-executive directors were 'independent', having served nine years or less since their first appointment to the Board. The terms of office for all but one of the directors considered not to be independent will expire in 2021 and the other in 2022.

All non-executive directors who are clinical members of MDDUS must pay the appropriate membership subscription. The Board agreed in April 2018 that directors may not act as expert witnesses in claims involving members of MDDUS.

Any voting member of MDDUS can stand for appointment to the Board. In accordance with the Articles of Association adopted at a Special General Meeting in June 2020, non-executive directors can generally serve not more than three terms of up to three years in office, subject to the succession planning needs of the Board.

# Directors' report

During 2020, the Remuneration and Nominations Committee instructed executive search firm, Fletcher Jones, to identify a candidate with specific experience from the insurance and financial services sector. Included in the search criteria was a commitment to increase diversity on the Board to reflect the membership of MDDUS. A panel of directors considered applications from 14 candidates, who were subsequently short-listed and interviewed. One candidate from a strong field was appointed in June 2020, bringing experience from the fields of financial services and insurance. The Board subsequently recommended Vikki Macleod's appointment, with a supporting statement, for a three-year term, to the AGM. The re-appointment of six other non-executive directors for varied terms was also agreed at the AGM.

In light of the Board succession plan, the Remuneration and Nominations Committee instructed Saxton Bampfylde to identify in 2021 candidates with specific experience as, respectively, a practising dentist and a practising hospital clinician. Diversity was again included in the search criteria. A panel of directors considered applications from, respectively, 48 and 35 candidates, who were subsequently short-listed and interviewed. Two candidates from strong fields were identified and were appointed in June 2021. The Board plans to recommend their appointment, with a supporting statement, for three-year terms, at the AGM.

Non-executive directors are required to sign contracts for service, which include the time commitment they are expected to commit to their role. These require new directors to participate in an induction programme, which includes meetings with the Chair, the senior executive and a 'mentor' from the Board (generally the Senior Independent Director). We also provide recent Board and committee papers, the strategic and business plans and relevant policies and guidance relating to their role and 'good governance'. In addition, we aim to meet the training needs of directors as they are identified, including sessions in 2020 about our large-claims process, the development of our first Own Risk and Solvency Assessment (ORSA) and the use of derivatives in investment portfolio management. Directors are also invited to participate in the regular webinars facilitated by AFM, of which the Chief Executive is a Board member. The contracts for service (and committees' terms of reference) also enable non-executive directors to instruct independent professional advice that is necessary to discharge their responsibilities to MDDUS. Directors' and officers' liability insurance is reviewed and renewed annually.

In addition to agreeing pre-AGM appointments of non-executive directors, the Board appoints directors to the positions of Chair, Vice-Chair and Senior Independent Director. The role of Chair is separate to that of Chief Executive, and the profile for the former distinguishes clearly between leading the Board and the executive responsibility for running the business. The Chair was appointed as a non-executive director in 2007 and as Chair in 2018. The Board acknowledges that he was not 'independent' on appointment as Chair, but considers this departure to have been justified by the external operating environment, in particular the introduction of the SBIS for GPs in England and Wales, the changing government policy in each of our jurisdictions and the Covid-19 pandemic. The Chair will stand down as a director at the AGM in 2021.

The Vice-Chair and the Senior Independent Director were independent on appointment in 2018. The Chair, Vice-Chair, Senior Independent Director and executive directors had and have no external commitments that might detract from their ability to discharge the duties of these roles.

An independent 'Chair-elect' was appointed by the Board in February 2021 to shadow the Chair until the AGM. The Chair-elect is independent and will be for the duration of his term of office. The Chair was not engaged in the process to appoint his successor. An independent Vice-Chair and Senior Independent Director will be appointed after the AGM in 2021.

The Board appointed Bryan Hislop as Company Secretary in October 2020, separating the role from that of Chief Executive.

## Principle three – Director responsibilities

**The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.**

## The Board

The MDDUS Governance Handbook sets out, amongst other things, a schedule of matters reserved to the Board, committee and group terms of reference and role profiles for non-executive directors. This is reviewed against governance 'good practice' annually by the Company Secretary, the senior executive and the Audit and Risk Committee, before being updated, as required, by the Board. An extract of the Handbook is available on our website.



# Directors' report

The Board also has a forward business programme, which helps the Chair, the Chief Executive and the Company Secretary to shape the agenda for each meeting. A typical meeting will consider emerging strategic and policy matters, in particular during 2020 the changing government policy in each of our jurisdictions and our support for the membership during the Covid-19 pandemic. The Board also receives regular reports about progress against the business plan, a newly developed management information pack and minutes and verbal updates from meetings of its committees and subsidiary boards. The substantive papers presented to the Board are considered in draft by a Pre-Board Group of the senior executive. All papers are now issued on a meeting portal and report how they will help to deliver against the business plan and section 172 of the Companies Act 2006 (i.e. the overriding statutory duty of a director to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole).

There were six meetings of the Board in 2020, with an average attendance rate of 91 per cent. The attendance rates of individual directors are detailed in Table 1.

## Board committees and groups

Following a review of our governance arrangements in 2020, there are now three committees supporting the work of the Board: Audit and Risk, Investment, and Remuneration and Nominations. In addition, directors are appointed to the Actuarial Reserving and Pricing Group (or Committee since 2021). The Governance and Nominations Committee was disbanded as part of this review and its responsibilities passed to the Audit and Risk Committee and the new Remuneration and Nominations Committee.

The membership of these committees is set out later in this report (p. 68). All non-executive directors serve on at least one committee or group, but members of the Investment Committee cannot serve on the Audit and Risk Committee. Executive directors and the Company Secretary attend or are members of each committee or group.

A report about the work of the Audit and Risk Committee, which assumed during 2020 the governance responsibilities of the former Governance and Nominations Committee, is provided later in

**Table 1** Directors who served in 2020

Director	Meetings attended*
Angiolini, E	5 (6)
Bayley, J	6 (6)
Berry, J P**	6 (6)
Black, J	6 (6)
Cameron, I	6 (6)
Donald, R M	5 (6)
Glen, M	6 (6)
Kenny, C	6 (6)
Leitch, J***	3 (6)
Macleod, V	4 (4)
McDonald, P	5 (6)
McPhail, M	6 (6)
Parfitt, E	6 (6)
Parker, J	6 (6)
Semple, L	6 (6)
Slevin, C J***	0 (3)
Wilson, N	3 (3)

\* The number of meetings the director was eligible to attend is in brackets

\*\* Chair

\*\*\* Specific absences permitted by the Board in accordance with the Articles of Association

# Directors' report

this report (p. 41). There were three meetings of the Audit and Risk Committee in 2020, with an average attendance rate of 83 per cent. The attendance rates of individual directors are detailed in Tables 2 and 3.

The **Investment Committee** is charged with, amongst other things, recommending to the Board the MDDUS Investment Strategy and overseeing the performance of the investment managers. The Investment Strategy and the Investment Risk Appetite were reviewed in 2019-20 and the implementation of a number of changes is well advanced. There were four meetings of the Committee

**Table 2** Director attendance at Audit and Risk Committee meetings in 2020

Director	Meetings attended*
Cameron, I	3 (3)
Glen, M	3 (3)
Macleod, V	1 (1)
McDonald, P	1 (3)
McPhail, M**	3 (3)
Semple, L	3 (3)
Wilson, N	1 (2)

\* The number of meetings the director was eligible to attend is in brackets

\*\* Chair

**Table 3** Director attendance at Governance and Nominations Committee meetings in 2020 (disbanded)

Director	Meetings attended*
Angiolini, E	1 (1)
Berry, J P**	1 (1)
Black, J	1 (1)
Leitch, J	0 (1)

\* The number of meetings the director was eligible to attend is in brackets

\*\* Chair

in 2020, with an average attendance rate of 92 per cent. The attendance rates of individual directors are detailed in Table 4.

The **Remuneration and Nominations Committee** is charged with, amongst other things, determining and keeping under review the remuneration and terms and conditions of service of non-executive directors and the senior executive, being consulted about our pay and reward practices and, since 2020, leading an open and transparent process to identify and nominate

# Directors' report

**Table 4** Director attendance at Investment Committee meetings in 2020

Director	Meetings attended*
Bayley, J	4 (4)
Berry, J P	4 (4)
Black, J**	4 (4)
Donald, R M	4 (4)
Leitch, J	4 (4)
Parker, J	4 (4)
Slevin, C J***	0 (2)

- \* The number of meetings the director was eligible to attend is in brackets
- \*\* Chair
- \*\*\* Specific absences permitted by the Board in accordance with the Articles of Association

candidates to fill vacancies on the Board, its committees and subsidiaries. The Board Chair is a non-independent member of the Committee.

When nominating suitable candidates, the Committee takes into account the structure, size and diversity of the Board, the Group's governance framework and the current and potential needs of MDDUS. Diversity enables more effective discussions and better decision-making, so it is defined by the Committee in its widest sense, to include gender, social and ethnic background, and cognitive and personal strengths. Although all nominations are based on merit, the Committee aims to long-list candidates to maintain an MDDUS Board membership of at least 50 per cent female non-executive directors, subject to the succession planning needs of the Board (2020: 50 per cent). There is a role profile for non-executive directors (and each of the Board's office holders) and an induction programme for new directors.

The Committee is also responsible for determining, and reviewing the outcomes of, the processes to evaluate

in consecutive years the performance of the Board and its committees (including an external facilitator in 2019) and individual non-executive directors (2020). Action plans from these meetings were agreed and their implementation is monitored by the Committee and the Board. Planning for a combined annual Board and Chair review will commence after the AGM in 2021.

There were two meetings of the Committee in 2020, with an average attendance rate of 100 per cent. The attendance rates of individual directors are detailed in Table 5. A statement about our remuneration (pay and reward) practices is provided later in this report (p. 36-37).

The **Actuarial Reserving and Pricing Group** is charged with, amongst other things, reviewing and challenging the actuarial reserving and pricing processes, methodologies and assumptions used in setting the year-end actuarial reserves and pricing, and providing assurance that these have been properly reviewed internally and by external peer-reviewers, who regularly

**Table 5** Director attendance at Remuneration and Nominations Committee meetings in 2020

Director	Meetings attended*
Angiolini, E**	2 (2)
Berry, J P	2 (2)
Black, J	1 (1)
Cameron, I	2 (2)
McPhail, M	2 (2)

- \* The number of meetings the director was eligible to attend is in brackets
- \*\* Chair



# Directors' report

attend the meetings. The Chief Executive is the Chair of the Group. There were three meetings of the Group in 2020.

The **Membership Renewal Review Group** was disbanded as part of the review of our governance arrangements and did not meet in 2020.

## Subsidiary companies

There is a board for each of the Group's four subsidiary companies.

The Board of **MDDUS Insurance Limited** oversees our commercial insurance company. It was incorporated in the Bailiwick of Guernsey in 1995 and is licensed by the Guernsey Financial Services Commission. A majority of directors are required to be resident on the island and two new directors, nominated by the Group Board after an independent search, were appointed in February 2020, following the retirement of two resident directors in December 2019 and February 2020. The Group Finance Director was appointed as a director in May 2020. There were four meetings of the Board in 2020. In light of the Board succession plan, a new independent Chair was appointed by the Board in June 2021. In addition, executive search firm, OSA, was instructed to identify a resident non-executive director. Diversity was again included in the search criteria. A panel considered applications from six candidates, who were subsequently short-listed and interviewed. One candidate from a strong field was identified and appointed in June 2021.

The Board of **MDDUS Services Limited**, operating as **MDDUS Solutions**, oversees our UK-based intermediary that places business with MDDUS Insurance Limited. The Company was incorporated in December 2018 and was authorised by the Financial Conduct Authority (FCA) in February 2020. A Group non-executive director with experience from the fields of insurance and financial services was appointed as a director in December 2020 and as Chair in May 2021. There were four meetings of the Board in 2020.

The Board of **MDDUS Property Limited** oversees the performance and management of the Group's investment property portfolio and includes an independent director with extensive experience in the commercial property sector. There were two meetings of the Board in 2020. The Group Finance Manager was appointed as a director in April 2021.

The Board of **MDDUS Education Limited** oversees the financial impact of a small number of revenue raising educational and training activities. There was one meeting of the Board in 2020.

The financial statements of the subsidiary companies are incorporated in this Annual Report.

## Principle four – Opportunity and risk

**A Board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.**

The Board carries out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board also identifies new opportunities for value creation and innovation by setting the business strategy and risk appetites, following a thorough assessment of the organisation and its strategic and operating environments. It is responsible for the effectiveness of the processes and systems used in assessing and managing risk, and the exercise of internal controls. Management is responsible for: the identification, assessment, management and monitoring of risk; devising, operating and monitoring the system of internal controls; and the progression and management of the business strategy and plans.

In 2020, the Board worked with the executive to increase its oversight of the principal risks facing the organisation through the development of our new ORSA process. The ORSA is a process used by organisations regulated by the Prudential Regulation Authority to assess the adequacy of risk management processes and current and prospective solvency positions. Although MDDUS is not required to undertake an ORSA, we voluntarily adopted the process to further strengthen our risk management framework and increase oversight of risks, whilst also aligning our capital and strategic approaches. Our commitment to best practice means that we are always working to improve and will proactively adopt practices from the regulated industries where there is a recognisable benefit to the Group and its members.

The principal risks facing MDDUS are as follows:

### Strategic risk

Our strategic risk environment continues to be influenced by political and regulatory developments. We proactively responded to the introduction of the

# Directors' report

SBIS for GPs in England and Wales and developed products to maintain and grow our market share in key markets. We await further details from the UK Government about whether it will pursue its proposals to regulate the discretionary indemnity insurance market in light of its consultation paper 'Appropriateness of clinical negligence cover' (November 2018) and the recommendations from the James Inquiry into Ian Paterson (February 2020). We have made clear to the Government that the imposition of insurance premium tax will increase costs to our members and add no value and, therefore, we have urged it to consider the benefits of continuing to enable choice between indemnity and insurance within a diverse market.

We recognised that demands within the market were also changing as professional roles and healthcare organisations evolved, which presents both opportunities and risks. We established MDDUS Services Ltd, now operating as MDDUS Solutions, as an insurance intermediary company authorised by the FCA, through which we are now able to respond to demands for an insurance product or, looking ahead, to the imposition of insurance requirements by the UK Government. This development, and further planning for the evolution of our business model, products and strategy, ensures that we proactively manage our strategic risk profile and continue to meet the developing needs of our markets.

## Underwriting and pricing risk

This is the risk of loss due to claims and non-claims experience being higher than expected in our pricing assumptions. We mitigate this risk in two ways. First, by having suitable underwriting processes, rules and guidelines to assess and manage the level of risk posed by individual members and applicants. Second, by developing and applying (taking account of independent peer review) robust actuarial pricing and reserving methodologies, we ensure that our pricing is as accurate and reliable as possible. The pricing and reserving work carried out by our actuarial team is peer reviewed by external actuaries, with all costs identified and incorporated into our pricing models. We seek to balance the interests of the membership as a whole with the interests of individual members and prospective members.

## Operational risk

This is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. To further understand and manage

our risk profile, we have deployed a comprehensive governance, risk and compliance software solution. This improves and refines our risk and compliance assessments, monitoring and reporting, and ongoing development will enable a true enterprise-wide approach to the management of risk and our systems of internal control. Part of our new ORSA process specifically sets out our operational risk appetite and we are building associated thresholds and indicators to provide key data with which to monitor and respond to this risk area. Operational risk is a significant area for focus for 2021 in our next phase of developing our risk management framework.

Our risk registers are maintained throughout the business cycle and include descriptions of key strategic and operational risks, an assessment of their likelihood and impact (both gross and net scores) and the management actions to control the risks. Risk registers are reviewed biannually in detail by the Audit and Risk Committee and the Board.

The ongoing industry-recognised increased risk of malware and ransomware attacks means that information governance and security are areas of particular focus for MDDUS and the Audit and Risk Committee. Recent enhancements to our information security include working through the requirements of the Cyber Essentials Plus accreditation programme. This is an industry recognised, and externally verified standard, which demonstrates our commitment to cyber security.

We completed during the year an internal audit of our compliance with the General Data Protection Regulation.

The Audit and Risk Committee is responsible for reviewing our internal and financial controls and reporting to the Board. The system of control stems from the clear definition of powers reserved to the Board, its committees and the senior executive. There is regular reporting of financial information at all levels within the organisation, including the production of departmental monthly spend against budgeted spend and monthly management accounts. This is aimed at ensuring compliance with agreed budgets and with strategic and departmental plans. The Board also receives reports on large-claims activity. In addition, the Audit and Risk Committee agrees an annual Internal Audit Plan through which it gains independent assurance on the design and effectiveness of internal controls across the organisation.

# Directors' report

## Market risk

This is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of any or all of our assets, liabilities and financial instruments. To mitigate this risk, we have in place an investment policy setting out our investment objectives and strategy and the management, reporting and monitoring of our investments. Our investment policy is to match our actuarial liabilities with suitable low-volatility assets and to invest the remaining assets to achieve a higher return in line with the Board's risk appetite. The Investment Committee receives regular updates from investment managers and a separate, independent, assessment of the performance of those managers. The investment policy was subject to a comprehensive review in 2019-20, leading to the implementation of a major action programme which has included the appointment of two new fund managers.

## Public policy risk (see also Strategic risk)

This is the risk of the UK Government and/or the devolved administrations intervening in the sector without a proper assessment of the impact on our members. We continue to seek to mitigate this risk by ensuring open and frank discussions to improve understanding about the sector with the Government, the devolved administrations and dependent territory governments, but also by ensuring that our commercial approach is sufficiently robust to respond effectively to the widest range of possible outcomes.

The Covid-19 pandemic has presented a separate and wholly unique risk both to our business and the wider sector. Prolonged disruption of dental and private medical services has impacted the revenue of the Group and market volatility is still very much unpredictable in terms of the potential for depressed investment returns and asset values. We have responded to these challenges proactively and pragmatically and we have always aimed to ensure that members' needs are at the centre of our strategic and operational decisions. Our intentions throughout have been to continue to effectively service the membership, whilst ensuring the safety of our colleagues.

The executive has been in regular consultation and communication with the Board regarding decisions and approaches made to mitigate the impacts of

the Covid-19 pandemic, reviewing processes, and applying any lessons learned to protect and improve operational resilience. The Board considers that our risk controls and mitigations have been appropriate for assessing the differing impacts of Covid-19, but also continues to assess the immediate and medium-term impact of the pandemic in order to authorise corrective action as necessary and to ensure the appropriate balance between meeting the immediate needs of our members and protecting the long-term viability of the Group.

There is now hope on the horizon with the impressive vaccine schedule rollout and the roadmaps to return to some semblance of 'normal' in the summer months ahead.

## Principle five – Remuneration

**A Board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.**

The annual meeting of the Performance Management and Remuneration Group (PMRG) in January 2020 reviewed basic pay, which sets the strategy and practice for the remuneration of colleagues (excluding those considered by the Remuneration and Nominations Committee – see below).

In 2020, the PMRG adopted an approach designed to reduce variances in pay across the organisation and the gender pay gap, a decision replicated in 2021.

Voluntary benefits selected in 2019 enabled colleagues to buy or sell annual leave and to have the option to purchase critical illness cover, dental and health plans and cycle-to-work schemes. As there was a good take up of these options, we have continued to provide these voluntary benefits, with selections taking place in December 2020.

In addition to receiving an annual report about the strategy and practice for the remuneration of colleagues, the Remuneration and Nominations Committee determines and keeps under review the remuneration and terms and conditions of service for non-executive directors and the members of the PMRG – the Chief Executive, the Finance Director, the Director of People and Corporate Services, the Director of Advisory and Legal Services, the Customer and Development Director and the Group Director of Governance.



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PwC again provided benchmark remuneration details for these roles by reviewing comparator groups of other financial service mutual organisations, as well as private and listed companies of comparable complexity and with comparable revenues to MDDUS. The Chief Executive (and, in his case, the Chair) and other members of the PMRG do not participate in the Committee's discussions about their own pay.

PwC also provided benchmark remuneration details for non-executive director remuneration. However, the decision-making on this remuneration also took account of the remuneration policy for colleagues to ensure that approaches were broadly comparable.

Although gender pay was a key area of focus in 2020, our pay gap at the beginning of 2021 was 33 percent (2020: 30.4 percent). It is to be noted though that the variances between male and female colleagues in each pay gap quartile are much lower than the overall figure, with the pay gap being in favour of female colleagues within the bottom quartile. We remain committed to addressing the pay gap and developing our colleagues.

## Principle six – Stakeholder relationships and engagement

**Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.**

MDDUS stakeholders include our colleagues, suppliers, the community and our environment, and our mutual owners/members.

Our People strategy continued to develop during 2020. An all-colleague survey issued in the summer secured an 87 percent response rate. Following the communication of the, largely positive, survey results, we introduced new initiatives, including a home and office flexible working approach, and our Employee Forum. The forum is designed to encourage two-way communication and embed new ideas from colleagues. The Employee Forum is also key to embedding our internal values of integrity, collaboration and excellence. These internal behaviours are designed to complement our externally facing mission and values, and to enable our colleagues to deliver in a way that benefits each other, as well as our members. We selected these values because of their importance to how we operate. Honesty is important to us, even when things are not what we might want to hear, as we strive to

deliver excellent service. Working together ensures all colleagues learn and understand how we operate and are able to provide help and support across the organisation.

Our commitment to promoting the health and wellbeing of colleagues continued apace, even prior to the pressures of the pandemic. We provided mental health awareness training to all colleagues, and continued to promote and develop our accredited mental health first aiders. Remote yoga and wellbeing sessions were provided by third-party companies and an internal shared site was set up to access wellbeing support and to benefit from the Employee Assistance Programme. We continued to encourage interaction and collaboration within teams and across the Company by hosting all-colleague calls and summer and Christmas quiz sessions.

Training and support for performance development was provided during the year, with remote learning taking place during the extended working from home arrangements. Colleagues were encouraged to take advantage of the training budget provided for workplace development.

We continued to support charities and the wider community, with MDDUS adding to colleague fundraising donations to The Trussell Trust and The Brain Tumour Charity.

Diversity and inclusion was a key topic for 2020 and this will continue in 2021. Our Board-agreed Equality, Diversity and Inclusion statement, which is available on our website, shows our commitment to making a difference over time for colleagues and members. We continue to engage with externally led initiatives, notably the new Mutual Diversity Alliance supported by the AFM. This will allow mutual organisations to benefit from shared training and education on developing good diversity and inclusion practices.

In relation to our suppliers, MDDUS is required by the Reporting on Payment Practices and Performance Regulations 2017 to publish payment practice reports every six months. The first report is an annual confirmation that we have a code of conduct or standard on payment practices. The second report provides more detailed information about, amongst other things, the time taken to pay invoices, details of payment terms and our dispute resolution process. We also publish annually a Board-agreed Modern Slavery Statement (p. 38).

More generally, MDDUS engaged with our stakeholders through a blend of direct and general communications, both face-to-face and across online platforms.

# Directors' report

We consolidated relationships with political and government stakeholders in each of our jurisdictions, joined the health professionals public affairs network in Scotland, continued our formal and informal engagement with regulators and a wide range of healthcare bodies and developed a more vibrant and impactful content strategy for social media. Our work across this area was designed to ensure our corporate messages were heard across the spectrum of our stakeholders and, where possible and appropriate, influence policy and process to the benefit of our members. In particular, we sought with some success to focus the attention of the media, politicians and regulators on the wellbeing issues facing our members during the pandemic and the need to find mechanisms to recognise the issues presented by Covid-19 in future regulatory action, criminal proceedings and litigation.

In relation to the community and the environment, we met our obligations in 2019 in relation to the Energy Savings Opportunity Scheme (ESOS). In 2020, we were able to introduce new water fountains to reduce plastic usage in the office and continue our efforts in reducing our use of paper. Our plans to implement other changes were put on hold when the 'work from home' direction due to Covid-19 was put in place in March. The lack of occupation in the offices, and our decision to move to new premises in Glasgow, has meant we are reviewing our energy policy with a fresh perspective. A statement is provided in support of our Streamlined Energy and Carbon Disclosure (SECR) on this page.

Finally, a principal aim of this Annual Report is to demonstrate the delivery of our objects, mission statement and values to our mutual owners/members during 2019, having regard to our other stakeholders. This is subject to the overriding statutory duty of a director to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (section 172, Companies Act 2006).

However, the membership is encouraged to support the 'good governance' of MDDUS, for example, by standing for appointment to the Board and/or attending the AGM to receive the Annual Report, to appoint non-executive directors and the external auditor, and to consider other resolutions. The Notice of the AGM and related papers are published at the earliest opportunity, whilst ensuring compliance with the non-executive director appointment process. Members are advised that a vote withheld at the AGM is not a vote in law. There is also an email address for all stakeholders to raise questions about the governance of MDDUS: [secretary@mddus.com](mailto:secretary@mddus.com).

## Modern Slavery Act

The Board agreed its first statement in response to the Modern Slavery Act 2015 in 2017. Since then, the Group has developed and implemented an annual action plan to enable it to demonstrate compliance with the legislation. The Board statement for the financial year ending 31 December 2020 was agreed on 25 June 2021 and is available on our website. A review of the current action plan should ensure that MDDUS more robustly meets both the letter and spirit of the legislation in 2021.

## Streamlined Energy and Carbon Disclosure (SECR)

The reporting period covered by this disclosure is 1 January to 31 December 2020.

The UK energy usage and associated emissions for MDDUS across the reporting period for electricity, gas and transport is illustrated in the table below:

	Electricity	Gas	Transport	Total
Energy consumed - in kWh	199,220	270,179	13,311	<b>482,709</b>
Emissions - in CO <sub>2</sub> e kg	46,447	49,678	3,087	<b>99,402</b>
Emissions - in CO <sub>2</sub> e tonnes	47	50	3	<b>100</b>
Total emissions per FTE – in CO <sub>2</sub> e per employee	n/a			<b>0.66</b>

*As this is the first year of reporting, there are no previous year comparatives to disclose*

# Directors' report

The energy usage within this SECR disclosure relates only to the Parent Company, MDDUS. Our subsidiaries do not individually meet the large company criteria under the Companies Act 2006 and as such their energy usage has been excluded.

All calculations have been performed using actual data across the reporting period. Data for electricity and gas usage was obtained from utility invoices, although some data had to be estimated by pro-rating invoice information that extends beyond the reporting period. Transport energy usage relates to travel carried out in employee-owned vehicles, broken down for both diesel and petrol engine cars. There has been no travel performed in company-owned vehicles.

All conversion factors used are derived from figures published by the Department for Business, Energy & Industrial Strategy relating to energy usage in 2020. The conversion factor for electricity is calculated using the location-based grid-average figures. For travel, an average car size has been assumed when converting miles travelled into energy consumed (kWh) and associated emissions (CO<sub>2</sub>e). An operational control approach has been used when calculating energy consumed.

Due to the Covid-19 pandemic, MDDUS operations were almost entirely carried out from colleagues' homes for the majority of 2020 and no energy efficiency action was taken.

## Viability statement 2020

The directors' view of the viability of MDDUS, both as the Group and as the Parent Company, is supported by its strong net assets position, its matching of notified liabilities, as well as potential incurred but not reported (IBNR) liabilities, with cash and bonds, and a strong internal risk management function. A comparison of IBNR liabilities with the available net assets has also been carried out with no issues noted. Loss ratios and combined operating ratios are carefully monitored.

Against that background, the directors confirm that they have a reasonable expectation that MDDUS will continue to operate and meet its liabilities, as they fall due, over the three years to 31 December 2023. The directors' assessment has been made with references to MDDUS's current financial position and future

prospects, its strategy, the market outlook and its principal risks and management thereof.

A period of three years was chosen as this is the normal length of our strategic planning period. It covers the current strategic planning period and ensures consideration of how MDDUS and its operating environment will develop in the medium term, rather than merely how it is placed to respond to more immediate challenges.

In making their assessment, the directors have considered information provided to them, including current balance sheets and investment portfolios, financial projections, the underwriting strategy and risk registers. The financial projections are prepared allowing for the impact of the key risks faced by MDDUS, including changes in subscription income, falls in assets values, increases in claims inflation and regulatory changes.

The directors have given due consideration to the impact of the Covid-19 pandemic on MDDUS. In addition, the possibility of the indemnity industry becoming subject to regulation has been considered within the financial models.

## Going concern

The financial statements are prepared on the going concern basis. In adopting the going concern basis, the directors consider that MDDUS, both as the Group and as the Parent Company, has sufficient assets to continue in operation for a period of at least 12 months from the approval of the financial statements.

The current and potential impact of Covid-19 was explicitly considered by the Board in coming to this conclusion and in making the preceding viability statement. The Board considered the potential impact of a range of scenarios and the effect on MDDUS's solvency and liquidity of lower revenue, investment losses and increased outgoings during 2021. The Board also considered the impact of these scenarios on the financial position of MDDUS over the period to 2026 and the output of a reverse stress test to determine the conditions that would cause MDDUS to become insolvent. Note 1k gives more detail of the scenarios and tests undertaken.



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# Directors' Report

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable 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 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 and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 proper accounting records that are sufficient to show and explain MDDUS's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the preparation of the other information contained in this report, including the Strategic report and the Directors' report. The report is published on our website in accordance with legislation in the UK governing the preparation and dissemination

of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information of which MDDUS's auditor is unaware, and each director has taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

## Auditor

The retiring auditor, BDO LLP, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Chris Kenny

Chief Executive  
30 June 2021

# Audit and Risk Committee report

The Audit and Risk Committee is charged with, amongst other things: reviewing the governance arrangements of the Group and any developments in governance 'good practice'; considering the reports of the external and internal auditors and the executive's responses; recommending the Annual Report and financial statements to the Board; endorsing the (re-) appointment of the external auditor to the Board; and oversight of risk management and financial and other internal controls.

The Board considers the Committee to have a recent and relevant range of financial, risk, control and commercial expertise to provide effective challenge to the executive.

The Committee's major responsibilities during the years 2020-21 were:

- reviewing the financial statements for the years ending 31 December 2019 and 2020, with particular reference to the consolidated statements of income and retained earnings, the consolidated balance sheet, the requirements of the Code and the external auditor's report, and recommending their approval to the Board
- reviewing the effectiveness and independence of the external auditor
- recommending the re-appointment of the external auditor and agreeing the scope of its work and its remuneration
- considering the appropriateness of non-audit work carried out by the external auditor
- agreeing the programme of internal audit work, reviewing the results, agreeing actions needed and ensuring the actions were completed
- reviewing the effectiveness of the internal auditor
- reviewing the internal compliance assurance function
- reviewing the effectiveness of internal controls
- reviewing the risk management processes, including the risk management policy and risk registers
- considering the lessons learned in relation to our business continuity response to the Covid-19 pandemic
- considering the implications of 'Brexit' on MDDUS
- reviewing updates about project work in response to the implementation of the GDPR and the Data Protection Act 2018
- considering the FRC principles for operational separation of audit practices.

The Committee also received reports about the directors' register of interests and the absence of any disclosures under the 'whistleblowing' policy. A verbal update about matters of note is given to the Board meeting following each Committee meeting and the minutes are also received by the Board.

## External audit for the year ending 31 December 2020

The lead partner from BDO LLP attended the Committee for all three meetings in 2020. He also had the opportunity to meet the Committee, in the absence of the executive, at each meeting.

The key accounting and audit risks were similar to those in previous years, with accounting for the two separate Existing Liabilities Schemes in England and Wales (ELS) and the impact of Covid-19 on the going concern assessment no longer considered significant risks. The ELS were one-off developments in 2019. The impact of Covid-19 in early 2020 brought more uncertainty to the going concern position than the current impact of the ongoing pandemic. Valuation of investment properties is now considered a significant risk due to the relative size of the portfolio. The Committee was satisfied that these risks had been carefully and adequately addressed. The independence of BDO LLP was fully discussed.

The Group financial statements for the year ending 31 December 2020 were recommended by the Committee to the Board meeting in June 2021.

Non-audit work carried out by BDO LLP was fully reported, discussed and agreed to be appropriately independent and proportionate. This work focused primarily on tax advisory matters in relation to MDDUS and MDDUS Insurance Ltd.

On the basis of our annual evaluation process, the Committee remained satisfied that BDO LLP continued to provide the necessary degree of objectivity and scrutiny on behalf of the membership.

BDO LLP was appointed as external auditor to MDDUS in 2007 and the current lead partner was engaged in 2015. The Committee considered proposals to re-tender the external audit at its meeting in October 2020 and agreed to proceed with a review in 2021. In light of the very limited responses received to the tender, the Board agreed to postpone the review to 2023.

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# Audit and Risk Committee report

## Internal audit for the year ending 31 December 2020

Deloitte LLP provided a programme of risk-based audits spanning the work of the organisation agreed by the Committee.

The Committee received regular internal audit reports, reviewed outcomes, discussed potential actions required with the executive directors and monitored the implementation of agreed actions. The annual report from Deloitte LLP confirmed that it had obtained assurance that the governance, risk and control framework within MDDUS was operating effectively in parts. Where findings were identified, the executive is taking action to improve the control environment.

On the basis of our annual evaluation process, the Committee agreed that Deloitte LLP continued to provide the level of service required and value for money for our membership.

## Compliance assurance reviews for the year ending 31 December 2020

The Committee also agreed a programme of in-house assurance reviews of activities and processes. The Committee received regular reports, reviewed outcomes, discussed actions required with the executive directors and monitored the implementation of agreed actions.

## Risk registers

Effective and pre-emptive risk management, over both the short and the long term, is essential to the continued success of MDDUS.

The framework and processes used to manage, assess and address risk for MDDUS are constantly updated and remain a top priority. The new strategic and operational risk registers were fully discussed by the Committee biannually before being recommended to the Board. The Committee also recommended a new risk management policy, which included risk management principles, the 'three lines of defence' risk model framework and our work to develop an ORSA. The registers and policy were agreed at the Board meeting in December 2020.

Margaret McPhail

Chair, Audit and Risk Committee  
30 June 2021





**MDDUS member**

**Dr Ursula Mulholland** Dentist  
Coleraine, Northern Ireland.



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# Independent auditor's report

## Independent auditor's report to the members of the Medical and Dental Defence Union of Scotland

### Opinion on the financial statements

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In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Medical and Dental Defence Union of Scotland ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

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The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



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# Independent auditor's report

## Other Companies Act 2006 reporting

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

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

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

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

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

## Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

The procedures that we designed and executed included:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements due to fraud. Areas of identified risk were then tested substantively;
- reading minutes of meetings of those charged with governance and reviewing correspondence with regulatory bodies, HMRC, the FCA and legal advisors to identify indications of non-compliance with laws and regulations;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our testing;
- assessing the operating effectiveness of controls over the IT Systems relevant to financial reporting;



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# Independent auditor's report

- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- identifying whether there are instances of potential bias in areas with significant degrees of judgement and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- challenging management's experts on areas of significant estimation or judgement such as provisions for future claims and investment property valuation and consulting with our own experts where necessary;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2020;
- performing data analytics testing in order to recalculate key balances and identify anomalies to be investigated further; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures

performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

This description forms part of our auditor's report.

## Use of our report

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

**Martin Gill** (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor  
Glasgow

30 June 2021

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



LARKHALL  
INSTITUTE

098 882448

LARKHALL  
DENTAL  
LAURA  
DENTIST

**MDDUS member**

**Laura Kelly** Dentist  
Larkhall, Scotland

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# Financial statements for 2020

## Consolidated statement of income and retained earnings

For the year ended 31 December 2020

	Notes	2020	2019
		£'000	£'000
<b>Income</b>			
Members' subscriptions and other income	1(c)	65,270	89,623
<b>Expenditure</b>			
Claims costs and associated legal costs		14,037	120,313
Reinsurance premium		609	-
Advisory and non-claims legal costs		6,789	6,729
Other settlement costs	7	444	116,585
Administration costs		14,101	16,163
		<b>35,980</b>	<b>259,790</b>
<b>Surplus/(deficit) of income over expenditure</b>	3	29,290	(170,167)
Realised gains on disposal of fixed assets		15,785	21,624
Changes in fair value of investments		22,505	32,331
Release of lease incentive asset on disposal of investment property		(590)	-
Investment income	1(g)&6	13,020	9,946
<b>Surplus/(deficit) on ordinary activities before taxation</b>		80,010	(106,266)
<b>Taxation</b>	1(i)&8	5,791	10,271
<b>Net and total comprehensive result available for transfer to reserves</b>		<b>74,219</b>	<b>(116,537)</b>
Accumulated fund brought forward		437,983	554,520
Accumulated fund carried forward		<b>512,202</b>	<b>437,983</b>

All amounts relate to continuing operations.

The notes on pages 51 to 67 form part of these financial statements.



# Consolidated and company balance sheets

As at 31 December 2020

Company Number SC005093

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	9	52,565	77,782	1,565	1,681
Investments	11	575,536	506,817	611,538	563,468
		<b>628,101</b>	<b>584,599</b>	<b>613,103</b>	<b>565,149</b>
<b>Current assets</b>					
Debtors and payments in advance	12	26,384	209,973	23,778	206,984
Cash at bank, in hand and on deposit		39,408	32,903	29,149	24,698
		<b>65,792</b>	<b>242,876</b>	<b>52,927</b>	<b>231,682</b>
<b>Creditors: amounts falling due within one year</b>					
Sundry creditors and accrued charges	13	32,338	40,845	31,508	38,876
Corporation tax provision		7,766	3,857	8,248	3,585
		<b>40,104</b>	<b>44,702</b>	<b>39,756</b>	<b>42,461</b>
<b>Net current assets</b>		25,688	198,174	13,171	189,221
<b>Total assets less current liabilities</b>		653,789	782,773	626,274	754,370
<b>Provision for liabilities and charges</b>	14	141,587	344,790	141,528	344,520
<b>Total net assets</b>		<b>512,202</b>	<b>437,983</b>	<b>484,746</b>	<b>409,850</b>
<b>Reserves</b>					
Accumulated fund	16	512,202	437,983	484,746	409,850
		<b>512,202</b>	<b>437,983</b>	<b>484,746</b>	<b>409,850</b>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of income and retained earnings in these financial statements.

The surplus for the year of the Parent Company, MDDUS is £74.896m (2019: Deficit £113.260m). These financial statements were approved by the Board of directors on 30 June 2021.

**Jonathan P Berry**  
Chair

**Chris Kenny**  
Chief Executive

*The notes on pages 51 to 67 form part of these financial statements.*

# Consolidated statement of cash flows

For the year ended 31 December 2020

	2020	2019
	£'000	£'000
<b>Cash flow from operating activities</b>		
<b>Surplus/(deficit) for the financial year</b>	<b>74,219</b>	<b>(116,537)</b>
Adjustments for:		
Depreciation of fixed assets	186	325
Gains on sale of fixed assets	(15,785)	(21,624)
Net fair value gains recognised in income and expenditure account	(22,505)	(32,331)
Net interest receivable	(1,275)	(3,313)
Dividend income from fixed and current asset investments	(11,745)	(6,620)
Taxation	5,791	10,271
Decrease/(Increase) in trade and other debtors	183,589	(159,509)
Decrease in creditors	(8,507)	(25,553)
(Decrease)/Increase in provisions	(195,648)	85,500
Movement in tax debtor/creditor	(9,437)	(7,032)
<b>Cash from operations</b>	<b>(1,117)</b>	<b>(276,423)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	21,654	57
Purchases of tangible fixed assets	(69)	(209)
Purchases of investments	(695,049)	(284,101)
Cash movement in investments	960	6,349
Proceeds from sale of investments	667,106	535,847
Interest received	1,275	3,313
Dividends received on fixed and current asset investments	11,745	6,620
Movement on long-term deposits	-	-
Movement on cash equivalents	(87,908)	64,854
<b>Net cash from investing activities</b>	<b>(80,286)</b>	<b>332,730</b>
<b>Cash flows from financing activities</b>	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(81,403)</b>	<b>56,307</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>121,618</b>	<b>65,311</b>
<b>Cash and cash equivalents at end of year</b>	<b>40,215</b>	<b>121,618</b>
<b>Cash and cash equivalents at end of year comprise:</b>		
Cash at bank, in hand and on deposit	39,408	32,903
Long-term deposits	-	-
Cash equivalents	807	88,715
	<b>40,215</b>	<b>121,618</b>

The notes on pages 51 to 67 form part of these financial statements.

# Notes to the accounts

For the year ended 31 December 2020

## 1. Accounting policies

### a) Accounting convention

MDDUS is a company incorporated in Scotland under the Companies Act and limited by guarantee. The address of the registered office is Mackintosh House, 120 Blythswood Street, Glasgow, G2 4EA and the nature of the Company's operations and its principal activity are set out in the Strategic Report. The Company registration number is SC005093.

The financial statements have been prepared under the historical cost convention, except for tangible assets and listed investments, in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates (see Note 2). It also requires Group management to exercise judgement in applying the Group's accounting policies.

### b) Basis of consolidation

The consolidated statement of income and retained earnings and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2020. No statement of income and retained earnings is presented for The Medical and Dental Defence Union of Scotland as permitted by section 408 of the Companies Act 2006. The Group result for the year included a surplus after tax of £74.896m (2019 deficit £113.260m) which is dealt with in the financial statements of the Parent Company.

### c) Members' subscriptions and other income

Subscription income comprises amounts receivable during the year, apportioned to accounting periods on a time basis. All subscription income is generated within the UK.

Other income is derived from MDDUS Education Limited and MDDUS Property Limited. MDDUS Education Limited's income represents the invoiced sales for the year net of value added tax and trade discounts. Income is recognised in the period in which the goods or services are supplied.

MDDUS Property Limited's turnover consists of rental income and service charge income net of value added tax. Income is recognised on an accruals basis in the period to which the rental relates. All income arises in the UK.

MDDUS Insurance Limited only had investment income in the year.

MDDUS Services Limited had no income in the year other than interest on cash held.

### d) Fixed assets

The fixed assets are stated at cost or revalued amount which is considered to be its fair value. Depreciation is provided on bases which will write off the assets to an estimate of their residual value over their expected lives.

Depreciation on fixed assets has been provided as follows:

- i) Computer equipment has been depreciated on the straight line basis at the rate of 25% per annum.
- ii) Furniture, fittings and office equipment have been depreciated on the reducing balance basis at the rate of 25% per annum.
- iii) Freehold property has been depreciated on the straight line basis over a period of 50 years.
- iv) The freehold element of mixed use property has been depreciated on the straight line basis over a period of 50 years.

Investment properties are revalued annually to open market value which the directors consider to be their fair value in accordance with FRS102. No depreciation is provided. Freehold property is revalued every five years and depreciated annually. The directors consider that this accounting policy results in the financial statements giving a true and fair view.

The aggregate surplus or deficit arising on revaluation is recognised in the statement of income and retained earnings.

### e) Operating leases

Rentals in respect of leasing agreements are charged to the statement of income and retained earnings on a straight line basis over the term of the lease.

### f) Provision for liabilities and charges

Full provision has been made in the financial statements for the estimated settlement and handling costs for all claims and non-claims notified to MDDUS as at 31 December 2020. The provision is the discounted value of the expected future settlement and handling costs. The provision relates to all incidents notified at 31 December 2020.



# Notes to the accounts

For the year ended 31 December 2020

## 1. Accounting policies (continued)

### g) Dividends and interest

Dividends are shown net of the tax credit, where applicable. Interest on investments and short-term deposits has been shown gross. Accrued interest on short-term deposits and unfranked investment income dividends has been provided in the year. In addition franked investment income dividends received in the year to 31 December 2020 have been included.

### h) Investments

Listed investments held at 31 December 2020 are stated at the bid price on that date which the directors consider to be their fair value under FRS102. Unlisted investments have been valued at the lower of cost or net asset value which the directors consider to be their fair value under FRS102. Movements on revaluation are accounted for through the statement of income and retained earnings.

### i) Taxation

Corporation tax has been provided using the rate of 19% (2019: 19%).

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing differences. Deferred tax balances are not discounted.

Deferred tax liabilities are presented within provisions for liabilities.

### j) Pension costs

Defined contribution pension arrangements are made for certain employees to which contributions are made by the Company. Amounts due to pension providers in respect of these arrangements are charged to the statement of income and retained earnings in the year to which they relate. The assets of pension schemes are held separately from those of the Company in independently administered funds.

### k) Going concern

The financial statements are prepared on the going concern basis. In adopting the going concern basis, the directors consider that MDDUS, both as the Group and as the Parent Company, has sufficient assets to continue in operation for a period of at least 12 months from the approval of the financial statements.

The current and potential impact of Covid-19 was explicitly considered by the Board in coming to this conclusion.

The Board considered the potential impact of a range of potential scenarios and the effect on MDDUS's solvency and liquidity of lower revenue, investment losses and increased outgoings during 2021. The Board assessed the impact of these scenarios on the financial position of MDDUS over the period to 2026 and the output of a reverse stress test to determine the conditions that would prevent MDDUS from being able to continue as a going concern. The Group's and the Parent Company's strong cash reserves mean that they will continue to be able to pay its liabilities as they fall due.

### l) Functional and presentation currency

The Group's functional and presentational currency is GBP and is rounded to the nearest thousand pounds.

### m) Financial instruments

Basic financial instruments including debtors, creditors, cash and cash equivalents and investments are initially recognised at transaction price. Such assets are subsequently measured at amortised cost. The listed investments are carried at fair value through surplus or deficit.

### n) Existing Liability Scheme for General Practice accounting

As of 1 April 2019 MDDUS no longer collected subscriptions from English and Welsh NHS GPs for claims cover. Claims handling initially remained the same with payments being made in the same manner. However, in the case of English GPs after 4 October 2019 until 6 April 2020 these funds were repayable by the DHSC and in the case of the Welsh NHS these funds were repayable by the Welsh Government after 11 February 2020 until 30 June 2020. MDDUS ceased to work on English and Welsh GP claims as at 6 April 2020 and 30 June 2020 respectively. As at 31 December 2020 there are no payments outstanding to or from either party. (Please see Note 7)

### o) Reinsurance

Reinsurance premiums paid are accounted for proportional to the exposure period to which they relate on an earned basis. Reinsurance recoveries are accounted for in the same accounting period as the claims to which they relate.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities in addition to an estimate of future recoveries on notified claims. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Where appropriate a reinsurance bad debt provision is assessed and recognised in respect of reinsurance debtors, to allow for the risk that the reinsurance asset

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# Notes to the accounts

For the year ended 31 December 2020

## 1. Accounting policies (continued)

may not be collected or where the reinsurer's credit rating has been downgraded significantly and this is taken as an indication of a reinsurer's difficulty in meeting its obligations under the reinsurance contracts. This also includes an assessment in respect of the ceded part of the claims provisions to reflect the counterparty default risk exposure to long-term reinsurance assets. Increases in this provision affect the Group by reducing the carrying value of the asset and the impairment loss is recognised in the income statement.

## 2. Judgements in applying policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Determined whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty:

### Tangible fixed assets (see Note 9)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually.

Investment properties are professionally valued annually at market value and freehold property is valued every five years. Market value is defined as being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". There is an inevitable degree of judgement involved in that each property is unique and value can only be ultimately be reliably tested in the market itself.

### Provision for liabilities and charges (see Note 14)

The provision for liabilities and charges represents the directors' best estimate of the timing and value of future claims and non-claims settlements. The ultimate anticipated claims and non-claims have been calculated by our in-house actuaries using their extensive experience and knowledge of malpractice claims and peer reviewed by an independent firm of actuaries. Calculations include expected settlement frequency and amounts including claimant and defence legal costs. Actual claims and non-claims may differ from the pattern on which the estimate is made and the cost of settling claims may exceed that assumed.

# Notes to the accounts

For the year ended 31 December 2020

## 3. Surplus/(deficit) of income over expenditure

	2020	2019
	£'000	£'000
This is stated after charging:		
Emoluments of directors (excluding benefits in kind)	1,982	1,576
Auditor's remuneration	141	126
Pension costs	1,123	1,197
Depreciation on owned assets	186	325
Auditor's remuneration consists of:		
Group auditor's - audit	89	72
Group auditor's - taxation advisory	52	54
Group auditor's - other advice	-	-
	<b>141</b>	<b>126</b>
<b>Company only auditor's remuneration</b>	<b>49</b>	<b>50</b>

## 4. Emoluments of directors

	2020	2019
	£'000	£'000
The detail of directors' emoluments (including executive directors) was as follows:		
Emoluments (including benefits in kind)	2,040	1,596
Pension costs	10	10
	<b>2,050</b>	<b>1,606</b>
The detail of the highest paid director's emoluments was as follows:		
Emoluments (including benefits in kind)	599	532
Pension entitlement taken as salary	80	104
	<b>679</b>	<b>636</b>
	<b>Number</b>	<b>Number</b>
<b>Number of directors to whom retirement benefits are accruing under money purchase pension schemes</b>	<b>1</b>	<b>1</b>

# Notes to the accounts

For the year ended 31 December 2020

## 5. Employees' remuneration

	2020	2019
	£'000	£'000
Salaries (including non-executive directors)	10,831	11,406
Social security costs	1,238	1,332
Pension costs	1,123	1,197
	<b>13,192</b>	<b>13,935</b>
<b>Group</b>		
Average number of employees in the year	<b>Number</b>	<b>Number</b>
Non-executive directors and administrative	171	165
	<b>171</b>	<b>165</b>
<b>Company</b>		
Average number of employees in the year	<b>Number</b>	<b>Number</b>
Non-executive directors and administrative	167	161
	<b>167</b>	<b>161</b>

## 6. Investment income

	2020	2019
	£'000	£'000
<b>Dividends</b>		
Franked	3,566	5,692
Unfranked	8,179	928
<b>Bank interest</b>	1,275	3,326
	<b>13,020</b>	<b>9,946</b>



# Notes to the accounts

For the year ended 31 December 2020

## 7. ELS transactions

In September 2019 MDDUS entered into legal agreements (Agreements) with the DHSC, under which DHSC agreed, with effect from 4 October 2019, to provide access, through the establishment of a new state-backed existing liabilities scheme (ELS), to discretionary indemnity to current and former MDDUS members for liabilities arising from clinical negligence relating to incidents that occurred prior to 1 April 2019, while they were members of MDDUS, in the provision of NHS primary medical services (and, in some circumstances, other ancillary NHS services provided by general practice) in England as part of general practice. The liabilities falling within the scope of this transaction included both liabilities which had been reported to MDDUS and those which had been incurred but not yet reported (IBNR).

In accordance with the terms of the Agreements, MDDUS was reimbursed by DHSC for costs of administration and settlement of cases within the scope of the ELS for the period until the introduction of the ELS (which occurred on 6 April 2020). Following the introduction of the ELS the Agreements provide that MDDUS's obligations in respect of the relevant liabilities would cease, and DHSC would also take on responsibility for making arrangements for the handling and administration of claims arising in relation to those liabilities.

As required under the Agreements, MDDUS made a payment to DHSC in consideration for the assumption by DHSC of its responsibilities under the ELS. The consideration was, in the directors' opinion, fair. The 2019 accounts included the financial impact of the ELS transaction. In the balance sheet we had an asset equal to the estimated value of notified claims that fall within the scope of the ELS transaction with DHSC as at 31 December 2019. The balance of £118m relating to the IBNR part of the payment made to DHSC was charged to the income and expenditure account as the Company does not carry its IBNR on the balance sheet. This was further adjusted to provide an estimate for potential additional payments MDDUS may have been required to make under the Agreements once certain adjustments were made to the initial consideration price. Adjustment was also made to provide for the cost of running off the claims being amortised. These adjustments were included within current liabilities on the balance sheet.

On 6 April 2020 regulations came into force establishing the ELS (now officially called the Existing Liabilities Scheme for General Practice (ELSGP)) and with effect from that date DHSC assumed legal responsibility for providing indemnity protection for the relevant MDDUS member liabilities.

The liabilities that fell within the scope of the ELSGP, as well as the equal and opposite asset, have therefore been removed from the balance sheet from that date.

On 11 February 2020 MDDUS entered into agreements with the Minister for Health and Social Services, Welsh Government, under which the Welsh Government agreed, with effect from 17 February 2020, to provide access, through the establishment of a new Welsh state-backed existing liabilities scheme (WELS), to discretionary indemnity and claims handling and administration to current and former MDDUS members for liabilities arising from clinical negligence relating to incidents that occurred prior to 1 April 2019 while they were members of MDDUS in the provision of NHS primary medical services (and, in some circumstances, other ancillary NHS services provided by general practice) in Wales as part of general practice. The liabilities falling within the scope of this transaction included both liabilities which had been reported to MDDUS and those which had been incurred but not yet reported (IBNR).

Upon the introduction of the WELS, MDDUS's obligations in respect of these liabilities ceased and the Welsh Government took on responsibility for making arrangements for the handling and administration of claims arising in relation to those liabilities.

As required under the legal agreements, MDDUS made a payment to the Welsh Government in consideration for the assumption by DHSC of its responsibilities under the WELS. The consideration paid was, in the directors' opinion, fair.

On 30 June 2020 regulations came into force establishing WELS, now officially called the Welsh Existing Liabilities Scheme for General Practice (WELSGP), and with effect from that date WELS assumed legal responsibility for providing indemnity protection for the relevant MDDUS member liabilities. The liabilities that fell within the scope of the WELSGP, as well as the equal and opposite asset, have therefore been removed from the balance sheet from that date.

The accounts as at the end of December include the financial impact of these transactions. Included in the income and expenditure account there are reimbursements of £4.57m, included in the claims cost and associated legal costs figure, and other settlement costs of £444k.

Under the agreement the DHSC and WELS can bring a claim under the adverse experience clause any time between 1 April 2021 and 1 October 2021, based on their experience up to 31 December 2020. (See Note 24 Contingent liabilities).

# Notes to the accounts

For the year ended 31 December 2020

## 8. Taxation

	2020	2019
	£'000	£'000
<b>Corporation tax</b>		
Corporation tax expense for the year	13,346	6,996
Foreign tax	-	(53)
<b>Total current tax charge</b>	<b>13,346</b>	<b>6,943</b>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(7,328)	3,328
Change in tax rate	(227)	-
<b>Total deferred tax credit</b>	<b>(7,555)</b>	<b>3,328</b>
<b>Total tax charge through statement of income and retained earnings</b>	<b>5,791</b>	<b>10,271</b>

### Factors affecting the tax (credit)/charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below.

	2020	2019
	£'000	£'000
<b>Surplus/(deficit) on ordinary activities before tax</b>	<b>80,010</b>	<b>(106,266)</b>
Surplus/(deficit) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%):	15,202	(20,191)
Effects of:		
Surplus/(deficit) of income over expenditure not taxed	-	33,018
Non-taxable franked investment income of Group	(678)	(1,081)
Unfranked and interest income of Guernsey subsidiary not taxed	(156)	(86)
Chargeable losses/(gains) not recognised in current year	3,239	1,763
Deferred tax movement in year	(7,555)	3,328
Foreign tax	-	(53)
Loss/(gain) on disposal of investments and assets	(4,276)	(6,143)
Adjustment in respect of prior periods	6,951	-
Losses brought forward utilised	(7,013)	-
Other	77	(284)
<b>Current tax charge/(credit) through statement of income and retained earnings</b>	<b>5,791</b>	<b>10,271</b>

# Notes to the accounts

For the year ended 31 December 2020

## 8. Taxation (continued)

In 2019 HMRC raised an enquiry into MDDUS 2015 and 2017 tax returns. The enquiry is still progressing and a variety of possible outcomes remain, including a refund due to MDDUS, no impact at all, or a payment due to HMRC. However the directors believe the most likely outcome will be a payment due to HMRC. Accordingly a provision of £6.951m has been provided for in these financial statements for the period up to 31 December 2019. This outcome though has created tax losses brought forward part of which has been utilised to cover the tax liability for 2020. Losses not utilised in the current year have reduced the deferred tax liability presented in the accounts.

## 9. Tangible fixed assets

### Group

	Freehold property	Investment property	Furniture fittings & office equipment	Total
Cost/Valuation	£'000	£'000	£'000	£'000
At 1 January 2020	7,478	70,034	1,315	78,827
Additions	-	-	69	69
Disposals	(7)	(21,000)	-	(21,007)
Revaluation	(818)	(3,275)	-	(4,093)
<b>At 31 December 2020</b>	<b>6,653</b>	<b>45,759</b>	<b>1,384</b>	<b>53,796</b>
<b>Depreciation</b>				
At 1 January 2020	55	-	990	1,045
Provided during year	28	-	158	186
On disposals	-	-	-	-
Revaluation	-	-	-	-
<b>At 31 December 2020</b>	<b>83</b>	<b>-</b>	<b>1,148</b>	<b>1,231</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>6,570</b>	<b>45,759</b>	<b>236</b>	<b>52,565</b>
<b>At 31 December 2019</b>	<b>7,423</b>	<b>70,034</b>	<b>325</b>	<b>77,782</b>

# Notes to the accounts

For the year ended 31 December 2020

## 9. Tangible fixed assets (continued)

### Company

	Freehold property	Investment property	Furniture fittings & office equipment	Total
Cost/Valuation	£'000	£'000	£'000	£'000
At 1 January 2020	1,412	-	1,314	2,726
Additions	-	-	69	69
Disposals	-	-	-	-
Revaluation	-	-	-	-
<b>At 31 December 2020</b>	<b>1,412</b>	<b>-</b>	<b>1,383</b>	<b>2,795</b>
<b>Depreciation</b>				
At 1 January 2020	55	-	990	1,045
Provided during year	28	-	157	185
On disposals	-	-	-	-
Revaluation	-	-	-	-
<b>At 31 December 2020</b>	<b>83</b>	<b>-</b>	<b>1,147</b>	<b>1,230</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>1,329</b>	<b>-</b>	<b>236</b>	<b>1,565</b>
<b>At 31 December 2019</b>	<b>1,357</b>	<b>-</b>	<b>324</b>	<b>1,681</b>



# Notes to the accounts

For the year ended 31 December 2020

## 9. Tangible fixed assets (continued)

### Group and Company

	Freehold property	Investment property	Furniture fittings & office equipment	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
Carrying value based on historical cost	6,632	42,346	406	49,384
Accumulated depreciation based on historical cost	3,108	5,604	1,546	10,258
<b>Company</b>				
Carrying value based on historical cost	3,428	-	405	3,833
Accumulated depreciation based on historical cost	2,538	-	1,546	4,084

The investment property portfolio was valued on 31 December 2020 by an external valuer, Avison Young (UK) Limited. The valuation was prepared in accordance with the RICS Valuation - Global Standards effective 31 January 2020 (the 'Red Book').

The valuer's opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms. On 13 March 2020 the Company sold Bracton House, 34/36 High Holburn, London WC1V 6AE for £22m less transaction costs of £0.4m.

The freehold property of the Company was revalued by Ryden at the market value of the of the outright ownership interest, subject to vacant possession, at 31 December 2017 at a value of £1.3m. The directors believe this reflects its fair value at that date.

### Capital commitments and subsequent events

Capital expenditure approved and contracted for amounted to £Nil (2019: £Nil).

# Notes to the accounts

For the year ended 31 December 2020

## 10. Operating leases

MDDUS Property Limited holds investment properties which are let to third parties. These non-cancellable leases have remaining terms of between one year and seven years.

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

	2020	2019
	£'000	£'000
Not later than one year	2,236	3,540
After one year but not more than five years	5,612	12,604
After five years	2,118	5,265
	<b>9,966</b>	<b>21,409</b>

## 11. Investments

	Group 2020	Group 2019	Company 2020	Company 2019
Valuation	£'000	£'000	£'000	£'000
Market value at 1 January 2020	506,817	714,495	563,468	759,933
Additions	695,049	284,101	646,043	335,870
Disposals	(651,968)	(514,036)	(602,028)	(514,036)
Movement in cash	(960)	(6,349)	337	(6,646)
Capital reduction in subsidiary	-	-	(21,850)	(40,250)
Impairment of subsidiaries	-	-	(433)	3
Changes in fair value of investments	26,598	28,606	26,001	28,594
<b>Market value at 31 December 2020</b>	<b>575,536</b>	<b>506,817</b>	<b>611,538</b>	<b>563,468</b>
Listed investments	574,729	418,102	526,885	381,381
Cash equivalents	807	88,715	-	75,152
Unlisted investments	-	-	84,653	106,935
	575,536	506,817	611,538	563,468
<b>Historical cost</b>	<b>535,794</b>	<b>474,541</b>	<b>572,863</b>	<b>532,712</b>

Unlisted investments at 31 December 2020 relate to the Company's holding of the entire issued share capital of 1,700,000 ordinary £1 shares of MDDUS Education Limited, a risk assessment and training company, incorporated in Great Britain, registered in Scotland whose registered office is Mackintosh House, 120 Blythswood Street, Glasgow, G2 4EA, the entire issued share capital of 30,000,000 ordinary £1 shares of MDDUS Insurance Limited, an insurance company incorporated and registered in Guernsey whose registered office is Maison Trinity, Trinity Square, St Peter

Port, Guernsey GY1 4AT, the entire issued share capital of 115,000,000 ordinary £0.46 (2019: £0.65) shares of MDDUS Property Limited, a property company incorporated in Great Britain, registered in Scotland whose registered office is Mackintosh House, 120 Blythswood Street, Glasgow G2 4EA and the entire issued share capital of 2,000,001 ordinary £1 shares of MDDUS Services Limited, a service company incorporated in Great Britain, registered in Scotland whose registered office is Mackintosh House, 120 Blythswood Street, Glasgow G2 4EA.

# Notes to the accounts

For the year ended 31 December 2020

## 11. Investments (continued)

### Subsidiary share capital and reserves:

	MDDUS Services Limited	MDDUS Insurance Limited	MDDUS Property Limited	MDDUS Education Limited
	£'000	£'000	£'000	£'000
Called up share capital	2,000	30,000	52,900	1,700
Profit and loss account	(315)	20,911	6,538	(1,633)
<b>Aggregate of share capital and reserves</b>	<b>1,685</b>	<b>50,911</b>	<b>59,438</b>	<b>67</b>
<b>(Loss)/Profit for the year</b>	<b>(314)</b>	<b>2,738</b>	<b>(1,531)</b>	<b>(119)</b>

## 12. Debtors and payments in advance

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Trade debtors	21,536	23,481	20,106	21,488
Other debtors	4,329	186,287	3,143	185,273
Payments in advance	508	204	399	204
Other taxes and social security costs	11	1	-	-
Amounts owed by subsidiary undertakings	-	-	130	19
	<b>26,384</b>	<b>209,973</b>	<b>23,778</b>	<b>206,984</b>

Included in the 2019 other debtors figure of £186.3m was an amount of £184.4m which represented our estimate of notified claims on behalf of our English GP members in relation to the ELS transaction (see Note 7).

## 13. Sundry creditors and accrued charges due within one year

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Deferred income	30,198	33,164	29,473	32,205
Other taxes and social security costs	642	742	454	397
Sundry creditors and accruals	1,498	6,939	932	6,257
Amounts owed to subsidiary undertakings	-	-	649	17
	<b>32,338</b>	<b>40,845</b>	<b>31,508</b>	<b>38,876</b>

# Notes to the accounts

For the year ended 31 December 2020

## 14. Provision for liabilities and charges

	Deferred Taxation	Claims	Non- Claims	Total
Group	£'000	£'000	£'000	£'000
At 1 January 2020	4,890	308,700	31,200	344,790
Charged to statement of income and retained earnings in year	(7,555)	14,037	6,789	13,271
Reduction due to ELS	-	(189,921)	-	(189,921)
Paid in year	-	(20,053)	(6,500)	(26,553)
<b>At 31 December 2020</b>	<b>(2,665)</b>	<b>112,763</b>	<b>31,489</b>	<b>141,587</b>
At 1 January 2019	1,562	222,800	31,600	255,962
Charged to statement of income and retained earnings in year	3,328	120,313	6,729	130,370
Paid in year	-	(34,413)	(7,129)	(41,542)
<b>At 31 December 2019</b>	<b>4,890</b>	<b>308,700</b>	<b>31,200</b>	<b>344,790</b>

	Deferred Taxation	Claims	Non- Claims	Total
Company	£'000	£'000	£'000	£'000
At 1 January 2020	4,620	308,700	31,200	344,520
Charged to statement of income and retained earnings in year	(7,344)	14,037	6,789	13,482
Reduction due to ELS	-	(189,921)	-	(189,921)
Paid in year	-	(20,053)	(6,500)	(26,553)
<b>At 31 December 2020</b>	<b>(2,724)</b>	<b>112,763</b>	<b>31,489</b>	<b>141,528</b>
At 1 January 2019	1,984	222,800	31,600	256,384
Charged to statement of income and retained earnings in year	2,636	120,313	6,729	129,678
Paid in year	-	(34,413)	(7,129)	(41,542)
<b>At 31 December 2019</b>	<b>4,620</b>	<b>308,700</b>	<b>31,200</b>	<b>344,520</b>

The provision represents the discounted value of expected settlement and handling costs for all claims and non-claims notified to MDDUS as at 31 December 2020.

In addition to events reported at the end of the accounting year and included in the balance sheet, MDDUS must also be aware of the potential costs of those events that occurred before the end of December 2020 but have not yet been reported – the "incurred but not reported" (IBNR) claims and non-claims. As MDDUS has not yet exercised its discretion over these matters by the year end (as they have by their nature not been reported) they are not considered

to be a liability and are not therefore incorporated into the balance sheet. The actuaries have however estimated the value of these IBNR claims and non-claims to be £157.6m (2019: £134.5m) and £26.6m (2019: £14.7m), respectively.

The above liabilities as at 1 January 2020 include those secured by the ELS transaction (see Note 7) as MDDUS was still legally responsible for these as at 31 December 2019. On 6 April 2020 and 30 June 2020 legal assumption of these by DHSC and the Welsh Government respectively took place resulting in a significant proportion of these being extinguished at no cost to MDDUS.



# Notes to the accounts

For the year ended 31 December 2020

## 15. Deferred taxation

Deferred taxation provided for at 19% (2019: 19%) in the financial statements is set out below:

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Capital gains	7,403	4,620	7,403	4,620
Losses and other deductions	(10,127)	-	(10,127)	-
Timing differences on property	59	270	-	-
<b>At 31 December 2020</b>	<b>(2,665)</b>	<b>4,890</b>	<b>(2,724)</b>	<b>4,620</b>

## 16. Reserves

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Accumulated fund				
At 1 January	437,983	554,520	409,850	523,110
Transferred from statement of income and retained earnings	74,219	(116,537)	74,896	(113,260)
<b>At 31 December 2020</b>	<b>512,202</b>	<b>437,983</b>	<b>484,746</b>	<b>409,850</b>

## 17. Reconciliation of movement in funds

	2020	2019
	£'000	£'000
Total recognised gains/(losses) in the year	74,219	(116,537)
Opening funds available to meet future liabilities	437,983	554,520
<b>Closing funds available to meet future liabilities</b>	<b>512,202</b>	<b>437,983</b>

# Notes to the accounts

For the year ended 31 December 2020

## 18. Investments fair value determination

The Group and Company classifies financial instruments measured at fair value within investments using the following fair value hierarchy:

- Category (a) The quoted price for an identical asset in an active market at the reporting date.  
Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.  
Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique.

The investment assets have been fair valued using the above hierarchy categories as follows:

### Group

	Category (a)	Category (b)	Category (c)	Total
	£'000	£'000	£'000	£'000
Listed investments	574,729	-	-	574,729
<b>At 31 December 2020</b>	<b>574,729</b>	<b>-</b>	<b>-</b>	<b>574,729</b>
Listed investments	418,102	-	-	418,102
<b>At 31 December 2019</b>	<b>418,102</b>	<b>-</b>	<b>-</b>	<b>418,102</b>

### Company

	Category (a)	Category (b)	Category (c)	Total
	£'000	£'000	£'000	£'000
Listed investments	526,885	-	-	526,885
<b>At 31 December 2020</b>	<b>526,885</b>	<b>-</b>	<b>-</b>	<b>526,885</b>
Listed investments	381,381	-	-	381,381
<b>At 31 December 2019</b>	<b>381,381</b>	<b>-</b>	<b>-</b>	<b>381,381</b>

# Notes to the accounts

For the year ended 31 December 2020

## 19. Financial instruments

The Group's and Company's financial instruments may be analysed as follows

	Group 2020	Group 2019	Company 2020	Company 2019
<b>Financial assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets measured at fair value through surplus or deficit	574,729	418,102	526,885	381,152

Financial assets measured at fair value through surplus or deficit comprises fixed asset listed investments. Information regarding the Group's exposure to and management of risk is included in the Strategic Report.

## 20. Other financial commitments

### Company

The following payments under non-cancellable operating leases are committed to be paid in respect of land and buildings:

	2020	2019
	£'000	£'000
Future minimum lease payments:		
Not later than one year	345	345
Later than one year and not later than five years	1,381	1,381
Later than five years	157	502
<b>Total commitment</b>	<b>1,883</b>	<b>2,228</b>

The Group has no commitments under non-cancellable operating leases.

## 21. Pension commitments

### Group and Company

	2020	2019
	£'000	£'000
Charge through the statement of income and retained earnings in the year	1,123	1,197
<b>Balance outstanding at the year end</b>	<b>-</b>	<b>-</b>

# Notes to the accounts

For the year ended 31 December 2020

## 22. Member's guarantee

The Medical and Dental Defence Union of Scotland is a company limited by guarantee of up to £1 per member.

## 23. Related party disclosures

The Company has taken advantage of the exemption conferred by s33.1A of FRS102 not to disclose transactions with its wholly owned subsidiaries. The directors do not consider there to be any one single controlling party of the Company. Key management personnel are considered to be the directors.

## 24. Contingent liabilities

Under the transaction agreed with DHSC and WELS (see Note 7) there is an adverse experience clause contained in the Agreements which gives DHSC and WELS the right to seek an additional payment should the liabilities assumed by them as part of the ELS be significantly worse than expected. The additional payments would only become due if the liabilities assumed are significantly greater than the estimate of liabilities as at 31 December 2019 and in any event are subject to a threshold and a cap. If the threshold is exceeded, MDDUS would be liable to make a payment equal to 50 per cent of the deterioration above the threshold, up to the cap, subject to certain adjustments that would be made in accordance with the terms of the legal agreements. Based on the estimated value of liabilities as at 31 December 2019, the directors do not believe it likely that this additional payment will be required, and therefore no provision was made within the financial statements.

## 25. Post balance sheet events

On 1 April 2021 MDDUS Property Limited entered into a ten year lease agreement for the rent of office accommodation at 206 St Vincent Street, Glasgow, G2 5JJ. The total commitment over this period is £3.111m payable as follows:

	£'000
Future minimum lease payments:	
Not later than one year	19
Later than one year and not later than five years	1,497
Later than five years	1,595
<b>Total commitment</b>	<b>3,111</b>



# MDDUS Board and honorary fellows

## Chair

Jonathan P Berry<sup>2,3</sup>  
MB ChB MBA MA

## Vice-Chair

\*\*James Black<sup>2,3</sup>  
FFA

## Senior Independent Director

Linsey C Semple<sup>1</sup>  
MB ChB FRCGP DRCOG

## Chief Executive

\*Chris Kenny  
MA FRSA

## Other directors

\*\*The Right Honourable Dame Elish Angiolini<sup>3</sup>  
DBE QC

\*\*Joanna L Bayley<sup>2</sup>  
MB ChB MA MRCEM MRCGP

Satyajit Bhattacharya<sup>1</sup>  
(Appointed 16 June 2021)

\*\*Iain T Cameron<sup>1,3</sup>  
BSc MA MD FRCOG FRCP (Edin)

\*\*Robert Donald<sup>2</sup>  
BDS (Hons) DGDP (UK)

\*\*Marian Glen<sup>1</sup>  
MA (Hons) LLB

\*\*Jason Leitch<sup>2</sup>  
CBE BDS DDS FDS RCS (Eng) FDSRCS (Edin)  
FDSRCPSPG (Glas) FRCS (Edin) MPH (Harvard)

\*\*Vikki Macleod<sup>1</sup>  
(Appointed 19 June 2020)

\*\*Peter McDonald<sup>1</sup>  
MBBS MS (Southampton) FRCS (Eng)

\*\*Margaret A McPhail<sup>1,3</sup>  
Dip Man MloD

\*Emma Parfitt  
LLB (Hons) French Diploma of Law

\*James Parker<sup>2</sup>  
ACMA BSc

Rebecca Sadler<sup>1</sup>  
(Appointed 7 June 2021)

## Honorary fellows

Alistair D Beattie  
MD FRCP (Glasg, Lond & Edin) FFPM

J Douglas Bell  
MBChB FRCP (Edin) FFOM DIH

Judith M Chapman  
MA MB BChir FRCGP DRCOG

John K Davidson  
OBE MD FRCP (Edin & Glasg) FRCR FACR (Hon)  
FRANZCR (Hon)

Gordon C A Dickson  
MLitt PhD FCII FIRM

Peter Edmond  
CBE TD MBChB FRCS (Ed & Glasg) FRCP (Edin)

John Garner  
MBChB FRCGP FRCPEd DCH DRCOG

Douglas G Garvie  
OBE FRCGP

James Graham  
MBChB FRCS (Ed & Glasg)

John R Griffiths  
BA (Oxon) LLB WS

Brendan Sweeney  
MBE MA MBChB DRCOG FRCGP

## Key

1 Member of the Audit and Risk Committee

2 Member of the Investment Committee

3 Member of the Remuneration and Nominations Committee

\* Executive director

\*\*Independent non-executive director

Accurate as at 1 July 2021

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# Our management

## Chief Executive

\*Chris Kenny  
MA FRSA

## Director of Professional Services and General Counsel

\*Emma Parfitt  
LLB (Hons) French Diploma of Law

## Finance Director

\*James Parker  
ACMA BSc

## Customer and Development Director Managing Director, MDDUS Services Limited

Chris Godeseth  
BMedSci (Hons) BM BS MRCS (Ed)

## Director of People and Corporate Services

Kimberly Johnstone  
BA MSc Assoc CIPD

## Group Director of Governance

Dawn Reid  
LLB (Hons)

## IT Director

Elaine Whitefoot

## Joint Head of Legal

James Doake  
BSc (Hons)

## Joint Head of Legal

Sara Foster  
BA (Hons) Dip Law

## Company Actuary

Dermot Grenham  
FIA DPhil MSc

## Head of Dental

Stephen Henderson  
BDS LLM FFGDP (Hon)

## Company Secretary Data Protection Officer

Bryan A. Hislop  
LLB (Hons) ACIS

## Chief Medical Officer

John Holden  
MB BS MPhil MRCP FFFLM DCH DRCOG

## Head of Medical

Naeem Nazem  
MBCLB BSc (Hons) MRCP LLB (Hons)

\* Executive director

Accurate as at 1 July 2021

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# External professional advisers

## Auditor

BDO LLP  
Chartered Accountants and Registered Auditors  
4 Atlantic Quay  
70 York Street  
Glasgow G2 8JX

## Banker

Bank of Scotland  
54-62 Sauchiehall Street  
Glasgow G2 3AH

Barclays Corporate Banking  
1 Churchill Place  
Canary Wharf  
London E14 5HP

## Internal auditor

Deloitte LLP  
110 Queen Street  
Glasgow G1 3BX

## Investment consultant

Broadstone Corporate Benefits Ltd  
55 Baker Street  
London W1U 8EW

## Investment managers

Amundi (UK) Limited  
41 Lothbury  
London EC2R 7HF

Baillie Gifford & Co Ltd  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

BlackRock Investment Managers (UK) Limited  
12 Throgmorton Avenue  
Drapers Gardens  
London EC2N 2DL

Goldman Sachs Asset Management  
International  
Plumtree Court  
25 Shoe Lane  
London EC4A 4AU

## Actuaries

Milliman LLP Consultants & Actuaries  
11 Old Jewry  
London EC2R 8DU

## Insurance adviser

Aon Risk Solutions UK  
Sentinel, 103 Waterloo Street  
Glasgow G2 7BW

## Insurance company manager

Aon Insurance Managers (Guernsey) Limited  
PO Box 33 Dorey Court, Admiral Park  
St Peter Port  
Guernsey GY1 4AT

## Solicitors

Capital Law Limited  
Capital Building  
Tyndall Street  
Cardiff CF10 4AZ

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1 More London Riverside  
London SE1 2AF

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Accurate as at 1 July 2021

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The Medical and Dental Defence Union of Scotland,  
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**MDDUS**  
Protecting professionals