

REVIEW OF OPERATIONS

Overview of 1991

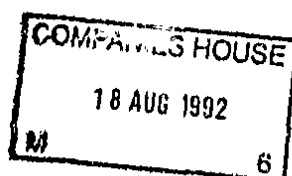
Financial matters

The MDU's Balance Sheet for the year 1991 reflects a considerable achievement in the direction and management of the MDU by all its staff.

At the end of a year of variable fortunes in the UK stock-market the MDU's fund exceeded £103million, an increase of 27% from the position at the end of 1990. I stress that the funds which the MDU puts to reserves are not profits, they are set aside to meet liabilities which will fall upon members in the future. The reported liabilities of the MDU increased to £113million at the end of 1991. It is heartening to report this continuing steady progress towards providing for the MDU's liabilities, to be paid in the future but arising from treatment already given, entirely from the MDU's present funds. Since the introduction of NHS indemnity in the United Kingdom the funding policy of the MDU's Board of Management has succeeded in strengthening the MDU's position from reserves of £66million, to meet reported claims of £88million at the beginning of 1990, to today's level of reserves.

The policy of the MDU's Board is unchanged: to set the correct figures for subscriptions based on expert actuarial advice. Only by adherence to this soundly based, realistic approach can the future be secure for all MDU members.

In keeping with this policy, the MDU took the opportunity in 1991 to negotiate the transfer of funds and liabilities to the Kupat Holim Clalit, the employers of a large group of MDU members in Israel. The employer took responsibility for the entire liabilities of the members in return for £7million. The Board of Management is pleased with the outcome of this negotiation which has greatly strengthened the MDU's financial position.



Medico-legal debate - the MDU worldwide

1991 was a year of major medico-legal developments around the world.

In the United Kingdom a new maximum personal injury settlement was reported of £1.7million. In another UK case, prominently reported, the value of a structured settlement of a claim by a hospital patient was said to be £10.6million.

As is often the case, these reports grew with journalistic licence but the underlying message is true: the level of settlements continues upward at an ever increasing rate.

The MDU continues to play its part as a major contributor to the debate on methods of compensating patients. In 1991, Westminster saw the rise and fall of yet another private member's bill, the National Health Service (Compensation) Bill which would have introduced no-fault compensation for NHS patients in the United Kingdom. The MDU again drew on extensive experience to help Mrs. Rosie Barnes MP (Social Democrat) in the assessment of the costs involved. It is the fifth such Bill to fail; they have been promoted by MPs from all main political parties. The MDU regularly draws in this way upon its experience worldwide, for example in New Zealand which has operated an Accident Compensation Scheme since 1974, and where the MDU has over 3,500 members.

The MDU organised a highly successful international conference in London on 13 May 1991 on the topic of Compensation and Accountability. Speakers came from the USA, New Zealand and Sweden; with other eminent contributors from the United Kingdom they dealt with the whole range of options, from those in force in other countries, to "pipe dreams". The proceedings of the Conference (including the papers and the debate which followed) have been published.¹

The MDU continues to submit, often at the request of government departments and decision-makers worldwide, facts and opinions drawn from its experience as the largest and oldest defence organisation. Founded in 1885, the MDU sends congratulations to the Medical Protection Society and the Medical & Dental Defence Union of Scotland respectively 100 and 90 years old in 1992.

¹Compensation and Accountability. The proceedings of a conference held at the Royal College of Physicians on 13 May 1991.
Published by Mercury Books - February 1992

During 1991 the MDU cooperated in:

- the Australian Government Inquiry into the system of compensating patients (the Tito Inquiry),
- discussions with the Department of Health in the Republic of Ireland concerning indemnity for the medical profession,
- the five-nation study of systems of compensating patients being undertaken by the US General Accounting Office, from its European office in Frankfurt,
- the review being undertaken in New Zealand into the functioning and funding of the Accident Compensation Corporation, known as "no-fault" compensation.

MDU - the structure of the company

At the MDU's AGM in Manchester on 16 July 1991 the new Memorandum and Articles of Association of the MDU were adopted; on these is based a radical restructuring of the company. The MDU's business affairs are now in the hands of the Board of Management, comprising MDU Council members, external Directors bringing with them a wealth of commercial and health policy experience, and senior members of the MDU Executive.

This new and more streamlined structure has made possible detailed examination and analysis of the MDU's business affairs and rapid decision-making.

The Council of the MDU continues to meet quarterly as the forum for discussion and analysis of professional, scientific, ethical and legal issues in medicine, dentistry and nursing. The Board and Council acknowledge with warm thanks the services to the MDU and its members by Dr. Seamus Ryan who relinquished office as a Council member during 1991.

The MDU's Council and expert committees worldwide continue to play their increasingly vital role as medico-legal experts and professional advisers keeping MDU members' views and interests to the fore. Six additional Council members were appointed in 1991 to make their expert contributions at Council and Cases Committees, on behalf of members in United Kingdom general medical practice who now number almost 20% of MDU members and whose experience of litigation is such that they contribute almost 40% of the MDU's total subscriptions.

The number of complaints against UK general practitioners almost doubled in 1991; in part a reflection of the increased level of consumer expectation.

To meet this rapid growth in demand for MDU support, a panel of 25 experienced GPs was appointed. Their principal remit is to provide on-the-spot help at the growing number of complaint hearings. This new approach to support for members in the UK highlights the MDU's quick, imaginative and cost-effective response to a new demand upon its services.

The debate about the affordability of a demand-led National Health Service in the United Kingdom is one that is heard in every country throughout the world. Similar issues apply to the MDU; the services provided by the MDU must keep the balance between the best available to ensure that members' reputations and interests are strenuously defended, and husbanding of your funds for the benefit of all members.

The future

New Services

The highly successful development in 1991 of the MDU's Risk Management service has resulted in the MDU becoming the UK market leader in this field. This service, available to health authorities and hospitals on a fee basis, has the objective of improving patient care by management of the clinical risks associated with the provision of health care. During 1991 the MDU risk management team was commissioned to undertake a number of surveys in the UK, in Israel and in the Netherlands.

The MDU's Risk Management service will continue to be developed during 1992 and extended to general medical and dental practitioners. There is ample evidence of increased awareness of the value of health care risk management and the MDU is already pre-eminent in this field.²

²See page 6 for Risk Management contacts

New Systems


The MDU's new claims handling computer system, the first of its kind, has been implemented during 1991. This system will maintain the MDU's position as the modern, quality choice amongst defence organisations. It will enable the MDU to draw upon its unparalleled medico-legal database of claims and reference material in both image and text form. We shall continue with development of this system both for internal use and as a service to members and to other clients and purchasers.

Commitment

The MDU's 1991 restructuring emphasises its commitment to providing the best of defence services to our members.

For any professional man or woman, a complaint or claim creates acute stress. The MDU's role is to provide the support and comfort of knowing he or she is in expert hands. The MDU is committed to provide excellent service and the cost of membership reflects excellent value for money. The MDU's overheads have increased not only because of inflation over the last 12 months, but also because of the increased demand upon our services. The MDU only exists for its members - there are no shareholders seeking dividends. Funds are added each year to reserves to meet the future claims arising from the practice of our members today. Many members regard peace of mind as the best value for their subscriptions. Just one claim by a patient could cost many times more in legal fees, let alone the payment of damages, than the annual subscription. More frequently, members benefit from all the other benefits of membership - medico-legal advisory services, assistance with disciplinary matters, publications, education.

I commend the MDU's 1992 services to you: building on 1991 we will go from strength to strength.



Dr. John Wall
Chief Executive

Growth in MDU Reserves and Liabilities 1989 – 1991

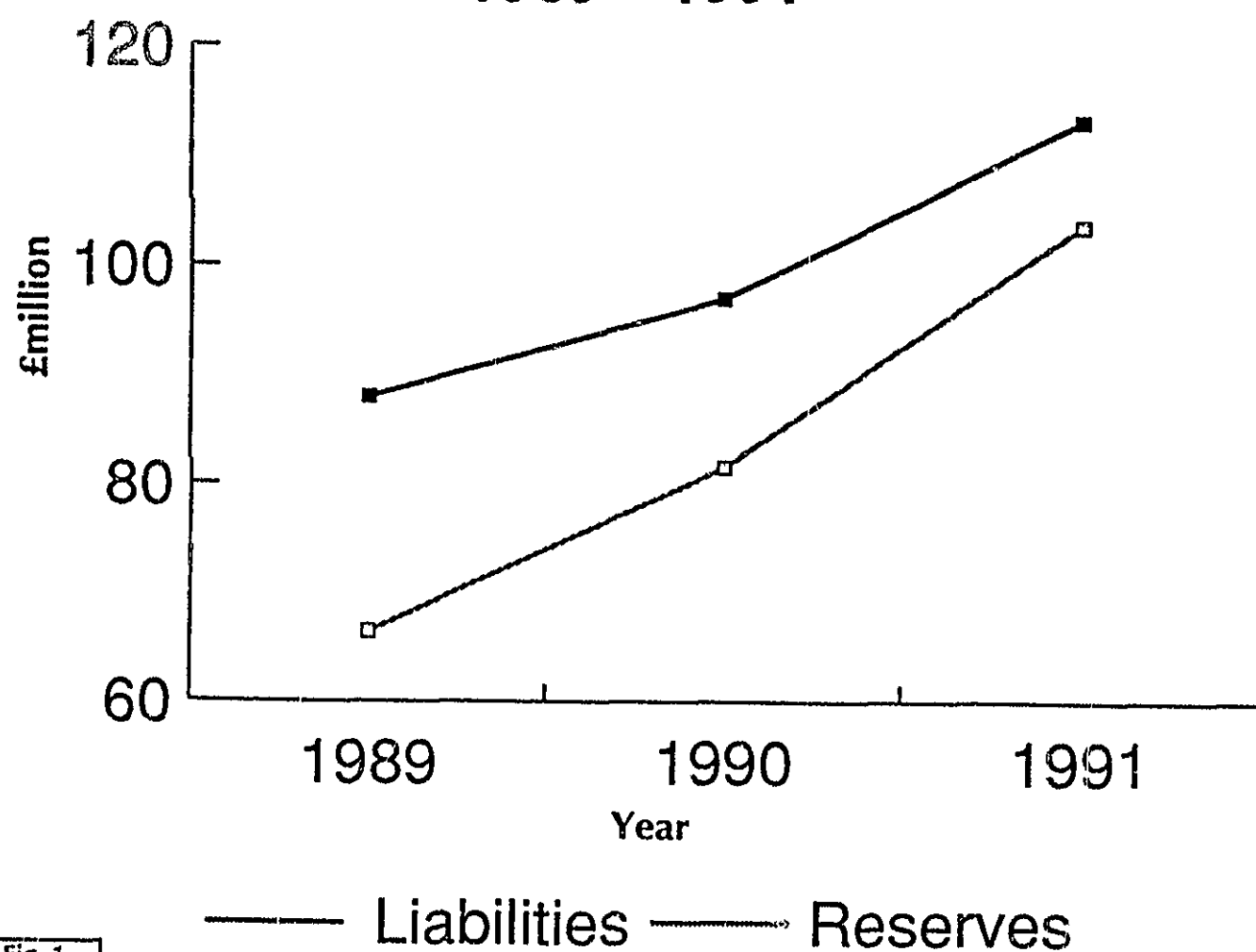


Fig. 1

Maximum awards in personal injury claims – UK

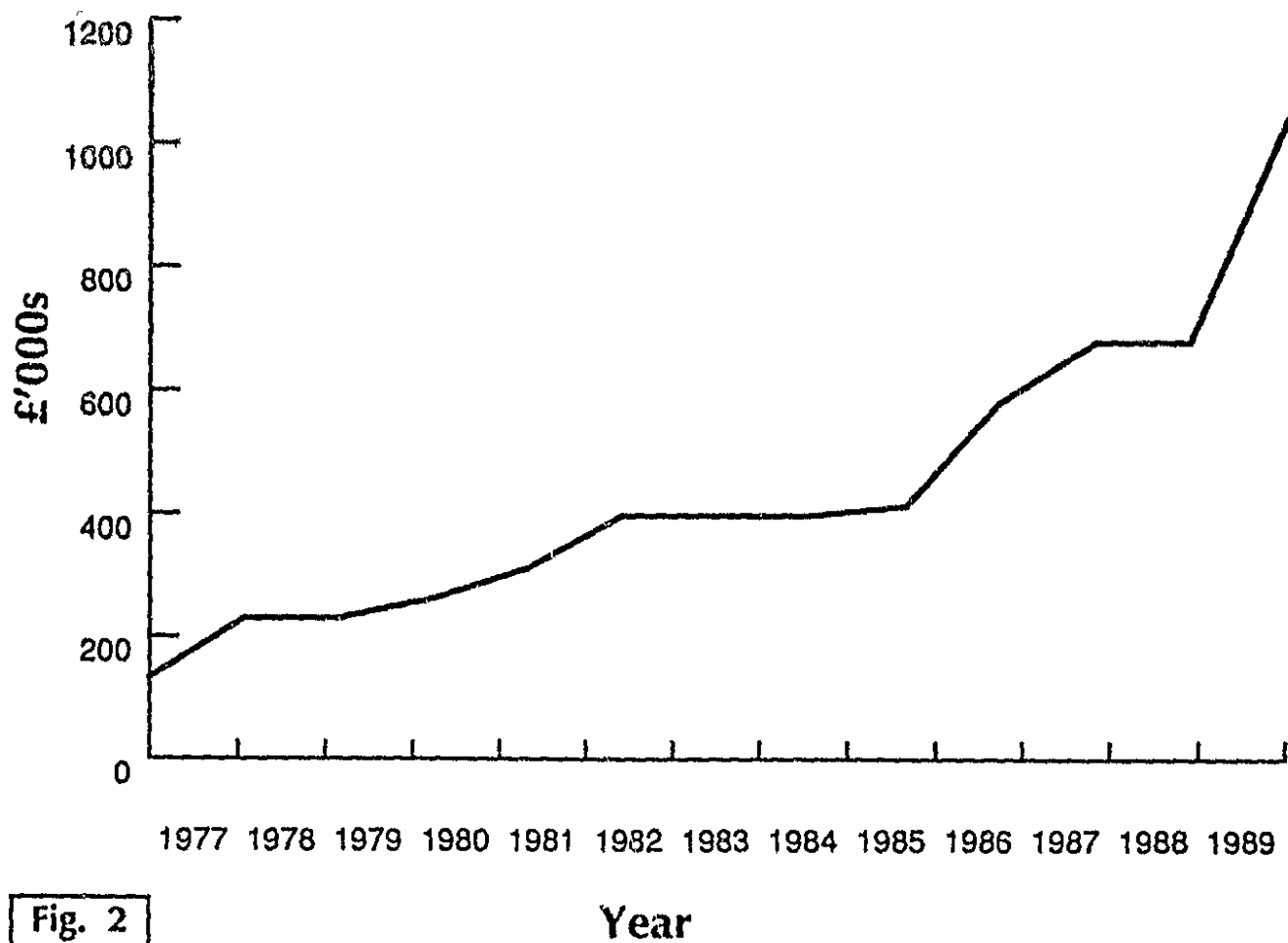


Fig. 2

MDU ORGANISATIONAL STRUCTURE

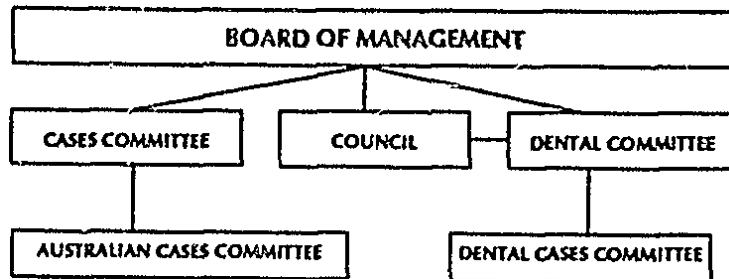


Fig. 3

MDU Paying Membership

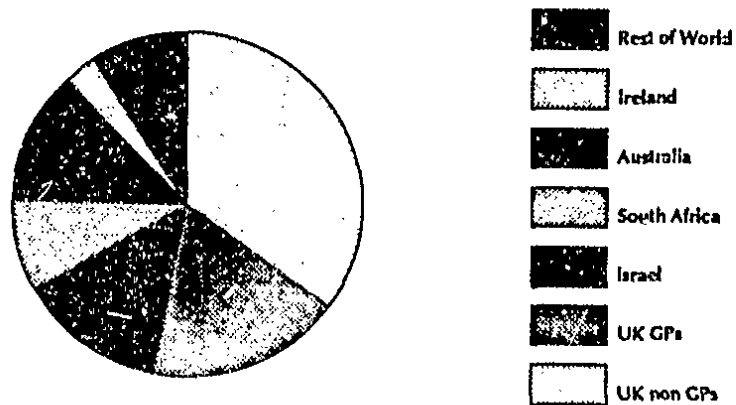


Fig. 4

Growth in requests for assistance – number of files opened

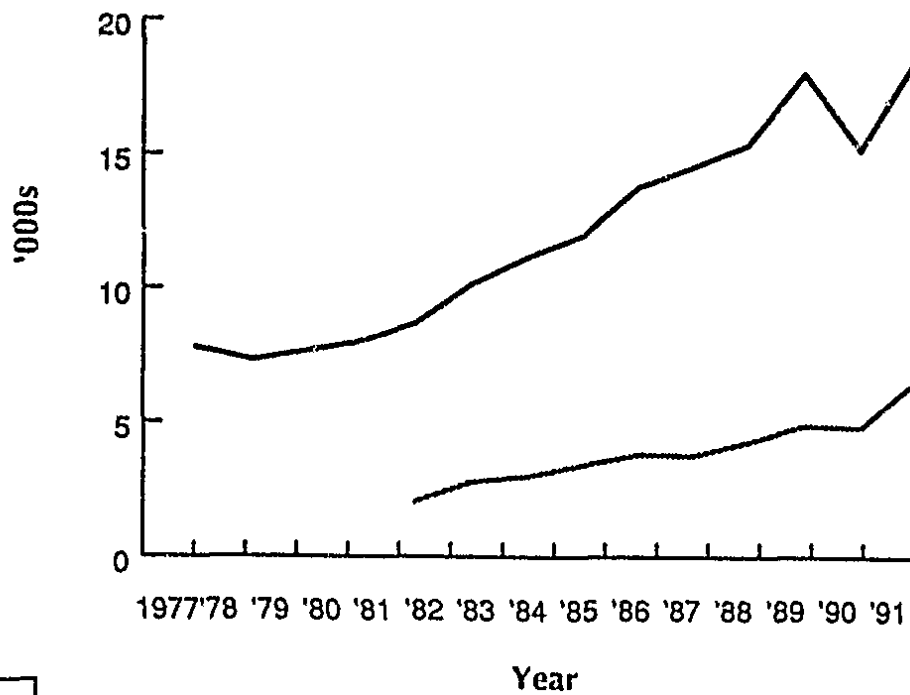


Fig. 5

— UK General Medical Practice
— Total

THE
MEDICAL
DEFENCE
UNION
LTD

Accounts 1991

Registration Number 21708

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

MEMBERS OF COUNCIL AND DENTAL COMMITTEE

At 1 January 1991 the following were Members of Council and Dental Committee:—

COUNCIL

Elected Members

C J Earl
J S Garfield
H M Halle
R L Hargrove
R W Hiles
A R Horler
N C Keddie
D E Markham
D E Poswillo
A H R Rowe
J C Smith
E M Symonds

Appointed Members

A R Aitkenhead
Mary Anderson
J E Banatvala
Hedley E Berry
David A Li Bowen
E Mary Cooke
Max Elstein
C C Evans
I Kelsey Fry
G R Giles
J C Houston
David Hull
A W Morrison
P J Mulligan
G G Pollock
Sir Martin Roth
Seamus J Ryan
P J Holmes Sellors
J L Townend
R H Vickers
Willoughby Wilson
W D Wylie

DENTAL COMMITTEE

P C Ball
G R Barker
I E Barnes
B E Barrett
* R M Basker
A H Brook
J Cunningham
Janet M Heath
* R B Johns
J H Jones
J G Kennedy
D E Poswillo (Elected Member)
A H R Rowe (Appointed Member)
D B Shanley
C D Stephens
P G Sullivan
J L Townend (Appointed Member)
R M Watson

* Not a member of the Dental
Cases Committee

ACCOUNTS 1991
CONTENTS

Report of the Board of Management	3-4
Income and Expenditure account	5
Balance Sheet	6
Cash flow statement	7
Notes to the Accounts	8-13
Auditors' Report	14

REPORT OF THE BOARD OF MANAGEMENT

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

ACTIVITIES

The MDU's activities include the provision of indemnity and advisory services for its members, together with assistance to health bodies in the handling of indemnity claims and healthcare risk management.

REVIEW OF BUSINESS

Members' attention is drawn to the review of operations where the salient features of the year are highlighted. In financial terms the results are disclosed in the accounts on pages 5 to 13. Subscription income has held up well: it is now two years since the introduction of NHS indemnity in the United Kingdom hospital and community services. The exceptional settlement of £7.5m with Kupat Holim Clalit is described in more detail in the review of operations. The results are encouraging: a further £17.5m has been transferred to accumulated funds, making further progress toward the MDU's long-term aim of full funding.

The MDU has continued to focus on the development of its services to members and to consider ways in which new markets can be developed.

FIXED ASSETS

The significant changes in fixed assets are set out in note 7 to the financial statements.

DIRECTORS

At the Annual General Meeting on 16 July 1991 a Board of Management was established as the Board of Directors of the company. The Members of Council who are listed on page 1 ceased to be Directors on that date, other than the following who were elected to the Board:

A R Horler (Chairman)
J C Smith (Vice-Chairman)
C J Earl
J S Garfield
H M Halle
I Kelsey Fry
D E Markham
D E Poswillo
J L Townend

The following were also elected to the Board of Management on 16 July 1991:

K G Addison
R J Maxwell

The following were appointed to the Board of Management on 16 July 1991:

J A Wall
K M Allsopp
M T Saunders
S M Collinge
D T Smith

H M Halle, having reached retirement age, retires from the Board at the next Annual General Meeting. In addition, in accordance with the Articles of Association the following Directors are due to retire by rotation and being eligible, offer themselves for re-election: A R Horler, C J Earl, J S Garfield, K G Addison. J A Wall is due to retire by rotation and being eligible offers himself for election.

REPORT OF THE BOARD OF MANAGEMENT

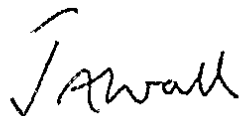
INSURANCE

The MDU maintains Indemnity insurance for Directors, Officers and Council Members of the company.

AUDITORS

The auditors, Pannell Kerr Forster, Chartered Accountants, have signified their willingness to continue in office. A resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board of Management.



J A Wall . .

24 March 1992

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 DECEMBER 1991

		<u>1991</u>		<u>1990</u>	
	<u>Notes</u>	£'000	£'000	£'000	£'000
MEMBERS' SUBSCRIPTIONS			62,067		59,189
MEDICAL AND DENTAL ADVISORY SERVICES		11,162		10,811	
INDEMNITY & LEGAL COSTS	2	25,103		20,750	
ADMINISTRATIVE COSTS		7,512		6,688	
			<u>43,777</u>		<u>38,249</u>
SURPLUS OF MEMBERS' SUBSCRIPTIONS OVER EXPENDITURE	3		18,290		20,940
OTHER INCOME	4		8,925		3,122
SURPLUS BEFORE TAXATION AND EXCEPTIONAL ITEM			<u>27,215</u>		<u>24,062</u>
EXCEPTIONAL ITEM	5		7,474		-
SURPLUS BEFORE TAXATION			<u>19,741</u>		<u>24,062</u>
TAXATION	6		2,200		1,714
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION			<u>17,541</u>		<u>22,348</u>
EXTRAORDINARY ITEM			-		6,700
TRANSFERRED TO ACCUMULATED FUND	12		<u>17,541</u>		<u>29,048</u>

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

**BALANCE SHEET
AT 31 DECEMBER 1991**

		<u>1991</u>		<u>1990</u>	
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS					
Tangible assets	7		12,603		12,169
Investments	9		84,844		61,726
			<hr/>		<hr/>
			97,447		73,895
CURRENT ASSETS					
Debtors	10	1,931		2,632	
Deposits at banks	10	9,639		8,860	
Cash at bank and in hand		1,891		1,919	
		<hr/>		<hr/>	
		13,461		13,411	
Creditors – Amounts falling due within one year	11	7,329		5,778	
		<hr/>		<hr/>	
NET CURRENT ASSETS			6,132		7,633
			<hr/>		<hr/>
			103,579		81,528
			<hr/>		<hr/>
RESERVES	12	103,579		81,528	
		<hr/>		<hr/>	

Approved by the Board of Management on 24 March 1992

A R Horler

A R HORLER
Chairman

J A Wall

J A WALL
Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1991**

	1991		1990	
	£'000	£'000	£'000	£'000
Net cash inflow from continuing operating activities		17,703		3,442
Extraordinary item		-		6,700
Transfer to HCIS fund		-		(27,372)
Net cash inflow/(outflow) from operating activities		17,703		(17,230)
Returns on Investments				
Interest received		1,583		1,071
Dividends received		3,591		3,703
Cash inflow from investments		5,174		4,774
Taxation				
Corporation tax paid		(1,774)		(2,119)
Tax paid		(1,774)		(2,119)
Investing activities				
Purchases of fixed assets		(1,744)		(2,804)
Purchases of investments		(46,378)		(41,796)
Sales of investments		27,770		58,270
Net cash (outflow)/inflow from investing activities		(20,352)		13,670
Increase/(decrease) in cash and cash equivalents		751		(905)

Notes to the cash flow statement

**1 RECONCILIATION OF OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING
ACTIVITIES**

Surplus before taxation and exceptional item	27,215	24,062
Exceptional item	(7,474)	-
Investment income	(5,174)	(4,774)
Loss on disposal of fixed asset	18	-
Depreciation	1,292	819
Decrease/(increase) in debtors	701	(1,979)
Increase/(decrease) in creditors	1,125	(14,686)
Net cash inflow from continuing operating activities	17,703	3,442
Extraordinary item	-	6,700
Transfer to HCIS fund	-	(27,372)
Net cash inflow/(outflow) from operating activities	17,703	(17,230)

**2 ANALYSIS OF CHANGES IN CASH AND CASH
EQUIVALENTS DURING THE YEAR**

Balance at 1 January 1991	10,779	11,684
Net cash inflow/(outflow)	751	(905)
Balance at 31 December 1991	11,530	10,779

**3 ANALYSIS OF THE BALANCES OF CASH AND
EQUIVALENTS AS SHOWN IN THE BALANCE
SHEET**

	1991	1990	Change in Year
	£'000	£'000	£'000
Cash at bank and in hand	1,891	1,919	(28)
Deposits at banks	9,639	8,860	779
	11,530	10,779	751

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

1 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historic cost convention, as modified by the revaluation of investments and certain leasehold properties and in accordance with applicable accounting standards.

(b) Subscriptions

Subscription income comprises subscriptions due and received before 31 December without apportionment. Pursuant to Schedule 4 para 55(5) of the Companies Act 1985 no geographical analysis of subscriptions is shown.

(c) Indemnity and legal costs

Expenditure on indemnity payments and legal charges covers the aggregate of all agreed indemnity settlement and legal services provided for members, together with insurance premiums and recoveries. These costs include plaintiffs' costs incurred under indemnity, and payments on account, together with opinions of the MDU's lawyers and of counsel, representation at service committee appeals, at hospital enquiries and at the General Medical and Dental Councils, and assistance to members through the MDU's lawyers in all parts of the world except the USA.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are written off over their estimated useful lives as follows:

Freehold Property:	The cost of freehold office property is written off over 50 years.
Short leasehold properties:	Redevelopment costs on short leasehold properties are written off over the period of the leases.
Long leasehold properties:	The costs of long leasehold properties are written off over 50 years.
Office and computer equipment including software:	20% per annum on cost, or higher depending on expected useful life.
Premises machinery:	10% per annum on cost.
Motor vehicles:	20% per annum on cost.

(e) Investments

The MDU revalues its investments on an annual basis. Listed and Unlisted Investments held at 31 December are stated at the mid-market valuation on that date. Movements on revaluation are accounted for through the Investment Revaluation Reserve.

(f) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Normal fluctuations on operating items are dealt with as part of the results for the year.

(g) Deferred taxation

No provision is made for potential tax liabilities on unrealised gains arising from the revaluation of investments and certain leasehold properties.

(h) Pension costs

The pension costs are charged in the Income & Expenditure account so as to spread the cost of pensions over the working lives of employees who are Scheme members.

(i) Operating leases

Leasing charges in respect of operating leases are recognised in the Income & Expenditure account over the lives of the lease agreements as incurred.

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
2 INDEMNITY AND LEGAL COSTS		
Indemnity payments	13,265	11,864
Legal costs	<u>11,838</u>	<u>8,886</u>
	<u>25,103</u>	<u>20,750</u>

3 SURPLUS OF MEMBERS' SUBSCRIPTIONS OVER EXPENDITURE

a) Surplus of members' subscriptions over expenditure for the year before taxation has been arrived at after charging the following:

Depreciation	1,292	819
Loss on disposal of fixed assets	18	-
Auditors' remuneration	40	40
Council and Dental Committee members' fees to 16 July 1991	105	203
Directors' remuneration from 16 July 1991	339	-
Staff costs (note c)	7,948	7,671
Operating lease charges	<u>195</u>	<u>184</u>

b) Council and Dental Committee members' fees

The details of the Council and Dental Committee members' fees to 16 July 1991 were as follows:

President's fees	<u>15</u>	<u>17</u>
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Other Council and Dental Committee members' fees:

	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	46	36
£ 5,001 - £10,000	3	11
£10,001 - £15,000	1	2
£15,001 - £20,000	<u>-</u>	<u>1</u>

c) Directors' remuneration

Following the formation of the Board of Management on 16 July 1991, the remuneration paid to the Directors from this date was as follows:

	<u>1991</u> <u>£'000</u>
Fees	64
Other emoluments including pension contributions	<u>275</u>
	<u>339</u>

Chairman's fees	<u>14</u>
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Emoluments (excluding pension contributions) of the highest paid Director

<u>48</u>

The emoluments (excluding pension contributions) of the other Directors fell within the following ranges:

	<u>Number</u>
£ Nil - £ 5,000	3
£ 5,001 - £10,000	6
£10,001 - £15,000	1
£35,001 - £40,000	<u>4</u>

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

d) Directors' loans

At 31 December 1991 there were outstanding secured mortgage loans bearing interest at 5% per annum to Dr K M Allsopp of £30,000 and Dr M T Saunders of £30,000 which were made before their appointment as directors. These loans have been repaid during 1992.

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
e) Staff Costs		
Salaries	6,053	5,702
Social security costs	312	466
Other pension costs	<u>1,583</u>	<u>1,503</u>
	<u>7,948</u>	<u>7,671</u>

	<u>Number</u>	<u>Number</u>
Average number of employees in the year	<u>236</u>	<u>223</u>

1990 restated to include 24 overseas employees

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
4 OTHER INCOME		
Franked investment income	650	829
Unfranked investment income	<u>2,941</u>	<u>2,874</u>
	3,591	3,703
Loan and bank interest	<u>1,583</u>	<u>1,071</u>
	5,174	4,774
Profit/(loss) on sale of investments	<u>3,561</u>	<u>(1,837)</u>
	8,735	2,937
Income from fixed asset investments	190	185
Other income	<u>8,925</u>	<u>3,122</u>

5 EXCEPTIONAL ITEM

Settlement of Kupat Holim Clalit liabilities and associated costs.	<u>7,474</u>	<u>-</u>
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6 TAXATION

Foreign taxation	3	7
Corporation tax for the year at 33%(1990:35%) on income and capital gains from investments	2,035	1,500
Tax credits on franked investment income	<u>162</u>	<u>207</u>
	<u>2,200</u>	<u>1,714</u>

The potential tax liability on unrealised gains arising on the revaluation of investments is estimated to be £3,750,000 (1990: £2,400,000) and on the revaluation of certain leasehold properties is estimated to be £275,000 (1990: £366,000).

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

7 FIXED ASSETS – TANGIBLE

	<u>Freehold Property</u> £'000	<u>Leasehold Properties</u> £'000	<u>Motor Vehicles</u> £'000	<u>Office Equipment</u> £'000	<u>1991 Total</u> £'000
Cost/valuation					
At 1 January 1991	1,804	8,270	–	4,452	14,526
Additions	–	1,141	163	440	1,744
Disposals	–	(33)	–	–	(33)
At 31 December 1991	<u>1,804</u>	<u>9,378</u>	<u>163</u>	<u>4,892</u>	<u>16,237</u>
Cost	1,804	6,026	163	4,892	12,885
Valuation in 1987	–	3,352	–	–	3,352
	<u>1,804</u>	<u>9,378</u>	<u>163</u>	<u>4,892</u>	<u>16,237</u>
Depreciation					
At 1 January 1991	48	876	–	1,433	2,357
Provided in year	36	413	3	840	1,292
Disposals	–	(15)	–	–	(15)
At 31 December 1991	<u>84</u>	<u>1,274</u>	<u>3</u>	<u>2,273</u>	<u>3,634</u>
Net book amount					
At 31 December 1991	<u>1,720</u>	<u>8,104</u>	<u>160</u>	<u>2,619</u>	<u>12,603</u>
At 31 December 1990	<u>1,756</u>	<u>7,394</u>	<u>–</u>	<u>3,019</u>	<u>12,169</u>

On an historic cost basis, leasehold properties at valuation would have been included as follows:

	<u>1991</u> £'000	<u>1990</u> £'000
Cost	2,843	1,835
Depreciation	<u>250</u>	<u>263</u>
	<u>2,593</u>	<u>1,572</u>

Leasehold properties at net book value comprise:

Properties with over 50 years to run	8,078	7,334
Properties with under 50 years to run	<u>26</u>	<u>60</u>
	<u>8,104</u>	<u>7,394</u>

8 CAPITAL AND OPERATING LEASE COMMITMENTS

Capital expenditure contracted for but not provided for in these accounts

Capital expenditure authorised but not yet contracted for

123	598
–	309
<u>123</u>	<u>907</u>

Commitments under non-cancellable operating leases at 31 December 1991 were as follows:

Expiring within one year	18	6
Expiring between two and five years	<u>163</u>	<u>170</u>
	<u>181</u>	<u>176</u>

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

9 FIXED ASSETS - INVESTMENTS

	<u>Listed investments</u> £'000	<u>Unlisted investments</u> £'000	<u>Loans</u> £'000	<u>1991 Total</u> £'000
At 1 January 1991:				
At valuation	59,914	1,505	-	61,419
At cost	-	-	307	307
	<u>59,914</u>	<u>1,505</u>	<u>307</u>	<u>61,726</u>
Additions at cost	46,178	200	-	46,378
Disposals at cost	(27,418)	(321)	(31)	(27,770)
Revaluation movement (note 12)	4,406	104	-	4,510
At 31 December 1991	<u>83,080</u>	<u>1,488</u>	<u>276</u>	<u>84,844</u>

Listed and unlisted investments are stated at valuation and loans are stated at cost.
The listed investments are all listed on recognised stock exchanges.

On an historic cost basis, investments would have been included as follows:

	<u>1991</u> £'000	<u>1990</u> £'000
Listed investments	71,966	53,204
Unlisted investments	1,222	1,344
	<u>73,188</u>	<u>54,548</u>

Unlisted investments at 31 December 1991 include the cost of the MDU's investment in wholly owned subsidiaries: The Australasian Medical Defence Union Limited, Dental Defence Union Limited, Hospital and Community Services Limited and General Practitioner Defence Union Limited which are registered in England. Consolidated accounts have not been prepared because the subsidiaries' accounts are not material in the context of the MDU's accounts.

	<u>1991</u> £'000	<u>1990</u> £'000
10 DEBTORS		
Subscriptions in transit	1,257	642
Other debtors	229	1,807
Prepayments and accrued income	445	183
	<u>1,931</u>	<u>2,632</u>

Cash held by Fund Managers for investment has now been included in deposits at banks and the 1990 comparative restated accordingly.

	<u>1991</u> £'000	<u>1990</u> £'000
11 CREDITORS		
Falling due within one year:		
Subscriptions received in advance	-	345
Administration creditors	4,964	3,239
Taxation and social security	1,870	1,430
Other creditors	495	264
Provision for refunds and extended membership	-	500
	<u>7,329</u>	<u>5,778</u>

THE MEDICAL DEFENCE UNION LTD Limited by Guarantee

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

12 RESERVES	Property Revaluation Reserve £'000	Investment Revaluation Reserve £'000	Accumu- lated Fund £'000	1991 Total £'000
At 1 January 1991	2,507	6,870	72,151	81,528
Movement on revaluation of investments (Note 9)	-	4,510	-	4,510
Excess of income over expenditure for the year	-	-	17,541	17,541
At 31 December 1991	<u>2,507</u>	<u>11,380</u>	<u>89,692</u>	<u>103,579</u>

13 ACCUMULATED FUND - INDEMNITY CASES

The liability for outstanding reported indemnity cases at 31 December 1991 is estimated on the advice of the consulting actuaries to be £113m (1990 - £97m including £8m relating to Kupat Holim Chalit, see note 5). The actuaries have taken account of the fact that cases are settled over a number of years and the estimated liability has been discounted to allow for future investment returns. The MDU's policy is to provide for the full funding of these liabilities in due course.

14 PENSION COSTS

The MDU provides defined benefit pension schemes for its employees, both in the UK and Australia. The assets of the schemes are held under trust separately from those of the MDU. In Australia a defined benefit scheme is operated with pension costs for the year of £121,430 (1990 £98,000). In respect of the UK scheme, pension costs are assessed on the advice of an independent qualified actuary using the attained age method. The assumptions which have the most significant effect on the pension cost calculations are that the rate of return on investments will be 9% per annum, that salary increases will average 8.5% per annum and that present and future pensions will increase at 5% per annum.

The funding of the UK scheme is based on regular triennial actuarial valuations. The most recent actuarial valuation as at 6 April 1989 showed that the market value of the scheme's assets was £5.48m and that the actuarial value of the assets represented 71% of the value of the benefits which had accrued to members, after allowing for expected future increases in earnings. The UK pension cost for 1991 was £1.5m (1990 - £1.3m) of which approximately 20% was in respect of the elimination of the shortfall over a period of 11 years, which is the average remaining service life of scheme members.

15 MEMBERS' LIABILITY

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 in accordance with Auditing Standards.

We draw attention to Note 13 which outlines the estimated liability for outstanding reported indemnity claims.

In our opinion the financial statements give a true and fair view of the state of the MDU's affairs at 31 December 1991 and of its surplus and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON
24 March 1992

Pannell Kerr Forster.
Pannell Kerr Forster
Chartered Accountants
Registered Auditor