



summary annual report 2010-2011

Medical Indemnity Protection Society Ltd and its subsidiaries

member benefits

As a member organisation, MIPS is committed to providing a range of benefits to members to meet their needs in accordance with the MIPS constitution.

MIPS Protections	✓
MIPS Members' Medical Indemnity Insurance Policy	✓
MIPS Members' Practice Entity Policy*	✓
MIPS Members' Group Personal Accident Policy	✓
medico-legal advice (24/7 advice helpline)	✓
risk management workshops & advice	✓
medico-legal Seminars and training	✓
online risk management modules	✓
range of club MIPS member benefits	✓
MIPS review and MIPS student review	✓

* These membership benefits do not apply to Student Membership Categories

The extent of access to MIPS comprehensive and flexible membership benefits is determined by the membership category selected by a member. MIPS continues to expand the benefits it provides members in anticipation of and/or response to developing needs while keeping associated paperwork to a necessary minimum.

medico-legal advice and claims assistance

One of the many facets of MIPS that makes it different from other MDOs is that all MIPS medico-legal advisors and claims file managers are experienced, senior medical or dental practitioners. They all have substantial experience in clinical practice and this expertise is brought to the fore in the advice and assistance they provide to members in need. Their professional specialties include: general practice, obstetrics/gynaecology, anaesthetics, orthopaedic surgery, general surgery, internal medicine, pain management, general dentistry, endodontics and prosthodontics.

During the 2010-2011 membership year, MIPS received approximately 4,000 new contacts from members seeking advice, solace, assistance and support. Approximately 80% of these contacts related to non-liability matters such as advice on matters or incidents deemed not likely to give rise to a claim.

Claims trends remain unchanged. The most significant claims by patients still relate to a failure and/or delay in diagnosis (principally breast and skin cancer), and delays in referral for investigation of suspicious bowel symptomatology. What makes the latter almost indefensible is a failure to undertake a basic rectal examination at the time of presentation and delay or lack of priority in the referral for subsequent specialist investigation.

One of the more recently observed adverse trends has been the number of claims arising from patients seen with presenting symptoms of cardiac origin where some basic diagnostic investigations are performed but a diagnosis is not made. Often in these cases the ECG is unremarkable and troponin is in the normal range giving practitioners false confidence that other differential diagnoses should be explored. Unfortunately, in many cases the patient dies within days or weeks of ischaemic heart failure.

MIPS managing director and chief executives officer's report

I am pleased to report that the financial results for the MIPS Group to 30 June 2011 include:

- \$17 million increase in members' surplus to \$150 million
- \$46 million increase in total members' assets to \$327 million

This result represents further financial strengthening of the MIPS Group providing additional protection for members. The most significant factors contributing to that result were:

- higher than anticipated total income reflecting continued growth through new members in addition to maturing of members risk
- improved investment result compared with prior year and budget
- better than budgeted non-indemnity operating expenses
- increase in projected High Cost Claims Scheme recoveries based on actuarial claims estimates

MIPS has elected to continue a comprehensive approach to minimise possible exposure of the MIPS Group to volatility from infrequent but high value medical indemnity claims. In addition to comprehensive reinsurance programs the MIPS Group has chosen to maintain reserving of medical indemnity liabilities at a higher level of sufficiency than that required under prudential standards. Each year the MIPS Group boards consider a range of factors to determine the appropriate level of sufficiency to be adopted for reserving.

To better position MIPS as a 'buying group' for members, MIPS extended its approach of providing medical indemnity insurance cover under master policy arrangements to all members. This is detailed in the MIPS Membership Benefits booklet including product disclosure statements. Following that change MIPS undertook a

comprehensive, objective and impartial review of its existing insurance and reinsurance structures. As part of this 'root and branch' review MIPS invited expressions of interest from appropriate potential insurance and reinsurance providers and subsequently undertook a tender. A condition of the tender, to ensure the best ongoing outcome for members, was that MIPS maintain all interaction with members including the important services of advice and claims management. The main outcomes of that extensive review process were;

- further enhancement of current reinsurance structures to further limit the potential for adverse and/or volatile claims and financial results (therefore helping to ensure stable membership fee pricing while protecting members' assets) and
- confirmation that the MIPS Group is providing significant value to MIPS members compared with pricing of alternative insurance cover by well informed commercial insurers experienced in the area of medical malpractice.

As a result of the review, which we believe is a unique initiative, MIPS is reassured that its current operational framework is well placed to continue to meet member's needs on a long term, stable and sustainable basis.

Dr Troy Browning

Managing Director



MIPS chairman's report

I am pleased to report that the MIPS group has once again enjoyed a successful year with a significant increase in members' surplus and also in net members' assets.

The financial results of the group are a cause of satisfaction to Board and management and are indicative of sound financial budgeting and controls. They should also provide comfort to members who may be assured that risks arising from their practices are well protected.

MIPS remains committed to being the pre-eminent 'doctors for doctors' medical defence organisation in Australia. MIPS' principle objective under its constitution is to promote honourable and discourage irregular practice. Its obligations are to its current members – MIPS does not expose members' assets to the risk of claims of non-members.

MIPS provides members with a number of standard benefits including access to medical indemnity insurance cover underwritten by our wholly owned APRA regulated subsidiary MIPS Insurance. MIPS, however, believes a holistic approach to the provision of protection and support to our members requires more than a policy of insurance and accordingly we provide other benefits including 24 hour medico-legal assistance from well qualified clinicians, practice entity and personal accident insurance covers, MIPS Protections for non-medical indemnity matters not otherwise covered by a policy of insurance, access to an extensive range of risk management resources and representation and advocacy on behalf of MIPS members.

With respect to the latter, the Managing Director continues to be involved with a number of working parties and committees. These can all be found in his report. Of particular relevance this year, have been submissions to the Productivity Commission in relation to the National Disability and Long Term Care Scheme and the National Injury Insurance Scheme. He has also made a submission and given evidence to the Senate inquiry into the operation of the Professional Services Review.

As indicated in my last report, changes were anticipated in the composition of the Board.

Dr Bob Dickens retired at the end of 2010 after making an invaluable contribution particularly during the difficult transition from medical indemnity as a discretionary product to being subject to a contract of insurance. I take this opportunity to express my thanks to him together with those of the rest of the Board. As many members will know he remains at MIPS in his capacity as Chairman, Claims Senior Management Group.

The Board was delighted to welcome two new directors appointed in January. They are Ms Susan Bitter and Adjunct Associate Professor Leanne Rowe AM. Brief biographies can be found in the Annual Report but Professor Rowe has a background in general practice and Ms Bitter in accounting and as an executive in major legal firms. They have both shown themselves to be very able directors and present some new and challenging ideas at Board meetings. Since commencing, Professor Rowe has also been appointed to the MIPS Insurance Board and Ms Bitter to the Group Audit Risk and Compliance Committee.

It only remains to me to express my thanks to my fellow MIPS directors for their support and invaluable assistance over the last year. My thanks also goes to Mr Barry Gilbert, Chairman of MIPS Insurance together with the other directors of MIPS Insurance for their diligence throughout the year and to the Heads of the Divisions of MIPS and to all the other MIPS staff who work so assiduously to provide members with the services they require.

R W L Turner

Chairman



Medical Indemnity Protection Society Ltd and its subsidiaries

statement of comprehensive income

for the year ended 30 June 2011

	group		society	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
operating income	57,167	55,370	60,476	24,821
reinsurance and other recoveries revenue	14,787	1,568	-	-
investment result	14,978	11,440	3,757	2,160
total income	86,932	68,378	64,233	26,981
claims expense	(46,856)	(27,588)	-	-
master policy expenses	(2,873)	-	(39,669)	-
other operating expenses	(12,800)	(11,899)	(12,867)	(11,855)
outwards reinsurance premium expense	(5,713)	(5,800)	-	-
indemnification benefit/(expenses)	2,107	2,070	1,916	1,782
insurance levy	(1,849)	(1,929)	-	-
total expenses	(67,984)	(45,146)	(50,620)	(10,073)
profit before income tax	18,948	23,232	13,613	16,908
income tax (expense)/benefit	(1,697)	(2,970)	(141)	50
profit for the year	17,251	20,262	13,472	16,958
net fair value gains on available for sale financial assets	614	1,318	614	1,318
income tax on items of other comprehensive income	(184)	(395)	(184)	(395)
other comprehensive income, net of tax	430	923	430	923
total comprehensive income for the year	17,681	21,185	13,902	17,881

Medical Indemnity Protection Society Ltd and its subsidiaries

statement of financial position

As at 30 June 2011

	group		society	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
current assets				
cash and cash equivalents	34,992	64,028	15,074	24,808
receivables	7,675	1,844	8,819	3,526
investments	180,222	139,464	55,555	30,430
reinsurance and other recoveries receivable	8,827	5,727	2,153	2,048
other assets	3,912	3,948	10,540	19,523
total current assets	235,628	215,011	92,141	80,335
non-current assets				
investments	56,512	44,148	15,774	11,689
reinsurance and other recoveries receivable	32,887	19,694	3,516	4,679
plant and equipment	691	857	588	830
investments in subsidiaries	-	-	6,508	6,508
deferred tax asset	1,326	1,011	-	-
total non-current assets	91,416	65,710	26,386	23,706
total assets	327,044	280,721	118,527	104,041
current liabilities				
payables	5,356	6,959	2,937	1,163
current tax liabilities	291	590	-	-
outstanding claims liability	17,910	14,556	-	-
other liabilities	34,314	26,757	34,314	26,757
provisions	2,590	7,321	2,590	7,321
total current liabilities	60,461	56,183	39,841	35,241
non-current liabilities				
outstanding claims liability	102,365	76,175	-	-
provisions	13,449	15,275	7,155	11,293
deferred tax liabilities	-	-	553	431
total non-current liabilities	115,814	91,450	7,708	11,724
total liabilities	176,275	147,633	47,549	46,965
net assets	150,769	133,088	70,978	57,076
equity				
share capital	100	100	100	100
investment revaluation reserve	1,638	1,208	1,638	1,208
retained profits	149,031	131,780	69,240	55,768
total equity	150,769	133,088	70,978	57,076



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