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Annual Report date

Tuesday, 25 September 2012

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MIGA

Medical Defence Association of South Australia Ltd

ABN 41 007 547 588

Medical Insurance Australia Pty Ltd

ABN 99 092 709 629

MDASA Limited

(Board as at September 2012)

Dr John O'Loughlin AO – Chairman
Dr Martin Altmann – Deputy Chairman
Ms Amanda Anderson – CEO and Managing Director
Mr Henry Botha
Associate Professor Peter Cundy
Ms Virginia Hickey
Dr Roger Sexton

Medical Insurance Australia Pty Ltd

(Board as at September 2012)

Dr John O'Loughlin AO – Chairman
Dr Martin Altmann – Deputy Chairman
Ms Amanda Anderson – CEO and Managing Director
Mr Henry Botha
Associate Professor Peter Cundy
Ms Virginia Hickey
Dr Roger Sexton
Mr David Goodsall
Mr David Henderson

Chief Executive Officer and Managing Director

Ms Amanda Anderson

Key professional advisers

Actuaries Finity Consulting Pty Ltd, Sydney

Auditors and Tax Advisors KPMG, Adelaide

Corporate Legal Advisors Dibbs Barker, Sydney and Iles Selley Lawyers, Adelaide

Principal Medico-legal Advisors Wallmans Lawyers, Adelaide

Reinsurance Brokers Guy Carpenter Pty Ltd, Sydney and London

Graphic Designer and Advisor de.co Pty Ltd, Adelaide

Investment Advisors Morgan Stanley Smith Barney Australia Pty Ltd

Internal Auditor PricewaterhouseCoopers, Adelaide

Harry Borysewicz of Harlen

Graphics has been MIGA's graphic designer since 2000 and is retiring this year. In this time, all of MIGA's external materials have been developed by Harry and he has done a wonderful job for us over the years. We take this opportunity to thank him for his dedication and commitment to the delivery of nothing but the best for MIGA.

Reducing Our Environmental Impact

Like all public companies, we are required to provide our members with a copy of our Annual Report which until 4 years ago, was distributed in printed form.

To help reduce our operating costs and environmental impact, for the year ended June 2012 we have again produced the following:

An **Annual Review** which:

- Has been printed and provided to all members, policy holders and key stakeholders
- Incorporates an overview of the Group's financial results and key developments in the last year
- Is much shorter than the full Annual Report and Summary Financial Reports
- We believe is a more valuable method of communicating key information about MIGA

This **Annual Report** and **Summary Financial Reports** which:

- Are available on our website, unless members specifically ask for a printed copy
- Includes all of the Group's statutory reporting requirements, such as the Directors' Report, the Summary Financial Reports and the external auditor's report.

The information in this Report is to be read in conjunction with the MIGA 2012 Annual Review which is also available on our website.

Making the Annual Report (including Summary Financial Reports) only available via the website and printing a shorter Annual Review supports the Group's Environmental Policy and helps reduce our environmental impact and the costs of running our business.

Directors' Report

The Directors present their report together with the financial report of the Medical Defence Association of South Australia Ltd (MDASA) and the consolidated financial report of the Consolidated Entity, being MDASA, and its controlled entity Medical Insurance Australia Pty Ltd (Medical Insurance Australia), for the financial year ended 30 June 2012.

The principal activity of MDASA during the financial year was to provide:

- A range of membership benefits and services to members
- Discretionary indemnity assistance to members in relation to discretionary indemnity granted on or before 30 June 2003.

The principal activity of MDASA's insurance subsidiary, Medical Insurance Australia, was to provide:

- Medical indemnity insurance to doctors and medical students throughout Australia
- Medical indemnity insurance to corporate entities involved in the provision of healthcare services
- Professional indemnity insurance to midwives under the Federal Government's Midwives Insurance Scheme, and
- Medical indemnity insurance to MDASA, to cover its liabilities where it is required to indemnify its members for prior claims incurred indemnity as per its Constitution. The indemnity provided to MDASA is through an insurance contract which is underwritten on a claims made basis with full retroactive indemnity.

Membership of MDASA is governed by the terms and conditions of the Constitution of MDASA, and doctors and medical students must maintain membership of MDASA in order to access the insurance cover provided by Medical Insurance Australia. No membership requirements apply to corporate entities or midwives.

No significant changes in the nature of the activities of the Consolidated Entity have occurred during the year.

Operating Result

The Consolidated Entity reported a profit of \$14.106m for the financial year ended 30 June 2012, after providing for income tax. This compares very favourably with the budget of \$4.462m for the year and the actual result of \$6.684m for the 2011 year.

The Consolidated Entity has a surplus in net assets of \$93.907m as at 30 June 2012.

(Amounts shown as \$m)	2012 Actual
Premium Revenue	27.988
Net Incurred Claims	9.717
Underwriting Expenses	7.142
Operating Expenses	13.181
Underwriting Result	(2.052)
Subscription Revenue	5.217
Other Revenue	0.687
Net Loss on Sale of Property, Plant and Equipment	0.008
Net Finance Income	13.864
Profit before tax	17.708
Tax	3.602
Net profit	14.106

The 2012 result is above budget because of the following key reasons:

- Growth in new business across all policy types meant that revenue was higher than expected for the year (by \$1.573m)
- Investment income was well above budget (by \$4.443m), a reflection of the value of our conservative and well-managed Investment Policy
 - The key driver to the above budget result was that unrealised gains on fixed interest investments were high
 - This was partially offset by a decrease in the value of equity investments
- Claims costs were significantly lower than expected (by \$6.599m)
 - Claim numbers and therefore costs were lower for the 2011/2012 year than in prior years and lower than expected

– We achieved significant releases of claims estimates from a number of prior years driven by settlements being lower than expected and a revision of the expected future claims cost of many of those years when they eventually settle

– A decrease in the discount rate across the year partially offset the positive impact of the improvements in claims costs

- The costs of running the business were well contained and carefully managed, notwithstanding our significant growth in recent years
 - Operating expenses were in line with budget for the year. We are seeing real benefits for our clients with our increasing focus on on-line technology as a way to reduce the cost of running our business.

Directors

The names of Directors in office at any time during or since the end of the financial year are outlined in the Section entitled "Directors' Information".

Board Committees

The Committees established to assist the Boards of MDASA and Medical Insurance Australia with discharging their responsibilities are outlined in the section entitled "Board Committees".

Review of Operations

The Review of Operations is outlined throughout this Report and in the MIGA 2012 Annual Review.

As at the date of this Report, there are no proceedings which have been brought, or which are pending, against the Consolidated Entity or its Directors.

During the financial year the Directors have sought assistance from actuaries, lawyers, accountants, auditors, reinsurance brokers and other key advisors. The degree of consultation was an essential component of the ongoing implementation of the Group's Strategic Plan.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity during the financial year, other than disclosed under Review of Operations.

Events subsequent to balance date

The Controlled Entity has entered into a commitment to lease new premises for our Head Office in Adelaide. The move is planned to occur in February 2013. The annual rent expense for the new office will be \$493k. Rent expense in the Consolidated Entity for the Head Office in Adelaide in 2011/2012 was \$441k and the annual increase is \$52k.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years, other than as disclosed under Review of Operations.

Future developments

The Directors are not aware of any other matters or circumstances which may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years, other than as disclosed under Review of Operations.

Company secretary

Mrs Natalie Simmons was appointed company secretary with effect 30 May 2012 to replace Ms Amanda Anderson who was company secretary from May 2000.

Audit independence

Copies of the auditor's independence declaration as required under Section 307C of the Corporations Act are included on pages 22 and 30 of this Annual Report.

Indemnifying officers

During or since the end of the financial year the Consolidated Entity has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums to insure its Directors against liability for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors of the Consolidated Entity other than conduct involving a wilful breach of duty to the Consolidated Entity. The premium covers all Directors and Officers of the Consolidated Entity. The premium paid for this cover in the year was \$49,910.

Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors.



Director **Dr J O'Loughlin**



Director **Mr H Botha**

Adelaide

Dated this 25th day of September 2012



Role of the Boards

The Boards are responsible for the overall corporate governance of MIGA including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

They are also responsible for approving and monitoring financial and other reporting.

The Boards have delegated responsibility for operation and administration of the Company to the CEO and management. Responsibilities are delineated by formal delegations of authority.

Director education

The Group has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of Directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. Directors can access continuing education opportunities to update and enhance their skills and knowledge.

The Boards have agreed that it is important that Directors have completed or are committed to completing the AICD Company Directors Course.

Independent professional advice and access to company information

Each Director has the right of access to all relevant Group information and to the Group's key staff and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. If this occurs, a copy of the advice received by the Director is to be made available to all other members of the Boards.

Risk management

Oversight of the risk management system

The Boards oversee the establishment, implementation, and annual review of the Group's Risk Management Strategy. Management has established and implemented the Risk Management Strategy for assessing, monitoring

and managing operational, financial reporting, and compliance risks for the Group. The CEO and the Corporate Services Manager have declared in writing to the Boards that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the Annual Financial Report for all material operations in the Group.

Risk profile

Each business unit is responsible and accountable for implementing, monitoring and ensuring compliance with the Group's Risk Management Strategy and Business Continuity Framework.

Major risks arise from matters such as actions by competitors, government policy changes, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk management and compliance and control

The Boards are responsible for the overall internal control framework, but recognise that no cost-effective internal control system will preclude all errors and irregularities. The Group's policies on internal control are comprehensive.

The Group has a Risk Management Strategy (RMS) which documents the strategies adopted by the Boards for managing risk. The RMS defines and outlines the processes implemented by the Group to identify and manage risks that may affect the operations of the organisation. It recognises the importance of corporate governance and provides the basis by which the Group proactively manages both strategic and operational risks.

Comprehensive policies have been established to ensure:

- Investments, capital expenditure and other commitments above a certain size require prior Board approval
- Investments are controlled and monitored by means of a comprehensive Investment Strategy
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- Business transactions are properly authorised and executed

- The quality and integrity of personnel
- Financial reporting accuracy and compliance with the financial reporting regulatory framework
- Environmental regulation compliance.

Quality and integrity of personnel

Formal appraisals are conducted annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and management. A Succession Policy is in place for the Boards and the CEO, and all Directors and managers are required to comply with the Group's Fit and Proper Policy. In addition, the Group has a Board Performance Review Policy which requires regular reviews of Board and Director performance. The Group's recruitment strategies ensure that competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The CEO and the Corporate Services Manager have declared in writing to the Boards that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Boards.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Environmental Policy

The Group is committed to achieving a high standard of environmental performance and has an Environmental Policy which ensures that we contribute to the extent we can, to initiatives which reduce our environmental impact. We acknowledge the impact of the printing process on the environment and we only use printing firms that are committed to protecting the environment both locally and globally.

Our business is very reliant on printed materials but we are committed to ensuring that we reduce our impact on the environment and contribute to creating a sustainable environment for future generations.

When we print documents we try to do so in an environmentally sound way.

Along with the green credentials of our primary printer, Finsbury Green, we also use Australian produced Greenhouse Friendly Fresh Zero Carbon Neutral and FSC Mixed Source Paper for the production of our product brochures and regular Bulletins. Through our printing with Finsbury Green and use of the Fresh Zero paper range, during the 2011 to 2012 year, we have been able to save 14,921 kgs in CO₂ emissions.

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, a State or a Territory.

Internal audit

The internal auditors assist the Boards in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the Group's compliance and control systems.

The Audit and Corporate Risk Committee is responsible for approving the program of internal audits to be conducted each financial year and for the scope of the work to be performed. An independent review to assess and evaluate the quality of the internal audit function is undertaken once every year. The Audit and Corporate Risk Committee has the authority delegated to it to appoint and dismiss the Internal Auditor.

Code of Practice

MIGA is committed to providing high quality, professional service and personal care to all our clients.

As a tangible measure of this commitment, MIGA has voluntarily adopted the General Insurance Code of Practice (the Code) and has also developed its own Service Commitment.

These reflect our genuine desire to be open, caring and honest in our relationships with our clients.

MIGA monitors compliance with the Code by regular Compliance Reviews conducted by MIGA's Risk and Compliance Officer and periodic Internal Audits by the Group's Internal Auditor, PricewaterhouseCoopers. All Compliance Review Reports and Internal Audit Reports are provided to the Audit and Corporate Risk Committee. The Financial Ombudsman Service also conducts an annual review of MIGA's compliance with the Code.

MIGA has established policies and procedures that ensure compliance with the Code. The Directors of MIGA have requested PricewaterhouseCoopers to conduct an independent review to provide assurance that MIGA materially complies with selected standards of the Code that are relevant to MIGA and are capable of being objectively measured by applying audit testing procedures for the period 1 July 2011 to 30 June 2012. PricewaterhouseCoopers' report did not contain any exceptions.

This is a very pleasing outcome for the Group, particularly given the strict service standards that underpin the Code.

The favourable outcomes from the reviews in the last year demonstrate our genuine commitment to the highest standards of service and transparency in our dealings with all of our clients.

Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the Boards advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Boards have developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Boards believe that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.



The Board and Board Committees

Meetings of Directors

During the financial year, 10 meetings of Directors of MDASA were held. In addition, 25 Committee meetings and a number of strategy meetings were held.

The MDASA Board meetings are run in conjunction with the Medical Insurance Australia Pty Ltd Board meetings.

The agenda for meetings of the Boards are prepared by the Chairman and the CEO. Standing items included financial reports, strategic matters and governance and compliance. Information and Papers are circulated in advance of meetings, and Directors have a number of opportunities for contact with a wider group of employees.

The number of meetings held during the time in which the Directors held office during the year and their attendance were as follows:

Meetings of Directors 2012						
	Directors' Meetings				Committee Meetings	
	MDASA		Medical Insurance Australia		Number of meetings held	Number attended
	Number of meetings held	Number attended	Number of meetings held	Number attended		
JA O'Loughlin AO – Chairman	10	10	9	9	25	25
M Altmann – Deputy Chairman	10	9	9	8	11	10
AJ Anderson	10	10	9	9	17	17
H Botha	10	9	9	8	6	6
D Goodsall	N/A	N/A	2	2	1	1
DC Henderson	N/A	N/A	9	9	7	7
VS Hickey	10	10	9	9	13	13
R Sexton	3	3	4	3	4	4
M Carr	5	3	N/A	N/A	2	1
AJ Jellett	9	9	9	8	12	12
RJ Singleton	10	10	9	9	4	4

Note:

Dr Michael Carr resigned from the Board of MDASA on 14 December 2011

Dr Roger Sexton was appointed to the Board of MDASA on 28 February 2012 and to the Board of Medical Insurance Australia on 27 March 2012

Mr David Goodsall was appointed to the Board of Medical Insurance Australia on 1 March 2012

Mr Alon Jellett retired from the Boards of MDASA and Medical Insurance Australia on 29 May 2012

Ms Amanda Anderson was appointed to the Board of MDASA on 30 May 2012

Dr Robert Singleton resigned from the Board of MDASA and retired from the Board of Medical Insurance Australia on 30 June 2012.

The Board and Board Committees

(continued)

Board Committees

To assist in the execution of their responsibilities, the Boards of Medical Insurance Australia and MDASA have established the following Committees:

Claims Committee
Chairman
Dr J O'Loughlin

Clinical Risk Management Committee
Chairman
Dr M Altmann

Audit and Corporate Risk Committee
Chairman
Mr H Botha

Governance and Remuneration Committee
Chairman
Ms V Hickey

The Committees are governed by individual Terms of Reference which clarify their membership, responsibilities and authorities. The Terms of Reference are reviewed on a regular basis.

The purpose of each Committee

The purpose of each Committee is as follows:

Committee	Purpose	Meetings
Claims Committee	To monitor and continually review claims developments for the Group, to review and agree estimates for and the classification of certain matters which are either claims for compensation or deemed likely to develop into claims for compensation against the Group and to consider any issues arising in relation to large claims in particular	Meets at least monthly
Clinical Risk Management Committee	To review and assess the progress and effectiveness of the Group's Risk Management Program and consider and agree risk management strategies for issues of significant concern for the Group in relation to individual members and trends identified within the portfolio. Issues of significant concern are those that have the potential to have a significant financial, legal or reputational impact on the Group and which are identified through the Members' Risk Management Protocol	Meets at least four times a year
Audit and Corporate Risk Committee	To monitor, review and make recommendations to the Boards of MDASA and Medical Insurance Australia on the Group's financial affairs, operational and balance sheet risk and legal/regulatory compliance	Meets at least six times a year
Governance and Remuneration Committee	To consider and agree remuneration for Directors and the CEO, to monitor the Group's compliance with the Board Performance and Review Policy and to consider the Group's succession plan and compliance with APRA's Fit and Proper requirements	Meets at least six times a year

Medical Advisory Panel

MIGA has Medical Advisory Panels in South Australia, New South Wales and Victoria.

The aim of these Panels is to better canvas the views of our national doctor membership and to facilitate engagement with a larger group of doctors nationally, which keeps us informed of the views of our clients.

The Panels help to keep us informed of the views of our clients nationally. Meetings are held with each Panel once or twice a year. Details of representatives on each Panel are available via our website.

Member participation on the Panels is on a voluntary basis and we would like to record our thanks for their contribution and commitment on behalf of all members.

Directors' Information



Dr John O'Loughlin AO

Chairman
Obstetrician and
Gynaecologist



Dr Martin Altmann

Deputy Chairman
Rural Procedural GP



Ms Amanda Anderson

CEO and
Managing Director



Mr Henry Botha

Chartered Accountant



**Associate Professor
Peter Cundy**

Orthopaedic Surgeon



Mr David Goodsall

Actuary



Mr David Henderson

General Insurance

Medical Insurance Australia

The Board of Medical Insurance Australia comprises eight Directors, the majority of whom (five) are non-medical with expertise in the following areas:

- Professional indemnity, insurance and risk management
- Actuarial
- Legal and corporate governance
- Accounting.

All medical Directors on the Board of Medical Insurance Australia are also Directors of MDASA.

MDASA

The Constitution of MDASA requires that:

- The majority of the Directors must be medical members of MDASA
- At all times there must be at least three non-medical Directors who are appointed by the Board and whose appointment is subject to review every three years.

The medical Directors are elected by the membership and are subject to re-election by rotation in accordance with the Constitution.

The Board of MDASA comprises seven members, four of whom are medical Directors.

The non-medical representation on the MDASA Board ensures that we maintain an important broad blend of expertise, given the corporate and insurance related issues that the organisation must consider.

2011 AGM

The Annual General Meeting was held on 26 November 2011 and included the election of Directors to the Board of MDASA.

Dr Martin Altmann retired by rotation (as per the Constitution) and as there was only one nomination for the vacancy no election was required and Dr Altmann was re-elected at the AGM (under Article 48A(b) of the Constitution).

Board changes

Farewell to Dr Rob Singleton and Mr Alon Jellett

In May and June 2012 we farewelled Dr Rob Singleton and Mr Alon Jellett, who left our Boards after more than 12 years' service to the Group.

Under our rules as an insurance company, Directors can only serve a maximum term of 12 years before they must retire.

Dr Rob Singleton was elected to the MDASA Board at our AGM in November 1999 and was subsequently appointed to the Board of Medical Insurance Australia in May 2000 (when we first registered our insurance company).

He was a member of our Risk Management Committee since it was first created in September 2000.

Alon Jellett was appointed to the Board of MDASA in September 1999 and was appointed to the Board of Medical Insurance Australia in May 2000. Alon was the Chair of our Audit Committee from 2000 to his retirement.

Both were valuable contributors to the business in their time with the Group and we will miss them enormously.

They saw us through the difficult years as the MDO industry needed to recapitalise and make the transition to an insurance framework. They were an integral part of the strategy to grow and strengthen MIGA nationally.

On behalf of the Boards, staff and all our clients we thank them for their contribution to the Group over the last 12 years and wish them both the very best for the future.

Dr Michael Carr

Dr Michael Carr resigned from the Board of MDASA in December 2011.

Dr Carr was a Director of MDASA since August 2010 and was a valuable contributor to the business during his time with the Group.

On behalf of the Boards, staff and all our membership we thank him for his contribution and wish him all the best for the future.



Ms Virginia Hickey
Lawyer and Corporate
Governance Consultant

Dr Roger Sexton
GP - Urban and Rural

Dr Rob Singleton
Anaesthetist

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Board appointments

The Directors of MDASA and Medical Insurance Australia made the following appointments during the year:

Dr Roger Sexton

Dr Roger Sexton was appointed as a Director of MDASA from 28 February 2012 and as a Director of Medical Insurance Australia on 27 March 2012.

Mr David Goodsall

Mr David Goodsall was appointed to the Board of Medical Insurance Australia Pty Ltd on 1 March 2012.

Associate Professor Peter Cundy

Associate Professor Peter Cundy was appointed as a Director of MDASA and Medical Insurance Australia on 1 July 2012.

Ms Amanda Anderson

Ms Amanda Anderson was appointed to the Board of MDASA on 30 May 2012.

All bring a wealth of experience to MIGA and will add great value to the Group.

We look forward to their contribution to the Group in the years ahead.

Directors' Information

(continued)

Information on Directors Details of Directors in office as at 30 June 2012 or appointed since then.

Director	MIGA Board Appointments	MIGA Board Committees	Qualifications	Industry and Sector experience
<p>Dr John Augustine O'Loughlin AO</p> <p><i>Obstetrician and Gynaecologist</i></p>	<p>Chairman – MDASA Limited</p> <p>Chairman – Medical Insurance Australia Pty Ltd</p> <p>Chairman – Medical Insurance Group Australia Pty Ltd</p>	<p>Chairman – Claims Committee</p> <p>Member – Clinical Risk Management Committee</p> <p>Member – Governance and Remuneration Committee</p> <p>Member – Audit and Corporate Risk Committee</p> <p>Member – Medical Advisory Panel</p>	<p>MS, MB, BS, FRCOG, FRANZCOG, FRNZCOG (Hon), FACOG (Hon)</p> <p>Fellow – Australian Institute of Company Directors (FAICD)</p>	<p>Dr O'Loughlin has been a consultant Obstetrician and Gynaecologist in private practice in Adelaide for over 30 years. He has held teaching hospital appointments at the Queen Victoria Hospital, the Women's and Children's Hospital and the Royal Adelaide Hospital. He has recently retired from clinical practice, but continues his associations as emeritus consultant obstetrician and gynaecologist at the Women's and Children's Hospital and emeritus consultant gynaecologist at the Royal Adelaide Hospital.</p>
<p>Dr Martin Altmann</p> <p><i>GP Rural Obstetric</i></p>	<p>Deputy Chairman – MDASA Limited</p> <p>Deputy Chairman – Medical Insurance Australia Pty Ltd</p>	<p>Chairman – Clinical Risk Management Committee</p> <p>Member – Governance and Remuneration Committee</p> <p>Member – Medical Advisory Panel</p>	<p>MB, BS, (Adelaide), DRANZCOG (Advanced), MRCGP(UK), FACRRM</p> <p>Graduate Member, Australian Institute of Company Directors (GAICD)</p>	<p>Dr Altmann has been a practising Rural Procedural General Practitioner in Murray Bridge for 20 years with special interests in obstetrics, paediatrics and surgery. He maintains a strong commitment to medical training and education at both undergraduate and postgraduate levels.</p>
<p>Ms Amanda Jayne Anderson</p> <p><i>CEO and Managing Director</i></p>	<p>CEO and Director – MDASA Limited</p> <p>Managing Director – Medical Insurance Australia Pty Ltd</p> <p>Director – Medical Insurance Group Australia Pty Ltd</p>	<p>Member – Clinical Risk Management Committee</p> <p>Governance and Remuneration Committee – attends by invitation</p> <p>Audit and Corporate Risk Committee – attends by invitation</p>	<p>Bachelor of Arts, Social Sciences – majoring in psychology and biology</p> <p>Senior Associate – Australian and New Zealand Institute of Insurance and Finance (ANZIIIF)</p> <p>Business Certificate in Insurance</p>	<p>Ms Anderson has in excess of 25 years' experience in insurance, reinsurance, risk management, general business management and strategic planning with a specific emphasis on professional indemnity, general liability and medical malpractice insurance.</p>
<p>Mr Henry Albertyn Botha</p> <p><i>Chartered Accountant</i></p>	<p>Director – MDASA Limited</p> <p>Director – Medical Insurance Australia Pty Ltd</p>	<p>Chairman – Audit and Corporate Risk Committee</p>	<p>Bachelor of Commerce, University of Natal, South Africa</p> <p>MBA, University of Cape Town, South Africa</p>	<p>Mr Botha is a Chartered Accountant specialising in accountancy, finance and management consulting.</p> <p>He also lectures extensively across Australia for the Australian Institute of Company Directors on the finance modules of their Company Directors Course.</p>
<p>Associate Professor Peter John Cundy</p> <p><i>Orthopaedic Surgeon</i></p>	<p>Director – MDASA Limited</p> <p>Director – Medical Insurance Australia Pty Ltd</p>	<p>Member – Clinical Risk Management Committee</p> <p>Member – Medical Advisory Panel</p>	<p>MBBS (University of Adelaide)</p> <p>FRACS in Orthopaedic Surgery</p>	<p>Associate Professor Cundy is a well-known Orthopaedic Surgeon in Australia who has specialised in paediatric orthopaedic surgery as well as maintaining a general adult orthopaedic practice. Prior to joining the Boards he was a member of MIGA's Medical Advisory Panel.</p>

Directors' Information

(continued)

Director	MIGA Board Appointments	MIGA Board Committees	Qualifications	Industry and Sector experience
Mr David Goodsall <i>Actuary</i>	Director – Medical Insurance Australia Pty Ltd	Member – Audit and Corporate Risk Committee	BA – majoring in Actuarial Studies CERA – Chartered Enterprise Risk Analyst Fellow – Institute of Actuaries of Australia (FIAA)	Mr Goodsall is a consulting actuary based in Sydney. He has extensive experience in the financial and risk management aspects of a wide range of financial service companies. He has been closely involved in many public floats, demutualisations and corporate restructures, as well as holding a number of appointed actuary roles.
Mr David Charles Henderson <i>General Insurance</i>	Director – Medical Insurance Australia Pty Ltd	Member – Audit and Corporate Risk Committee Member – Governance and Remuneration Committee	Senior Associate – Australian and New Zealand Institute of Insurance and Finance (ANZIIF) Fellow – Australian Institute of Company Directors (FAICD)	Mr Henderson has over 40 years' experience in the general insurance industry including seven years as General Manager Commercial Insurance at SGIC and 4 years as CEO of RAA Insurance.
Ms Virginia Sue Hickey <i>Lawyer and Corporate Governance Consultant</i>	Director – MDASA Limited Director – Medical Insurance Australia Pty Ltd	Chairman – Governance and Remuneration Committee Member – Audit and Corporate Risk Committee	BA (Monash) LLB (Melb) Fellow – Australian Institute of Company Directors (FAICD)	Ms Hickey is a lawyer and corporate governance consultant. She was a partner of Finlaysons lawyers from July 1993 to September 2001. Ms Hickey is now a director of @ the Board Table, a corporate governance consulting business which advises boards on their corporate governance responsibilities and conducts organisational governance reviews. Ms Hickey is a facilitator in the Australian Institute of Company Directors' national and international Company Director course.
Dr Roger Sexton <i>GP – Urban and Rural</i>	Director – MDASA Limited Director – Medical Insurance Australia Pty Ltd	Member – Claims Committee Member – Clinical Risk Management Committee Member – Medical Advisory Panel	MB BS (Adelaide), DRCOG (UK), Grad Dip BA (Adel), FRACGP, FACRRM Graduate – Australian Institute of Company Directors (GAICD)	Dr Sexton is an active contributor to the medical profession. He practised as a procedural rural general practitioner at Mt Pleasant for 30 years and is currently working in part-time urban and rural general practice and as a medical consultant to the corporate sector. He is a clinical skills tutor at Adelaide University Medical School and has been a past Presiding Member of the Medical Board of SA with special interests in professional conduct and ethics in medicine, undergraduate medical education and the health of doctors and medical students.
Dr Robert Jon Singleton <i>Anaesthetist</i>	Director – MDASA Limited Director – Medical Insurance Australia Pty Ltd	Member – Clinical Risk Management Committee Member – Medical Advisory Panel	MB, BS – Bachelor of Medicine, Bachelor of Surgery Fellow – Australian and New Zealand College of Anaesthetists	Dr Singleton is a consultant anaesthetist in clinical practice.

Directors' Information

(continued)

Information on Directors

Director	Background	Medical Insurance Australia Board	MDASA Board
Dr John Augustine O'Loughlin AO	Obstetrician and Gynaecologist	Chair	Chair
Dr Martin Altmann	GP Rural Obstetrics	Deputy Chair	Deputy Chair
Ms Amanda Jayne Anderson	CEO – MDASA Managing Director – Medical Insurance Australia		
Mr Henry Albertyn Botha	Chartered Accountant		
Associate Professor Peter John Cundy	Orthopaedic Surgeon		
Mr David Goodsall	Actuary		
Mr David Charles Henderson	General Insurance		
Ms Virginia Sue Hickey	Lawyer and Corporate Governance Consultant		
Dr Roger Sexton	GP Urban and Rural		
Dr Robert Jon Singleton	Anaesthetist		

**Medical Defence Association
of South Australia Ltd**
A C N 007 547 588

The Directors present their
Summary Financial Report of the
Medical Defence Association of
South Australia Ltd (MDASA)
and the consolidated financial
report of the entity (Consolidated
Entity), being MDASA and its
controlled entity Medical Insurance
Australia Pty Ltd (Medical Insurance
Australia), for the financial year
ended 30 June 2012 and the
independent audit report thereon.



Medical Defence Association of South Australia Ltd

2012

Summary Financial Report

Year ended 30 June 2012

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Statement of Comprehensive Income

Medical Defence Association
of South Australia Ltd
Summary Financial Report for
the Year Ended 30 June 2012

Consolidated Entity

	2012 \$'000	2011 \$'000
Gross Written Premium	31,520	27,582
Movement in Unearned Premium	(3,532)	(243)
Premium Revenue	27,988	27,339
Gross Claims Expense - Risks borne in the Current Year	(32,882)	(33,952)
Gross Claims Expense - Risks borne in Prior Years	25,336	1,984
Reinsurance and Other Recoveries Undiscounted	4,484	13,249
Discount to Present Value	(6,655)	2,249
Net Claims Incurred	(9,717)	(16,470)
Outward Reinsurance and Medical Indemnity		
Insurance Expense	(6,649)	(6,773)
Professional Fees Expense	(1,410)	(1,374)
Employment Expenses	(7,002)	(6,099)
General and Administrative Expenses	(4,769)	(4,307)
Other Underwriting Expenses	(493)	(506)
Underwriting Result	(2,052)	(8,190)
Subscription Revenue	5,217	4,960
Other Income	687	625
Net Loss on the Sale of Property, Plant and Equipment	(8)	(17)
Results from Operating Activities	3,844	(2,622)
Finance Income	14,907	9,982
Finance Costs	(1,043)	(52)
Net Finance Income	13,864	9,930
Profit Before Tax	17,708	7,308
Income Tax Expense	3,602	624
Total Comprehensive Income Attributable to Members	14,106	6,684

Discussion and Analysis of the Statement of Comprehensive Income

Consolidated Entity

Gross Claims Expense has decreased by \$24.422m. Reinsurance and Other Recoveries have decreased by \$8.765m and there has been an unfavourable movement in Discount to Present Value of \$8.904m. Net Claims Incurred has decreased by \$6.753m. The decrease in Gross Claims Expense and associated Reinsurance and Other Recoveries at 30 June 2012 reflects a significant reduction in reportable claims and case estimates for a number of notification years resulting in reserve releases.

Net Finance Income has increased by \$3.934m which is predominately driven by the impact on reduction in interest rates which has increased the mark to market gains on fixed interest investments.

Premium Revenue increased by \$0.649m in the year ended 30 June 2012 due to a higher retention rate of renewable business for the doctor portfolio in 2011/2012 and growth from new business.

The accompanying discussion and analysis form part of the summary financial report.

Statement of Financial Position

Medical Defence Association
of South Australia Ltd
Summary Financial Report
as at 30 June 2012

Consolidated Entity

	2012 \$'000	2011 \$'000
Current Assets		
Cash and Cash Equivalents	44,499	38,043
Trade and Other Receivables	3,023	2,565
Reinsurance and Other Recoveries Receivable	7,713	5,566
Investments	22,664	11,847
Income Tax Receivable	-	929
Other Assets	410	282
Total Current Assets	78,309	59,232
Non-Current Assets		
Reinsurance and Other Recoveries Receivable	59,304	52,498
Investments	128,710	125,713
Deferred Tax Assets	175	1,097
Property, Plant and Equipment	637	831
Total Non-Current Assets	188,826	180,139
Total Assets	267,135	239,371
Current Liabilities		
Trade and Other Payables	4,070	3,271
Outstanding Claims Provision	22,671	22,574
Income Tax Payable	1,148	-
Employee Benefits	1,326	792
Other Liabilities	19,745	15,493
Total Current Liabilities	48,960	42,130
Non-Current Liabilities		
Outstanding Claims Provision	124,218	117,400
Employee Benefits	50	40
Total Non-Current Liabilities	124,268	117,440
Total Liabilities	173,228	159,570
Net Assets	93,907	79,801
Equity		
Retained Profits	93,907	79,801
Total Equity	93,907	79,801

Discussion and Analysis of the Statement of Financial Position

Consolidated Entity

Total Assets have increased in the Consolidated Entity by \$27.765m from 30 June 2011 to 30 June 2012. This movement is predominantly due to a:

- \$20.270m increase in the investment portfolio (including Cash and Cash Equivalents and Other Investments)
- \$8.953m increase in Reinsurance and Other Recoveries Receivable in line with the increased Outstanding Claims Provision in the Controlled Entity.

Total Liabilities have increased in the Consolidated Entity by \$13.658m from 30 June 2011 to 30 June 2012. This is predominately due to an increase in outstanding Claims Provision by \$6.915m from policies issued by the Controlled Entity and the Membership and Premium received in advance of \$4.252m.

The movement in Total Equity of the Consolidated Entity of \$14.106m, from 30 June 2011 to 30 June 2012, reflects the Net Profit After Tax for the year.

The accompanying discussion and analysis form part of the summary financial report.

Statement of Cash Flows

Medical Defence Association
of South Australia Ltd
Summary Financial Report for
the Year Ended 30 June 2012

Consolidated Entity

	2012	2011
	\$'000	\$'000
	Inflows (Outflows)	Inflows (Outflows)
Cash Flows From Operating Activities:		
Subscriptions Received	6,092	4,750
Premium Received	31,672	27,393
Sundry Income Received	658	638
Reinsurance and Other Recoveries Received	2,876	721
Reinsurance Paid	(6,881)	(6,855)
Claims Paid	(14,631)	(9,135)
Payments to Suppliers and Employees	(12,664)	(11,170)
Cash Generated from Operations Before Tax	7,122	6,342
Income Tax Paid	(605)	(1,560)
Net Cash from/(used in) Operating Activities	6,517	4,782
Cash Flows from Investing Activities:		
Proceeds from Sale of Property, Plant and Equipment	-	-
Acquisition of Property, Plant and Equipment	(100)	(210)
Interest Received	10,080	9,385
Dividends Received	410	440
Proceeds from Sale or Maturity of Investments	26,700	15,727
Acquisitions of Investments	(37,151)	(34,857)
Net Cash (used in)/from Investing Activities	(61)	(9,515)
Net Increase (Decrease) in Cash and Cash Equivalents	6,456	(4,733)
Cash and Cash Equivalents at 1 July	38,043	42,776
Cash and Cash Equivalents at 30 June	44,499	38,043

The accompanying discussion and analysis form part of the summary financial report.

Discussion and Analysis of the Statement of Cash Flows

Consolidated Entity

Premium Received during the year to 30 June 2012 was higher by \$4.279m than the prior year. This is predominately due to growth in policies issued across all policy types. It also reflects an increase in the average premiums and a higher collection rate in June 2012 for Doctor Policies renewed for the 2012/2013 year compared to the previous June.

Claims Paid during the year to 30 June 2012 were \$5.496m higher than during the 2010/2011 year as a number of large claims were settled during the year.

Reinsurance and Other Recoveries Received reflects recovery against a number of claims from reinsurers and the Federal Government under the High Cost Claim Scheme and the Run-Off Cover Scheme.

The Net Cash used in Investing Activities decreased by \$9.454m for the year ended 30 June 2012 from the 2010/2011 year. During the 2010/2011 year placement of funds in investments with a longer term to maturity, to more closely align the average term to settlement of claims to the average term to maturity of investments resulted in a higher outflow of Net Cash from Investment Activities. As the term to maturity is now more closely matched the outflow has reduced.

Statement of Changes in Equity

Medical Defence Association
of South Australia Ltd
Summary Financial Report for
the Year Ended 30 June 2012

Consolidated Entity

	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2011	79,801	79,801
Total Comprehensive Income for the Period	14,106	14,106
Balance at 30 June 2012	93,907	93,907
Balance at 1 July 2010	73,117	73,117
Total Comprehensive Income for the Period	6,684	6,684
Balance at 30 June 2011	79,801	79,801

The accompanying discussion and analysis form part of the summary financial report.

Discussion and Analysis of the Statement of Changes in Equity

The movement in Total Equity of the Consolidated Entity solely reflects the movement in Profit for the Period which is detailed in the discussion and analysis of the Statement of Comprehensive Income.

Note 1

Basis of preparation of Summary Financial Report

The financial statements and specific disclosures have been derived from the Consolidated Entity's full Financial Report. The Summary Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities as the Consolidated Entity's full Financial Report. A copy of the Consolidated Entity's full Financial Report will be sent to members on request.

Medical Defence Association of South Australia Ltd (the "Company") is a company limited by guarantee and is incorporated and domiciled in Australia. The consolidated Summary Financial Report of the Consolidated Entity for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The Summary Financial Report is presented in Australian dollars, which is the Consolidated Entity's functional currency. The Consolidated Entity is of the kind referred to in ASIC class order 98/100 dated 10 July 1998 and in accordance with that class order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The Summary Financial Report is prepared on the historical cost basis except that financial instruments held for trading are stated at their fair value.

A full description of the accounting policies adopted by the Consolidated Entity may be found in the Consolidated Entity's full Financial Report. These accounting policies have been consistently applied by each entity in the Consolidated Entity and are consistent with those of the previous year.

Note 2

Capital Management and Requirements

The Consolidated Entity's policy is to maintain a strong capital base so as to maintain member, policy holder and creditor confidence. The Boards of the Company and the Controlled Entity monitor the capital base against the requirements of the Consolidated Entity's Risk Appetite Statement and Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement.

The Consolidated Entity updates its Funding Plan twice a year and projections show that the Consolidated Entity expects to continue to exceed APRA's minimum capital requirement.

The Consolidated Entity has exceeded the minimum capital requirement of APRA and the ICAAP as at 30 June 2012.

As at 30 June 2012, the capital base, minimum capital requirements and the capital adequacy position of the Controlled Entity are as follows:

	Controlled Entity	
	2012 \$'000	2011 \$'000
Tier 1 Capital		
Paid up Capital	34,614	28,614
Outstanding Claims Provision and Premium Liabilities deficit	(823)	(2,450)
Premium liability surplus	55,839	47,502
	89,630	73,666
Plus Additions/(Less Deductions)	2	(850)
Net Tier 1 Capital	89,632	72,816
Total Capital Base	89,632	72,816
Minimum Capital Requirement	27,046	26,223
Capital Surplus to Regulatory Requirements	62,586	46,594
Capital Adequacy Multiple	3.31	2.78

Independent Auditor's Report

Medical Defence Association
of South Australia Limited
Summary Financial Report
Year Ended 30 June 2012

The Directors present their Summary Financial Report of the Medical Defence Association of South Australia Ltd (MDASA) and the consolidated financial report of the entity (Consolidated Entity), being MDASA and its controlled entity Medical Insurance Australia Pty Ltd (Medical Insurance Australia), for the financial year ended 30 June 2012 and the independent audit report thereon.

Report of the independent auditor on the summary financial statements to the members of Medical Defence Association of South Australia Ltd

The accompanying summary financial statements which comprise the summary consolidated statement of financial position as at 30 June 2012, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes 1 to 2, are derived from the audited financial report of Medical Defence Association of South Australia Ltd for the year ended 30 June 2012. We expressed an unmodified audit opinion on that financial report in our report dated 25 September 2012.

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Medical Defence Association of South Australia Ltd.

Directors' responsibility for the summary financial statements

The Directors are responsible for the preparation of a summary of the audited financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements derived from the audited financial report of Medical Defence Association of South Australia Ltd based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.

Auditor's opinion

In our opinion, the summary financial statements derived from the audited financial report of Medical Defence Association of South Australia Ltd for the year ended 30 June 2012 are consistent, in all material respects, with the audited financial report.



Paul Cenko
Partner



Adelaide
Dated 25th day of September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the Directors of Medical Defence Association of South Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



Paul Cenko
Partner



Adelaide
Dated 25th day of September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Comprehensive Income

Medical Insurance Australia
Proprietary Ltd
Summary Financial Report for
the Year Ended 30 June 2012

	2012 \$'000	2011 \$'000
Gross Written Premium	31,678	27,778
Movement in Unearned Premiums	(3,532)	(243)
Premium Revenue	28,146	27,535
Gross Claims Expense - Risks Borne in the Current Year	(32,883)	(33,303)
Gross Claims Expense - Risks Borne in Prior Years	23,361	250
Reinsurance and Other Recoveries Undiscounted	5,296	13,465
Discount to Present Value	(6,167)	2,361
Net Claims Incurred	(10,393)	(17,227)
Outward Reinsurance Expense	(6,649)	(6,773)
Professional Fees Expense	(1,400)	(1,358)
Management Fee Charged by Parent Entity	(6,896)	(6,015)
Employment Expenses	(593)	(638)
General and Administrative Expenses	(3,863)	(3,268)
Other Underwriting Expenses	(493)	(506)
Underwriting Result	(2,141)	(8,250)
Other Income	687	625
Results from Operating Activities	(1,454)	(7,625)
Interest Income	8,811	8,402
Dividend Income	481	390
Unrealised Gains on Investments	4,930	802
Realised Losses on Investments	-	(131)
Finance Costs	(1,033)	(47)
Net Finance Income	13,189	9,416
Profit Before Tax	11,735	1,791
Income Tax Expense	3,398	472
Total Comprehensive Income Attributable to Shareholders	8,337	1,319

Discussion and Analysis of the Statement of Comprehensive Income

Premium Revenue increased by \$0.611m in the year ended 30 June 2012 due to a higher retention rate across the doctor portfolio in 2011/2012 and growth from new business.

Gross Claims Expense has decreased by \$23.531m. Reinsurance and Other Recoveries have also decreased by \$8.169m and there has been an unfavourable movement in Discount to Present Value of \$8.528m. Net Claims Incurred has decreased by \$6.834m. The decrease in Gross Claims Expense and associated Reinsurance and Other Recoveries at 30 June 2012 reflects a significant reduction in reportable claims and case estimates for a number of notification years showing increased releases.

The accompanying discussion and analysis form part of the summary financial report.

Statement of Financial Position

Medical Insurance Australia
Proprietary Ltd
Summary Financial Report
as at 30 June 2012

	2012 \$'000	2011 \$'000
CURRENT ASSETS		
Cash and Cash Equivalents	34,818	24,646
Trade and Other Receivables	1,707	6,144
Reinsurance and Other Recoveries Receivable	3,167	2,106
Investments	22,664	11,847
Income Tax Receivable	-	844
Other Assets	366	228
TOTAL CURRENT ASSETS	62,722	45,815
NON-CURRENT ASSETS		
Reinsurance and Other Recoveries Receivable	58,040	49,901
Investments	128,710	125,713
Deferred Tax Assets	-	849
TOTAL NON-CURRENT ASSETS	186,750	176,463
TOTAL ASSETS	249,472	222,278
CURRENT LIABILITIES		
Trade and Other Payables	4,545	4,398
Outstanding Claims Provision	20,833	21,541
Income Tax Payable	975	-
Other Liabilities	16,338	12,835
TOTAL CURRENT LIABILITIES	42,691	38,774
NON-CURRENT LIABILITIES		
Outstanding Claims Provision	116,219	107,388
Deferred Tax Liabilities	109	-
TOTAL NON-CURRENT LIABILITIES	116,328	107,388
TOTAL LIABILITIES	159,019	146,162
NET ASSETS	90,453	76,116
EQUITY		
Contributed Equity	34,614	28,614
Retained Profits	55,839	47,502
TOTAL EQUITY	90,453	76,116

Discussion and Analysis of the Statement of Financial Position

Total Assets have increased by \$27.194m from 30 June 2011 to 30 June 2012. This movement is predominantly due to a:

- \$23.986m increase in the investment portfolio reflected by an increase in the Cash and Cash Equivalents of \$10.172m and an increase in Other Investments of \$13.814m. This has been funded, in part, by the equity contribution of the Parent and by the increase in retained earnings and lower Trade and Other Receivable balances.
- \$4.437m decrease in Trade and Other Receivables which is predominantly owing from the Parent. This is due to the timing of premium and other transfers between the Parent and the Company at year end.
- \$9.200m increase in Reinsurance and Other Recoveries Receivable in line with the increased cost of claims.

Total Liabilities have increased by \$12.857m from 30 June 2011 to 30 June 2012. This movement is predominantly due to the increase in Outstanding Claims Provision of \$8.123m and the Membership and Premium received in advance of \$3.503m.

The movement in Total Equity of \$14.337m, from 30 June 2011 to 30 June 2012 reflects the net profit after tax for the year and an increase in contributed equity of \$6.000m for the year.

The accompanying discussion and analysis form part of the summary financial report.

Statement of Cash Flows

Medical Insurance Australia
Proprietary Ltd
Summary Financial Report for
the Year Ended 30 June 2012

	2012 \$'000	2011 \$'000
	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities:		
Premium Received	36,770	28,383
Sundry Income	658	638
Reinsurance Paid	(6,881)	(6,855)
Reinsurance and Other Recoveries Received	2,861	472
Claims Paid	(14,331)	(8,507)
Management Fees Paid to Parent Entity	(7,538)	(5,752)
Payments to Suppliers and Employees	(6,099)	(3,775)
	-----	-----
Cash Generated From Operations Before Tax	5,440	4,604
Income Tax Paid	(622)	(1,236)
	-----	-----
Net Cash (used in)/from Operating Activities	4,818	3,368
Cash Flows from Investing Activities		
Interest Received	9,395	8,867
Dividends Received	410	440
Proceeds from Sale or Maturity of Investments	26,700	15,727
Acquisitions of Investments	(37,151)	(34,857)
	-----	-----
Net Cash Used In Investing Activities	(646)	(9,823)
Cash Flows from Financing Activities		
Parent Entity Equity Contribution	6,000	5,256
	-----	-----
Net Cash Provided by Financing Activities	6,000	5,256
Net (Decrease)/Increase in Cash Held	10,172	(1,199)
Cash and Cash Equivalents at 1 July	24,646	25,845
	-----	-----
Cash and Cash Equivalents at 30 June	34,818	24,646

Discussion and Analysis of the Statement of Cash Flows

Premium Received during the year to 30 June 2012 was higher by \$8.387m than the prior year. This is predominately due to growth in policies issued across all policy types. It also reflects an increase in the average premiums and a higher collection rate in June 2012 for Doctor Policies renewed for the 2012/2013 year compared to the previous June.

Claims Paid during the year to 30 June 2012 were \$5.824m higher than during the 2010/2011 year as a number of large claims were settled during the year.

Reinsurance and Other Recoveries Received reflects recovery against a number of claims from reinsurers and the Federal Government under the High Cost Claim Scheme and the Run-Off Cover Scheme.

The Net Cash used in Investing Activities has decreased by \$9.177m for the year ended 30 June 2012 from the year ended 30 June 2011. This is due to the continued placement of funds in investments with a longer term to maturity, to more closely align the average term to settlement of claims to the average term to maturity of investments. This results in less investments maturing across the year.

The accompanying discussion and analysis form part of the summary financial report.

Statement of Changes in Equity

Medical Insurance Australia
Proprietary Ltd
Summary Financial Report for
the Year Ended 30 June 2012

	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2011	28,614	47,502	76,116
Total Comprehensive Income for the Period	-	8,337	8,337
Transactions with owners, recorded directly in equity			
Issue of ordinary shares	6,000	-	6,000
Balance at 30 June 2012	34,614	55,839	90,453
Balance at 1 July 2010	23,358	46,183	69,541
Total Comprehensive Income for the Period	-	1,319	1,319
Transactions with owners, recorded directly in equity			
Issue of ordinary shares	5,256	-	5,256
Balance at 30 June 2011	28,614	47,502	76,116

Discussion and Analysis of the Statement of Changes in Equity

The movement in the Total Equity reflects the movement in Profit for the Period which is detailed in the discussion and analysis of the Statement of Comprehensive Income and an increase in Contributed Equity of \$6.000m from the Parent Entity.

The accompanying discussion and analysis form part of the summary financial report.

Note 1

Basis of preparation of Summary Financial Report

The financial statements and specific disclosures have been derived from the Company's full Financial Report.

The Summary Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities as the Company's full Financial Report.

The Summary Financial Report is presented in Australian dollars, which is the Company's functional currency. The Company is of the kind referred to in ASIC class order 98/100 dated 10 July 1998 and in accordance with that class order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The Summary Financial Report is prepared on the historical cost basis except that financial instruments held for trading are stated at their fair value.

A full description of the accounting policies adopted by the Company can be found in the Company's full Financial Report. These accounting policies have been consistently applied.

Note 2**Capital Management and Requirements**

The Board's policy is to maintain a strong capital base so as to maintain investor, policy holder and creditor confidence. The Board of the Company monitors the capital base against the requirements of the Risk Appetite Statement and the Internal Capital Adequacy Assessment Process (ICAAP).

The Company updates its Funding Plan twice a year and projections show that the Company expects to continue to exceed APRA's minimum capital requirement.

The Company has exceeded the minimum capital requirement of APRA as at 30 June 2012.

As at 30 June 2012, the capital base, minimum capital requirements and the capital adequacy position of the Company are as follows:

	2012 \$'000	2011 \$'000
Tier 1 Capital		
Paid up Capital	34,614	28,614
Outstanding Claims Provision and Premium Liabilities deficit	(823)	(2,450)
Retained Profit	55,839	47,502
	89,630	73,666
Plus Additions/(Less Deductions)	2	(850)
Net Tier 1 Capital	89,632	72,816
	89,632	72,816
Total Capital Base		
Minimum Capital Requirement	27,046	26,223
Capital Surplus to Regulatory Requirements	62,586	46,594
Capital Adequacy Multiple	3.31	2.78

Independent Auditor's Report

Medical Insurance Australia
Proprietary Ltd
Summary Financial Report
Year Ended 30 June 2012

The Directors present their Summary Financial Report of Medical Insurance Australia Pty Ltd for the financial year ended 30 June 2012 and the independent audit report thereon.

Report of the independent auditor on the summary financial statements for Medical Insurance Australia Pty Ltd

The accompanying summary financial statements, which comprise the summary statement of financial position as at 30 June 2012, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes 1 to 2, are derived from the audited financial report of Medical Insurance Australia Pty Ltd for the year ended 30 June 2012. We expressed an unmodified audit opinion on that financial report in our report dated 25 September 2012.

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Medical Insurance Australia Pty Ltd.

Directors' responsibility for the summary financial statements

The Directors are responsible for the preparation of a summary of the audited financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements derived from the audited financial report of Medical Insurance Australia Pty Ltd based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.

Auditor's opinion

In our opinion, the summary financial statements derived from the audited financial report of Medical Insurance Australia Pty Ltd for the year ended 30 June 2012 are consistent, in all material respects, with the audited financial report.



Paul Cenko
Partner



Adelaide
Dated 25th day of September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the Directors of Medical Insurance Australia Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



Paul Cenko
Partner



Adelaide
Dated 25th day of September 2012

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Obituary

The deaths of the following members in the past year are recorded with regret

Dr Philip J Barnes

Dr Tam V Doan

Dr Kishor V Mistry

Dr Eric P Nicholls

Dr Ronald E Russell

Dr Brian G Sando

Dr James M Saunders

Dr Brian W Somerville

Dr Ona R Varoneckas

Dr John S Wallace

Members who passed away between
September 2011 – August 2012



Always on your side

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Annual Report date

Tuesday, 25 September 2012

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