

supportive committee
professional service
expertise quality
individual care
strength performance
with you always

2016 Annual Report
& Summary
Financial Report



Reducing Our Environmental Impact

Making the Annual Report (including Summary Financial Report) only available via the website and printing a shorter Annual Review supports the Group's Environmental Policy. It helps reduce our environmental impact and the costs of running our business whilst still providing easy access to important information via the MIGA website.

To help reduce MIGA's operating costs and environmental impact, for the year ended June 2016 the Group has produced the following:

An Annual Review which:

- Has been provided to all members, policyholders 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 Report
- We believe is a more valuable method of communicating key information about MIGA.

An Annual Report and Summary Financial Report which:

- Is available on our website, unless members specifically ask for a printed copy
- Includes a summary of the Directors' Reports, the Summary Financial Report and the external auditor's report.

The information in this Report is to be read in conjunction with the MIGA 2016 Annual Review which is also available on our website.

Report by Directors

The Directors present this report which is a summary of the statutory 'Directors' Report' of Medical Defence Association of South Australia Limited (MDASA) for the financial year ended 30 June 2016.

The Group comprises two principal operating companies, MDASA and its subsidiary, Medical Insurance Australia Pty Ltd (Medical Insurance Australia), together with the further Medical Insurance Australia subsidiaries, Invivo Medical Pty Ltd and Medical Insurance Group Australia Pty Ltd, which are collectively referred to as MIGA (Medical Insurance Group Australia).

References to the Group and MIGA throughout this Report mean the Consolidated Entity Medical Defence Association of South Australia Limited and its subsidiaries.

Principal activities

The principal activities of MDASA during the financial year were 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 activities of MDASA's insurance subsidiary, Medical Insurance Australia, were to provide:

- Medical indemnity insurance to doctors and medical students
- Medical indemnity insurance to corporate entities involved in the provision of healthcare services
- Professional indemnity insurance to eligible midwives, under the Federal Government's Midwives Insurance Scheme
- Reinsurance to a professional indemnity insurer; 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 via an insurance contract which is underwritten on a claims made basis with full retroactive indemnity.

During the year the Group provided claims management and insurance advisory services on behalf of QBE, under the terms of an Authorised Representative Agreement, in relation to medical indemnity insurance policies issued by QBE to Invivo clients prior to MIGA's acquisition of Invivo. This Agreement expired at the end of April 2016.

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 eligible midwives.

There were no significant changes in the nature of the activities of the Company during the year, as described more fully herein.

Operating Result

The Consolidated Entity reported a net profit of \$13.209m (2015: \$4.647m) for the financial year ended 30 June 2016, after providing for income tax.

The Consolidated Entity has a surplus in net assets of \$125.852m as at 30 June 2016 (\$112.643m as at 30 June 2015).

(Amounts shown as \$m)	2016 Actual	2015 Actual
Premium Revenue	50.783	45.958
Net Incurred Claims	(30.332)	(31.591)
Underwriting Expenses	(7.383)	(7.682)
Operating Expenses	(18.021)	(19.112)
Underwriting Result	(4.953)	(12.427)
Subscription Revenue	8.669	8.194
Other Income	1.097	1.270
Net Finance Income	10.444	7.639
Profit before tax	15.257	4.676
Tax	(2.048)	(0.029)
Net profit	13.209	4.647

As a not for profit mutual, financial performance of the Group is measured each year against the budget which is developed having regard to the capital position of the Group. Once the target capital level is reached, the Group only needs to generate a level of profit which sustains the capital level each year. It does not need to generate a consistent year on year profit to pay dividends to shareholders. Financial performance each year is therefore measured by the Board against budget (which is driven by capital adequacy) as opposed to prior year results. This is a more appropriate assessment of how well the Group has performed for the year.

Key drivers to the excellent result for the year were:

- Claims costs were below budget as a result of the following key factors:
 - The cost of claims in the years up to 2013 was lower than budget as a result of higher than expected reserve releases, offset partially by the cost of claims for the 2015/2016 year being higher than expected
 - Changes to some key valuation assumptions resulting in an overall reduction in claims costs
 - The above were offset by a significant reduction in the discount rate from the budgeted level of 2.51% to 1.8%
- Operating expenses were below budget, notwithstanding the Group's significant growth in recent years
- Investment income was above budget, predominantly due to unrealised gains on fixed interest investments.

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 "The Boards and Board Committees".

Report by Directors

Review of Operations

The Review of Operations is outlined throughout this Report and in the MIGA 2016 Annual Review.

Growth

Total doctor and student membership of MDASA grew by 5.8% in the year with total membership now at its highest level ever at 30,641 (2015: 28,970).

A key goal of the Group is to increase its market share nationally and extend the services and products offered to meet the needs of members and policy holders. Growth brings economies of scale, benefiting all members and clients and also strengthens the Group's operations.

Federal Government contract for midwives insurance

On 5 May 2010, the Federal Government awarded MIGA the contract to be the sole provider of insurance under a Government-supported professional indemnity scheme (the Scheme) for eligible privately practising midwives across Australia.

The Scheme commenced on 1 July 2010 and is a key component of the Federal Government's commitment to maternity services reform. In June 2013 the Federal Government and MIGA entered into a 2 year extension to the Contract, which was further extended in 2015 to 30 June 2016. In May 2016 the contract was extended for a further 12 months to 30 June 2017.

The Midwives Insurance Scheme supports privately practising eligible midwives in providing high-quality midwifery services to Australian women as part of a collaborative team with doctors and other health professionals.

For MIGA this is an important initiative which supports the Group's strategy to diversify its client base.

Standard & Poor's Rating

Medical Insurance Australia has a rating of A- (Stable) with Standard & Poor's (S & P). Companies rated in the A category are assessed by S & P as having "Strong financial security characteristics". S & P reaffirmed this rating on 7 July 2016.

Overview

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, as disclosed under Review of Operations.

Events subsequent to balance date

No 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 above.

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 above.

Company secretary

Mrs Natalie Simmons (National Manager - Corporate Services) is the Company Secretary for MDASA and Medical Insurance Australia.

Her qualifications are that she has a Professional Certificate in Management from Adelaide University Graduate School of Management (2002), has been a Certified Practising Accountant (CPA) since 1996 and holds a Bachelor of Economics (Accounting) from Flinders University of South Australia.

Audit independence

Copies of the auditor's independence declaration as required under Section 307C of the Corporations Act are included on page 25 of this Annual Report.

IFRS compliance

The Directors draw attention to Note 1(a) to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Indemnifying Officers

During or since the end of the financial year the Consolidated Entity has given an indemnity or entered into 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 companies comprising 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 for the Group in the year was \$45,623.

Environmental issues

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

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



Dr M Altmann
Director



Mr H Botha
Director

Adelaide

Dated this 27th day of September 2016

Corporate Governance

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 of information systems.

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

The Boards have delegated responsibility for the operation and administration of the Group 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 Company Directors Course through the Australian Institute of Company Directors.

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 reporting, financial reporting, and compliance risks for the Group. The CEO and the National Manager - Corporate Services 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:

- That capital is appropriately managed and monitored under the Internal Capital Adequacy Assessment Process (ICAAP) approved by the Board
- 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 National Manager - Corporate Services 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.

Corporate Governance

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 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 Committee has the authority delegated to it to appoint and dismiss the Internal Auditors.

MIGA's commitment to quality

MIGA has a Service Commitment which underpins the service standards provided to its members and policyholders and includes measurable service standards in support of the Group's goal to provide outstanding service.

Adoption of the Service Commitment reflects the Group's genuine desire to be open, caring and honest in its relationships and communications with members and policyholders and a commitment to be transparent and accountable.

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 Boards and Board Committees

Board succession

At the end of September 2015, Dr John O'Loughlin AO retired as Chairman of both MDASA and Medical Insurance Australia, as per the requirements of the Group's Board Succession Policy.

The following appointments were made on Dr O'Loughlin's retirement:

- Dr Martin Altmann, the previous Deputy Chairman, was appointed as Chairman of both MDASA and Medical Insurance Australia
- Dr Andrew Pesce was appointed as MIGA's Deputy Chairman.

Meetings of Directors

During the financial year, 9 meetings of Directors of MDASA were held. In addition, 25 Committee meetings and a number of strategy meetings were held.

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

	Directors' Meetings		Committee Meetings	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Dr Martin Altmann – Chairman	9	7	13	13
Dr Andrew Pesce – Deputy Chairman	9	9	3	3
Ms Amanda Anderson	9	9	18	18
Mr Henry Botha	9	8	10	10
Associate Professor Peter Cundy	9	9	1	1
Mr David Henderson	9	9	17	17
Dr John O'Loughlin AO	2	1	11	9
Dr Roger Sexton	9	9	10	10
Professor Owen Ung	9	8	1	1

Note:

- Dr John O'Loughlin AO retired and therefore resigned as a Director of MDASA and Medical Insurance Australia on 29 September 2015
- Professor Owen Allan Ung was appointed to the Board of MDASA on 1 October 2015.

The Boards and Board Committees

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, Mr D Henderson

Clinical Risk Management Committee
Chairman, Dr R Sexton

Audit Committee
Chairman, Mr H Botha

Risk Committee
Chairman, Mr H Botha

Governance and Remuneration Committee
Chairman, Ms J Brown

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:

Claims Committee

To monitor and review claim trends and developments across the MIGA portfolio, and to report to the Boards outcomes which may impact on liability valuation and matters relevant to underwriting and risk management.

Meetings: At least three times per year

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 Group's High Risk Members Protocol.

Meetings: At least four times a year

Audit Committee

To monitor, review and make recommendations to the Boards of MDASA and Medical Insurance Australia on the Group's financial affairs, balance sheet risk and legal/regulatory compliance.

Meetings: At least five times a year

Risk Committee

To monitor, review and make recommendations to the Boards of MDASA and Medical Insurance Australia on the Group's strategic and operational risk and legal/regulatory compliance.

Meetings: At least five 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.

Meetings: At least six times a year

Medical Advisory Panels

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

The aim of these Panels is to better canvass the views of the Group's national doctor membership and to facilitate engagement with a larger group of doctors nationally, which keeps MIGA better informed of the views of our members and clients.

Details of representatives on each Panel are available via MIGA's website.

Directors' Information

The Boards comprise directors with an excellent diversity of skill and knowledge with an important mix of medical and non-medical expertise, together with good representation of our national membership.



Dr Martin Altmann
Chairman
GP Rural Obstetrics



Dr Andrew Pesce
Deputy Chairman
Obstetrician and Gynaecologist



Ms Amanda Anderson
CEO – MDASA and Managing
Director – Medical Insurance Australia

Director	Background	Medical Insurance Australia Board	MDASA Board
Dr Martin Frank Altmann	GP Rural Obstetrics	Chairman	Chairman
Dr Andrew Francesco Pesce	Obstetrician and Gynaecologist	Deputy Chairman	Deputy Chairman
Ms Amanda Jayne Anderson	CEO – MDASA Managing Director – Medical Insurance Australia	Director	Director
Ms Robyn Bateup	Actuary	Director	
Mr Henry Albertyn Botha	Chartered Accountant	Director	Director
Ms Juliet Brown OAM	Professional Non-Executive Director	Director	
Assoc Professor Peter John Cundy	Orthopaedic Surgeon	Director	Director
Ms Joan Fitzpatrick	Professional Non-Executive Director	Director	
Mr David Charles Henderson	General Insurance	Director	Director
Dr Roger Allen Sexton	GP – Urban and Rural	Director	Director
Professor Owen Allan Ung	General Surgeon (Breast and Endocrine)	Director	Director

Directors' Information



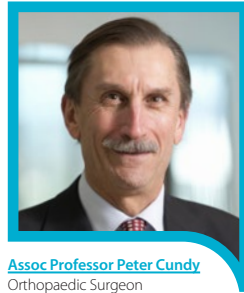
Ms Robyn Bateup
Actuary



Mr Henry Botha
Chartered Accountant



Ms Juliet Brown OAM
Professional Non-Executive Director



Assoc Professor Peter Cundy
Orthopaedic Surgeon



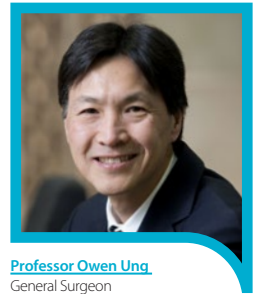
Ms Joan Fitzpatrick
Professional Non-Executive Director



Mr David Henderson
General Insurance



Dr Roger Sexton
GP – Urban and Rural



Professor Owen Ung
General Surgeon
(Breast and Endocrine)

MDASA

The Constitution of MDASA requires that:

- The majority of the Directors must be medical members of MDASA
- Three of the Directors are non-medical Directors who are appointed by the Board and whose appointment is subject to review every three years (or such shorter period as the Directors may determine).

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.

Medical Insurance Australia

The Board of Medical Insurance Australia comprises 11 Directors, the majority of whom are generally 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.

2015 AGM

The Annual General Meeting was held on 21 November 2015 and included the election of Directors to the Board of MDASA.

As per Article 46 of the Constitution, Dr Roger Sexton and Professor Owen Ung retired and, in accordance with Article 48 of the Constitution, offered themselves for re-election.

As there were no other nominations for the two vacancies, no election was required and Dr Roger Sexton and Professor Owen Ung were declared by the Chairman of the AGM to be elected (under Article 48A(b) of the Constitution).

Board appointments

The Directors of MDASA made the following appointments during the year:

- Dr John O'Loughlin AO retired and therefore resigned as a Director of MDASA on 29 September 2015
- Professor Owen Ung was appointed as a Director of MDASA from 1 October 2015.

Directors' Information

Details of Directors in office as at 30 June 2016 or appointed since then.

Dr Martin Frank Altmann	GP Rural Obstetrics
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Chairman, MDASA Limited • Chairman, Medical Insurance Australia Pty Ltd • Chairman, Medical Insurance Group Australia Pty Ltd • Chairman, Invivo Medical Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Member, Governance and Remuneration Committee (former Chairman) • Member, Clinical Risk Management Committee • Member, Audit Committee • Member, Risk Committee
Qualifications	<ul style="list-style-type: none"> – MB BS (University of Adelaide), DRANZCOG (Advanced), MRCGP(UK), FACRRM – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	Dr Martin Altmann has been a practising Rural Procedural General Practitioner in Murray Bridge for over 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.
Ms Amanda Jayne Anderson	CEO and Managing Director
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director and CEO, MDASA Limited • Managing Director, Medical Insurance Australia Pty Ltd • Director, Medical Insurance Group Australia Pty Ltd • Director, Invivo Medical Pty Ltd MIGA – MIGA Committees <ul style="list-style-type: none"> • Member, Clinical Risk Management Committee • Member, Claims Committee • Member, Governance and Remuneration Committee (by invitation) • Member, Audit Committee (by invitation) • Member, Risk Committee (by invitation)
Qualifications	<ul style="list-style-type: none"> – Bachelor of Arts, Social Sciences – majoring in psychology and biology – Senior Associate – Australian and New Zealand Institute of Insurance and Finance (ANZIIF) – Business Certificate in Insurance – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	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.
Ms Robyn Jane Bateup	Actuary
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Member, Audit Committee • Member, Risk Committee • Member, Claims Committee
Qualifications	<ul style="list-style-type: none"> – Bachelor of Science – Fellow, Institute of Actuaries of Australia – Graduate, Australian Institute of Company Directors (GAICD)
Industry and sector experience	Ms Robyn Bateup has over 24 years' experience in providing actuarial advice to the general insurance industry, first as an employed actuary with a general insurer and then as a consultant. She has extensive knowledge of medical indemnity insurance in Australia.

Directors' Information

Details of Directors in office as at 30 June 2016 or appointed since then.

Mr Henry Albertyn Botha	Chartered Accountant
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, MDASA Limited • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Chair, Audit Committee • Chair, Risk Committee
Qualifications	<ul style="list-style-type: none"> – Bachelor of Commerce, University of Natal, South Africa – MBA, University of Cape Town, South Africa – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	<p>Mr Botha is a Chartered Accountant specialising in accountancy, finance and management consulting. He also lectures extensively across Australia for the Australian Institute of Company Directors on the finance modules of their Company Directors Course.</p>
Ms Juliet Brown OAM	Professional Non-Executive Director
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Chair, Governance and Remuneration Committee • Member, Audit Committee • Member, Risk Committee
Qualifications	<ul style="list-style-type: none"> – Bachelor of Laws (University of Adelaide) – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	<p>Ms Brown has significant experience in business and the law extending over various industries including insurance, health, transport and superannuation in both the public and private sectors.</p>
Associate Professor Peter John Cundy	Orthopaedic Surgeon
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, MDASA Limited • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Member, Clinical Risk Management Committee • Member, Claims Committee
Qualifications	<ul style="list-style-type: none"> – MB BS (University of Adelaide), FRACS – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	<p>Associate Professor Peter Cundy is a well known Orthopaedic Surgeon in Australia specialising in paediatric orthopaedic surgery and general adult orthopaedics. He is active in research (University of Adelaide) and on the Editorial Board of several peer-reviewed Journals. Associate Professor Cundy was the Senior Examiner in Orthopaedic Surgery 2010-12 for the Royal Australasian College of Surgeons.</p>
Ms Joan Fitzpatrick	Professional Non-Executive Director
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, Medical Insurance Australia Pty Ltd
Qualifications	<ul style="list-style-type: none"> – Bachelor of Arts in Law (Hons), Kent University, Canterbury UK and Barristers Qualification, Council of Legal Education, London – Fellow, Australian and New Zealand Institute of Insurance and Finance (ANZIIF) – Certified Insurance Professional (CIP) – Graduate, Australian Institute of Company Directors (GAICD)
Industry and sector experience	<p>Ms Fitzpatrick is an experienced Company Director, CEO and leader of business success. Her executive and director experience covers the corporate, government and not-for-profit sectors. Her experience covers a diverse range of industries including risk management, insurance, financial services and government.</p> <p>For over 16 years Ms Fitzpatrick worked as CEO and Director of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF). Prior to that she held the position of Regional General Manager ASEAN of a global insurance company.</p>

Directors' Information

Details of Directors in office as at 30 June 2016 or appointed since then.

Mr David Charles Henderson	General Insurance
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, MDASA Limited • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Chair, Claims Committee • Member, Audit Committee • Member, Risk Committee • Member, Governance and Remuneration Committee
Qualifications	<ul style="list-style-type: none"> – Senior Associate – Australian and New Zealand Institute of Insurance and Finance (ANZIIF) – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	Mr Henderson has over 40 years' experience in the general insurance industry, including seven years as General Manager Commercial Insurance at SGIC and four years as CEO of RAA Insurance.
Dr Andrew Francesco Pesce	Obstetrician and Gynaecologist
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Deputy Chairman, MDASA Limited • Deputy Chairman, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Member, Clinical Risk Management Committee • Member, Governance and Remuneration Committee
Qualifications	<ul style="list-style-type: none"> – MB BS, FRANZCOG, FAMA – Fellow, Australian Institute of Company Directors (FAICD)
Industry and sector experience	Dr Pesce is an Obstetrician and Gynaecologist in public and private practice in Sydney and is a former Federal President of the AMA. He has also worked on behalf of the profession over the last 15 years on issues concerning medical indemnity and national disability.
Dr Roger Allen Sexton	GP – Urban and Rural
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, MDASA Limited • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Chair, Clinical Risk Management Committee • Member, Claims Committee
Qualifications	<ul style="list-style-type: none"> – MB BS (University of Adelaide), DRCOG (UK), MBA (University of Adelaide), FRACGP, FACRRM – Graduate, Australian Institute of Company Directors (GAICD)
Industry and sector experience	<p>Dr Sexton has practised as a procedural rural general practitioner for over 30 years and is currently working as a rural GP locum, Medical Director of Doctors' Health SA, consultant in executive health and a medical school clinical skills tutor.</p> <p>He is a past Presiding Member of the Medical Board of SA and a member of the PBAC. He has a keen interest in undergraduate and post graduate medical education and has been a strong national advocate for improving the health of doctors and medical students.</p>
Professor Owen Allan Ung	General Surgeon (Breast and Endocrine)
MIGA Board and Committee appointments	<ul style="list-style-type: none"> – MIGA Boards <ul style="list-style-type: none"> • Director, MDASA Limited • Director, Medical Insurance Australia Pty Ltd – MIGA Committees <ul style="list-style-type: none"> • Member, Clinical Risk Management Committee
Qualifications	<ul style="list-style-type: none"> – MB BS (University of Queensland), FRACS – Graduate, Australian Institute of Company Directors (GAICD)
Industry and sector experience	<p>Professor Owen Ung is a well known General Surgeon in Australia specialising in breast and endocrine surgery. He is a committed clinician, researcher and teacher and lectures and publishes widely. He is also a principal investigator for a number of major Australian and New Zealand clinical trials. He has obtained extensive administrative and management experience through his various clinical leadership roles and is active on numerous State and National Committees.</p> <p>Through the Royal Australasian College of Surgeons, he plays an active role in surgical training, assessment and examination.</p>

Statement of Profit or Loss and other Comprehensive Income

Medical Defence Association of South Australia Limited
Summary Financial Report for the Year Ended 30 June 2016

	Consolidated Entity	
	2016 \$'000	2015 \$'000
Gross Written Premium	60,494	48,129
Movement in Unearned Premium	(9,711)	(2,171)
Premium Revenue	50,783	45,958
Gross Claims Expense - Risks borne in the Current Year	(60,073)	(63,445)
Gross Claims Expense - Risks borne in Prior Years	29,680	31,384
Reinsurance and Other Recoveries Undiscounted	2,834	(862)
Discount to Present Value	(2,773)	1,332
Net Claims Incurred	(30,332)	(31,591)
Outward Reinsurance and Medical Indemnity Insurance Expense	(6,705)	(7,164)
Professional Fees Expense	(2,529)	(3,199)
Employment Expenses	(10,074)	(9,717)
General and Administrative Expenses	(5,418)	(6,196)
Other Underwriting Expenses	(678)	(518)
Underwriting Result	(4,953)	(12,427)
Subscription Revenue	8,669	8,194
Other Income	1,097	1,367
Net Loss on the Sale of Property, Plant and Equipment	-	(97)
Results from Operating Activities	4,813	(2,963)
Finance Income	10,532	8,671
Finance Costs	(88)	(1,032)
Net Finance Income	10,444	7,639
Profit Before Tax	15,257	4,676
Income Tax Expense	(2,048)	(29)
Total Comprehensive Income Attributable to Members	13,209	4,647

The accompanying discussion and analysis form part of the Summary Financial Report.

Discussion and Analysis of the Statement of Comprehensive Income

Consolidated Entity

Premium Revenue increased by \$4.825m as a result of growth and an adjustment to income after the 10% Renewal Rebate to members in 2014/2015.

Gross Claims Expense decreased by \$1.668m. Reinsurance and Other Recoveries increased by \$3.696m and there was a unfavourable movement in the Discount to Present Value impact on Net Incurred Claims Costs of \$4.105m. Net Claims Incurred decreased by \$1.259m. This decrease is predominately due to claim reserve releases across a number of notification years offset by a significant reduction in the discount rate.

Underlying Professional Fees, Employment and General and Administration Expenses for 2015/2016 are \$1.496m higher than 2014/2015 (before non-merger costs) due to servicing the growth in the business. The overall decrease in these Expenses from the 2014/2015 year is due to non-merger costs of \$2.587m incurred in the 2014/2015 year which were a one-off cost.

Net Finance Income has increased by \$2.805m which is predominantly driven by the impact of lower market interest rates. Lower market interest rates also created an unrealised gain on fixed interest investments which was partially offset by lower interest income.

Total Comprehensive Income Attributable to Members has increased by \$8.562m as a result of the cumulative impact of the items above.

Statement of Financial Position

Medical Defence Association of South Australia Limited
Summary Financial Report as at 30 June 2016

	Consolidated Entity	
	2016 \$'000	2015 \$'000
Current Assets		
Cash and Cash Equivalents	68,029	86,071
Trade and Other Receivables	27,421	3,977
Reinsurance and Other Recoveries Receivable	7,461	12,959
Investments	46,251	33,466
Income Tax Receivable	-	2,183
Other Assets	412	410
Total Current Assets	149,574	139,066
Non-Current Assets		
Reinsurance and Other Recoveries Receivable	82,551	88,622
Investments	144,243	137,430
Property, Plant and Equipment	2,677	2,789
Intangible Assets	14,091	14,862
Total Non-Current Assets	243,562	243,703
Total Assets	393,136	382,769
Current Liabilities		
Trade and Other Payables	4,961	17,345
Outstanding Claims Provision	29,157	32,571
Income Tax Payable	614	-
Employee Benefits	2,095	1,996
Other Liabilities	46,469	35,731
Total Current Liabilities	83,296	87,643
Non-Current Liabilities		
Outstanding Claims Provision	181,673	180,814
Deferred Tax Liabilities	742	36
Employee Benefits	41	30
Other Liabilities	1,532	1,603
Total Non-Current Liabilities	183,988	182,483
Total Liabilities	267,284	270,126
Net Assets	125,852	112,643
Equity		
Retained Profits	125,852	112,643
Total Equity	125,852	112,643

Discussion and Analysis of the Statement of Financial Position

Consolidated Entity

Total Assets increased in the Consolidated Entity by \$10.367m from 30 June 2015 to 30 June 2016. This movement is predominantly due to:

- A \$23.444m increase in Trade and Other Receivables
- Offset by a \$11.569m decrease in Reinsurance and Other Recoverables Receivable.

Total Liabilities decreased in the Consolidated Entity by \$2.842m from 30 June 2015 to 30 June 2016. This movement is predominantly due to:

- A \$12.384m decrease in the Trade and Other Payables
- Offset by a \$10.667m increase in other liabilities which includes, Subscription Income Received in Advance, Premium Received in Advance and Other Income Received in Advance.

The movement in Total Equity of the Consolidated Entity of \$13.209m, from 30 June 2015 to 30 June 2016, 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 Limited
Summary Financial Report for the Year Ended 30 June 2016

	Consolidated Entity	
	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
Cash Flows From Operating Activities:		
Subscriptions Received	7,885	8,393
Premium Received	45,085	48,730
Sundry Income Received	1,976	1,729
Reinsurance and Other Recoveries Received	8,918	19,061
Reinsurance Paid	(6,958)	(8,546)
Claims Paid	(40,570)	(32,519)
Payments to Suppliers and Employees	(15,728)	(21,556)
Cash Generated from Operations Before Tax	608	15,292
Income Tax Paid	1,484	(1,088)
Net Cash from/(used in) Operating Activities	2,092	14,204
Cash Flows from Investing Activities:		
Proceeds from Sale of Property, Plant and Equipment	90	-
Acquisition of Property, Plant and Equipment	(474)	(726)
Interest Received	9,295	9,569
Dividends Received	290	80
Proceeds from Sale or Maturity of Investments	51,720	131,361
Payment for Investments	(81,055)	(158,043)
Net Cash (used in)/from Investing Activities	(20,134)	(17,759)
Net Increase (Decrease) in Cash and Cash Equivalents	(18,042)	(3,555)
Cash and Cash Equivalents at 1 July	86,071	89,626
Cash and Cash Equivalents at 30 June	68,029	86,071

Discussion and Analysis of the Statement of Cash Flows

Consolidated Entity

Premium Received in 2015/2016 was \$3.645m lower than during 2014/2015. This is due to less premium being received in advance for the 2016/2017 year as a new direct instalment payment option was offered to clients which allows premium to be paid across the 2016/2017 year.

Claims Paid in 2015/2016 were \$8.051m higher than during the 2014/2015 year reflecting less large claims settled in the period.

Reinsurance and Other Recoveries Received in 2015/2016 were \$10.143m lower than the 2014/2015 year. This is as a result of less large claim settlements occurring in the year against which recoveries Reinsurance and Other Recoveries are receivable.

The accompanying discussion and analysis form part of the Summary Financial Report.

Statement of Changes in Equity

Medical Defence Association of South Australia Limited
Summary Financial Report for the Year Ended 30 June 2016

Consolidated Entity

	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2015	112,643	112,643
Total Comprehensive Income for the Period	13,209	13,209
Balance at 30 June 2016	125,852	125,852
Balance at 1 July 2014	107,996	107,996
Total Comprehensive Income for the Period	4,647	4,647
Balance at 30 June 2015	112,643	112,643

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 reflects the movement in Profit for the Period which is detailed in the discussion and analysis of the Statement of Profit or Loss and Other Comprehensive Income.

Notes

Medical Defence Association of South Australia Limited
Notes to and forming part of the Summary Financial Report for the Year Ended 30 June 2016

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 provided to members on request.

Medical Defence Association of South Australia Limited (the "Company") is a company limited by guarantee and is incorporated and domiciled in Australia. The Summary Financial Report of the Consolidated Entity for the year ended 30 June 2016 comprises 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 is provided 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.

2. Regulatory Capital Compliance

APRA's Prudential Standards set out the basis for calculating the Prudential Capital Requirement (PCR) of licensed insurers. The PCR uses a risk-based approach for measuring the capital adequacy of the Consolidated Medical Insurance Australia Pty Ltd ("Controlled Entity Insurance Company"). The PCR is intended to take into account the full range of risks to which the Controlled Entity Insurance Company is exposed.

The PCR for a regulated institution equals the prescribed capital amount (PCA) plus any supervisory adjustment determined by APRA. The PCA of the Controlled Entity Insurance Company is shown at right.

	2016 \$'000	2015 \$'000
Common Equity Tier 1 Capital		
Paid up Capital	57,801	50,575
Retained Profit (APRA basis)	59,851	60,540
Current year's earnings (APRA basis)	4,389	(689)
Net surplus / (deficit) relating to insurance liabilities	307	515
Tier 1 capital (before deductions)	122,348	110,941
Less deductions		
Deferred tax assets (net of deferred tax liability)	1,827	2,724
Other deductions	10,304	11,075
Total Tier 1 Capital	110,217	97,142
Prescribed Capital Amount (PCA)		
Insurance risk charge	24,595	22,809
Insurance concentration risk charge	4,994	4,035
Asset risk charge	12,381	10,373
Operational risk charge	4,146	3,614
Aggregation benefit	(7,687)	(6,564)
Total PCA	38,429	34,267
Capital Ratio	2.87	2.83

Independent Auditor's Report

The Directors present their Summary Consolidated Financial Report of the Medical Defence Association of South Australia Limited (MDASA) and the consolidated financial report of the entity (Consolidated Entity), being MDASA and its controlled entities Medical Insurance Australia Pty Limited, Invivo Medical Pty Ltd and Medical Insurance Group Australia Pty Ltd for the financial year ended 30 June 2016 and the independent audit report thereon.

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

The accompanying summary consolidated financial statements which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Limited for the year ended 30 June 2016. We expressed an unmodified auditor's opinion on that financial report in our report dated 27 September 2016.

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

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited financial report, on the basis described in Note 1.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements derived from the audited financial report of Medical Defence Association of South Australia Limited 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 consolidated financial statements derived from the audited financial report of Medical Defence Association of South Australia Limited for the year ended 30 June 2016 are consistent, in all material respects, with the audited financial report.



Darren Scammell
Partner



Adelaide
27 September 2016

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 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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



Darren Scammell
Partner



Adelaide
27 September 2016

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.

Obituary

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

- Dr Rex David Fairbairn
- Dr Owen Matthew Williams
- Dr Edmund Richard Byrne
- Mr Vivian Elgar Wain
- Dr Basile George Alexander
- Dr William Thomas Chappell
- Dr Kenneth John Crichton
- Dr Jonathan Sydney Close
- Dr Caetano Francisco Quadros
- Dr Geoffrey Daniel Stewart
- Dr William Vassilie Zacharia

Members who passed away between July 2015 – June 2016

work together support
goals high quality
giving confidence
experience tailored advice
listen understand
protect excellence with

**General Enquiries
and Client Service**

Free Call 1800 777 156
Facsimile 1800 839 284

Claims and Legal Services

(During Office hrs and 24hr emergency legal support)

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