

# Annual Report

and Summary Financial Report



2018

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### **MIGA**

Medical Defence Association of South Australia Limited  
ABN 41 007 547 588

Medical Insurance Australia Pty Ltd  
ABN 99 092 709 629

### **MDASA Limited**

#### ***Board as at September 2018***

Dr Martin Altmann – Chairman  
Dr Andrew Pesce – Deputy Chairman  
Ms Amanda Anderson – CEO and Managing Director  
Mr Henry Botha  
Ms Juliet Brown OAM  
Associate Professor Peter Cundy  
Dr Roger Sexton  
Professor Owen Ung

### **Medical Insurance Australia Pty Ltd**

#### ***Board as at September 2018***

Dr Martin Altmann – Chairman  
Dr Andrew Pesce – Deputy Chairman  
Ms Amanda Anderson – CEO and Managing Director  
Mr Henry Botha  
Ms Juliet Brown OAM  
Associate Professor Peter Cundy  
Dr Roger Sexton  
Professor Owen Ung  
Ms Robyn Bateup  
Mr Ian Stone

### **Chief Executive Officer and Managing Director**

Ms Amanda Anderson

### **MIGA – Head Office**

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Adelaide SA 5000  
GPO Box 2048  
Adelaide SA 5001

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**Website** [www.miga.com.au](http://www.miga.com.au)

### **Key professional advisors**

#### ***Actuaries***

Finity Consulting Pty Ltd, Sydney and Melbourne

#### ***Auditors and Tax Advisors***

KPMG, Adelaide

#### ***Corporate Legal Advisors***

Lander and Rogers, Sydney and Iles Selley Lawyers, Adelaide

#### ***Principal Medico-legal Advisors***

Meridian, Sydney and 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 Wealth Management, Adelaide

#### ***Internal Auditor***

PwC, Adelaide

## Reducing our Environmental Impact

To help reduce MIGA's operating costs and environmental impact, for the year ended 30 June 2018 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 Consolidated Summary Financial Statements
  - We believe is a more valuable method of communicating key information about MIGA.
- **An Annual Report and Summary Financial Report which:**
  - Is available only on our website, unless members specifically ask for a printed copy
  - Includes a summary of the Directors' Reports, the Consolidated Summary Financial Statements and the external auditor's report.

The information in this Report is to be read in conjunction with the MIGA 2018 Annual Review which is also available on our website.

Making the Annual Report (including Consolidated Summary Financial Statements) 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.

## Report by Directors

The Directors present their report together with the consolidated financial report of the Consolidated Entity, being Medical Defence Association of South Australia Limited (MDASA) and its controlled entities Medical Insurance Australia Pty Ltd (Medical Insurance Australia), Invivo Medical Pty Ltd (Invivo) and Medical Insurance Group Australia Pty Ltd, for the financial year ended 30 June 2018 and the independent audit report thereon.

The Group comprises two operating companies, MDASA and Medical Insurance Australia, which are collectively referred to as MIGA.

References to the Group and MIGA throughout this Report mean the Consolidated Entity MDASA 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, during the financial year 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
- 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.

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 Group during the year, as described more fully herein.

(Amounts shown as \$m)	2018 Actual	2017 Actual
Gross Premium Revenue	50.910	51.224
Net Incurred Claims	(27.689)	(27.653)
Underwriting Expenses	(6.878)	(7.460)
Operating Expenses	(20.285)	(19.642)
Underwriting Result	(3.942)	(3.531)
Subscription Revenue	9.032	8.683
Other Income	1.015	0.914
Investment Income	7.983	5.817
Profit before tax	14.088	11.883
Income Tax Expense	(1.648)	(1.165)
<b>Total Comprehensive Income</b>	<b>12.440</b>	<b>10.718</b>

### Operating Result

The Consolidated Entity reported a net profit of \$12.440m (2017: \$10.718m) for the financial year ended 30 June 2018, after providing for income tax.

The Consolidated Entity has a surplus in net assets of \$149.010m as at 30 June 2018 (\$136.570m as at 30 June 2017).

The Group's net profit before tax was significantly ahead of budget (\$9.296m) and the key drivers to the above budget profit were:

- **Net claims costs** were significantly below budget. This was predominantly as a result of excellent claims management, with the development of reported claims costs being better than expected and an allowance being made for future savings, to reflect a continuation of this favourable experience
- **Operating expenses** were well below budget notwithstanding the Group's growth in recent years and investment in additional services and benefits for our clients.

### 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".

### Review of Operations

The Review of Operations is outlined throughout this Report and in the MIGA 2018 Annual Review.

### Branch offices and growth across Australia

MIGA's branch office network spans New South Wales, Victoria, Queensland and Western Australia supporting the provision of services across the eastern seaboard and on the west coast. Our Sydney office provides our full range of service and support including claims and advisory, client services, risk management and underwriting services. Nationally the Group's network is enhanced by important agency and broker relationships.

Having staff and a diverse network of service providers in locations across Australia is a key element of MIGA's strategy to expand nationally and supports our commitment to offer high quality and dedicated service to our members and clients.

Doctor and medical student membership outside of South Australia (the location of the Group's Head Office) now represents 83% of our business.

## Report by Directors

### Growth

Doctor membership of MDASA grew by 7.8% in the year. Total membership (ie doctors and medical students) grew by 4.9% in the year and is now in excess of 33,000, its highest level ever.

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 policyholders. Growth brings economies of scale, benefiting all members and clients and also strengthens the Group's operations.

### Medical students and young doctors

A key strategy for the Group is to grow nationally the number of medical students and young doctors it insures. These two groups are very important for future growth.

MIGA's communications with these two groups continue to be predominantly IT based with on-line application and renewal capabilities.

The ability to transact electronically with students and young doctors makes it easier for them to do business with MIGA and also supports the Group's commitment to the environment by reducing postage and printing costs.

This capability makes renewal easier and more convenient for these member groups and the savings made on the costs of printing and production of documents will be channelled into improving member and policyholder services.

### Policy cover and insurance arrangements

MIGA is proud of the breadth of its insurance policies and the protection they provide and its aim is to provide policyholders with superior cover that offers real value for money.

### Diversification

Diversification of the Group's business is a key component of its Strategic Plan, and offering professional indemnity cover to other healthcare professionals is an important element of MIGA's growth strategy.

The Group anticipates tangible benefits and economies by being a provider of professional indemnity insurance to a growing range of healthcare professionals.

The Group's diversification strategy continues to deliver good outcomes, with growth across the year in both Healthcare Company insurance and income from insurance for privately practising eligible midwives. Income from these sources now represents 4.8% of the Group's total income.

### Federal Government contract for midwives insurance

Since 2010, MIGA has been the sole provider of professional indemnity insurance for eligible privately practising midwives across Australia under a contract with the Federal Government. The legislation underpinning the contract is a key component of the Federal Government's commitment to maternity services reform. 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.

The contract with MIGA was extended for a further 12 months from 1 July 2018 with a commitment to 2020.

The Midwives Insurance Scheme supports the Group's strategy to diversify its client base.

### The Group's services

Members and policyholders of MIGA have access to a range of benefits, including 24 hour emergency medico-legal advice, support services if they are involved in a claim, access to an industry-leading Risk Management Program and a wide range of risk management tools and resources, as well as regular updates via the Bulletin and a range of online services provided via the MIGA website.

MIGA offers payment options by direct debit and credit card, monthly or annually, with no additional costs or charges. Direct debit is a convenient and secure way for the Group's clients to pay their insurance and membership with MIGA, offering automatic renewal and relieving pressure of an annual payment and smoothing their cash flow. 45.6% of policyholders have opted into direct debit with MIGA.

### MIGA Plus

*MIGA Plus* provides the Group's clients with access to a range of insurance products and services provided via partnerships entered into by MIGA.

*MIGA Plus* complements the medical indemnity and professional indemnity insurance members and clients have with MIGA, as the products and services offered through it support their medical and healthcare practice. A key requirement in offering products and services via *MIGA Plus* is that they are high quality, competitive and genuinely respond to the needs of MIGA's clients.

In April 2017 MIGA launched its partnership with Qantas as part of *MIGA Plus*. MIGA clients can earn Qantas Points on payment of their medical/professional indemnity insurance

with MIGA. MIGA is proud to have entered into this arrangement with one of Australia's most respected and recognised national brands. Many of the Group's clients are frequent travellers for business and pleasure, and offering Qantas Points is a valuable way of recognising their loyalty and giving them something in return. As at July 2018, 40% of policyholders had opted in to receive Qantas Points on payment to MIGA.

Other initiatives available via *MIGA Plus* include:

- Business Insurance – Covering the day to day insurance risks of running a business via one insurance policy; and
- Business Education – Access to Business Education courses designed for the healthcare profession and aimed at assisting doctors and practice managers develop their business management skills to help them get the most out of their medical practices.

### Risk management

MIGA has significant experience in the development and implementation of risk management education and training tailored to the unique needs of the medical and healthcare professions. The Group offers access to a wide range of on-line resources and educational material including workshops and conferences and a formal Risk Management Program, which includes a premium discount on completion.

In July 2018, MIGA launched a new risk education learning platform, called Risk Education Online (REO). REO brings together an innovative learning management system and a user friendly event management system to create a seamless environment where clients can plan, book and participate in learning activities as part of MIGA's Risk Management Program.

REO will provide even more options for clients to complete their risk management requirements in a richly interactive learning environment, with new on-line learning modules. It also incorporates assessment, benchmarking and achievement records to help clients manage and get the most out of their learning experience.

The Group's investment in REO reinforces its commitment to risk education as a way of helping members and policy holders manage risk and to adding tangible value to their day to day business.

65% of doctor and midwife policyholders enrolled in the Risk Management Program for the 2017/2018 year.

## Report by Directors

### Advocacy

MIGA has an important role in advocating on behalf of its members and clients and the healthcare profession more generally.

The Group's advocacy focuses on issues which affect doctors, other health practitioners and healthcare organisations in daily practice, such as regulation, professional standards and other medico-legal issues.

MIGA's advocacy aims to ensure that the expectations and frameworks for providing health care are sensible, practical and realistic.

MIGA regularly engages with State, Territory and Federal governments, regulators and other stakeholders in legislative and policy inquiries, reviews and industry dialogue, and presents on key issues to the healthcare profession. Its work is conveyed to its members and clients through the MIGA Bulletin and social media. The work can include detailed submissions, appearing at inquiries, attending forums and more informal liaison with regulators, government bodies and stakeholders.

In the last year, MIGA made 30 written submissions to regulators, governments, parliaments, colleges and law reform bodies.

### Health and well-being of clients

The health and well-being of its policyholders is important to MIGA. MIGA understands the connection between healthy practitioners and patient outcomes, dealing with the effects of legal processes on health and how to deal with these at a personal and systemic level. The Group offers a wide range of resources to assist clients in looking after themselves and their health including a widely accessed MIGA eBook on Doctors' Health.

### Medical Insurance Australia Pty Ltd

Medical Insurance Australia is a wholly owned subsidiary licensed and regulated by the Australian Prudential Regulation Authority (APRA). Medical Insurance Australia acquired 100% of the share capital of Invivo on 24 April 2013. Together they are referred to as the Consolidated Medical Insurance Australia.

Medical Insurance Australia has a comprehensive reinsurance program to protect it against large and catastrophic losses and to assist with managing its year on year claims exposures.

For the financial year ended 30 June 2018, Consolidated Medical Insurance Australia had a net profit for the period of \$3.929m (after income tax) (2017: net profit of \$2.692m). Consolidated Medical Insurance Australia's total equity increased from \$133.304m in 2017 to \$145.433m in 2018.

The prudential supervision of general insurers is the responsibility of APRA.

APRA requires that general insurers have sufficient capital to enable their insurance obligations to be met under a wide range of circumstances. The Prescribed Capital Amount (PCA) is calculated by a complex formula that takes into account a range of risk factors that may threaten an insurer's capital base. The Prescribed Capital Required (PCR) is the PCA plus any supervisory adjustment determined by APRA.

Beyond the requirements of APRA, it is the responsibility of an insurance company's Board and management to ensure that the Company has an appropriate level of capital having regard to the size and complexity of the business.

Capital is the cornerstone of the Group's strength and is fundamental to delivering security to its members and policyholders.

The Capital Ratio is the ratio of the total capital base of the insurer over the PCA. The Board of Medical Insurance Australia has determined that its Capital Ratio should be higher than the PCR, taking into account the complexity and long tail nature of medical indemnity insurance.

Medical Insurance Australia's Capital Ratio as at 30 June 2018 was 3.20, an increase from 3.15 as at June 2017.

In June 2018, the Board of MDASA approved a capital transfer of \$8.200m to Medical Insurance Australia. The Board of MDASA resolved to acquire an additional 8,200,000 Ordinary A Class shares in Medical Insurance Australia effective 29 June 2018 at a total cost of \$8.200m. This increased its investment in Medical Insurance Australia to \$74.101m.

### 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 reconfirmed this rating on 29 March 2018.

### Medical indemnity reviews

The Federal Government is currently undertaking a major review of the medical indemnity and professional indemnity legislation that underpins the medical indemnity industry. As part of this review, the High Cost Claim Scheme (HCCS) threshold was increased from \$300k to \$500k per claim with effect from 1 July 2018. This change increases the claims liabilities of the Group for matters reported from 1 July 2018.

Since their introduction, to address the medical indemnity insurance crisis in the early 2000s, the Schemes that comprise the Indemnity Insurance Fund (IIF) have been critical in maintaining a stable and secure medical indemnity market, ensuring access by medical practitioners to affordable indemnity cover and the delivery of affordable health care for the community. In MIGA's view they have served the profession and the community well.

MIGA is working with the Federal Government and other stakeholders, on behalf of its members and clients, to address the reviews in an open and constructive way.

MIGA's position is that the continuation of the IIF is critical to support the ongoing availability of affordable and secure indemnity insurance, to protect against uncertainty and volatility, and to facilitate access to affordable health care for the community. MIGA understands the importance of there being a balance between the interests of its members and the general community in having affordable and secure medical indemnity insurance and the intent of the Federal Government to manage the level of financial support for the industry.

### 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.

### 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, keeping MIGA better informed of the views of our members and clients.

### Supporting the community

MIGA supports the broader community and the environment via a range of important and innovative initiatives.

Through the Elective Grants Program, each year MIGA provides Grants to students travelling to developing communities. The Grants help them meet the costs of an elective as part of their

## Report by Directors

studies and provide a contribution to fund medical or other aid needed by the community which they visit. Since the launch of the Elective Grants Program, the communities that MIGA has helped and the aid it has provided is extensive.

Through the Doctors in Training Grants Program (DIT), each year MIGA provides support for advanced training for junior doctors via a Grants program. The DIT Grants Program assists doctors in training whilst pursuing specialist training opportunities in Australia and abroad.

The two Grants Programs enable MIGA to support the personal growth of medical students and junior doctors for the benefit of medicine and the community. The benefits that flow from the efforts of these individuals are immeasurable and ongoing, and the Group is proud to support them in their endeavours.

MIGA is also proud to support Red 25 an initiative of the Australian Red Cross Blood Service encouraging staff, clients and their families to donate blood to help save the lives of fellow Australians.

### Environmental policy

MIGA has an Environmental Policy which supports a key goal of ensuring that the Group contributes, to the extent it can, to initiatives which reduce its environmental impact. MIGA acknowledges the impact of the printing process on the environment and only uses printing firms that are committed to protecting the environment both locally and globally.

MIGA's business is very reliant on printed materials but it is committed to ensuring that it reduces its impact on the environment and contributes to creating a sustainable environment for future generations. When the Group prints documents it tries to do so in an environmentally sound way.

Along with the green credentials of our primary printer, Finsbury Green, MIGA also uses Australian produced Greenhouse Friendly Fresh Zero Carbon Neutral and FSC® Mixed Source Paper for the production of our product brochures and regular Bulletins. Through its printing with Finsbury Green and use of the Zero Fresh paper range, during the 2017 to 2018 year the Group has been able to save 14.25 tonnes in CO<sub>2</sub> emissions.

These initiatives help the Group minimise its environmental impact, reduce the costs of running its business and assist with achieving economies and savings in its expenses.

### 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 Meredyth Stewart, Risk & Corporate Governance Manager, is the Company Secretary for MDASA and Medical Insurance Australia.

Her qualifications are that she has been a Chartered Secretary since 2011, holds a Graduate Diploma of Applied Corporate Governance from the Institute of Chartered Secretaries & Administrators (2011), is a Fellow of the Governance Institute of Australia, has been a Certified Practising Accountant (CPA) since 1997 and holds a Bachelor of Business (Accountancy) from the 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 26 of this Annual Report.

### IFRS compliance

The Directors draw attention to Note 1(a) to the financial statements, which includes 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 \$42,000.

### 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 25th day of September 2018

## 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 reporting, both financial and non-financial.

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 (RMS). Management has established and implemented the RMS for assessing, monitoring and managing operational reporting, financial reporting, and compliance risks for the Group. The CEO and the Risk & Corporate Governance 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 RMS and Business Continuity Management 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, 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's RMS 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.

The Risk & Corporate Governance Manager is responsible for developing, maintaining, monitoring and reporting on the Group's Risk Management Framework.

The Risk & Corporate Governance Manager is appointed under the terms of APRA's Prudential Standard CPS 220 Risk Management, to fulfil the role of Chief Risk Officer as referred to in the standard.

As per CPS 220, the Risk & Corporate Governance Manager:

- Reports direct to the CEO and has regular and unfettered access to the Boards and the Risk Committee
- Is required to notify the Boards of any significant breach of, or material deviation from, the Group's Risk Management Framework.

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 Boards
- 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.

#### 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.

## Corporate governance

### 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.

### 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

### Meetings of Directors

During the financial year, 8 meetings of Directors of Medical Insurance Australia were held. In addition, 19 Committee meetings and 2 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	8	8	16	16
Dr Andrew Pesce – Deputy Chairman	8	8	9	9
Ms Amanda Anderson	8	8	19	19
Mr Henry Botha	8	8	10	10
Ms Juliet Brown OAM	8	8	14	14
Ms Robyn Bateup	8	7	13	13
Associate Professor Peter Cundy	8	6	5	4
Dr Roger Sexton	8	8	5	5
Professor Owen Ung	8	8	5	5
Mr Ian Stone	4	4	4	4

**Note:** Mr Ian Hugh Stone was appointed to the Board of Medical Insurance Australia Pty Ltd from 1 December 2017.

## 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**
- **Clinical Risk Management Committee**
- **Audit Committee**
- **Risk Committee**
- **Governance and Remuneration Committee**

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.

### 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.

### Claims Committee

*Chairman* Associate Professor P Cundy

#### *Purpose*

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

*Chairman* Dr R Sexton

#### *Purpose*

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 per year

### Audit Committee

*Chairman* Mr H Botha

#### *Purpose*

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 per year

### Risk Committee

*Chairman* Ms R Bateup

#### *Purpose*

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 per year

### Governance and Remuneration Committee

*Chairman* Ms J Brown OAM

#### *Purpose*

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 per year

## Directors' Information

### 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 eight members, five of whom are medical Directors.

The non-medical representation on the MDASA Board ensures that the Group maintains 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 10 Directors, with diverse skills and knowledge offering an important mix of medical and non-medical expertise together with broad representation of the Group's national and diverse client base.

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

### 2017 AGM

The Annual General Meeting was held on 25 November 2017 and included the election of Directors to the Board of MDASA.

As per Article 46 of the Constitution, Dr Martin Altmann 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 Martin Altmann and Professor Owen Ung were declared by the Chairman of the AGM to be elected (under Article 48A(b) of the Constitution).

### Board appointments

There were no appointments to the Board of MDASA during the year.

The Directors of Medical Insurance Australia appointed Mr Ian Stone to the Board on 1 December 2017.



**Dr Martin Frank Altmann**  
*GP Rural Obstetrics*

*Chairman*  
Medical Insurance Australia Board  
*Chairman*  
MDASA Board

**Ms Amanda Jayne Anderson**  
*CEO and Managing Director*

*Managing Director*  
Medical Insurance Australia Board  
*CEO*  
MDASA Board

**Dr Andrew Francesco Pesce**  
*Obstetrician and Gynaecologist*

*Deputy Chairman*  
Medical Insurance Australia Board  
*Deputy Chairman*  
MDASA Board

**Ms Robyn Jane Bateup**  
*Actuary*

Medical Insurance Australia Board

## Directors' Information



**Mr Henry Albertyn Botha**  
*Chartered Accountant*

Medical Insurance Australia Board  
MDASA Board

**Assoc Professor Peter John Cundy**  
*Orthopaedic Surgeon*

Medical Insurance Australia Board  
MDASA Board

**Mr Ian Hugh Stone**  
*Chartered Accountant*

Medical Insurance Australia Board

**Ms Juliet Helena Brown OAM**  
*Professional Non-Executive Director*

Medical Insurance Australia Board  
MDASA Board

**Dr Roger Allen Sexton**  
*GP – Urban and Rural*

Medical Insurance Australia Board  
MDASA Board

**Professor Owen Allan Ung**  
*General Surgeon (Breast & Endocrine)*

Medical Insurance Australia Board  
MDASA Board

## Directors' Information

Details of Directors in office as at 30 June 2018 or appointed since then.

### Dr Martin Frank Altmann

GP Rural Obstetrics

#### Qualifications

- Bachelor of Medicine, Bachelor of Surgery (University of Adelaide)
- DRANZCOG (Advanced)
- MRCPG (UK)
- FACRRM
- Fellow, Australian Institute of Company Directors (FAICD)

#### Industry and sector experience

Dr Altmann has been a practising Rural Procedural General Practitioner in Murray Bridge for over 25 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.

#### MIGA Board appointments

- Chairman, MDASA Ltd
- Chairman, Medical Insurance Australia Pty Ltd
- Chairman, Medical Insurance Group Australia Pty Ltd
- Chairman, Invivo Medical Pty Ltd

#### MIGA Board Committees

- Member, Governance and Remuneration Committee (former Chairman)
- Member, Clinical Risk Management Committee
- Member, Audit Committee
- Member, Risk Committee

### Dr Andrew Francesco Pesce

Obstetrician and Gynaecologist

#### Qualifications

- Bachelor of Medicine, Bachelor of Surgery (University of New South Wales)
- 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.

#### MIGA Board appointments

- Deputy Chairman, MDASA Ltd
- Deputy Chairman, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Member, Clinical Risk Management Committee
- Member, Governance and Remuneration Committee

### Ms Amanda Jayne Anderson

CEO and Managing Director

#### Qualifications

- Bachelor of Arts, Social Sciences – majoring in psychology and biology
- Fellow, Australian Institute of Company Directors (FAICD)
- Senior Associate – Australian and New Zealand Institute of Insurance and Finance (ANZIIF)
- Business Certificate in Insurance

#### Industry and sector experience

Ms Anderson has in excess of 26 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.

#### MIGA Board appointments

- Director and CEO, MDASA Ltd
- Managing Director, Medical Insurance Australia Pty Ltd
- Director, Medical Insurance Group Australia Pty Ltd
- Director, Invivo Medical Pty Ltd

#### MIGA Board Committees

- 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).

## Directors' Information

Details of Directors in office as at 30 June 2018 or appointed since then.

### Ms Robyn Jane Bateup

Actuary

#### Qualifications

- Bachelor of Science (Australian National University)
- Fellow, Institute of Actuaries of Australia (FIAA)
- Graduate, Australian Institute of Company Directors (GAICD)

#### Industry and sector experience

Ms Bateup has over 25 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.

#### MIGA Board appointments

- Director – Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Chair, Risk Committee
- Member, Audit Committee
- Member, Claims Committee

### Mr Henry Albertyn Botha

Chartered Accountant

#### Qualifications

- 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

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.

#### MIGA Board appointments

- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Chair, Audit Committee
- Member, Risk Committee

## Directors' Information

Details of Directors in office as at 30 June 2018 or appointed since then.

### Ms Juliet Helena Brown OAM Professional Non-Executive Director

#### Qualifications

- Bachelor of Laws (University of Adelaide)
- Fellow, Australian Institute of Company Directors (FAICD)

#### Industry and sector experience

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.

#### MIGA Board appointments

- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Chair, Governance and Remuneration Committee
- Member, Audit Committee
- Member, Risk Committee

### Assoc Prof Peter John Cundy Orthopaedic Surgeon

#### Qualifications

- Bachelor of Medicine
- Bachelor of Surgery (University of Adelaide),
- FRACS
- Fellow, Australian Institute of Company Directors (FAICD)

#### Industry and sector experience

Associate Professor 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. He regularly teaches in the South Pacific Islands.

#### MIGA Board appointments

- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Chair, Claims Committee
- Member, Clinical Risk Management Committee

### Dr Roger Allen Sexton GP – Urban and Rural

#### Qualifications

- Bachelor of Medicine
- Bachelor of Surgery (University of Adelaide)
- DRCOG (UK)
- MBA (University of Adelaide)
- FRACGP
- FACRRM
- Fellow, Australian Institute of Company Directors (FAICD)

#### Industry and sector experience

Dr Sexton has practised as a procedural rural general practitioner for over 30 years and is currently working in both rural and urban general practice, as Medical Director of Doctors' Health SA and Doctors' Health NT, consultant in executive health and a medical school clinical skills tutor.

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.

#### MIGA Board appointments

- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Chair, Clinical Risk Management Committee
- Member, Claims Committee

## Directors' Information

Details of Directors in office as at 30 June 2018 or appointed since then.

### Mr Ian Hugh Stone

*Chartered Accountant*

#### Qualifications

- Bachelor of Economics (University of Adelaide)

#### Industry and sector experience

Mr Stone has extensive senior experience and expertise in the motor, home and health insurance industry in the private sector.

#### MIGA Board appointments

- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Member, Audit Committee
- Member, Risk Committee

### Prof Owen Allan Ung

*General Surgeon (Breast & Endocrine)*

#### Qualifications

- MBBS (University of Queensland)
- FRACS
- FAICD (Fellow of the Australian Institute of Company Directors)

#### Industry and sector experience

Professor Ung is a well known breast and endocrine surgeon. His academic role is Professor of Surgery University of Queensland Royal Brisbane Clinical School. He is currently a council member for the Royal Australasian College of Surgeons (RACS) and elected member of the Federal Council of the Australian Medical Association. He is a committed clinician, researcher and teacher, obtaining extensive administrative and management experience through various clinical leadership roles.

#### MIGA Board appointments

- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Ltd

#### MIGA Board Committees

- Member, Clinical Risk Management Committee
- Member, Claims Committee



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Medical Defence Association  
of South Australia Limited  
ABN 41 007 547 588

The Directors present their Consolidated Summary 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 Ltd, Invivo Medical Pty Ltd and Medical Insurance Group Australia Pty Ltd for the financial year ended 30 June 2018 and the independent audit report thereon.

# 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 2018

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Gross Written Premium	53,863	52,918
Movement in Unearned Premium	(2,953)	(1,694)
<b>Premium Revenue</b>	<b>50,910</b>	<b>51,224</b>
Reinsurance Premium Expense	(6,333)	(6,855)
Net Premium Revenue	44,577	44,369
Gross Claims Expense	(41,696)	(40,936)
Reinsurance and Other Recoveries	14,007	13,283
Net Claims Incurred	(27,689)	(27,653)
Professional Fees Expense	(2,084)	(2,452)
Employment Expense	(10,821)	(11,017)
General and Administrative Expense	(7,380)	(6,173)
Other Underwriting Expense	(545)	(605)
Operating Expenses	(20,830)	(20,247)
<b>Underwriting Result</b>	<b>(3,942)</b>	<b>(3,531)</b>
Subscription Revenue	9,032	8,683
Other Income	1,015	914
<b>Results from Operating Activities</b>	<b>6,105</b>	<b>6,066</b>
<b>Investment Income</b>	<b>7,983</b>	<b>5,817</b>
<b>Profit Before Tax</b>	<b>14,088</b>	<b>11,883</b>
<b>Income Tax Expense</b>	<b>(1,648)</b>	<b>(1,165)</b>
<b>Total Comprehensive Income Attributable to Members</b>	<b>12,440</b>	<b>10,718</b>

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

## Discussion and Analysis of the Statement of Comprehensive Income

### Consolidated Entity

Net Premium Revenue increased by \$0.208m as a result of growth.

Gross Claims Expense increased by \$0.760m but was offset by favourable increases in Reinsurance and Other Recoveries by \$0.724m.

Professional Fees, Employment and General and Administration Expenses for 2017/2018 were \$0.643m higher than in 2016/2017 to support growth in the business.

Investment Income increased by \$2.166m predominantly driven by the growth in the investment asset base in 2017/2018. In the 2016/2017 year, higher market interest rates resulted in fixed interest investments reporting an unrealised loss of \$1.832m. In 2017/2018, an unrealised gain of \$0.346m was reported due to unrealised gains on equities of \$1.151m and unrealised loss on fixed interest of \$0.805m.

Total Comprehensive Income Attributable to Members decreased by \$1.722m 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 2018

	Consolidated Entity	
	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Cash and Cash Equivalents	33,519	115,472
Trade and Other Receivables	42,127	31,675
Reinsurance and Other Recoveries Receivable	13,897	11,736
Investments	88,693	23,427
Other Assets	337	197
<b>Total Current Assets</b>	<b>178,573</b>	<b>182,507</b>
<b>Non-Current Assets</b>		
Reinsurance and Other Recoveries Receivable	86,850	86,291
Investments	154,788	136,433
Deferred Tax Assets	307	241
Property, Plant and Equipment	2,606	2,850
Intangible Assets	12,538	13,164
<b>Total Non-Current Assets</b>	<b>257,089</b>	<b>238,979</b>
<b>Total Assets</b>	<b>435,662</b>	<b>421,486</b>
<b>Current Liabilities</b>		
Trade and Other Payables	10,646	9,445
Outstanding Claims Provision	39,368	36,918
Income Tax Payable	19	902
Employee Benefits	2,616	2,780
Other Liabilities	52,354	48,738
<b>Total Current Liabilities</b>	<b>105,003</b>	<b>98,783</b>
<b>Non-Current Liabilities</b>		
Outstanding Claims Provision	180,391	184,660
Employee Benefits	48	47
Other Liabilities	1,210	1,426
<b>Total Non-Current Liabilities</b>	<b>181,649</b>	<b>186,133</b>
<b>Total Liabilities</b>	<b>286,652</b>	<b>284,916</b>
<b>Net Assets</b>	<b>149,010</b>	<b>136,570</b>
<b>Equity</b>		
Retained Profits	149,010	136,570
<b>Total Equity</b>	<b>149,010</b>	<b>136,570</b>

## Discussion and Analysis of the Statement of Financial Position

### Consolidated Entity

The Consolidated Entity's Total Assets increased by \$14.176m from 30 June 2017 to 30 June 2018. This movement was predominantly due to:

- A \$10.452m increase in Trade and Other Receivables.
- A \$2.720m increase in Reinsurance and Other Recoveries Receivable.
- A \$1.668m increase in the combined Cash and Cash Equivalents and Investments.

The Consolidated Entity's Total Liabilities increased by \$1.736m from 30 June 2017 to 30 June 2018. This movement was predominantly due to:

- A \$3.400m increase in other liabilities which includes Subscription Income Received in Advance, Premium Received in Advance and Other Income Received in Advance.
- A \$1.201m increase in the Trade and Other Payables
- A \$1.819m decrease in the Outstanding Claims Provision

The movement in Total Equity of the Consolidated Entity of \$12.440m, from 30 June 2017 to 30 June 2018, 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 2018

	Consolidated Entity	
	2018 \$'000 Inflows (Outflows)	2017 \$'000 Inflows (Outflows)
<b>Cash Flows From Operating Activities:</b>		
Subscriptions Received	8,804	8,869
Premium Received	46,909	44,814
Sundry Income Received	1,826	1,323
Reinsurance and Other Recoveries Received	9,298	15,143
Reinsurance Paid	(6,666)	(6,437)
Claims Paid	(43,538)	(30,967)
Payments to Suppliers and Employees	(19,665)	(19,271)
Cash Generated from Operations Before Tax	(3,032)	13,474
Income Tax Paid	(2,598)	(1,861)
<b>Net Cash (used in)/from Operating Activities</b>	<b>(5,630)</b>	<b>11,613</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sale of Property, Plant and Equipment	1	20
Acquisition of Property, Plant and Equipment	(800)	(770)
Interest Received	7,869	8,575
Dividends Received	488	433
Proceeds from Sale or Maturity of Investments	102,508	144,627
Payment for Investments	(186,389)	(117,055)
<b>Net Cash (used in)/from Investing Activities</b>	<b>(76,323)</b>	<b>35,830</b>
Net (Decrease)/Increase in Cash and Cash Equivalents	(81,953)	47,443
Cash and Cash Equivalents at 1 July	115,472	68,029
<b>Cash and Cash Equivalents at 30 June</b>	<b>33,519</b>	<b>115,472</b>

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

### Discussion and Analysis of the Statement of Cash Flows

#### Consolidated Entity

Net Cash used in Investing was \$112.153m higher in 2017/2018 than 2016/2017 year due to an increase in investments.

Claims Paid in 2017/2018 were \$12.571m higher than during the 2016/2017 year reflecting more large claims settled in the period.

Reinsurance and Other Recoveries received reduced by \$5.845m reflecting a higher level of recoveries receivable at year end.

## Statement of Changes in Equity

Medical Defence Association of South Australia Limited  
Summary Financial Report for the Year Ended 30 June 2018

### Consolidated Entity

	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2017	136,570	136,570
Total Comprehensive Income for the Period	12,440	12,440
<b>Balance at 30 June 2018</b>	<b>149,010</b>	<b>149,010</b>
Balance at 1 July 2016	125,852	125,852
Total Comprehensive Income for the Period	10,718	10,718
<b>Balance at 30 June 2017</b>	<b>136,570</b>	<b>136,570</b>

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  
Summary Financial Report for the Year Ended 30 June 2018

### 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 2018 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 Corporations (rounding in Financial / Directors Reports) Instruments 2016/191 dated 1 April 2016 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

Australian Prudential Regulation Authority's (APRA) 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 below:

	2018 \$'000	2017 \$'000
<b>Common Equity Tier 1 Capital</b>		
Paid up Capital	74,101	65,901
Retained Profit (APRA basis)	66,717	64,240
Current year's earnings (APRA basis)	3,766	2,477
Net surplus / (deficit) relating to insurance liabilities	110	(1,949)
<b>Tier 1 capital (before deductions)</b>	<b>144,694</b>	<b>130,669</b>
<b>Less deductions</b>		
Deferred tax assets (net of deferred tax liability)	2,173	2,440
Other deductions	8,749	9,377
<b>Total Tier 1 Capital</b>	<b>133,772</b>	<b>118,852</b>
<b>Prescribed Capital Amount (PCA)</b>		
Insurance risk charge	26,619	25,897
Insurance concentration risk charge	5,319	2,105
Asset risk charge	14,271	13,504
Operational risk charge	4,258	4,349
Aggregation benefit	(8,712)	(8,074)
<b>Total PCA</b>	<b>41,755</b>	<b>37,781</b>
<b>Capital Ratio</b>	<b>3.20</b>	<b>3.15</b>

## Independent Auditor's Report

To the members of Medical Defence Association of South Australia Limited  
Report on the audit of the Consolidated Summary Financial Statements

### Opinion

We have audited the *Consolidated Summary Financial Statements* of Medical Defence Association of South Australia Limited (the *Company*) and its controlled entities (the *Group*) as at 30 June 2018 and for the year ended on that date. The financial statements and related notes in the Consolidated Summary Financial Statements are derived from the audited financial report of the Group as at and for the year ended 30 June 2018 (the *Audited Financial Report*).

In our opinion, the accompanying Consolidated Summary Financial Statements, including the discussion and analysis of the Company, complies with *Australian Accounting Standard 1039 Concise Financial Reports*.

The *Consolidated Summary Financial Statements* comprises:

- Statement of financial position as at 30 June 2018;
- 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.

The Consolidated Summary Financial Statements are contained in the *Annual Report and Summary Financial Report* on pages 20 to 24.

The *Group* consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Consolidated Summary Financial Statements* section of this Auditor's Report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Consolidated Summary Financial Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Scope of the Consolidated Summary Financial Statements

The Consolidated Summary Financial Statements does not contain all the disclosures required by *Australian Accounting Standards* in the preparation of the Audited Financial Report. Reading the Consolidated Summary Financial Statements and this Auditor's Report thereon, therefore, is not a substitute for reading the Audited Financial Report and our auditor's report thereon.

### The Audited Financial Report and our Auditor's Report Thereon

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 25 September 2018.

### Other Information

Other Information is financial and non-financial information in Medical Defence Association of South Australia Limited's annual reporting, including discussion and analyses, which is provided in addition to the Consolidated Summary Financial Statements and this Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Consolidated Summary Financial Statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Summary Financial Statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Consolidated Summary Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibility of the Directors for the Consolidated Summary Financial Statements

The Directors are responsible for:

- preparing the Consolidated Summary Financial Statements in accordance with *Australian Accounting Standard AASB 1039 Concise Financial Reports* and the *Corporations Act 2001*; and

- implementing necessary internal control to enable the preparation of the Consolidated Summary Financial Statements that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility for the audit of the Consolidated Summary Financial Statements

Our responsibility is to express an opinion on whether the Consolidated Summary Financial Statements, including the discussion and analysis, in all material respects, complies with *Australian Accounting Standard AASB 1039 Concise Financial Reports* based on our procedures, which were conducted in accordance with *Australian Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements*.



**Darren Ball**

Partner

Adelaide, 25 September 2018

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 of Medical Defence Association of South Australia Limited for the financial year ended 30 June 2018 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.



**Darren Ball**

Partner

Adelaide, 25 September 2018

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 Jana Kubicek

Dr Don Manupala Samarasekara Karunaratne

Dr Bal Krishna Jha

Ms Tessa Alison Calder

Dr Alvin Suk Fai Goh

Dr Nebras Elias

Mr Peter William Donkersley

Prof Nicholas Alexander Antic

Dr Zheqin Roger Lu

Dr Elfrith Foottit

Members who passed away  
between July 2017 – June 2018

MIGA has taken responsibility to ensure that this publication minimises its environmental impact. It has been printed by Finsbury Green on paper manufactured using FSC® (Forest Stewardship Council®) paper pulp, sourced from well managed forests. Inks used were vegetable based without the requirement for isopropyl alcohol, and printed using world's best practice ISO 14001 Environmental Management Systems.

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Facsimile 1800 839 284

**Claims and Legal Services**

(During Office hours and 24hr emergency legal support)

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