Reducing our Environmental Impact

To help reduce MIGA’s operating costs and environmental impact, for the year ended 30 June 2019 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 2019 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.
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 Limited (Medical Insurance Australia), Invivo Medical Pty Ltd (Invivo) and Medical Insurance Group Australia Pty Ltd, for the financial year ended 30 June 2019 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.

<table>
<thead>
<tr>
<th>(Amounts shown as $m)</th>
<th>2019 Actual</th>
<th>2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Premium Revenue</td>
<td>53.480</td>
<td>50.910</td>
</tr>
<tr>
<td>Net Incurred Claims</td>
<td>(38.010)</td>
<td>(27.689)</td>
</tr>
<tr>
<td>Underwriting Expenses</td>
<td>(7.233)</td>
<td>(6.878)</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(22.984)</td>
<td>(20.285)</td>
</tr>
<tr>
<td>Underwriting Result</td>
<td>(14.747)</td>
<td>(3.942)</td>
</tr>
<tr>
<td>Subscription Revenue</td>
<td>9.432</td>
<td>9.032</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.961</td>
<td>1.015</td>
</tr>
<tr>
<td>Investment Income</td>
<td>14.252</td>
<td>7.983</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>9.898</td>
<td>14.088</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>(0.164)</td>
<td>(1.648)</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td><strong>9.734</strong></td>
<td><strong>12.440</strong></td>
</tr>
</tbody>
</table>

Operating Result
The Consolidated Entity reported a net profit of $9.734m (2018: $12.440m) for the financial year ended 30 June 2019, after providing for income tax.

The Consolidated Entity has a surplus in net assets of $158.744m as at 30 June 2019 ($149.010m as at 30 June 2018).

The Group’s net profit before tax for the 2018/2019 year was $9.898m, which was significantly ahead of budget. The key drivers to the above budget result were:
• Investment income was above budget due to a reduction in fixed interest bond yields and strong returns on equity investments
• Net claim costs in total were close to budget but the actual experience was below budget with most of the improvement offset by the impact of the movement in the discount rate on total claims costs
• Operating expenses were below budget, predominantly due to savings in marketing, staff related costs, depreciation and professional fees.

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 2019 Annual Review.

Branch offices and growth across Australia
MIGA’s branch office in NSW offers claims, client services, risk management services and underwriting services and support. Its presence in Victoria, Queensland and Western Australia also supports the provision of services across the eastern seaboard and on the west coast. Nationally the Group’s network is enhanced by very important agency and broking relationships.

Having staff and a diverse network of service providers across Australia is a key element of MIGA’s strategy to expand nationally and supports its commitment to offer high quality and dedicated service to its members and policyholders.

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

Growth
Total doctor membership of MDASA grew by 5.6% in the year with doctor membership now at its highest level ever at 21,953 (2018: 20,784).

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 medical students and junior doctors 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 5% 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.

In 2019 the contract with MIGA was extended for a further 12 months from 1 July 2019 to 30 June 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. A significant proportion of policyholders have opted into direct debit with MIGA.
In June 2019 the Group offered a Loyalty Benefit to members on their renewal for the 2019/2020 year. The Loyalty Benefit was provided to eligible members as a recognition and thank you for their ongoing trust and support of MIGA.

MIGA’s commitment to quality
MIGA has a Service Commitment which underpins the service standards it provides. This measurable framework supports the Group’s goal to provide outstanding assistance and support to its members and policyholders.
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.

Member feedback about the Group’s services
The Group’s annual survey process with members in October 2018 provided invaluable feedback about the services MIGA provides and its performance.
Key findings were that of the respondents:
• 98% would recommend MIGA to other doctors
• 93% rated the friendliness and helpfulness of MIGA’s staff as “Good to excellent”
• 93.5% rated quality of MIGA’s service overall as “Good to excellent”
The positive and constructive comments received about the services the Group provides reinforces MIGA’s commitment to quality, service and professionalism to its members and clients.

MIGA Plus
MIGA Plus provides the Group’s members and 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.

Products and services offered via MIGA Plus are:
• Qantas partnership – MIGA policyholders 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 2019, 60% of policyholders had opted in to receive Qantas Points on payment to MIGA.
• Business Insurance – Covering the day to day insurance risks of running a business via one insurance policy
• 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 services 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.

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

RED provides many options for members and clients to complete their risk management requirements in a richly interactive learning environment, with a range of 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.

In August 2018 MIGA launched a new Conference Hypothetical for the 2018/2019 year called “Treating Miss Daisy”. The Hypothetical explores the complexity of treating the elderly, with a focus on when and how to treat the question of frailty, the consenting process, advanced care directives, medication management, de-prescribing and elder abuse.

The Group’s investment in its Risk Management Program reinforces its commitment to risk education as a way of helping members and clients manage risk and adds tangible value to their day to day practice.

66% of doctor and midwife policyholders enrolled in the Risk Management Program for the 2018/2019 year.

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 healthcare are sensible, practical and realistic.

MIGA regularly engages with 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 a significant number of submissions to regulators, governments, parliaments, colleges and law reform bodies.

Health and well-being of members and clients
The health and well-being of its policyholders is important to MIGA. MIGA understands the connection between healthy practitioners and patient outcomes, and in particular the impact the legal process can have at both the personal and systemic level. The Group offers a wide range of resources to help members and clients deal with these challenges while also looking after themselves, including a widely accessed MIGA eBook on Doctors’ Health.

Medical Insurance Australia Pty Limited
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 2019, Consolidated Medical Insurance Australia had a net profit after tax for the period of $0.805m (2018: net profit after tax of $3.929m).

Consolidated Medical Insurance Australia’s total equity increased from $145.433m in 2018 to $155.938m in 2019.

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 2019 was 3.36, an increase from 3.20 as at June 2018.

In June 2019, the Board of MDASA approved a capital transfer of $9.7m to Medical Insurance Australia by acquiring an additional 9,700,000 Ordinary A Class shares in the entity effective 28 June 2019. This increased MDASA's investment in Medical Insurance Australia to $83.801m.

**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 9 August 2019.

**MIGA AON Hewitt Best Employer 2019**
In August 2019 MIGA was recognised as a 2019 Aon Best Employer, one of only 12 companies in Australia and New Zealand to receive this award as part of Aon’s Best Employers global certification.

Aon Best Employers certification evaluates employee opinions to measure effective leadership, talent focus, organisational agility and employee engagement.

Being a Best Employer provides invaluable feedback that the Group’s culture, leadership and work environment are motivating and engaging for MIGA’s people.

**Insurance System Review**
In January 2019 the Group initiated a major review of its insurance system. This project is anticipated to take two years to reach full completion. Key aims of the review are to ensure MIGA’s insurance system enables the Group to offer improved services to its members and clients, that it supports increased efficiencies in the cost of providing its services and that it supports MIGA’s strategies for growth, diversification and retention.

**Medical indemnity reviews**
Across the last two years the Federal Government has undertaken a major review of all of the medical indemnity and professional indemnity legislation that underpins the medical indemnity industry. Concurrent with this review, the High Cost Claim Scheme (HCPCS) threshold was increased from $300k to $500k per claim with effect 1 July 2018.

MIGA has been 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 is acutely aware of 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 lessen the level of financial support for the industry. The new legislative framework is anticipated to be in place by late 2019 to early 2020.

**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.

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

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

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

Through a 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.

These two Programs enable MIGA to support the personal growth of medical students and junior doctors for the benefit of medicine and the community. The additional 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
Report by Directors

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

Company secretary
Mrs 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 25 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 and 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.

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 24th day of September 2019
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.
Corporate governance

The Risk & Corporate Governance Manager is appointed under the terms of APRA’s Prudential Standard CPS 220 Risk Management, to fulfil the role of a 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.

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.

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, 7 meetings of Directors of MDASA and Medical Insurance Australia were held. In addition, 20 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 shown opposite.

<table>
<thead>
<tr>
<th></th>
<th>Directors’ Meetings</th>
<th>Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of meetings</td>
<td>Number of meetings</td>
</tr>
<tr>
<td></td>
<td>eligible to attend</td>
<td>eligible to attend</td>
</tr>
<tr>
<td></td>
<td>Number attended</td>
<td>Number attended</td>
</tr>
<tr>
<td>Dr Martin Altmann – Chairman</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Dr Andrew Pesce – Deputy Chairman</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Ms Amanda Anderson</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Mr Henry Botha</td>
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<td>10</td>
</tr>
<tr>
<td>Ms Juliet Brown OAM</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>Ms Robyn Bateup</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Dr Stephen Parnis</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Associate Professor Peter Cundy</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Dr Roger Sexton</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Professor Owen Ung</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Mr Ian Stone</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

Note Dr Stephen Parnis was appointed to the Board of Medical Insurance Australia with effect 31 May 2019.
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.

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
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 Board of MDASA comprises eight members, five of whom are medical Directors.
The medical Directors are elected by the membership and are subject to re-election by rotation in accordance with the Constitution.
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 11 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.

2018 AGM
The Annual General Meeting was held on 24 November 2018 and included the election of Directors to the Board of MDASA.
As per Article 46 of the Constitution, Dr Andrew Pesce and Associate Professor Peter Cundy 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 Andrew Pesce and Associate Professor Peter Cundy 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 Dr Stephen Parnis to the Board on 31 May 2019.

Changes from 30 September 2019
After many years of service to MIGA our Chairman Dr Martin Altmann and Mr Henry Botha, Chairman of the Group’s Audit Committee, both retired from our Boards on 30 September 2019.
Martin and Henry brought a wealth of knowledge and depth of experience to our Boards. Their retirements follow our corporate governance processes, which require directors to retire after a maximum term.
We thank Martin and Henry for their contribution to the Group across the many years they have served on our Boards and wish them all the best for the future.
Annual Report and Summary Financial Report

Directors’ Information

Dr Martin Altmann
GP Rural Obstetrics
Chairman Medical Insurance Australia Board
Chairman MDASA Board

Dr Andrew Pesce
Obstetrician and Gynaecologist
Deputy Chairman Medical Insurance Australia Board
Deputy Chairman MDASA Board

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

Ms Robyn Bateup
Actuary
Medical Insurance Australia Board

Mr Henry Botha
Chartered Accountant
Medical Insurance Australia Board
MDASA Board

Mr Ian Stone
Chartered Accountant
Medical Insurance Australia Board

Ms Juliet Brown OAM
Professional Non-Executive Director
Medical Insurance Australia Board
MDASA Board

Assoc Professor Peter Cundy
Orthopaedic Surgeon
Medical Insurance Australia Board
MDASA Board

Dr Roger Sexton
GP – Urban and Rural
Medical Insurance Australia Board
MDASA Board

Professor Owen Ung
General Surgeon (Breast & Endocrine)
Medical Insurance Australia Board
MDASA Board

Dr Stephen Parnis
Senior Specialist – Emergency Medicine
Medical Insurance Australia Board
Directors’ Information
Details of Directors in office as at 30 June 2019 or appointed since then.

Dr Martin Altmann
General Practitioner (Rural Obstetrics)
Qualifications
- Bachelor of Medicine, Bachelor of Surgery (University of Adelaide)
- DRANZCOG (Advanced)
- MRCGP (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.

MIGA Board appointments
- Chairman, MDASA Ltd
- Chairman, Medical Insurance Australia Pty Limited
- 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 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.

MIGA Board appointments
- Deputy Chairman, MDASA Ltd
- Deputy Chairman, Medical Insurance Australia Pty Limited

MIGA Board Committees
- Member, Clinical Risk Management Committee
- Member, Governance and Remuneration Committee

Ms Amanda Anderson
CEO and Managing Director
Qualifications
- Bachelor of Arts, Social Sciences – majoring in psychology and biology (Flinders University)
- 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 close to 30 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 Limited
- 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)
Ms Robyn Bateup  
Actuary

Qualifications
• Bachelor of Science (Australian National University)
• Fellow, Institute of Actuaries of Australia
• 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 Limited

MIGA Board Committees
• Chair, Risk Committee
• Member, Audit Committee
• Member, Claims Committee

Mr Henry 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, Medical Insurance Australia Pty Limited

MIGA Board Committees
• Chair, Audit Committee
• Member, Risk Committee

Mr Ian Stone  
Chartered Accountant

Qualifications
• Bachelor of Economics (University of Adelaide)
• Graduate, Australian Institute of Company Directors (GAICD)

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 Limited

MIGA Board Committees
• Member, Audit Committee
• Member, Risk Committee
## Directors’ Information

Details of Directors in office as at 30 June 2019 or appointed since then.

<table>
<thead>
<tr>
<th>Director’s Name</th>
<th>Position</th>
<th>Qualifications</th>
<th>Industry and sector experience</th>
<th>MIGA Board appointments</th>
</tr>
</thead>
</table>
| **Ms Juliet Brown OAM**              | Professional Non-Executive Director| • Bachelor of Laws (University of Adelaide)  
• Fellow, Australian Institute of Company Directors (FAICD) | 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. | • Director, MDASA Ltd  
• Director, Medical Insurance Australia Pty Limited |
| **Assoc Prof Peter Cundy**           | Orthopaedic Surgeon                | • MBBS Bachelor of Medicine, Bachelor of Surgery (University of Adelaide), FRACS, Royal Australasian College of Surgeons  
• Fellow, Australian Institute of Company Directors (FAICD) | Associate Professor Cundy is a well known Orthopaedic Surgeon in Australia specialising in paediatric orthopaedic surgery and general adult orthopaedics. | • Director, MDASA Ltd  
• Director, Medical Insurance Australia Pty Limited |

<table>
<thead>
<tr>
<th>MIGA Board Committees</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **Ms Juliet Brown OAM**                |                      | • Chair, Governance and Remuneration Committee  
• Member, Audit Committee  
• Member, Risk Committee |                                                                                                   |                                                                                                    |
| **Assoc Prof Peter Cundy**             |                      | • Chair, Claims Committee  
• Member, Clinical Risk Management Committee                                                                 |                                                                                                   |                                                                                                    |
Dr Roger Sexton  
*General Practitioner (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 as Medical Director of Doctors’ Health SA and Doctors’ Health NT, as a consultant in executive health and rural skin screening.

**MIGA Board appointments**
- Director, MDASA Ltd
- Director, Medical Insurance Australia Pty Limited

**MIGA Board Committees**
- Chair, Clinical Risk Management Committee
- Member, Claims Committee

Prof Owen Ung  
*General Surgeon (Breast and Endocrine)*

**Qualifications**
- MBBS (University of Queensland)
- FRACS (Fellow of the Royal Australasian College of Surgeons)
- FAICD (Fellow of the Australian Institute of Company Directors)

**Industry and sector experience**
Professor Ung is a well known breast and endocrine surgeon in public, private and academic practice. 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 Limited

**MIGA Board Committees**
- Member, Clinical Risk Management Committee
- Member, Claims Committee

Dr Stephen Parnis  
*Senior Specialist – Emergency Medicine*

**Qualifications**
- Bachelor of Medicine, Bachelor of Surgery (University of Melbourne), MBBS
- Postgraduate Diploma of Surgical Anatomy (University of Melbourne), DipSurgAnat
- Fellow, Australasian College for Emergency Medicine, FACEM
- Fellow, Australian Institute of Company Directors, FAICD

**Industry and sector experience**
Dr Parnis is a Senior Specialist in Emergency Medicine in Melbourne and is active in providing advice on matters of medical practice and health policy. He is a Consultant Emergency Physician at The Royal Victorian Eye and Ear Hospital, St Vincent’s Hospital, and Werribee Mercy Hospital.

**MIGA Board appointments**
- Director, Medical Insurance Australia Pty Limited

**MIGA Board Committees**
- Member, Clinical Risk Management Committee
growing stronger together
120 YEARS
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 Limited, Invivo Medical Pty Ltd and Medical Insurance Group Australia Pty Ltd for the financial year ended 30 June 2019 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 2019

Discussion and Analysis of the Statement of Profit or Loss and other Comprehensive Income

Consolidated Entity

Net Premium Revenue increased by $2,254m as a result of growth.

Gross Claims Expense increased by $16,040m but was offset by favourable increases in Reinsurance and Other Recoveries by $5,719m.

Professional Fees, Employment and General and Administration Expenses for 2018/2019 were $2,699m higher than in 2017/2018 to support growth in the business.

Investment income increased by $6,269m predominantly driven by the growth in the investment asset base as well as a fall in market interest rates had the effect of delivering an appreciation in the market value of fixed interest bonds. Note that as a large proportion of fixed interest investments are matched to claim payments, thus an equal and opposite increase in net claims costs was also reflected.

Total Comprehensive Income Attributable to Members decreased by $2,706m as a result of the cumulative impact of the items above.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Written Premium</strong></td>
<td>54,323</td>
<td>53,863</td>
</tr>
<tr>
<td><strong>Movement in Lineearned Premium</strong></td>
<td>(843)</td>
<td>(2,953)</td>
</tr>
<tr>
<td><strong>Gross Premium Revenue</strong></td>
<td>53,480</td>
<td>50,910</td>
</tr>
<tr>
<td><strong>Reinsurance Premium Expense</strong></td>
<td>(6,649)</td>
<td>(6,333)</td>
</tr>
<tr>
<td><strong>Net Premium Revenue</strong></td>
<td>46,831</td>
<td>44,577</td>
</tr>
<tr>
<td><strong>Gross Claims Expense</strong></td>
<td>(57,736)</td>
<td>(41,696)</td>
</tr>
<tr>
<td><strong>Reinsurance and Other Recoveries</strong></td>
<td>19,726</td>
<td>14,007</td>
</tr>
<tr>
<td><strong>Net Claims Incurred</strong></td>
<td>(38,010)</td>
<td>(27,689)</td>
</tr>
<tr>
<td><strong>Professional Fees Expense</strong></td>
<td>(1,963)</td>
<td>(2,084)</td>
</tr>
<tr>
<td><strong>Employment Expense</strong></td>
<td>(12,561)</td>
<td>(10,821)</td>
</tr>
<tr>
<td><strong>General and Administration Expense</strong></td>
<td>(8,460)</td>
<td>(7,380)</td>
</tr>
<tr>
<td><strong>Other Underwriting Expense</strong></td>
<td>(584)</td>
<td>(545)</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>(23,568)</td>
<td>(20,830)</td>
</tr>
<tr>
<td><strong>Underwriting Result</strong></td>
<td>(14,747)</td>
<td>(3,942)</td>
</tr>
<tr>
<td><strong>Subscription Revenue</strong></td>
<td>9,432</td>
<td>9,032</td>
</tr>
<tr>
<td><strong>Profit on the Sale of Property Plant and Equipment</strong></td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>955</td>
<td>1,015</td>
</tr>
<tr>
<td><strong>Results from Operating Activities</strong></td>
<td>(4,354)</td>
<td>6,105</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td>14,252</td>
<td>7,983</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>9,898</td>
<td>14,088</td>
</tr>
<tr>
<td><strong>Income Tax Expense</strong></td>
<td>(164)</td>
<td>(1,648)</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income Attributable to Members</strong></td>
<td>9,734</td>
<td>12,440</td>
</tr>
</tbody>
</table>

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

Medical Defence Association of South Australia Limited
Summary Financial Report as at 30 June 2019

### Discussion and Analysis of the Statement of Financial Position

The Consolidated Entity’s Total Assets increased by $26,970m from 30 June 2018 to 30 June 2019. This movement was predominantly due to:
- A $10,563m increase in Reinsurance and Other Recoverables Receivable.
- A $13,702m increase in the combined Cash and Cash Equivalents and Investments.

The Consolidated Entity’s Total Liabilities increased by $17,236m from 30 June 2018 to 30 June 2019. This movement was predominantly due to:
- A $1,182m increase in other liabilities which includes Subscription Income Received in Advance, Premium Received in Advance and Other Income Received in Advance.
- A $13,348m increase in the Outstanding Claims Provision.

The movement in Total Equity of the Consolidated Entity of $9,734m, from 30 June 2018 to 30 June 2019, reflects the Net Profit After Tax for the year.

### Consolidated Entity

<table>
<thead>
<tr>
<th></th>
<th>2019 $’000</th>
<th>2018 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>14,050</td>
<td>33,519</td>
</tr>
<tr>
<td>Trade and Other Receivables</td>
<td>41,490</td>
<td>42,127</td>
</tr>
<tr>
<td>Reinsurance and Other Recoveries Receivable</td>
<td>17,491</td>
<td>13,897</td>
</tr>
<tr>
<td>Investments</td>
<td>127,867</td>
<td>88,693</td>
</tr>
<tr>
<td>Income Tax Receivable</td>
<td>4,286</td>
<td>-</td>
</tr>
<tr>
<td>Other Assets</td>
<td>285</td>
<td>337</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>205,469</strong></td>
<td><strong>178,573</strong></td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinsurance and Other Recoveries Receivable</td>
<td>93,819</td>
<td>86,850</td>
</tr>
<tr>
<td>Investments</td>
<td>148,785</td>
<td>154,788</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>-</td>
<td>307</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>2,459</td>
<td>2,606</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>12,100</td>
<td>12,538</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td><strong>257,163</strong></td>
<td><strong>257,089</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>462,632</strong></td>
<td><strong>435,662</strong></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and Other Payables</td>
<td>10,818</td>
<td>10,646</td>
</tr>
<tr>
<td>Outstanding Claims Provision</td>
<td>41,054</td>
<td>39,368</td>
</tr>
<tr>
<td>Income Tax Payable</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>2,854</td>
<td>2,616</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>53,712</td>
<td>52,354</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>108,438</strong></td>
<td><strong>105,003</strong></td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding Claims Provision</td>
<td>192,053</td>
<td>180,391</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>114</td>
<td>48</td>
</tr>
<tr>
<td>Deferred Tax Liabilities</td>
<td>2,249</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>1,034</td>
<td>1,210</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td><strong>195,450</strong></td>
<td><strong>181,649</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>303,888</strong></td>
<td><strong>286,652</strong></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>158,744</strong></td>
<td><strong>149,010</strong></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Profits</td>
<td>158,744</td>
<td>149,010</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>158,744</strong></td>
<td><strong>149,010</strong></td>
</tr>
</tbody>
</table>

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 2019

Discussion and Analysis of the Statement of Cash Flows

Consolidated Entity
Net Cash used in Investing was $56,731m lower in 2018/19 than 2017/2018. This movement is due to the large amount of investments made during the 2017/18 from excess cash reserves.

Premium received in 2018/19 were $7,577m higher than during 2017/18 year due to the success of recent marketing campaigns.

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2019 ($’000)</th>
<th>2018 ($’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriptions Received</td>
<td>9,587</td>
<td>8,804</td>
</tr>
<tr>
<td>Premium Received</td>
<td>54,486</td>
<td>46,909</td>
</tr>
<tr>
<td>Sundry Income Received</td>
<td>838</td>
<td>1,826</td>
</tr>
<tr>
<td>Reinsurance and Other Recoveries Received</td>
<td>12,845</td>
<td>9,298</td>
</tr>
<tr>
<td>Reinsurance Paid</td>
<td>(6,458)</td>
<td>(6,666)</td>
</tr>
<tr>
<td>Claims Paid</td>
<td>(46,312)</td>
<td>(43,538)</td>
</tr>
<tr>
<td>Payments to Suppliers and Employees</td>
<td>(22,951)</td>
<td>(19,665)</td>
</tr>
</tbody>
</table>

Cash Generated from Operations Before Tax | 2,035 | (3,032) |
Income Tax Paid | (1,912) | (2,598) |

Net Cash (used in)/from Operating Activities | 123 | (5,630) |

Cash Flows from Investing Activities:

| Proceeds from Sale of Property, Plant and Equipment | 97 | 1 |
| Acquisition of Property, Plant and Equipment       | (859) | (800) |
| Interest Received                                  | 7,872 | 7,869 |
| Dividends Received                                | 859 | 488 |
| Proceeds from Sale or Maturity of Investments      | 155,901 | 102,508 |
| Payment for Investments                           | (183,462) | (186,389) |

Net Cash (used in)/from Investing Activities | (19,592) | (76,323) |

Net (Decrease)/Increase in Cash and Cash Equivalents | (19,469) | (81,953) |
Cash and Cash Equivalents at 1 July | 33,519 | 115,472 |

Cash and Cash Equivalents at 30 June | 14,050 | 33,519 |

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.

<table>
<thead>
<tr>
<th></th>
<th>Retained Earnings $’000</th>
<th>Total Equity $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2018</td>
<td>149,010</td>
<td>149,010</td>
</tr>
<tr>
<td>Total Comprehensive Income for the Period</td>
<td>9,734</td>
<td>9,734</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2019</strong></td>
<td><strong>158,744</strong></td>
<td><strong>158,744</strong></td>
</tr>
<tr>
<td>Balance at 1 July 2017</td>
<td>136,570</td>
<td>136,570</td>
</tr>
<tr>
<td>Total Comprehensive Income for the Period</td>
<td>12,440</td>
<td>12,440</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2018</strong></td>
<td><strong>149,010</strong></td>
<td><strong>149,010</strong></td>
</tr>
</tbody>
</table>

The accompanying discussion and analysis form part of the Summary Financial Report.
Notes
Medical Defence Association of South Australia Limited
Summary Financial Report as at 30 June 2019

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 2019 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 Capital</td>
<td>83,801</td>
<td>74,101</td>
</tr>
<tr>
<td>Paid up Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Profit (APRA basis)</td>
<td>70,483</td>
<td>66,717</td>
</tr>
<tr>
<td>Current year’s earnings (APRA basis)</td>
<td>663</td>
<td>3,766</td>
</tr>
<tr>
<td>Net surplus / (deficit) relating to insurance liabilities</td>
<td>(1,537)</td>
<td>110</td>
</tr>
<tr>
<td>Tier 1 capital (before deductions)</td>
<td>153,410</td>
<td>144,694</td>
</tr>
<tr>
<td>Less deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (net of deferred tax liability)</td>
<td>-</td>
<td>2,173</td>
</tr>
<tr>
<td>Other deductions</td>
<td>8,310</td>
<td>8,749</td>
</tr>
<tr>
<td>Total Tier 1 Capital</td>
<td>145,100</td>
<td>133,772</td>
</tr>
<tr>
<td>Prescribed Capital Amount (PCA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance risk charge</td>
<td>27,576</td>
<td>26,619</td>
</tr>
<tr>
<td>Insurance concentration risk charge</td>
<td>3,324</td>
<td>5,319</td>
</tr>
<tr>
<td>Asset risk charge</td>
<td>18,071</td>
<td>14,271</td>
</tr>
<tr>
<td>Operational risk charge</td>
<td>4,405</td>
<td>4,258</td>
</tr>
<tr>
<td>Aggregation benefit</td>
<td>(10,180)</td>
<td>(8,712)</td>
</tr>
<tr>
<td>Total PCA</td>
<td>43,196</td>
<td>41,755</td>
</tr>
<tr>
<td>Capital Ratio</td>
<td>3.36</td>
<td>3.20</td>
</tr>
</tbody>
</table>
Summary Financial Report

Independent Auditor’s Report

To the members of Medical Defence Association of South Australia Limited


Opinion

We report on the Summary Financial Statements of Medical Defence Association of South Australia Limited (the Company) and its controlled entities (the Consolidated Entity) as at and for the year ended 30 June 2019. The Summary Financial Statements are derived from the audited financial report of the Consolidated Entity as at and for the year ended 30 June 2019 (the Audited Financial Report).

In our opinion, the accompanying Summary Financial Statements of Medical Defence Association of South Australia Limited are consistent, in all material respects, with the Audited Financial Report, in accordance with the basis of preparation described in Note 1 to the Summary Financial Report. The Summary Financial Statements comprise:

• Statement of Financial Position as at 30 June 2019;
• Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year ended 30 June 2019; and
• Related notes.

The Summary Financial Statements are contained in the Annual Report on pages 20 to 24. The Consolidated Entity consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Scope of the Summary Financial Statements

The Summary Financial Statements do not contain all the disclosures required by the Australian Accounting Standards applied in the preparation of the Audited Financial Report. Reading the 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


Emphasis of matter- basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Summary Financial Statements, which describes the basis of preparation.

The Summary Financial Statements have been prepared to assist the Directors of Medical Defence Association of South Australia Limited for the purpose of inclusion in the Annual Report provided to members. As a result, the Summary Financial Statements and this Auditor’s Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

This Auditor’s Report is intended solely for the Directors of Medical Defence Association of South Australia Limited and the members and should not be used by or distributed to parties other than the Directors of Medical Defence Association of South Australia Limited and members. We disclaim any assumption of responsibility for any reliance on this Auditor’s Report, or on the Summary Financial Statements to which it relates, to any person other than the Directors of Medical Defence Association of South Australia Limited and members for any other purpose than that for which it was prepared.

Other Information

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

Our opinion on the 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 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 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 Summary Financial Statements

The Directors are responsible for the preparation of the Summary Financial Statements in accordance with the basis of preparation described in Note 1 to the Summary Financial Statements, including their derivation from the Audited Financial Report of the Consolidated Entity as at and for the year ended 30 June 2019.

Auditor’s responsibility for the Summary Financial Statements

Our responsibility is to express an opinion on whether the Summary Financial Statements are consistent, in all material respects, with the Audited Financial Report based on our procedures, which were conducted in accordance with Australian Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.

KMPG

Darren Ball

Partner

Adelaide, 24 September 2019

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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 2019 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.

KMPG

Darren Ball

Partner

Adelaide, 24 September 2019

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Summary Financial Report

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ASA 2019 Annual Report
Obituary

The deaths of the following Members in the past year are recorded with regret:
Dr David St John Astill
Dr Maurice Asz
Dr Benjamin Murray Baker
Dr Leon Platt Bignold
Dr Gemma Maree Diessel
Dr Kenneth Alan Greig Evans
Dr Victoria Han
Dr Maxwell Katz
Dr Adrian Adam Maydwell
Dr Marten Muis
Dr Samuel Ranjan Nitchingham
Dr Mads Egil Saunte
Dr George Emmanuel Seemanpillai
Dr Donald Ernest Wesley Sumner
Dr Hung Tran

Members who passed away between 1 July 2018 and 30 June 2019.

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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