

2020 Annual Report
and Summary Financial Report



growing stronger together

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MIGA

Medical Defence Association of
South Australia Limited

ABN 41 007 547 588

Medical Insurance Australia Pty Limited

ABN 99 092 709 629

MDASA Limited

Board as at September 2020

Dr Andrew Pesce

Chairman

Dr Roger Sexton

Deputy Chairman

Ms Amanda Anderson

CEO and Managing Director

Ms Juliet Brown OAM

Associate Professor Peter Cundy

Professor Owen Ung

Mr Ian Stone (appointed 1 Oct 2019)

Dr Stephen Parnis (appointed 1 Oct 2019)

Medical Insurance Australia Pty Limited

Board as at September 2020

Dr Andrew Pesce

Chairman

Dr Roger Sexton

Deputy Chairman

Ms Amanda Anderson

CEO and Managing Director

Ms Juliet Brown OAM

Associate Professor Peter Cundy

Professor Owen Ung

Mr Ian Stone

Dr Stephen Parnis

Ms Robyn Bateup

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

National Free Call 1800 777 156

Facsimile 1800 839 284

E-mail miga@miga.com.au

Website www.miga.com.au

Key professional advisors

Actuaries

Finity Consulting Pty Ltd, Sydney
and Melbourne

Auditors and Tax Advisors

KPMG, Adelaide

Corporate Legal Advisors

Iles Selley Lawyers, Adelaide and
Lander and Rogers, Sydney

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 2020 the Group has produced the following:

- **An Annual Review which:**
 - Is provided to all members, policyholders and key stakeholders, predominantly electronically
 - 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 only available on our website
 - 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 2020 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 Limited (Medical Insurance Australia), Invivo Medical Pty Ltd (Invivo) and Medical Insurance Group Australia Pty Ltd, for the financial year ended 30 June 2020 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.

<i>(Amounts shown as \$m)</i>	2020 Actual	2019 Actual
Gross Premium Revenue	53.723	53.480
Net Incurred Claims	(33.915)	(38.010)
Underwriting Expenses	(7.291)	(7.233)
Operating Expenses	(24.293)	(22.984)
Underwriting Result	(11.776)	(14.747)
Subscription Revenue	10.094	9.432
Other Income	1.005	0.961
Other Expenses	(0.598)	-
Investment Income	5.625	14.252
Profit before tax	4.350	9.898
Income Tax Expense	1.532	(0.164)
Total Comprehensive Income	5.882	9.734

Report by Directors

Operating Result

The Consolidated Entity reported a net profit of \$5.882m (2019: \$9.734m) for the financial year ended 30 June 2020, after providing for income tax.

The Consolidated Entity has a surplus in net assets of \$163.974m as at 30 June 2020 (\$158.744m as at 30 June 2019).

The Group's net profit before tax for the 2019/2020 year was \$4.350m, which was significantly ahead of budget. The most significant drivers to the above budget profit for the year were:

- Net claim costs in total were below budget due to the actual experience being more favourable than expected, with this improvement reduced by the impact of discount rate movements on total claims costs
- Investment income was below budget, primarily as a result of:
 - Lower realised investment income due to a considerable fall in market interest rates across the year (predominantly as a result of COVID-19) leading to significantly lower returns on fixed interest investments
 - The unrealised losses on the equity portfolio were largely offset by the unrealised gains on the fixed interest bond portfolio.

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 2020 Annual Review.

COVID-19

The COVID-19 pandemic has brought many challenges and a huge amount of change for the Group's policyholders from mid to late March 2020. It has had a significant impact on the way that healthcare was, and in some cases is, able to be delivered across the nation, with huge uncertainty as to what changes and restrictions mean for the delivery of services and care.

Enquiries to MIGA for advice and guidance on COVID-19 matters, including via its 24-hour emergency support service, increased by more than 100% at critical times across the 2020 year.

The Group demonstrated its commitment to supporting its members and clients through the challenges that COVID-19 has brought, via a range of additional services which included:

Premium relief

- In April 2020, MIGA announced a COVID-19 Premium Relief arrangement to support policyholders whose income was significantly impacted by the COVID-19 restrictions
- It involved a number of mechanisms to respond to their changing financial circumstances whilst ensuring MIGA's financial strength was maintained. Eligible clients included doctors in private practice, Healthcare clients and Midwives.

Website guidance and information

- From March 2020, MIGA has provided information via its website on a range of 'Frequently Asked Questions' with a view to keeping policyholders informed as matters developed, with answers to a wide range of medico-legal and insurance questions. These have generally been updated weekly and more often as needed
- In addition, policyholders and stakeholders have been provided with access via the website to a range of resources to assist them in keeping up to date with public health advice and information
- The information via the Group's website has been heavily accessed across this time.

Risk Management Program discount

- Members and clients who ordinarily would have completed the Group's risk education program but did not in the 2019/2020 year (after the COVID-19 outbreak) were credited with their 10 points for the premium discount in the 2020/2021 year (the trigger was having completed the Program for the last 2 years)
- MIGA acknowledged that COVID-19 would have prevented them from fully completing their requirements in the 2019/2020 year.

As a member owned mutual, helping our members and clients through these difficult times and supporting them was a high priority and was always front of mind.

In order to safeguard the health and well-being of staff and meet the Government's social distancing guidelines from late March

2020, the Group managed its business remotely with all staff working from home. From 28 August 2020, a Return to Office Plan was implemented in SA, with interstate offices remaining closed other than NSW where staff can choose to work in the office.

Minimising disruption and ensuring continuity of our service has been a key priority across this time.

120-year anniversary

On the 21st of December 2019, MIGA celebrated its 120 years of service to the healthcare profession. It was a significant milestone and to mark the occasion the Group held a 120th Anniversary Charity Gala Ball. The event acknowledged the importance of doctors' mental health and raised funds for Beyond Blue, an organisation whose purpose aligns closely to MIGA's, to support people in their time of need.

MIGA raised \$70,121 for Beyond Blue with its contribution helping to ensure those with mental health issues receive the support they need.

The Charity Gala Ball was only made possible because of the significant financial and other support received from sponsors, many of whom have worked with MIGA over a long period of time. MIGA gratefully acknowledges this commitment and their contribution to the event.

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 2020, the Group offered a Loyalty Benefit to members on their renewal for the 2020/2021 year. The Loyalty Benefit was provided to eligible members as a recognition and thank you for their ongoing trust and support of MIGA.

Report by Directors

MIGA's commitment to quality and service

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.

The Group's annual survey process with members in October 2019 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
- 94% rated the friendliness and helpfulness of MIGA's staff as "Good to excellent"
- 94% 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.

Risk management education

MIGA offers a significant range of risk management services tailored to the unique needs of the medical and healthcare professions.

Risk management is an important tool, which assists our members and clients manage the potential risks of day to day practice and helps them avoid the stress of claims and reduce potential harm to patients.

MIGA's extensive package of risk management education activities and resources include:

- A formal Risk Management Program, which includes access to a wide range of risk management educational services and a premium discount on completion
- A Doctors' Wellbeing Package – offering access to an interactive eBook, guidelines for health checks and resources to assist with maintaining individual health and supporting colleagues
- Online resources offered via our website
- Risk management articles and tips provided in our Bulletins
- Risk management services and advice we offer through our Risk Management Department
- Practice Reviews – available to practice groups and conducted by our Risk Management Department.

As a result of COVID-19, the Group is not offering any face-to-face risk management education events for the 2020 calendar year. All risk education has moved to on-line events with significant work being put into the development of new modules and on-line activities, available via the Group's on-line learning platform REO (Risk Education On-line).

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.

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 include:

- 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. A significant proportion of the Group's policyholders have 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.

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, 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 members and clients in looking after themselves and their health including a widely accessed MIGA eBook on Doctors' Health.

Report by Directors

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.

Growth

Total doctor membership of MDASA grew by 4.7% in the year with doctor membership now at 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. Doctor and medical student membership outside of South Australia (the location of MIGA's Head Office) now represents a significant proportion of the Group's business.

Medical students and young doctors

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

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 early 2020, the Federal Government tendered the contract for the Insurance Scheme with MIGA being reappointed until 30 June 2023.

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

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.

During the COVID-19 pandemic, MIGA's advocacy covered issues such as telehealth, elective surgery restrictions, electronic prescribing, insurance cover for public patients and complaints management. It contributed to parliamentary inquiries, engaged with regulators and governments and worked with a range of professional stakeholders around COVID-19 issues.

Non-COVID-19 advocacy has continued throughout the pandemic. Work has covered a broad range of issues – from end of life care to disciplinary tribunals, Medicare to privacy, advertising to medical consent.

In the last year, MIGA made 47 submissions to regulators, governments, parliaments, colleges and law reform bodies, and met face to face or virtually with these entities on numerous occasions.

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 2020, Medical Insurance Australia had a net loss for the period of \$2.993m (after income tax) (2019: net profit of \$0.805m). Medical Insurance Australia's total equity increased from \$155.938m in 2019 to \$161.093m in 2020, as a result of a capital transfer from MDASA.

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

Report by Directors

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 2020 was 3.36, unchanged from 3.36 as at June 2019.

In June 2020, the Board of MDASA approved a capital transfer of \$8.800m to Medical Insurance Australia by acquiring an additional 8,800,000 Ordinary A Class shares in the entity effective 30 June 2020. This increased MDASA's investment in Medical Insurance Australia to \$92.601m.

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 20 April 2020.

Insurance System Replacement

In November 2019, the Group committed to a replacement program for its insurance system, after an extensive 12-month review. This project is anticipated to be completed by June 2021.

This is a 'once in a decade' project for MIGA that provides the opportunity to change the operating model for the organisation, while continuing to maintain and enhance the level of member and client service. It is expected that the new system will provide considerable opportunities to enhance operational efficiencies and support MIGA's strategies for growth, diversification and retention.

Medical indemnity reviews

In November 2019, the Federal Government passed a substantial package of reform for the Medical Indemnity industry which came into effect from 1 July 2020.

Key impacts of the changes are:

- An amendment to the eligibility rules for access to the Run-off Cover Scheme (ROCS) which means that from 1 July 2020, the waiting period of up to 3 years after ceasing private practice (if not already aged 65), has been removed and doctors will be eligible for ROCS recoveries immediately following permanent retirement from private practice

- The introduction of a universal cover obligation for all insurers to make offers of insurance to all doctors in Australia, as opposed to the previous State based requirement whereby MIGA was only required to make offers in SA and NT.

MIGA worked extensively with the Federal Government and other stakeholders on behalf of its members and clients to address the review process that was undertaken in an open and constructive way. MIGA was 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.

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 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.

Ordinarily the Panels meet twice a year but due to COVID-19 meetings for the first half of 2020 were postponed.

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. The DIT Grants Program assists doctors in training whilst pursuing specialist training opportunities in Australia and abroad.

The two 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

Report by Directors

immeasurable and ongoing, and the Group is proud to support them in their endeavours.

Whilst they have had to be suspended for 2020 due to COVID-19, MIGA looks forward to reintroducing them in 2021 as they are a highly valued source of support for medical students and doctors in training.

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 Fresh Zero paper range, during the 2019 to 2020 year the Group has been able to save 13.34 tonnes in CO2 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.

Advice

During the financial year, the organisation has sought assistance from actuaries, lawyers, accountants, internal 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.

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.

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 herein.

Events subsequent to balance date

The COVID-19 pandemic had very little impact on the financial results of the Group for the year, other than in relation to Investment Income where investment returns were reduced as world-wide interest rates reduced.

As at the date of this Report, given the uncertainties of the current situation the Group is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future claims performance and financial position of MIGA. A minor allowance has been made in doubtful debts for the 2019/2020 financial year for a potential impact of COVID-19 on the Group's revenue. The evolving nature of the COVID-19 pandemic and the constantly changing government policies of restrictive measures put in place to contain it mean that it is difficult to assess at this stage any potential impacts on future revenue.

No adjustment has been made to the Outstanding Claims Liability as at 30 June 2020 for the future impact of the pandemic, noting that any impact will emerge over a number of years due to the nature of claims being reported many years post-incident.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company 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 MIGA. 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 27 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 A Pesce
Director



Mr I Stone
Director

Adelaide
Dated this 29th day of September 2020

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.

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. MIGA has a Fraud & Whistleblower Policy which sets out processes by which staff and/or other persons can make a report on misconduct or breach of law.

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 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.

	Directors' Meetings		Committee Meetings	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Dr Andrew Pesce –Chairman (from 1 October 2019)	7	6	18	17
Dr Roger Sexton – Deputy Chairman (from 1 October 2019)	7	7	9	9
Ms Amanda Anderson	7	7	20	19
Ms Juliet Brown OAM	7	7	15	14
Associate Professor Peter Cundy	7	5	5	5
Dr Stephen Parnis	5	5	3	3
Mr Ian Stone	5	5	14	14
Professor Owen Ung	7	7	5	5
Dr Martin Altmann – ex-Chairman (retired 30 September 2019)	2	2	5	5
Mr Henry Botha (retired 30 September 2019)	2	2	4	4

Note Dr Stephen Parnis and Mr Ian Stone were appointed to the Board of MDASA with effect 1 October 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 I Stone

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 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 9 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.

2019 AGM

The Annual General Meeting of MDASA was held on 23 November 2019 and included the election of Directors to the Board of MDASA.

As per Article 46 of the Constitution, Dr Roger Sexton and Dr Stephen Parnis offered themselves for re-election. As there were no other nominations for the two vacancies, no election was required and Dr Roger Sexton and Dr Stephen Parnis were duly re-elected at the Annual General Meeting (as per Article 48A(b) of the Constitution).

Board appointments

The Directors of MDASA appointed Mr Ian Stone and Dr Stephen Parnis to the Board on 1 October 2019.

There were no appointments to the Board of Medical Insurance Australia during the year.

Directors' Information



Dr Andrew Pesce
Obstetrician and Gynaecologist

Chairman Medical Insurance Australia Board
Chairman MDASA Board

Dr Roger Sexton
GP – Urban and Rural

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

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 Stephen Parnis
Senior Specialist – Emergency Medicine

Medical Insurance Australia Board
MDASA Board

Mr Ian Stone
Chartered Accountant

Medical Insurance Australia Board
MDASA Board

Professor Owen Ung
General Surgeon (Breast & Endocrine)

Medical Insurance Australia Board
MDASA Board

Directors' Information

Details of Directors in office as at 30 June 2020 or appointed since then.

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. He has also worked on behalf of the profession over the last 16 years on issues concerning medical indemnity and national disability.

MIGA Board appointments

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

MIGA Board Committees

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

Current Board appointments

- Chairman, Specialist Oncology Property Pty Ltd
- Director, Russian Relief Association
- Director, Loric Health

Current professional memberships and appointments

- Visiting Medical Officer, Westmead Hospital and Westmead Private Hospital

General

Dr Pesce was appointed to the Boards of MDASA and Medical Insurance Australia Pty Limited in February 2013. He was elected Deputy Chairman of the Boards of MDASA and Medical Insurance Australia Pty Limited in October 2015. He was elected Chairman of the Boards of MDASA, Medical Insurance Australia Pty Limited, Medical Insurance Group Australia Pty Limited and Invivo Medical Pty Ltd on 1 October 2019.

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. He is a past Presiding Member of the Medical Board of SA and a member of the PBAC. He has a keen interest in rural medicine, undergraduate and post graduate medical education, quality use of medicines and has been a strong national advocate for improving the health of doctors and medical students.

MIGA Board appointments

- Deputy Chair, MDASA Limited
- Deputy Chair, Medical Insurance Australia Pty Limited

MIGA Board Committees

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

Current Board appointments

- Director, Doctors' Health Services Ltd (2015-)
- Director, Barossa Hills Fleurieu Local Health Network Board (2019-)

Current professional memberships and appointments

- Medical Director, Doctors' Health SA and Doctors' Health NT
- Member, AMA (SA)
- Fellow, Royal Australian College of General Practitioners (RACGP)
- Fellow, Australian College of Rural and Remote Medicine (ACRRM)
- Member, Rural Doctors' Association of South Australia (RDASA)
- SA Member, Australasian Doctors' Health Network

Awards

- AMA(SA) Medical Educator Award 2015 (for outstanding contribution to medical education)
- Baron Partners Prize – Strategic Management, MBA Adelaide program 2015
- Rural Doctors Workforce Agency Long Service Medal 2016

General

Dr Sexton was appointed to the Board of MDASA in February 2012 and to the Board of Medical Insurance Australia Pty Ltd in March 2012. He was appointed member of the MIGA Claims Committee from 2011 and Chair of MIGA's Clinical Risk Management Committee in October 2013. He was appointed Deputy Chairman of the Boards of MDASA and Medical Insurance Australia Pty Limited on 1 October 2019.

Directors' Information

Details of Directors in office as at 30 June 2020 or appointed since then.

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 Limited
- 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)

Current professional memberships and appointments

- Member, Australian Insurance Law Association
- Certified Insurance Professional (CIP) – ANZIIF

Awards

- 2004 Telstra South Australian Business Woman of the Year
- Winner of the 2004 Telstra SA Australian Government Private and Corporate Sector Award

General

Ms Anderson was appointed Chief Executive Officer of MDASA in February 2000, Managing Director of Medical Insurance Australia Pty Limited in August 2003, Director of Medical Insurance Group Australia in 2005, Director of MDASA in May 2012 and Director of Invivo Medical Pty Ltd in April 2013.

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

Current Board appointments

- Director, Eric Insurance Limited
- ACT Insurance Authority – Advisory Board

General

Ms Bateup was appointed to the Board of Medical Insurance Australia Pty Limited in October 2015. Ms Bateup was appointed as Chair of the Risk Committee on 1 January 2018.

Ms Juliet 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 Limited
- Director, Medical Insurance Australia Pty Limited

MIGA Board Committees

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

Current Board appointments

- Chair, South Australian Lifetime Support Authority
- Member, South Australian Government Financing Authority Advisory Board (which includes SAICORP)
- Member, Nominations Committee, Bank Australia Limited
- Independent member, University of Adelaide Audit and Risk Committee

Awards

- Ms Brown was the recipient of Australia Day Honours, 2015 – OAM (General Division)
- Australian Institute of Superannuation Trustees (AIST) – 2016 Trustee of the Year Award

General

Ms Brown was appointed to the Board of Medical Insurance Australia Pty Limited in October 2013 and to the Board of MDASA in November 2016. She was appointed Chair of MIGA's Governance and Remuneration Committee in January 2016.

Directors' Information

Details of Directors in office as at 30 June 2020 or appointed since then.

Assoc Prof Peter Cundy *Orthopaedic Surgeon*

Qualifications

- MBBS Bachelor of Medicine, Bachelor of Surgery (University of Adelaide), FRACS, Royal Australasian College of Surgeons
- Fellow, Australian Institute of Company Directors (FAICD)

Industry and sector experience

Peter Cundy is a well known Orthopaedic Surgeon in Australia specialising in paediatric orthopaedic surgery and general adult orthopaedics. He is active in research (University of Adelaide) and on the editorial boards of several peer-reviewed medical journals. He is the Head of Spinal Orthopaedic Surgery at the Women's & Children's Hospital and was an Examiner for the Royal Australasian College of Surgeons. Peter consults and operates at the Memorial Hospital. He is active in teaching medical students and surgical trainees, as well as education and assistance throughout the South Pacific region where he spearheads programmes for children's clubfoot management in the Solomon Islands, Samoa and Fiji.

MIGA Board appointments

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

MIGA Board Committees

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

Current Board appointments

- Orthopaedics SA – Chairman, 2012–2015, 2017–2019
- ACHA (Adelaide Community Health Alliance) – 2019

Current professional memberships and appointments

- Management Committee, Orthopaedic Outreach, Australian Orthopaedic Association
- Associate Professor – Discipline of Orthopaedics & Trauma, University of Adelaide
- Head of Spinal Surgery at the Women's and Children's Hospital, Adelaide
- Specialist Advisor, South Australian Birth Defects Register

Awards

- AMA (SA) Medical Educator Award 2016 (for outstanding contribution to medical education)
- Australian Orthopaedic Association, Award for Service to Orthopaedic Education 2013

General

Associate Professor Cundy was appointed to the Boards of MDASA and Medical Insurance Australia Pty Limited in July 2012. He was appointed Chair of MIGA's Claims Committee in November 2016.

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. Dr Parnis has served on the Trainee Selection and Public Health Committees of the Australasian College for Emergency Medicine. Dr Parnis is well known for his previously held senior leadership roles within AMA, as president of AMA Victoria (2012-14) and as AMA Federal Vice President (2014-2016).

MIGA Board appointments

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

MIGA Board Committees

- Member, Clinical Risk Management Committee

Current professional memberships and appointments

- Visiting Medical Officer, St Vincent's Hospital Melbourne, Royal Victorian Eye & Ear Hospital, Werribee Mercy Hospital
- Senior Instructor, Emergency Management of Severe Trauma (RACS)

Awards

- Fellow of the Australian Medical Association

General

Dr Stephen Parnis was appointed to the Board of Medical Insurance Australia Pty Limited on 31 May 2019 and the Board of MDASA on 1 October 2019.

Directors' Information

Details of Directors in office as at 30 June 2020 or appointed since then.

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, MDASA Limited
- Director, Medical Insurance Australia Pty Limited

MIGA Board Committees

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

Current Board appointments

- Member, Australian Automobile Association
- Member, RAA of SA Inc
- Member, RAA Insurance Ltd
- Member, Australian Motoring Services Pty Ltd
- Member, Australian Club Consortium Pty Ltd

Current professional memberships and appointments

- Fellow, Australian Institute of Chartered Accountants

General

Mr Stone was appointed to the Board of Medical Insurance Australia Pty Limited in December 2017 and the Board of MDASA on 1 October 2019. Mr Stone was appointed Chair of the Audit Committee on 1 October 2019.

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

Owen 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. He has had leadership roles at department, hospital and area health service levels and has dedicated significant non-clinical time to represent and support his profession at various local, state and national levels.

MIGA Board appointments

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

MIGA Board Committees

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

Current Board appointments

- Specialist Services Medical Group
- RBWH Foundation
- Royal Australasian College of Surgeons

Current professional memberships and appointments

- Professor of Surgery, UQ Medical School
- Federal Councillor, Australian Medical Association (AMA)
- Member, RACS Queensland State Committee
- Member, RACS Court of Examiners
- Member, International Surgical Society (ISS)
- Executive member (President Elect), Breast Surgery International (BSI)
- Member, International Endocrine Association of Surgeons (IEAS)
- Member, Breast SurgANZ
- Member, Endocrine Section RACS
- Member, Australian and New Zealand Breast Cancer Trials Group
- Member, Australasian Society for Breast Disease
- Member, General Surgeons Australia (GSA)
- Member, Clinical Oncology Society of Australia (COSA)
- Member, Academy of Surgical Educators
- Panel Member, 'Best Doctors' Australia and New Zealand, Global Network

General

Professor Ung was appointed to the Board of Medical Insurance Australia Pty Limited in August 2015 and to the Board of MDASA in October 2015.



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120 YEARS

Summary Financial Report

Year Ended 30 June 2020

20	Statement of Profit or Loss and Other Comprehensive Income
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24	Notes to and Forming part of the Summary Financial Report
25	Independent Auditor's Report

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 2020 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 2020

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

Consolidated Entity

Gross Claims Expense decreased by \$22.589m as a result of an decrease in the Outstanding Claims Provision in relation to prior years. This was offset by a corresponding decrease in Reinsurance and Other Recoveries of \$18.494m.

Professional Fees, Employment and General and Administration Expenses were \$1.309m higher than in 2018/2019 to support growth in the business.

Investment income decreased by \$8.627m predominantly driven by the fall in interest rates as well as a drop in the share market.

Total Comprehensive Income Attributable to Members decreased by \$3.852m as a result of the cumulative impact of the items above.

Consolidated Entity

	2020 \$'000	2019 \$'000
Gross Written Premium	54,189	54,323
Movement in Unearned Premium	(466)	(843)
Premium Revenue	53,723	53,480
Reinsurance Premium Expense	(6,723)	(6,649)
Net Premium Revenue	47,000	46,831
Gross Claims Expense	(35,147)	(57,736)
Reinsurance and Other Recoveries	1,232	19,726
Net Claims Incurred	(33,915)	(38,010)
Professional Fees Expense	(2,095)	(1,963)
Employment Expense	(13,644)	(12,561)
General and Administrative Expense	(8,554)	(8,460)
Other Underwriting Expense	(568)	(584)
Operating Expenses	(24,861)	(23,568)
Underwriting Result	(11,776)	(14,747)
Subscription Revenue	10,094	9,432
Profit / (Loss) on Write Down of Property Plant and Equipment	(429)	6
Finance Costs	(169)	-
Other Income	1,005	955
Results from Operating Activities	(1,275)	(4,354)
Investment Income	5,625	14,252
Profit Before Tax	4,350	9,898
Income Tax Expense	1,532	(164)
Total Comprehensive Income Attributable to Members	5,882	9,734

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 2020

	Consolidated Entity	
	2020 \$'000	2019 \$'000
Current Assets		
Cash and Cash Equivalents	15,903	14,050
Trade and Other Receivables	43,789	41,490
Reinsurance and Other Recoveries Receivable	9,139	17,491
Investments	159,350	127,867
Income Tax Receivable	4,623	4,286
Other Assets	356	285
Total Current Assets	233,160	205,469
Non-Current Assets		
Reinsurance and Other Recoveries Receivable	89,817	93,819
Investments	116,291	148,785
Property, Plant and Equipment	5,366	2,459
Intangible Assets	16,398	12,100
Total Non-Current Assets	227,872	257,163
Total Assets	461,032	462,632
Current Liabilities		
Trade and Other Payables	11,412	10,818
Outstanding Claims Provision	39,960	41,054
Employee Benefits	3,813	2,854
Other Liabilities	54,605	53,712
Lease Liabilities	956	-
Total Current Liabilities	110,746	108,438
Non-Current Liabilities		
Outstanding Claims Provision	179,689	192,053
Employee Benefits	135	114
Deferred Tax Liabilities	1,531	2,249
Other Liabilities	203	1,034
Lease Liabilities	4,754	-
Total Non-Current Liabilities	186,312	195,450
Total Liabilities	297,058	303,888
Net Assets	163,974	158,744
Equity		
Retained Profits	163,974	158,744
Total Equity	163,974	158,744

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

Discussion and Analysis of the Statement of Financial Position

Consolidated Entity

The Consolidated Entity's Total Assets decreased by \$1.600m from 30 June 2019 to 30 June 2020. This movement was predominantly due to:

- A \$12.354m decrease in Reinsurance and Other Recoverables Receivable.
- A \$4.298m increase in Intangibles.
- A \$2.907m increase in Property, Plant and Equipment.
- A \$2.299m increase in Trade & Other Receivables.
- A \$0.842m increase in Investments and Cash.

The Consolidated Entity's Total Liabilities decreased by \$6.830m from 30 June 2019 to 30 June 2020. This movement was predominantly due to:

- A \$5.710m increase in Lease Liabilities
- A \$13.458m decrease in the Outstanding Claims Provision
- A \$0.980m increase in Employee Benefits

The increase in Total Equity of the Consolidated Entity of \$5.230m, from 30 June 2019 to 30 June 2020, reflects the Net Profit After Tax for the year and the adoption of AASB 16 Leases.

Statement of Cash Flows

Medical Defence Association of South Australia Limited
Summary Financial Report for the year ended 30 June 2020

Discussion and Analysis of the Statement of Cash Flows

Consolidated Entity

Net Cash inflows from Investing was \$2.042m in 2019/2020 compared to outflows of \$19.592m in 2018/2019. This movement was due to the large amount of investments maturing during the 2019/2020 year.

Consolidated Entity

	2020 \$'000 Inflows (Outflows)	2019 \$'000 Inflows (Outflows)
Cash Flows From Operating Activities:		
Subscriptions Received	11,900	9,587
Premium Received	51,975	54,486
Sundry Income Received	2,063	838
Reinsurance and Other Recoveries Received	23,813	12,845
Reinsurance Paid	(6,784)	(6,458)
Claims Paid	(58,656)	(46,312)
Payments to Suppliers and Employees	(24,141)	(22,951)
Payments of Short Term and Low Value Leases	(53)	-
Interest Paid	(169)	-
Cash Generated from Operations Before Tax	(52)	2,035
Income Tax Paid	756	(1,912)
Net Cash (used in)/from Operating Activities	704	123
Cash Flows from Investing Activities:		
Proceeds from Sale of Property, Plant and Equipment	-	97
Acquisition of Property, Plant and Equipment	(163)	(859)
Acquisition of Intangibles	(4,691)	-
Interest Received	6,999	7,872
Dividends Received	1,188	859
Proceeds from Sale or Maturity of Investments	193,860	155,901
Payment for Investments	(195,151)	(183,462)
Net Cash (used in)/from Investing Activities	2,042	(19,592)
Cash Flows from Financing Activities:		
Principal Payment of Lease Liabilities	(893)	-
Net Cash (used in) Financing Activities	(893)	-
Net (Decrease)/Increase in Cash and Cash Equivalents	1,853	(19,469)
Cash and Cash Equivalents at 1 July	14,050	33,519
Cash and Cash Equivalents at 30 June	15,903	14,050

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

Statement of Changes in Equity

Medical Defence Association of South Australia Limited
Summary Financial Report for the year ended 30 June 2020

Consolidated Entity

	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2019	158,744	158,744
Adjustment on initial application of IFRS 16, net of tax	(652)	(652)
Adjusted balance at 1 July 2019	158,092	158,092
Total Comprehensive Income for the Period	5,882	5,882
Balance at 30 June 2020	163,974	163,974
Balance at 1 July 2018	149,010	149,010
Total Comprehensive Income for the Period	9,734	9,734
Balance at 30 June 2019	158,744	158,744

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 as at 30 June 2020

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 2020 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.

The Consolidated Entity has adopted AASB 16 Leases for the first time during 2019/2020. The full description of the accounting policy adopted by the Consolidated Entity is included in the Consolidated Entity's full Financial Report.

The other 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:

	2020 \$'000	2019 \$'000
Common Equity Tier 1 Capital		
Paid up Capital	92,601	83,801
Retained Profit (APRA basis)	70,495	70,483
Current year's earnings (APRA basis)	(3,117)	663
Net surplus / (deficit) relating to insurance liabilities	(2,389)	(1,537)
Tier 1 capital (before deductions)	157,590	153,410
Less deductions		
Other deductions	7,920	8,310
Total Tier 1 Capital	149,670	145,100
Prescribed Capital Amount (PCA)		
Insurance risk charge	27,836	27,576
Insurance concentration risk charge	4,949	3,324
Asset risk charge	17,486	18,071
Operational risk charge	4,425	4,405
Aggregation benefit	(10,147)	(10,180)
Total PCA	44,549	43,196
Capital Ratio	3.36	3.36

Independent Auditor's Report

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



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 2020. The *Summary Financial Statements* are derived from the audited financial report of the Consolidated Entity as at and for the year ended 30 June 2020 (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 2020;
- 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 2020; and
- Related notes.

The Summary Financial Statements are contained in the Annual Report on pages 21 to 26.

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

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 29 September 2020.

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 or 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 2020.

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*.

KPMG

Darren Ball
Partner

Adelaide, 29 September 2020

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 2020 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.

KPMG

Darren Ball
Partner

Adelaide, 29 September 2020

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Obituary

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

Dr Teresa Nyman
Dr Magella Luisa Faye Tate
Dr Ross David Gurgo
Dr Holly Elizabeth Hart
Dr Clayton Miles Cooper Lang
Dr Colin Leslie Case
Dr Julie Anne Wesley
Dr Gregory Campbell Sutherland
Dr Kara Sian Gray
Dr Simon James Spedding

Members who passed away
between 1 July 2019 and 30 June 2020.



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