

We're with you...



2021 Annual Report
and Summary Financial Report



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 2021

Dr Andrew Pesce

Chairman

Dr Roger Sexton

Deputy Chairman

Ms Amanda Anderson

CEO and Managing Director

Ms Juliet Brown OAM

Associate Professor Susan Neuhaus AM CSC
(appointed 1 July 2021)

Dr Stephen Parnis

Mr Ian Stone

Professor Owen Ung

Medical Insurance Australia Pty Limited

Board as at September 2021

Dr Andrew Pesce

Chairman

Dr Roger Sexton

Deputy Chairman

Ms Amanda Anderson

CEO and Managing Director

Ms Robyn Bateup

Ms Juliet Brown OAM

Associate Professor Susan Neuhaus AM CSC
(appointed 1 May 2021)

Dr Stephen Parnis

Mr Ian Stone

Professor Owen Ung

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

Contents

3	Reducing our Environmental Impact
4	Report by Directors
10	Corporate Governance
12	The Boards and Board Committees
14	Directors' Information
18	MDASA – Summary Financial Report

Reducing our Environmental Impact

To help reduce MIGA's operating costs and environmental impact, for the year ended 30 June 2021 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 (this Report) which:**
 - Is only available electronically 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 2021 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 2021 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.

Operating Result

The Consolidated Entity reported a net loss of \$5.407m (2020: net profit of \$5.633m) for the financial year ended 30 June 2021, after providing for income tax.

The Group's net loss before tax for the 2020/2021 year was \$11.728m (2020: net profit before tax of \$4.101m).

The Consolidated Entity has a surplus in net assets of \$158.318m as at 30 June 2021 (\$163.725m as at 30 June 2020).

Key positives for the year are that Group Revenue was above budget, Investment income was above budget as a result of a significant unrealised gain on the equity portfolio and despite a very low interest rate environment and Operating Expenses were below budget, largely driven by the impact of COVID-19 on travel, accommodation and other costs.

The operating loss reported for the year by both Medical Insurance Australia and the Group was predominantly as a result of significantly worse than anticipated claims experience and a reduction in the level of investment income, relative to the levels of earnings 2 or more years ago.

Notwithstanding this, as at 30 June 2021 Medical Insurance Australia is in a strong financial position, with a capital ratio above the top of its preferred target.

Given the strength of the current financial position, Directors note that the Group can take a measured approach to improving overall profitability.

The recent deterioration in claims experience observed in the Group's claims outcomes are not dissimilar to the broader experience of the Australian professional indemnity insurance market.

Directors

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

Board Committees

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

Report by Directors

Review of Operations

The Review of Operations is outlined throughout this Report and in the MIGA 2021 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-March 2020 to now. 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. Lockdowns have been particularly difficult across Australia, especially those that have been for extended periods in VIC and NSW.

Enquiries to MIGA for advice and guidance on COVID-19 matters, including via its 24-hour emergency support service, have been constant since March 2020 and increased significantly at critical times across the 2020 and 2021 years.

As a member owned mutual, helping our members and clients through these difficult times and supporting them is a high priority and is always front of mind. Along with the rest of the world we have been navigating uncharted territory in terms of the delivery of our support and services across Australia to our members and clients.

The Group has 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, general policyholder communications and website based information and guidance. A considerable amount of information is provided via the Group's 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 and access to a wide range of resources to assist them in keeping up to date with public health advice and information.

In order to safeguard the health and well-being of staff and meet the Government's social distancing guidelines from late March 2020 to early February 2021, 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 a gradual return to pre-COVID arrangements for SA based staff by February 2021. Ongoing lockdowns have significantly

impacted the Group's offices in VIC, NSW and QLD with staff in those offices working from home for a significant portion of the last year.

The organisation places a high priority on ensuring the health and well-being of its staff have been looked after, particularly for those who have faced, and continue to face, extended periods of lockdown.

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 remain low.

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. 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 2021 for any 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.

COVID-19 Vaccine Indemnity Scheme

MIGA worked extensively across the last year, in collaboration with other medical indemnity providers and key stakeholders, including the Federal AMA, to encourage the Federal Government to deliver a no fault indemnity scheme to protect those who receive and administer COVID-19 vaccines.

We were pleased with the announcement in August 2021 of the Federal Government's new COVID-19 Vaccine Claim Scheme (the Scheme). The Federal Government has advised that the Scheme will provide Australians with quick access to compensation for COVID-19 claims related to the administration of a Therapeutic Goods Administration approved COVID-19 vaccine delivered through a Commonwealth Government approved program. The cost of compensation payments under this Scheme will be fully funded by the Commonwealth.

The Federal Government announced that the intent of the Scheme is to ensure patients injured by a vaccine product or through vaccinator negligence can receive reasonable compensation via a simple claims process, without the burden of litigation. The intention

is also that those who administer vaccines are equally protected. It is anticipated that adversarial claims and litigation processes will be replaced by access to compensation via the Scheme, particularly litigation where no link to the vaccine product or vaccinator negligence is found.

MIGA is proud to have worked so extensively on this very significant Scheme which is intended to provide considerable protection for our members and clients.

Insurance System Replacement

In November 2019 MIGA committed to replacing its insurance system, after an extensive 12-month review. This was a major project for the Group culminating in the business going live in the new system progressively from December 2020 to May 2021. Meeting our expected delivery date with the many challenges brought by COVID-19 was a huge achievement by the Group's management and staff and everyone involved with the new system deployment.

From June 2021, members and clients now access their MIGA policy documentation and other information via a secure Client Portal. This enables MIGA to provide our policyholders with secure access to their personal information. This has become increasingly important in an environment where the instances of sophisticated cyber-attacks and email infiltration is on the rise globally.

The project has been a 'once in a life-time' initiative for MIGA and it has provided the opportunity to change the operating model for the organisation along with providing new capabilities to deliver new and enhanced services to our members and clients. It is expected that the new system will provide considerable opportunities to increase operational efficiencies and support MIGA's strategies for growth, diversification and retention. Across 2021 and 2022, there will be a significant focus on optimising the benefits that the new system offers.

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.

Report by Directors

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 2021/2022 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 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 2020 provided invaluable feedback about the services MIGA provides and its performance.

Key findings were that of the respondents:

- 97% would recommend MIGA to other doctors
- 93% rated the friendliness and helpfulness of MIGA's staff as "Good to excellent"
- 93% 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.

As a result of COVID-19, the Group was not able to offer face-to-face risk management education events for most of the 2020 and 2021 years. When COVID-19 first impacted in March 2020, MIGA moved rapidly to offer more online activities to facilitate its risk education program and 'social distancing'. Significant work was put into the development of new modules, webinars and on-line activities, available via the Group's on-line learning platform REO (Risk Education Online).

It is recognised that many of the Group's members and clients have missed the opportunity to catch up with colleagues through attendance at MIGA's face-to-face workshops and conferences. It is hoped that later in 2021 face-to-face events will be able to resume and that the Group can return to offering both the opportunity for members and clients to access both in person and on-line risk management education.

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 it 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.

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.

Branch offices and growth across Australia

MIGA's branch office in New South Wales offers claims, client services, risk management services and underwriting services and support. Our branch office presence in

Report by Directors

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 membership of MIGA is now just over 36,000, which is 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. COVID-19 has presented challenges across the last year in terms of meeting with them face-to-face at university and hospital events. Across early 2021 the Group introduced new on-line marketing to facilitate medical students and hospital doctors joining MIGA.

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.

Advocacy

MIGA has an important role in advocating for its members, clients and the healthcare profession more broadly.

The Group's advocacy focuses on issues which affect doctors, other health practitioners and healthcare organisations in daily practice, particularly regulation, professional expectations 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, social media and other professional channels. The work can include detailed submissions, giving evidence at public hearings, attending forums, regular liaison meetings and more informal engagement with regulators, government bodies and professional stakeholders.

Over the last year, MIGA made 56 submissions to regulators, governments, parliaments, law reform bodies and professional groups, and met face-to-face or virtually with these entities on numerous occasions, covering a broad range of issues.

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 2021, Medical Insurance Australia had a net loss for the period of \$14.374m (after income tax) (2020: net loss of \$2.993m). Medical Insurance Australia's total equity decreased from \$161.093m in 2020 to \$152.919m in 2021.

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 Medical Insurance Australia 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 2021 was 2.64, a decrease from 3.36 as at 30 June 2020.

In June 2021, the Board of MDASA approved a capital transfer of \$6.200m to Medical Insurance Australia by acquiring an additional 6,200,000 Ordinary A Class shares in the entity effective 30 June 2021. This increased MDASA's investment in Medical Insurance Australia to \$98.801m.

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 21 April 2021.

Report by Directors

Kincentric Best Employer 2021

In September 2021, MIGA was recognised as a 2021 Kincentric Best Employer for the second time in 3 years. MIGA is one of only 7 companies in Australia to receive this award in 2021 as part of Kincentric's Best Employers global certification. Kincentric Best Employers certification utilises employee surveys to collect employee views and uses these to measure engaging leadership, talent focus, organisational agility and employee engagement.

We are particularly proud to receive this recognition given the impacts of COVID-19 which has presented challenges for MIGA and our staff. It has meant long periods of working remotely for many of our people across 2020 and 2021. Notwithstanding this, our staff have worked together to support our ongoing operations, ensuring that MIGA has continued to meet its commitment to service delivery and excellence for our members and clients. We are pleased that they also feel that MIGA has supported them through this challenging period.

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.

The Panels meet twice a year and due to COVID-19 lockdowns many of the meetings were virtual across late 2020 and early 2021. MIGA values highly the contribution of the members of these Panels to the Group's operations.

Supporting the community

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

MIGA acknowledges the value of training and experience in developing well-rounded medical practitioners. Each year, MIGA supports medical students and doctors in training through our Student Elective Grants Program and Doctors in Training Grants Program.

Since 2004 both of these programs have provided extensive assistance to medical students, doctors in training and developing communities.

Unfortunately, both programs have been suspended across 2020 and 2021 due to the COVID-19 pandemic and subsequent State and international border closures. The Programs are still extremely important to the Group as a way of:

- Helping young doctors and students grow and develop their skill sets and views of the world; and
- Supporting the broader community through skills transfer and the provision of aid to targeted health programs in developing communities.

It is hoped there will be a speedy return to normality across late 2021 and 2022 and that MIGA can resume both Programs in an environment that is safe for all and particularly for our Program participants.

MIGA is also proud to support Australian Red Cross Lifeblood, 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. Since 2018, MIGA's Lifeblood Team has made 184 donations equating to 552 lives saved!

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 2020 to 2021 year the Group has been able to save 9.72 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.

Report by Directors

Advice

During the financial year, the Directors have 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

No material events have occurred after Balance Date that the Consolidated Entity and/or Medical Insurance Australia are aware of as at the date of this Report.

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 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 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 A Pesce

Director



Mr I Stone

Director

Adelaide

Dated this 28th day of September 2021

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 responsible persons (which includes the Executives and Company Secretary) 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. MIGA outsources the internal role to PricewaterhouseCoopers (PwC).

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, 21 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	7	7	18	15
Dr Roger Sexton – Deputy Chairman	7	7	11	11
Ms Amanda Anderson	7	7	21	21
Ms Robyn Bateup	7	6	13	11
Ms Juliet Brown OAM	7	7	15	15
Associate Professor Peter Cundy	7	7	6	5
Associate Professor Susan Neuhaus AM CSC	1	1	N/A	N/A
Dr Stephen Parnis	7	7	3	3
Mr Ian Stone	7	7	15	15

Note

- Associate Professor Peter Cundy retired from the Boards of MDASA and Medical Insurance Australia with effect 30 June 2021
 - Associate Professor Susan Neuhaus AM CSC was appointed to the Board of Medical Insurance Australia with effect 1 May 2021 and the Board of MDASA with effect 1 July 2021

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 Dr A Pesce

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.

2020 AGM

The Annual General Meeting of MDASA was held on 25 November 2020 and included the election of Directors to the Board of MDASA.

With varying COVID restrictions and border closures around Australia the format of the 2020 AGM was changed for the first time ever from a face-to-face meeting to an on-line "virtual" one.

As per Article 46 of the Constitution, Dr Andrew Pesce and Professor Owen Ung offered themselves for re-election and were duly re-elected at the Annual General Meeting (as per Article 48A(b) of the Constitution).

Board appointments

The Directors of Medical Insurance Australia appointed Associate Professor Susan Neuhaus AM CSC to the Board on 1 May 2021.

Associate Professor Peter Cundy retired from the Boards of MDASA and Medical Insurance Australia on 30 June 2021.

The Directors of MDASA appointed Associate Professor Susan Neuhaus AM CSC to the Board on 1 July 2021.

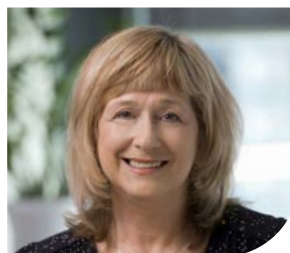
Directors' Information



Dr Andrew Pesce
Obstetrician and Gynaecologist
Chairman Medical Insurance
Australia Board
Chairman MSDASA Board



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



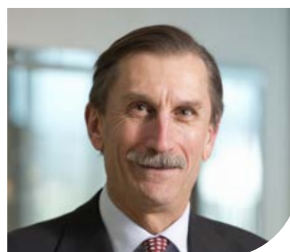
Ms Amanda Anderson
CEO and Managing Director
Managing Director Medical Insurance
Australia Board
CEO MDASA Board



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



**Assoc Professor
Susan Neuhaus AM CSC**
General Surgeon (Oncology)
Medical Insurance Australia Board
MDASA Board



Dr Stephen Parnis
*Senior Specialist –
Emergency Physician*
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 2021 or appointed since then.

Dr Andrew Pesce

Obstetrician and Gynaecologist

Qualifications

- MBBS (University of New South Wales)
- FRANZCOG
- FAMA (Fellow, Australian Medical Association)
- FAICD (Fellow, Australian Institute of Company Directors)

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 17 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

Dr Roger Sexton

General Practitioner (Urban and Rural)

Qualifications

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

Industry and sector experience

Dr Sexton has practised as a rural generalist and locum for many years. His current roles include Medical Director of Doctors' Health SA/NT, consultant in executive health and rural skin cancer screening and numerous board directorships. He is a past Presiding Member of the Medical Board of SA, member of the PBAC, board director of NPS MedicineWise and Adelaide Medical School clinical skills tutor. He has a keen and ongoing interest in rural medicine, undergraduate and post graduate medical education, medical journalism and quality use of medicines. He has been a strong local and national advocate for improving the health of doctors and medical students for over 20 years.

MIGA Board appointments

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

MIGA Board Committees

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

Assoc Prof Peter Cundy

Orthopaedic Surgeon

Qualifications

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

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

Assoc Prof Susan Neuhaus AM CSC

General Surgeon (Oncology)

Qualifications

- MBBS (University of Adelaide)
- PhD, Doctor of Philosophy (University of Adelaide)
- FRACS (Fellow, Royal Australasian College of Surgeons)
- Graduate, Australian Defence Force Command and Staff College (Res)
- FAMA (Fellow, Australian Medical Association)
- FAICD (Fellow, Australian Institute of Company Directors)

Industry and sector experience

Associate Professor Neuhaus is a Fellow of the Royal Australasian College of Surgeons and has over three decades of experience in public hospital, private practice, defence and veteran health and medical research. Her broad experience as a Director across defence, commercial and not-for-profit sectors has been recognised in her election as President of the South Australian and Northern Territory Division of the Australian Institute of Company Directors (AICD).

MIGA Board appointments

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

MIGA Board Committees

- Member, Clinical Risk Management Committee

*Associate Professor Peter Cundy retired from the Boards of MDASA and Medical Insurance Australia on 30 June 2021.

Directors' Information

Details of Directors in office as at 30 June 2021 or appointed since then.

Ms Amanda Anderson

CEO and Managing Director

Qualifications

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

Ms Robyn Bateup

Actuary

Qualifications

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

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

Ms Juliet Brown OAM

Professional Non-Executive Director

Qualifications

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

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

Dr Stephen Parnis

Senior Specialist – Emergency Physician

Qualifications

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

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

Mr Ian Stone

Chartered Accountant

Qualifications

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

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

Prof Owen Ung

General Surgeon (Breast and Endocrine)

Qualifications

- MBBS (University of Queensland)
- FRACS (Fellow, Royal Australasian College of Surgeons)
- FAICD (Fellow, 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

Summary Financial Report

Year Ended 30 June 2021

20 Statement of Profit or Loss and Other Comprehensive Income

21 Statement of Financial Position

22 Statement of Cash Flows

23 Statement of Changes in Equity

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 2021 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 2021

	Consolidated Entity	
	2021 \$'000	2020 \$'000 Restated*
Gross Written Premium	55,150	54,189
Movement in Unearned Premium	808	(466)
Premium Revenue	55,958	53,723
Reinsurance Premium Expense	(6,779)	(6,723)
Net Premium Revenue	49,179	47,000
Gross Claims Expense	(53,076)	(35,147)
Reinsurance and Other Recoveries	(2,569)	1,232
Net Claims Incurred	(55,645)	(33,915)
Professional Fees Expense	(1,698)	(2,105)
Employment Expense	(14,477)	(13,753)
General and Administrative Expense	(7,598)	(8,684)
Other Underwriting Expense	(862)	(568)
Operating Expenses	(24,635)	(25,110)
Underwriting Result	(31,101)	(12,025)
Subscription Revenue	10,706	10,094
Loss on Write Down of Property Plant and Equipment	(3)	(429)
Finance Costs	(144)	(169)
Other Income	939	1,005
Results from Operating Activities	(19,603)	(1,524)
Investment Income	7,875	5,625
Profit / (Loss) Before Tax	(11,728)	4,101
Income Tax Benefit	6,321	1,532
Total Comprehensive (Loss) / Income Attributable to Members	(5,407)	5,633

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

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

Consolidated Entity

Gross Claims Expense increased by \$17.929m as a result of an increase in the Outstanding Claims Provision in relation to current and prior years.

Professional Fees, Employment and General and Administration Expenses were \$769k lower than in 2019/2020 as a result of savings due to lockdowns brought about by COVID-19 for example less interstate travel, lower accommodation costs, reduced marketing expenditure and lower Risk Management Program costs.

* Professional Fees, Employment and General and Administration expenses comparatives have been restated as a result of a IFRIC Agenda decision in 2021 which is applied retrospectively resulting in an increase of \$0.249m.

Investment income increased by \$2.250m predominantly driven by unrealised gains on the equity portfolio.

Total Comprehensive Income Attributable to Members decreased by \$11.040m as a result of the cumulative impact of the items above.

Statement of Financial Position

Medical Defence Association of South Australia Limited
Summary Financial Report as at 30 June 2021

	Consolidated Entity	
	2021 \$'000	2020 \$'000 Restated*
Current Assets		
Cash and Cash Equivalents	17,653	15,903
Trade and Other Receivables	31,553	40,422
Reinsurance and Other Recoveries Receivable	13,699	9,139
Investments	170,159	159,350
Income Tax Receivable	89	895
Prepayments	1,541	356
Total Current Assets	234,694	226,065
Non-Current Assets		
Prepayments	8,430	4,439
Reinsurance and Other Recoveries Receivable	77,796	89,817
Investments	115,565	116,291
Deferred Tax Asset	8,696	2,438
Property, Plant and Equipment	4,073	5,366
Intangible Assets	11,310	11,710
Total Non-Current Assets	225,870	230,061
Total Assets	460,564	456,126
Current Liabilities		
Trade and Other Payables	7,819	8,045
Outstanding Claims Provision	52,218	39,960
Employee Benefits	3,420	3,813
Other Liabilities	54,074	54,605
Income Tax Payable	-	241
Lease Liabilities	883	956
Total Current Liabilities	118,414	107,620
Non-Current Liabilities		
Outstanding Claims Provision	179,603	179,689
Employee Benefits	151	135
Other Liabilities	208	203
Lease Liabilities	3,870	4,754
Total Non-Current Liabilities	183,832	184,781
Total Liabilities	302,246	292,401
Net Assets	158,318	163,725
Equity		
Retained Profits	158,318	163,725
Total Equity	158,318	163,725

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 increased by \$4.438m from 30 June 2020 to 30 June 2021. This movement was predominantly due to:

- A \$7.461m decrease in Reinsurance and Other Recoveries Receivable;
- A \$1.293m decrease in Property Plant and Equipment;
- A \$8.869m decrease in Trade & Other Receivables;
- A \$11.833m increase in Investments and Cash;
- A \$6.258m increase in Deferred Tax Asset; and
- A \$3.991m increase in Prepayments.

The Consolidated Entity's Total Liabilities increased by \$9.845m from 30 June 2020 to 30 June 2021. This movement was predominantly due to:

- A \$0.957m decrease in Lease Liabilities;
- A \$12.172m increase in the Outstanding Claims Provision;
- A \$0.377m decrease in Employee Benefit Provisions; and
- A \$0.526m decrease in Other Liabilities.

* Prior period balances have been restated for two Statement of Financial Position matters which had no impact to the profit/(loss).

The restatements resulted in:

- A \$3.367m reduction to Trade and Other Receivables and Trade and Other Payables; and
- A \$3.969m increase in Deferred Tax Asset, \$0.241m increase in Income Tax Payable and a \$3.728m reduction to Income Tax Receivable.

The decrease in Total Equity of the Consolidated Entity of \$5.407m, from 30 June 2020 to 30 June 2021, reflects the Net Profit After Tax for the year.

Statement of Cash Flows

Medical Defence Association of South Australia Limited
Summary Financial Report for the year ended 30 June 2021

	Consolidated Entity	
	2021 \$'000 Inflows (Outflows)	2020 \$'000 Inflows (Outflows) Restated*
Cash Flows from Operating Activities:		
Subscriptions Received	7,873	11,900
Premium Received	63,327	51,975
Sundry Income Received	1,432	2,063
Reinsurance and Other Recoveries Received	28,271	23,813
Reinsurance Paid	(6,810)	(6,784)
Claims Paid	(58,289)	(58,656)
Payments to Suppliers and Employees	(31,391)	(28,832)
Payments of Short Term and Low Value Leases	(51)	(53)
Interest Paid	(144)	(169)
Cash Generated from Operations Before Tax	4,218	(4,743)
Income Tax Paid	627	756
Net Cash from/(used in) Operating Activities	4,845	(3,987)
Cash Flows from Investing Activities:		
Proceeds from Sale of Shares in Listed Corporations	3,011	-
Payments for Shares in Listed Corporations	(3,000)	-
Acquisition of Property, Plant and Equipment	(46)	(163)
Interest Received	5,422	6,999
Dividends Received	691	1,188
Proceeds from Sale or Maturity of Investments	198,104	193,860
Payment for Investments	(206,321)	(195,151)
Net Cash (used in)/from Investing Activities	(2,139)	6,733
Cash Flows from Financing Activities:		
Principal Payment of Lease Liabilities	(956)	(893)
Net Cash (used in) Financing Activities	(956)	(893)
Net Increase in Cash and Cash Equivalents	1,750	1,853
Cash and Cash Equivalents at 1 July	15,903	14,050
Cash and Cash Equivalents at 30 June	17,653	15,903

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

Discussion and Analysis of the Statement of Cash Flows

Consolidated Entity

The net increase in Cash and Cash Equivalents was \$1.750m in 2020/21.

This due to:

- \$4.458m increase in Reinsurance and Other Recoveries Received.
- \$11.170m increase in Payment for Investments.
- \$4.244m increase in Proceeds from Sale or Maturity of Investments.

* Comparatives have been restated as a result of a IFRIC Agenda decision in 2021 which is applied retrospectively resulting in an increase in net cash from investing activities by \$4.691m and a corresponding increase in net cash used in operating activities.

Statement of Changes in Equity

Medical Defence Association of South Australia Limited
Summary Financial Report for the year ended 30 June 2021

	Consolidated Entity	
	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2020	163,725	163,725
Loss for the Period	(5,407)	(5,407)
Total Profit or Loss and Other Comprehensive Income for the Period	(5,407)	(5,407)
Balance at 30 June 2021	158,318	158,318
Balance at 1 July 2019	158,744	158,744
Adjustment on initial application of AASB 16, net of tax	(652)	(652)
Adjusted balance at 1 July 2019	158,092	158,092
Profit for the Period	5,633	5,633
Total Profit or Loss and Other Comprehensive Income for the Period	5,633	5,633
Balance at 30 June 2020	163,725	163,725

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

Discussion and Analysis of the Statement of Changes in Equity

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

Notes

Medical Defence Association of South Australia Limited
Summary Financial Report for the year ended 30 June 2021

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 2021 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 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

The 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:

	Consolidated Entity	
	2021 \$'000	2020 \$'000
Common Equity Tier 1 Capital		
Paid up Capital	98,801	92,601
Retained Profit (APRA basis)	67,378	70,495
Current year's earnings (APRA basis)	(14,495)	(3,117)
Net surplus / (deficit) relating to insurance liabilities	(3,261)	(2,389)
Tier 1 capital (before deductions)	148,423	157,590
Less deductions		
Deferred tax assets (net of deferred tax liability)	9,910	-
Other deductions	7,520	7,920
Total Tier 1 Capital	130,993	149,670
Prescribed Capital Amount (PCA)		
Insurance risk charge	31,004	27,836
Insurance concentration risk charge	2,893	4,949
Asset risk charge	22,778	17,486
Operational risk charge	5,128	4,425
Aggregation benefit	(12,215)	(10,147)
Total PCA	49,588	44,549
Capital Ratio	2.64	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 2021. The *Summary Financial Statements* are derived from the audited financial report of the Consolidated Entity as at and for the year ended 30 June 2021 (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 2021;
- 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 2021; and
- Related notes.

The Summary Financial Statements are contained in the Annual Report on pages 18 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

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 28 September 2021.

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.



Independent Auditor's Report

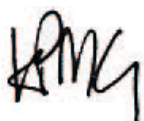
To the members of Medical Defence Association of South Australia Limited
Report on the Summary Financial Report

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 2021.

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, 28 September 2021


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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 2021 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.



KPMG



Darren Ball
Partner

Adelaide, 28 September 2021

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Obituary

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

Dr Tasha Port
Dr Andrew Czechowicz
Dr Geoffrey Hyde
Dr Dheeraji Guterres
Dr Christopher Wagner
Dr John Ramsay
Dr Andrew Scott
Dr Yen-Yung Yap
Dr Byron Gordon
Dr Melody Caramins
Dr Oswald Jonas
Dr Kate Perkins

Members who passed away between
1 July 2020 and 30 June 2021

**General Enquiries
and Client Service**

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Facsimile 1800 839 284

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(During Office hours and 24hr emergency legal support)

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