reserve bank health society

Reserve Bank Health Society Ltd

ABN 91 087 648 735

Annual Report - 30 June 2023

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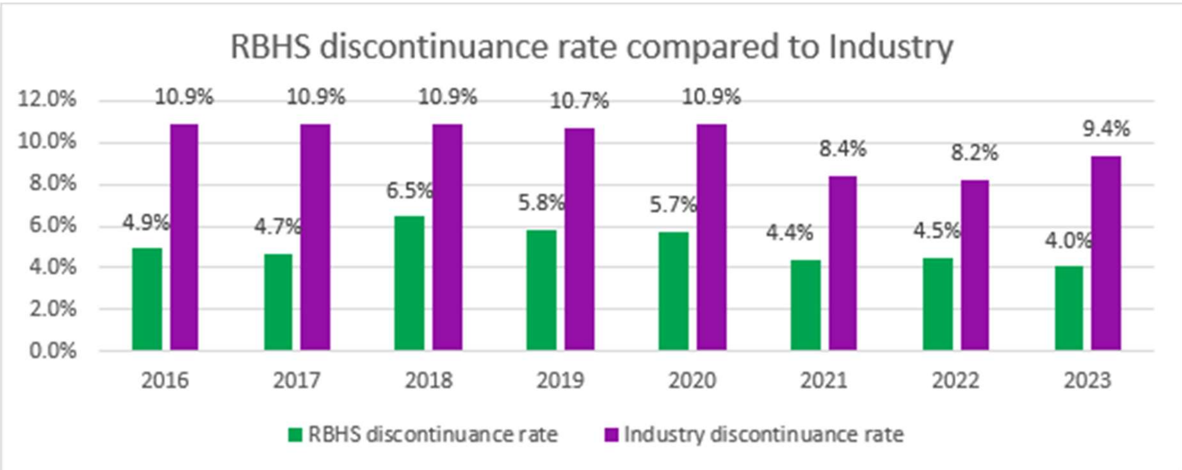
The 2022/23 financial year saw the RBHS continue to support the health insurance needs of members via its Gold Hospital and premium Extras products. Financially, the RBHS experienced a lower level of claims during the year, which drove a record surplus of $2.6 million and kept the Fund well capitalised and in a strong financial position. Net assets now stand at $19.7 million (up from 17.1 million in 2021/22) with the capital held per policy holder now $8,226 (up from $7,182 in 2021/22).

As a result of lower claims experience in recent years, the RBHS has focused on supporting members through a range of initiatives. Following on from the give-back of approximately $525,000 in February 2022, a second give-back of $500,000 was paid to members in September 2022. A further give-back of around $1,000,000 is planned for September 2023. In total, the RBHS has committed to providing support to members to the value of approximately $2.3 million since 2020, including the deferral of the annual premium increase in April 2020 by 6 months.

The return of funds to members through the give backs has been complemented by a range of other COVID-19 support measures that have been in place since 2020, such as the provision of telehealth services on some of our extras cover items (for example, psychology and speech therapy) and the provision of benefits for certain COVID-related expenditures. Such actions were possible given our financial strength, our not-for-profit status, and our commitment to supporting members through challenging times.

As a not-for-profit fund, the RBHS continuously looks for ways to keep annual premium increases to a minimum while maintaining its high-quality benefits. We focus on trying to keep our costs down and operating as efficiently as possible. This is particularly important in an environment where the rate of inflation has been higher than in previous years and compliance with new regulatory requirements is required. As an example of this, we continue to leverage the services of the Australian Health Service Alliance to negotiate with hospitals and doctors when contract renewals are required; this process can be challenging as cost bases have increased in recent times. At all times we aim to ensure the best possible outcomes for members. During the year we also agreed to a new 3-year Master Services Agreement with our technology solution provider known as HAMBS (Hospital and Medical Benefits System). In April 2023, we introduced benefit improvements in the areas of chiropractic, osteopathy, and physiotherapy services.

Despite the economic challenges, the number of RBHS policyholders increased by 0.76 per cent to 2393 members as at 30 June 2023. The proportion of policyholders who discontinued their membership in 2022 was lower than in previous years at 4.0 per cent, significantly below the industry average of 9.4 per cent. Thank you to everyone who has maintained their RBHS membership.



The RBHS continues to maintain very high levels of member satisfaction with feedback from members helping us to prioritise initiatives going forward. The ongoing positive results for service and attentiveness are well appreciated and I wish to thank all the staff at our outsourced service provider – Peoplecare - for their dedication, professionalism and positive approach to the provision of member services.

Reserve Bank Health Society Ltd
Chairperson's Review
30 June 2023

In March 2023, Dr Melinda Williams stepped down from her role as RBHS CEO. Melinda held this position for 5 years. She was an outstanding CEO to work with and she will be greatly missed by the RBHS Board (as well as the broader private health insurance industry). On behalf of my fellow directors, the Board thanks Melinda for the significant contribution she made to the RBHS during her time as CEO. Louise Leaver is the new RBHS CEO and the Board welcomes her appointment to this position. Louise brings to us a wealth of knowledge and significant experience in the health insurance industry.

The composition of the RBHS Board has also seen some personnel changes during 2022/23. In November 2022, Merylin Coombs stepped down after 14 years as a director and 11 years as Chairperson. Merylin made a huge contribution to the RBHS over this time as she steered the RBHS through a very significant transformation period. In June 2023, Keith Drayton also stepped down after serving as a director for 11 ½ years. On behalf of the RBHS, I wish to thank both Merylin and Keith for their years of dedication and support to the RBHS. I would also like to welcome Kristin Langwasser and Sarah Harris as new directors.

In addition to the key items already mentioned, other focus areas for the Board over 2022/23 included work on progressing our business sustainability strategy, work to ensure compliance with the upcoming introduction of new capital standards, winding down the provisions for deferred claims that were made during COVID period, and ensuring our risk management and governance frameworks and other prudential requirements were in line with industry expectations.

Finally, I would like to thank my fellow directors for their ongoing commitment and contribution. These efforts have helped to steer and successfully guide the RBHS during another challenging year. I look forward to this involvement continuing in the year ahead.

Warren Wise
Chairperson - Board

22 September 2023
Sydney

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2023.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Merylin Coombs (Resigned 18 November 2022)
Mr Warren Wise
Mr Sarv Girn
Ms Sharon Suan
Mr David Brown
Mr Keith Drayton (Resigned 10 June 2023)
Ms Emma Maley
Mr David McKenna
Ms Sarah Harris (Appointed 16 January 2023)
Ms Kristin Langwasser (Appointed 8 June 2023)

Objectives

The Reserve Bank Health Society (RBHS) is a not-for-profit restricted access health insurer with the objective of providing members with superior health benefits in a cost-effective manner.

To achieve this mission, the Board has set the following broad Company objectives:

Corporate Governance; *governance aligned with regulatory standards & outsourcing risks*

Financial Stability; *maintain financial strength to comply with APRA prudential standards*

Member Growth & Retention; *maximise growth & retention within the restricted access group*

Product & Service Excellence*; industry leading service & simply better benefits*

Principal activities

The RBHS' principal activity during the financial year was the underwriting of private health insurance policies to its members. This remained unchanged from the previous financial year.

Information on directors

Name:	Ms Merylin Coombs
Title:	Chairperson (Resigned 18 November 2022) Independent Non-Executive Director
Qualifications:	B. Economics, Graduate of AICD
Experience and expertise:	Director from February 2008 Chairperson from November 2010 Member Nomination and Remuneration Committee

Name:	Mr Keith Drayton (Resigned 10 June 2023)
Title:	Independent Non-Executive Director
Qualifications:	B. Business (First Class Hons), M. App Finance, Graduate of AICD
Experience and expertise:	Director from November 2011 Member Risk Committee Member Nomination and Remuneration Committee

Information on directors (continued)

Name:	Mr Warren Wise
Title:	Chairperson (18 November 2022) Independent Non-Executive Director
Qualifications:	B. Business, Graduate of AICD
Experience and expertise:	Director from July 2008 Member Resilience Project Committee
Name:	Mr Sarv Girn
Title:	Independent Non-Executive Director
Qualifications:	B. Sc Computer Science (Hons), Fellow of AICD
Experience and expertise:	Director from March 2014 Chair Audit Committee Member Risk Committee
Name:	Ms Emma Maley
Title:	Independent Non-Executive Director
Qualifications:	B. Science (Computer Science), Diploma of Information Technology, Graduate of AICD
Experience and expertise:	Director from November 2013 Chair Nomination and Remuneration Committee (18 November 2022) Member Risk Committee
Name:	Ms Sharon Suan
Title:	Independent Non-Executive Director
Qualifications:	B. Economics (First Class Hons), CFA Charterholder
Experience and expertise:	Director from November 2015 Chairperson Risk Committee
Name:	Mr David Brown
Title:	Independent Non-Executive Director
Qualifications:	B. Applied Science, Graduate of AICD
Experience and expertise:	Director from 1 March 2020 Chairperson Resilience Committee
Name:	Mr David McKenna
Title:	Independent Non-Executive Director
Qualifications:	B. Applied Entrepreneurship, Graduate Certificate of Laws, Postgraduate Certificate in Politics and Public Policy, M Public Administration, Graduate of AICD
Experience and expertise:	Appointed Director from 3 January 2022 Member Audit Committee Member Resilience Project Committee
Name:	Ms Kristin Langwasser
Title:	Independent Non-Executive Director
Qualifications:	Master of Science (Economics), Master of Philosophy (Economics), Graduate of AICD
Experience and expertise:	Director from 8 June 2023
Name:	Ms Sarah Harris
Title:	Independent Non-Executive Director
Qualifications: Experience and expertise:	Bachelor of Science (Hons) Finance and Accounting, Graduate of AICD Director from 16 January 2023 Member Audit Committee Member Nomination and Remuneration Committee

Reserve Bank Health Society Ltd
Directors' report
30 June 2023

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board Meetings		Nomination and Remuneration Committee		Risk Committee		Audit Committee	
Director	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
M Coombs[1]	3	3	1	1	-	-	-	-
K Drayton[2]	6	7	2	2	4	4	-	-
S Girn	6	7	-	-	3	4	4	4
E Maley	7	7	1	1	4	4	-	-
S Suan	7	7	-	-	4	4	-	-
W Wise	7	7	1	1	-	-	1	2
D Brown[3]	6	7	1	1	-	-	-	-
D McKenna[4]	7	7	1	1	-	-	4	4
S Harris[5]	3	3	1	1	-	-	2	2
K Langwasser[6]	2	2	-	-	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

1. *M Coombs resigned 18 November 2022*
2. *K Drayton resigned 10 June 2023*
3. *D Brown attended the Nominations and Remuneration committee by invitation*
4. *D McKenna attended the Nominations and Remuneration committee by invitation*
5. *S Harris appointed 16 January 2023*
6. *K Langwasser appointed 8 June 2023*

The Resilience Project Committee

The Resilience Project Committee, an ad hoc sub-Committee of the Board, was established in 2020 to assist the Board to manage the establishment of a new Management Services Agreement (MSA) and further develop its business sustainability strategy. In 2021, the Committee finalised its work in respect to a new MSA by recommending to the Board the reappointment of Peoplecare Health Limited as outsourced service provider to the RBHS for a term of five (5) years commencing May 2021. The Committee's work is continuing on the review of strategies to ensure the long term continued sustainability of RBHS.

Contributions on winding up

The RBHS is a Company limited by guarantee under the Corporations Act 2001 and hence has no contributed equity. If the RBHS is wound up and cannot meet its debts, the Constitution states that each member may be required to contribute a maximum of $1 towards meeting any outstanding obligations of the RBHS. As the RBHS had 2,393 members as at 30 June 2023, it means the members of the Company are liable to contribute a total of $2,393 ($1 per member) if the Company is wound up.

Matters subsequent to the end of the financial year

No matter of circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

i. the operations of the Company;
ii. the results of these operations; or
iii. the state of affairs of the Company in the financial years subsequent to 30 June 2023.

Non-audit services

During the year, the Company has not employed the auditor (Grant Thornton Audit Pty Ltd) on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor during the year are disclosed in Note 18 - Remuneration of Auditors.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Warren Wise	Sarv Girn
Chairperson - Board	Director

22 September 2023
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Reserve Bank Health Society Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Reserve Bank Health Society Ltd for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 22 September 2023

Reserve Bank Health Society Ltd
Statement of surplus or deficit and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue			
Premium revenue		18,523,384	17,707,074
Expenses			
Fund benefits paid to members		(16,493,129)	(14,802,192)
Movement in outstanding claims liability		188,388	(179,563)
Movement in deferred claims liability		1,236,303	362,646
State ambulance levies		(209,900)	(201,716)
Risk Equalisation Special Account levy		1,402,536	1,308,471
		(13,875,802)	(13,512,354)
Gross underwriting result		4,647,582	4,194,720
Management expenses			
Management fees		(1,009,359)	(975,215)
Depreciation and amortisation expense		(64,699)	(64,663)
Other management expenses		(1,797,201)	(1,402,079)
		(2,871,259)	(2,441,957)
Investment income			
Interest income	4	743,316	40,940
Increase / (decrease) in fair value of financial assets	5	107,263	(78,682)
		850,579	(37,742)
Surplus before income tax expense		2,626,902	1,715,021
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Reserve Bank Health Society Ltd		2,626,902	1,715,021
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the members of Reserve Bank Health Society Ltd		2,626,902	1,715,021

The above statement of surplus or deficit and other comprehensive income should be read in conjunction with the accompanying notes

Reserve Bank Health Society Ltd
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	6	1,331,673	956,836
Trade and other receivables	7	1,220,438	1,033,318
Other financial assets	8	12,250,000	12,950,000
Other assets	9	100,968	81,933
Total current assets		14,903,079	15,022,087
Non-current assets			
Other financial assets	10	8,033,592	5,926,330
Property, plant and equipment	11	1,820	5,238
Intangibles	12	76,463	137,744
Total non-current assets		8,111,875	6,069,312
Total assets		23,014,954	21,091,399
Liabilities			
Current liabilities			
Trade and other payables	13	1,331,232	1,109,933
Provisions	14	998,644	2,423,289
Member give back	15	1,000,000	500,000
Total current liabilities		3,329,876	4,033,222
Total liabilities		3,329,876	4,033,222
Net assets		19,685,078	17,058,177
Equity			
Retained surpluses		19,685,078	17,058,177
Total equity		19,685,078	17,058,177

The above statement of financial position should be read in conjunction with the accompanying notes

Reserve Bank Health Society Ltd
Statement of changes in equity
For the year ended 30 June 2023

	Retained surpluses $	Total equity $
Balance at 1 July 2021	15,343,156	15,343,156
Surplus for the year	1,715,020	1,715,020
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,715,020	1,715,020
Balance at 30 June 2022	17,058,176	17,058,176

	Retained surpluses $	Total equity $
Balance at 1 July 2022	17,058,176	17,058,176
Surplus for the year	2,626,902	2,626,902
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,626,902	2,626,902
Balance at 30 June 2023	19,685,078	19,685,078

The above statement of changes in equity should be read in conjunction with the accompanying notes

Reserve Bank Health Society Ltd
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from members and customers		18,530,013	17,843,882
Payments to members, suppliers and employees		(17,536,052)	(15,652,548)
		993,961	2,191,334
Interest received		743,316	40,940
Net cash from operating activities	23	1,737,277	2,232,274
Cash flows from investing activities			
Payments for investments		(49,540,763)	(65,526,330)
Proceeds from disposal of investments		48,178,323	63,465,653
Net cash used in investing activities		(1,362,440)	(2,060,677)
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		374,837	171,597
Cash and cash equivalents at the beginning of the financial year		956,836	785,239
Cash and cash equivalents at the end of the financial year	6	1,331,673	956,836

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial report covers Reserve Bank Health Society Ltd as an individual entity. The financial report is presented in Australian dollars, which is Reserve Bank Health Society Ltd functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Reserve Bank Health Society Ltd is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Corner Victoria and Young Streets, Wollongong, NSW, 2500	Corner Victoria and Young Streets, Wollongong, NSW, 2500

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have also been prepared on an historical cost basis, except for the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value method of accounting has been adopted.

Comparative figures
Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting judgements and estimates
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both internally and externally to the Company.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the following notes:

- Note 13: Liability adequacy test
- Note 14: Claims liability - Outstanding claims liability and Provision for deferred claims

Income tax
No income tax expense was provided for as the Company is entitled to tax exempt status under the provisions of Section 50-30, Item 6.3 of the Income Tax Assessment Act 1997.

Note 2. Significant accounting policies (continued)

Goods and Services Tax (GST) and other similar taxes
Revenues and expenses are recognised net of GST, except where GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

New or amended Accounting Standards or Interpretations adopted by the Company
The Company has not applied any new standards or amendments during the annual reporting period commencing 1 July 2022.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods. The Company does not intend to adopt these standards before their effective date.

The Company's assessment of the impact of these new standards and interpretations is noted below:

AASB 17 Insurance Contracts
On 19 July 2017, Australian Accounting Standard Board (AASB) issued accounting standard AASB 17 *Insurance Contracts* (AASB 17). As a result of amendments made in July 2020, AASB 17 was deferred the effective date to 1 January 2023. The key considerations of the standard as applicable to Reserve Bank Health Society Ltd (RBHS) are summarised below.

Measurement of insurance contracts

Measurement Models

The standard AASB 17 introduces a General Measurement Model (GMM) for the recognition and measurement of insurance contracts. The GMM involves estimating future cash flows and risks from existing policies and taking surplus to account over the policy period, adjusting the surplus over the life of the contract when actual experience varies from expected.

AASB 17 permits the use of the simplified Premium Allocation Approach (PAA) where either:

- the contract boundary of each contract within the portfolio is one year or less; or
- the measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying GMM.

The majority of RBHS private health insurance contracts have a contract period of less than one year. RBHS has assessed the eligibility of contracts within the portfolio with one year or less to apply the simplified approach.

The PAA operates in a manner similar to the way private health insurance contracts are accounted for under AASB 1023 *General Insurance Contracts* (AASB 1023). The liability for incurred claims (LIC) is consistent under the GMM and the PAA and due to the accounting policy choices made by RBHS is materially unchanged from outstanding claims provision under AASB 1023. The LIC is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

The liability for remaining coverage (LRC) under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LRC is amortised to recognise the revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. If certain acquisition cash flows paid on new contracts are allocated to future renewals, outside the boundary of the current contract, the deferred portion is recognised in the carrying amount of the related portfolio of the insurance contract issued.

Note 2. Significant accounting policies (continued)

Under the PAA, a risk adjustment is recognised on all LIC balances and LRC balances for onerous contracts issued. RBHS has taken the decision to use a confidence level technique to estimate the risk adjustment for the LIC, which will lead to a value that is consistent with the margin of prudence currently applied under AASB 1023.

For the LRC, RBHS will set the risk adjustment equal to the bottom of the net underwriting margin target set out in the Pricing and Product Development Policy, with a minimum level of 0.5%.

For the contracts that apply the simplified approach and have a coverage period of one year or less, RBHS has the option to expense directly attributable acquisition costs as incurred, as opposed to deferring and amortising directly attributable acquisition costs over the coverage period of the insurance. Consistent with current accounting under AASB 1023, RBHS will expense directly attributable acquisition costs as they are incurred.

Under the PAA, discounting is optional for the LRC carrying amount. Given the short-tailed nature of private health insurance claims, RBHS will not apply discounting to the LRC.

Level of aggregation

AASB 17 defines a portfolio of insurance contracts as ‘Insurance contracts subject to similar risks and managed together’. RBHS have identified the following portfolios:

- Australian complying health insurance products.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into groups of contracts for the identification of onerous contracts, including annual cohorts of contracts that are either onerous, no significant possibility of being onerous and other contracts. There is a presumption under the PAA that no contracts are onerous unless there are clear facts and circumstances that indicate otherwise.

RBHS defines facts and circumstances to be results from the financial projections model by the level of granularity in the model (product level). There are facts and circumstances indicating a set of contracts may be onerous if the projection model indicates forecast performance is insufficient to cover forecast expenses and the risk adjustment (if any) to the contract boundary of in-force contracts).

RBHS has not identified any material onerous contracts.

Presentation and Disclosure

The standard introduces substantial changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income and increased disclosure requirements compared with existing reporting requirements.

Existing insurance contract line items on the balance sheet (including unclosed business premiums, unearned premium liability, and gross outstanding claims) will be replaced with insurance contract assets and liabilities.

Transition

Given the short-term nature of RBHS insurance contracts, RBHS will apply the full retrospective approach on transition to AASB 17.

Financial Impact

Based on the above policy decisions, RBHS’ Total Equity at transition on 1 July 2022 will increase by $1.2 million. This is due to the derecognition of the provision for deferred claims liabilities. The concept of a deferred claims liability is not compatible with incurred claims under AASB 17.

Note 3. Risk management and financial instruments

The Company has exposure to the following risks from investing in various financial instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risk
(d) Other risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Risk Committee consists entirely of non-executive directors and reports regularly to the full Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The management and administration of the Company is outsourced to Peoplecare Health Ltd under the terms of a five (5) year management agreement. The Risk Committee is responsible for monitoring Peoplecare's compliance with the risk management policies and procedures that are in place and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Committee is assisted in its oversight role by internal audit functions performed by a professional services firm. The Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported through the Company's Audit Committee to the Board of Directors.

(a) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from policyholders (insurance contracts), other customers and investment securities.

Receivables from insurance contracts:
Credit risk in relation to insurance contracts is discussed in Note 25.

Other receivables:
The risk of financial loss to the Company from customers other than fund members arises principally from receivables due from Services Australia in relation to the Australian Government Private Health Insurance Rebate. The probability of financial loss to the Company from this arrangement is assessed as low, the reason being that the premium reductions scheme is legislated under the Private Health Insurance Act 2007 and is an integral part of the private health insurance industry affecting all private health insurers.

There has been no history of default in relation to this category of receivables.

Investment securities (Other financial assets):
The Board has addressed the issue of credit risk from investment securities through the development and regular review of the Company's investment strategy. The Company limits its exposure to credit risk by:

(i) investing in highly liquid securities; and
(ii) investing in securities issued by authorised deposit-taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA) or high quality corporate bonds where:

(a) The amount of the funds that can be invested with any single financial institution or corporate entity is limited to 35% of the total defensive asset investment portfolio; and
(b) ADIs are to have a minimum Standard and Poors short term credit rating of A1, whereas bonds issued by corporate entities must have a minimum Standard and Poors long term rating of A- or better . This is to ensure that invested funds are placed with the lowest risk rated financial institutions to minimise credit risk and investment concentration risk.

Note 3. Risk management and financial instruments (continued)

Given the Company's conservative investing policies and procedures, management does not expect any counterparty to fail to meet its obligations.

At the end of the reporting period, the maximum exposure of the Company to any one financial institution measured at fair value was $7,250,567 (2022: $7,220,868).

(b) Liquidity risk
Liquidity risk is the risk that the Company might encounter difficulties in settling debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following procedures have been adopted by the Company to manage future liquidity requirements:

(i) Management prepare daily cash flow forecasts for the upcoming six months. This forecast provides for the major types of inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period. The forecasts are assessed and updated on a regular basis as new information comes to hand. Cash flow projections are updated daily with actual cash flow outcomes to assess accuracy and assist in improving future cash flow forecasting;
(ii) The Company should always hold enough cash to meet the Solvency Standard. Investments in cash and term deposits must be sufficient to meet the short-term liabilities, claims liability and other recurring operating expenditure. To do this, the value of the short-term deposit portfolio must be at least equal to the capital adequacy requirement reported in the quarterly regulatory return lodged with APRA.

In setting the minimum cash balance the Board has considered the following:
- The historical seasonality of cash flows of the fund over a number of years;
- The cash management amount (CMA) as defined in the Solvency Standard. The minimum cash balance has been set at broadly twice the CMA requirement ($300,000); and
- The inability to convert term deposits into cash prior to maturity date.

To ensure, as far as practically possible, compliance with the Solvency Standard requirements, and to avoid breaching the cash management requirement under the standard, the sum of $300,000 is held in a separate bank account that will not be drawn upon and is not to be considered in managing the day to day cash flow requirements of the fund; and

(iii) Ensure an adequate match between fund assets and liabilities.

(c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk in relation to insurance contracts:
Market risk in relation to insurance contracts is discussed in Note 25.

Market risk in relation to investment securities:
(1) *Currency risk*
Currency risk is that the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have any direct foreign investments and therefore no exposure to currency risk.
(2) *Interest rate risk*
The Company is subject to interest rate risk through volatility in cash flows generated by interest bearing financial instruments. The risk is that movements in interest rates could affect returns and income. Interest rate risk is managed by investing in a range of short term fixed rate deposits as well as longer term variable rate corporate bonds. Interest rate risk is minimised as the short term fixed deposits allow for regular reinvestment in line with interest rate movements. See Note 16 for the impact to surplus by a change in interest rate on investments held by the Company at 30 June 2023.

Note 3. Risk management and financial instruments (continued)

(d) Other risk
The management and administration of the Company is outsourced to Peoplecare Health Limited. Consequently there is significant third party risk as the Company is dependent upon Peoplecare continuing to provide the services outlined in the management agreement in an efficient and timely manner. The current agreement is the third five (5) year term and commenced on 1 May 2021. The contract provides for a further five (5) year renewal.

The Committees of the Board assist the full Board in managing this significant third party risk by:
- Undertake the role of Contract Manager under the Management Services Agreement with Peoplecare;
- Review the performance of Peoplecare against the general requirements of the contract annually, including:
  - Ensuring appropriate insurances are in place;
  - Succession planning for key staff involved in RBHS business;
  - Adherence to confidentiality, privacy, and other compliance related requirements under service contracts.
- Review the operating performance of Peoplecare against the KPIs detailed in the contract each six months, in particular the performance trends against service performance levels (SPLs);
- Provide recommendations to the Board in regard to actions required to correct performance issues with Peoplecare;
- Review requests for contract fee increases by Peoplecare, and recommend any changes to the Board;
- Review requests for changes to SPLs and recommend any changes to the Board; and
- Review the contract with Peoplecare prior to termination or renewal and make recommendations to the Board in terms of renewal.

Capital management
The Company has a capital management plan which establishes a target for capital held in excess of the regulatory requirement. The aim is to keep a sufficient buffer in line with the Board's attitude to and tolerance for risk. The internal capital target ensures The Company has a minimum level of capital given certain stressed capital scenarios.

At the end of the reporting period the Company held capital in excess of the capital adequacy requirements determined in accordance with the Capital Adequacy Prudential Standard.

The Board reviews the Capital Management Plan on a biennial basis, or earlier if triggered by events detailed in the Company's Capital Management Policy.

The Company is well positioned to report under the revised standards which come into effect from 1 July 2023 and will maintain a strong capital position under this new framework.

Solvency
The purpose of this Prudential Standard is to ensure as far as practicable that at any time the financial position of a health benefits fund conducted by a private health insurer is such that the private health insurer will be able to meet, out of the fund’s assets, all liabilities that are referrable to the fund, as those liabilities become due.

This Prudential Standard requires the private health insurer to demonstrate that it will be able to meet the liabilities of its health benefits fund, allowing for adverse circumstances.

It is also a requirement of the Solvency Standard that the Company has and complies with a Board endorsed Liquidity Management Plan for each health benefits fund it conducts. The Liquidity Management Plan must include Board approved minimum liquidity requirements and management action triggers should liquidity fall below the minimum set down by the Board.

The Company has a Board endorsed Liquidity Management Plan in place and all liquidity requirements contained in the Standard were met at all times during the year ended 30 June 2023.

Note 4. Investment income

	2023 $	2022 $
Interest income - cash at bank	34,343	5,299
Interest income - term deposits	399,737	35,641
Interest income - bonds	309,236	-
	743,316	40,940

Accounting policy
Revenue recognition

Revenue is recognised for the major business activities as follows:
Premium revenue
Premium revenue comprises premiums from private health insurance contracts held by members. Premium revenue is recognised in surplus or deficit when it has been earned. The premium revenue is recognised in surplus or deficit from the attachment date over the period of contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

Interest income
Interest income is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue
Other revenue is recognised when or as a performance obligation is satisfied by transferring a promised good or service to a customer. Transfer occurs when or as the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time.

Note 5. Increase / (decrease) in fair value of financial assets

	2023 $	2022 $
Bonds	107,263	(78,682)

Note 6. Current assets - cash and cash equivalents

	2023 $	2022 $
Cash at bank	1,331,673	956,836

Cash at bank bears floating interest rates between 0.95% and 4.40% (2022 0.00% and 0.95%).

Accounting policy
Cash and Cash Equivalents
Cash and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate their fair value.

For the purpose of the cash flow statement, cash and cash equivalents relate entirely to cash at bank. Cash and cash equivalents at the end of the financial year is reconciled to the related item in the statement of financial position.

Note 7. Current assets - trade and other receivables

	2023 $	2022 $
Unclosed business premium - earned	5,429	8,147
Unclosed business premium - unearned	9,913	8,142
Amounts due from the Risk Equalisation Special Account	493,248	466,813
Private Health Insurance Rebate on premiums	507,969	452,292
Investment income receivable	71,714	9,274
Other debtors	132,165	88,650
	1,220,438	1,033,318

Accounting policy
Unclosed business premium
Unclosed business premium represents amounts owing by members at the end of the reporting period, up to and including the date of the next normal payment cycle for their individual policy. The unclosed business premium consists of two components:

(i) Earned – representing contribution amounts owed by members up to and including 30 June; and
(ii) Unearned – representing contribution amounts owed by members from 30 June up to and including their next normal payment date.

Health Insurance Risk Equalisation Special Account (RESA)
The Risk Equalisation Special Account Levy is accrued based on an industry survey of eligible paid claims to be submitted to APRA. If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the private health insurer can adjust the risk equalisation expense.

Private Health Insurance rebate on premiums
This is the amount claimed by Reserve Bank Health Society, as a cash amount, from Services Australia for the Australian Government Private Health Insurance Rebate.

Investment income receivable
Investment income receivable represents an accrual calculation of interest from investments outstanding as at the end of the reporting period.

Other debtors
Other debtors are recorded at amounts due less any provision for loss allowance. Other debtors are normally settled in 30 days.

Note 8. Current assets - other financial assets

	2023 $	2022 $
Financial assets at fair value through surplus or deficit: term deposits	12,250,000	12,950,000

Accounting policy
Assets backing private health insurance liabilities
The Company has adopted a conservative investment strategy that utilises both short term and longer term financial instruments. Liquidity of the portfolio is matched to the expected pattern of future cash flows arising from the private health insurance liabilities.

The Company has determined that all financial assets of the Health Benefits fund are held to back private health insurance liabilities and their accounting treatment is as follows:

Note 8. Current assets - other financial assets (continued)

Investment and other financial assets:
Financial assets at fair value through surplus or deficit
Financial assets are designated at fair value through surplus or deficit. Initial recognition is at fair value, being acquisition cost, in the statement of financial position and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit.

Other financial assets
Initial recognition is at fair value, being acquisition cost, in the statement of financial position with transaction costs expensed in surplus or deficit. Subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Fixed interest securities are initially recognised at fair value, being the acquisition cost and the subsequent fair value is taken as the quoted bid price of the instrument at the end of the reporting period. If quoted market values are not available then fair values are estimated based on mid-market price valuation models.

Amounts due from members
Amounts due from members are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for impairment as appropriate. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset’s carrying amount and the value of estimated future cash flows. The impairment charge is recognised in surplus or deficit.

Impairment of assets
Financial assets
A financial asset, other than those classified as fair value through surplus or deficit, is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in surplus or deficit.

Note 9. Current assets - other assets

	2023 $	2022 $
Prepayments	100,968	81,932

Note 10. Non-current assets - other financial assets

	2023 $	2022 $
Financial assets at fair value through surplus or deficit: Bonds	8,033,592	5,926,330

Note 10. Non-current assets - other financial assets (continued)

Accounting policy

See Note 8 for details of the accounting policy treatment of financial assets

Note 11. Non-current assets - property, plant and equipment

	2023 $	2022 $
Computer equipment - at cost	19,449	19,449
Less: Accumulated depreciation	(17,629)	(14,211)
	1,820	5,238

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer Equipment $	Total $
Balance at 1 July 2021	8,620	8,620
Depreciation expense	(3,382)	(3,382)
Balance at 30 June 2022	5,238	5,238
Depreciation expense	(3,418)	(3,418)
Balance at 30 June 2023	1,820	1,820

Accounting policy

Property, plant and equipment
Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation of property, plant and equipment
Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Computer Equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to surplus or deficit.

Note 11. Non-current assets - property, plant and equipment (continued)

Impairment of assets
At each reporting date, the Company reviews the carrying values of its financial assets other than those classified as fair value through surplus or deficit and non-financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to surplus or deficit.

Note 12. Non-current assets - intangibles

	2023 $	2022 $
Computer software - at cost	324,700	324,700
Less: Accumulated amortisation	(248,237)	(186,956)
	76,463	137,744

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software $	Total $
Balance at 1 July 2021	199,072	199,072
Amortisation expense	(61,328)	(61,328)
Balance at 30 June 2022	137,744	137,744
Amortisation expense	(61,281)	(61,281)
Balance at 30 June 2023	76,463	76,463

Accounting policy

Intangible assets
Computer Software
Significant costs associated with software are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

Note 13. Current liabilities - trade and other payables

	2023 $	2022 $
Unclosed business premium liability	9,913	8,142
Unearned premium liability (premiums in advance)	609,115	479,577
Other payables and accruals	712,204	622,214
	1,331,232	1,109,933

Refer to Note 16 for further information on financial instruments.

Note 13. Current liabilities - trade and other payables (continued)

Accounting policy
Unearned premiums
Premiums received from members prior to 30 June 2023 relating to the period beyond 30 June 2023 are recognised as unearned premiums. Unclosed business premium liability represent unearned contribution amounts owed by members from 30 June up to and including their next normal payment date.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Critical accounting judgements
Unexpired Risk Liability
A liability adequacy test is required to be performed for the period over which the insurer is 'on risk' in respect to premiums paid in advance. At each reporting date, the adequacy of the unearned premium liability is assessed by considering the current estimate of all expected future cash flows relating to future claims against current private health insurance contracts.

If the sum of the present value of the expected future cashflows relating to future claims plus the additional risk margin to reflect the uncertainty in the central estimate exceeds the unearned premium liability, then the unearned premium is deemed to be deficient, with the deficiency being recorded in the income statement and an unexpired risk liability created. Projected benefits, risk equalisation, state levies and claims related expenses were determined from the latest financial projections with member growth assumptions excluded.

The risk margin of 1.00% (2022: 1.00%) that is applied to the benefits, risk equalisation, state levies and claims related expenses cashflows has been estimated to equate to a probability of adequacy of approximately 55% (2022: 55%). The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2024, the next pricing review date.

2023	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total
Hospital and General Treatment Combined Premiums	941,775	11,485	13,420,578	14,373,838
Central estimate of future benefits	(722,707)	(9,054)	(11,256,106)	(11,987,867)
Central estimate of future claims handling management expenses	(111,278)	(1,359)	(1,613,852)	(1,726,489)
Risk margin	(8,340)	(104)	(128,700)	(137,144)
Total outflows	(842,325)	(10,517)	(12,998,658)	(13,851,500)
Total surplus	99,450	968	421,920	522,338
Total unexpired risk liability				-

(i) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2023 relating to the period beyond 30 June 2023.
(ii) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2023 up to and including their next normal payment date.
(iii) Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2023 up to 31 March 2024, the next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.

Note 13. Current liabilities - trade and other payables (continued)

2022	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total
Hospital and General Treatment Combined Premiums	900,263	10,406	12,894,378	13,805,047
Central estimate of future benefits	(697,307)	(8,058)	(10,840,130)	(11,545,495)
Central estimate of future claims handling management expenses	(103,690)	(1,192)	(1,510,185)	(1,615,067)
Risk margin	(8,010)	(93)	(123,503)	(131,606)
Total outflows	(809,007)	(9,343)	(12,473,818)	(13,292,168)
Total surplus	91,256	1,063	420,560	512,879
Total unexpired risk liability				-

(i) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2022 relating to the period beyond 30 June 2022.
(ii) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2022 up to and including their next normal payment date.
(iii) Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2022 up to 31 March 2023, the last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2023 premium rates.

No provision for unexpired risk liability has been recognised at 30 June 2023 (2022: nil).

Note 14. Current liabilities - provisions

	2023 $	**2022 $**
Outstanding claims liability - central estimate	972,389	1,159,606
Outstanding claims liability - risk margin	26,255	27,380
Deferred claims liability	-	1,236,303
	998,644	2,423,289

Movements in provisions
Movements in each class of provision, are set out below:

	Outstanding claims liability 2023 $	Outstanding claims liability 2022 $	Deferred claims liability 2023 $	Deferred claims liability 2022 $
Carrying amount at the start of the year	1,186,986	1,007,422	1,236,303	1,598,949
Additional provisions recognised	-	-	(1,093,673)	(18,902)
Catch up claims	-	-	(142,630)	(343,744)
Claims incurred	15,068,484	14,619,110	-	-
Claims paid	(15,256,826)	(14,439,546)	-	-
Carrying amount at the end of the year	998,644	1,186,986	-	1,236,303

Note 14. Current liabilities - provisions (continued)

Accounting policy

(a) Outstanding claims liability

Critical accounting judgements and estimates
Provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contacts issued by the Company. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. To account for inherent uncertainty in the central estimate a risk margin is added. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling costs. The central estimates are calculated gross of any recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

In calculating the estimated cost of unpaid claims, the Company uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Company’s processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods.

The outstanding claims estimate is derived based on three valuation classes, namely hospital and prostheses services combined, medical services, and general treatment.

As most claims for health funds are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liability:

	2023			2022		
Variables	**Hospital** %	**Medical** %	**General Treatment** %	**Hospital** %	**Medical** %	**General Treatment** %
Assumed portion paid to date	95.57%	97.25%	98.56%	96.27%	97.46%	98.68%
Expense rate	7.10%	7.10%	7.10%	6.50%	6.50%	6.50%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(15.07%)	(15.07%)	-	(15.41%)	(15.41%)	-
Risk margin	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%

The risk margin was determined from the assumption that there is a normal distribution of differences between the calculated provisions required for past periods and the finally determined requirements for those periods. A probability of sufficiency of 55% is intended to be achieved through the adoption of the risk margin of 2.70% (2022: 2.70%) at the end of the reporting period. The risk margin of 2.70% is applied to claims experience up until 30 June 2023.

Outstanding claims liability
Process for determining risk margin

The risk margin for the outstanding claims provision is based on an analysis of the historical accuracy of the Company's provision for outstanding claims. The benefits component of the provision for each period, which reflects the expected outstanding claims at the time of reporting, calculated according to the chain ladder method, is compared to the actual claims that are subsequently paid for that period. The difference between the actual outstanding claims and the expected outstanding claims is analysed to determine a risk margin which provides a 55% probability of sufficiency.

The risk margin at 30 June 2023, is calculated as 2.70% of the central estimate of the benefits component of the outstanding claims liability. Allowance is also made for expected risk equalisation consequences and administration costs associated with claims processing in the outstanding claims liability estimate.

Note 14. Current liabilities - provisions (continued)

Impact of changes in key variables relating to insurance liability

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company.

2023 **Variables**	Movement in variable %	Adjustments on Surplus $	Adjusted amount included in Income Statement $	Adjustments on Equity $	Adjusted amount included in statement of financial position $
Chain ladder development factors	1.00%	(10,352)	(10,352)	(10,352)	(10,352)
Chain ladder development factors	(1.00%)	10,352	10,352	10,352	10,352
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk Equalisation rate	1.00%	(8,444)	(8,444)	(8,444)	(8,444)
Risk Equalisation rate	(1.00%)	8,444	8,444	8,444	8,444
Risk margin	1.00%	(9,724)	(9,724)	(9,724)	(9,724)
Risk margin	(1.00%)	9,724	9,724	9,724	9,724

2022 **Variables**	Movement in variable %	Adjustments on Surplus $	Adjusted amount included in Income Statement $	Adjustments on Equity $	Adjusted amount included in Balance Sheet $
Chain ladder development factors	1.00%	(10,977)	(10,977)	(10,977)	(10,977)
Chain ladder development factors	(1.00%)	10,977	10,977	10,977	10,977
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk equalisation rate	1.00%	(9,447)	(9,447)	(9,447)	(9,447)
Risk equalisation rate	(1.00%)	9,447	9,447	9,447	9,447
Risk margin	1.00%	(10,140)	(10,140)	(10,140)	(10,140)
Risk margin	(1.00%)	10,140	10,140	10,140	10,140

(b) Deferred claims liability

Critical accounting judgements and estimates

The annual report of RBHS previously included a provision for COVID-19 deferred claim liabilities (DCL) as at 30 June 2022. At 30 June 2023, it was assessed that a DCL provision is no longer required for RBHS, with Australia reverting to a state of relative COVID-19 normality based on the following:

- There has not been any government restrictions on hospital access since early 2022;
- In the first half of the 2023 financial year, the Australian government relaxed remaining COVID-19 restrictions. In the second half of the 2023 financial year the World Health Organisation declared that COVID-19 is no longer a global health emergency;
- Migration has returned and workforce and capital constraints are expected to have alleviated in the health sector allowing a return to normal activity levels.

Movements in the deferred claims liability

The deferred claims liability has been fully unwound at 30 June 2023, which resulted in $1.236 million being recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2023.

Note 14. Current liabilities - provisions (continued)

See 'Movement in gross outstanding claims and deferred claims liability' under section (a) Outstanding claims liability for additional details.

Other provisions

Other provisions are recognised when:

(i) the Company has a present legal or constructive obligation as a result of past events
(ii) it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and
(iii) the outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Note 15. Current liabilities - Member give back

	2023 $	2022 $
Member give back	1,000,000	500,000

A members give back liability of $1.0 million has been recognised at 30 June 2023 (2022: $0.5 million). This liability relates to the return of permanent COVID-19 claims savings to members. This members give back liability is expected to be utilised via a cash payment to eligible policyholders within the next 12 months. This is recognised in the Statement of surplus or deficit and other comprehensive income as a claims expense.

Note 16. Financial instruments

Financial risk management objectives
The Company's activities expose it to a variety of financial risks. Note 3 presents information about the Company's exposure to these risks.

Market risk

Foreign currency risk
The Company has no exposure to foreign currency risk at the end of the reporting period (2022: Nil).

Price risk
The Company's bonds are listed on the secondary market. For bonds classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $803,359 (2022: $602,435). Equity would increase or decrease by the same amount.

Interest rate risk
Interest rate risk is explained in Note 3 (c).

	2023 Weighted average interest rate %	2023 Balance $	2022 Weighted average interest rate %	2022 Balance $
Fixed rate instruments (maturing within one year): Financial assets	4.51%	12,250,000	1.05%	12,950,000
Fixed rate instruments (maturing after one year): Financial assets	5.72%	8,033,592	3.26%	5,926,330
Variable rate instruments: Financial assets	4.01%	1,331,673	0.92%	956,836

Note 16. Financial instruments (continued)

Sensitivity Analysis:

	Basis points increase			Basis points decrease		
2023	**Basis points change**	**Effect on surplus**	**Effect on equity**	**Basis points change**	**Effect on surplus**	**Effect on equity**
Fixed rate instruments	100	202,836	202,836	100	(202,836)	(202,836)
Variable rate instruments	100	13,317	13,317	100	(13,317)	(13,317)
		216,153	216,153		(216,153)	(216,153)

	Basis points increase			Basis points decrease		
2022	**Basis points change**	**Effect on surplus**	**Effect on equity**	**Basis points change**	**Effect on surplus**	**Effect on equity**
Fixed rate instruments	100	188,763	188,763	100	(188,763)	(188,763)
Variable rate instruments	100	9,568	9,568	100	(9,568)	(9,568)
		198,331	198,331		(198,331)	(198,331)

The above results are based on the change in interest rates being maintained for the past year and with all other variables remaining constant.

Credit risk
Credit risk is explained in Note 3 (a).

Exposure to credit risk:
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the end of the reporting period was as follows:

	2023 $	**2022 $**
Financial Assets		
Cash and cash equivalents	1,331,673	956,836
Receivables	1,220,438	1,033,318
Financial assets at fair value through surplus or deficit: term deposits	12,250,000	12,950,000
Financial assets at fair value through surplus or deficit: bonds	8,033,592	5,926,330
	22,835,703	20,866,484

Liquidity risk
Liquidity risk is explained in Note 3 (b).

Note 16. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2023	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	674,398	-	-	-	674,398
Member give back	-	1,000,000	-	-	1,000,000
Total non-derivatives	674,398	1,000,000	-	-	1,674,398

2022	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	605,074	-	-	-	605,074
Member give back	-	500,000	-	-	500,000
Total non-derivatives	605,074	500,000	-	-	1,105,074

The carrying value of trade and other payables is $674,398 (2022: $605,074). The Company is not significantly exposed to this risk. To meet these obligations as they fall due, it has $1,331,673 of cash and cash equivalents.

Fair value
The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Company are as follows:

	2023		**2022**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets				
Financial assets fair valued through surplus or deficit	20,283,592	20,283,592	18,876,330	18,876,330
	20,283,592	20,283,592	18,876,330	18,876,330

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets above are classified as Level 1 due to their short term nature. The net carrying amounts for these financial assets and liabilities are deemed to approximate their fair values.

Note 17. Key management personnel disclosures

Directors
The following persons were directors of Reserve Bank Health Society Ltd during the financial year:

Merylin Coombs	(Resigned 18 November 2022)
Warren Wise	(Chair 18 November 2022)
Sarv Girn	
Sharon Suan	
David Brown	
Keith Drayton	(Resigned 10 June 2023)
Emma Maley	
Sarah Harris	(Appointed 16 January 2023)
David McKenna	
Kristin Langwasswer	(Appointed 8 June 2023)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2023 $	2022 $
Short-term employee benefits	4,491	11,818
Post-employment benefits	482	1,180
	4,973	12,998

Other transactions with key management personnel
During the period the Company received health insurance contributions from key management personnel on normal terms and conditions. That is to say, on terms or conditions no more favourable than those available to other members.

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

	2023 $	2022 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	19,295	18,375
Other services - Grant Thornton Audit Pty Ltd		
Audit of regulatory returns	26,680	25,410
Audit of replacement financial system implementation	9,140	-
	35,820	25,410
	55,115	43,785

Note 19. Contingent assets and liabilities

At 30 June 2023 the Company had no contingent assets and liabilities.

Note 20. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in Note 17.

Transactions with other parties
The following transactions occurred with other parties:

	2023 $	2022 $
Payment for goods and services:		
Payment for management services to Peoplecare Health Limited	1,002,870	971,002
Purchase of goods/services from Peoplecare Health Limited	107,696	292,524

The Company is managed and administered by Peoplecare Health Limited through a management services agreement. The nature of the relationship is outlined in Note 3.

Receivable from and payable to other parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from other parties
There were no loans to or from other parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Economic dependency

A number of eligible RBHS members are provided with an Employer Health Benefit by the Reserve Bank under the terms of a Deed which expires on 1 April 2026. The Deed also provides that the parties may agree to enter into a new arrangement beyond 1 April 2026.

Note 22. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 23. Reconciliation of surplus to net cash from operating activities

	2023 $	2022 $
Surplus for the year	2,626,902	1,715,021
Adjustments for:		
Depreciation and amortisation	64,699	64,710
Increase in fair value of financial assets	(107,263)	78,682
Change in operating assets and liabilities:		
Increase in trade and other receivables	(124,680)	(10,065)
Increase in prepayments	(19,035)	(20,491)
Increase/(decrease) in trade and other payables	89,990	(59,374)
Decrease in other provisions	(1,424,645)	(183,082)
Increase in other operating liabilities	631,309	646,873
Net cash from operating activities	1,737,277	2,232,274

Note 24. Non-cash investing and financing activities

During the financial year the entity did not undertake any non-cash investing and financing activities.

Note 25. Nature and extent of risks arising from insurance contracts

The purpose of insurance is risk distribution, that is, to spread risks across a large pool of individuals. Insurance provides a mechanism by which individuals who pay an agreed sum, known as a 'premium' can be indemnified against future events that may cause loss.

An insurance contract is a product under which an insurer accepts significant risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

A health insurance contract is a type of insurance whereby the company (the insurer) agrees to reimburse the policyholder for health care costs in exchange for a premium. The contract (policy) stipulates the type of health care benefits covered as well as costs to be reimbursed.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period.

The Company has determined that all current contracts with policyholders (members) are insurance contracts.

Sensitivity to insurance risk

Health insurance claims tend to be short-tailed in nature, in that the period of time between a claim event occurring and the date of payment of that claim are typically less than one year, and in most cases less than six months. Historical claim lag patterns demonstrate that greater than 90% of claims are settled within three months of the claim event occurring.

The health insurance claims are therefore generally not sensitive to factors such as inflation, changes in interest rates, or other time-value of money issues, and as such a sensitivity analysis has not been provided in the financial statements.

Selection, pricing and concentration risk

Community rating is the basis of Australia's private health insurance system. Under the *Private Health Insurance Act 2007*, private health insurance contracts are required to be community rated, that is, in setting premiums, or paying benefits, funds cannot discriminate on the basis of health status, age, race, sex, and sexuality, use of hospital or medical services or general claiming history. Although this risk is shared collectively across the entire pool of policyholders, actuaries and underwriters still collect health information to determine the overall premium that insurers must charge to sustain the pool.

Community rating mandates that one price must apply to all member groups within each product, meaning that the pricing applied to the member groups within a product applies to all current and future potential members.

The Company manages concentration risk by pricing each product with regard to the risk profile of each policyholder group.

Another regulatory factor is Risk Equalisation which supports the principle of community rating. The Risk Equalisation scheme transfers money from private health insurers with younger healthier members with lower average claims payments to those insurers with an older and less healthy membership and which have higher average claims payments.

The Private Health Insurance Act 2007 also limits the types of treatment that private health insurers are able to offer as part of their health insurance business. Premiums for health insurance can only be changed with the approval of the Minister for Health.

Credit risk in relation to insurance contracts

Credit risk is the risk that one party to an insurance contract will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk for insurance contract related assets, at the end of the reporting period, is the carrying amount net of any provision for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Note 25. Nature and extent of risks arising from insurance contracts (continued)

This risk is minimised through a process of arrears management whereby benefit payments are with-held from non-financial members. Where payment of contributions is not received for a continual period of 60 days, the policy is terminated.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under insurance contracts entered into by the Company.

Liquidity risk in relation to insurance contracts
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance contracts.

The Company manages liquidity risk in relation to insurance contracts by continuously monitoring forecast and actual cash flows and claims provisioning risk as well as holding a high percentage of highly liquid investments to meet the obligations of the Company.

Market risk in relation to insurance contracts
Market risk is the risk that the fair value or future cash flows associated with insurance contracts will fluctuate because of changes in market prices. Factors affecting market prices faced by the Company include inflation risk.

The Company is exposed to inflationary risk in relation to hospital and medical services that may materially impact on the future value of claims payments. Controls in place to mitigate this risk include contracts with hospital and medical service providers, and limits applied to some benefits provided under general treatment products. The Company also monitors growth in the utilisation and charges for medical services on an ongoing basis to ensure they are within forecast ranges.

Reserve Bank Health Society Ltd
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Warren Wise Chairperson - Board	Sarv Girn Director

22 September 2023
Sydney

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Independent Auditor's Report

To the Members of Reserve Bank Health Society Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Reserve Bank Health Society Ltd (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 22 September 2023