Reserve Bank Health Society Ltd

ABN 91 087 648 735

Annual Report – 30 June 2022

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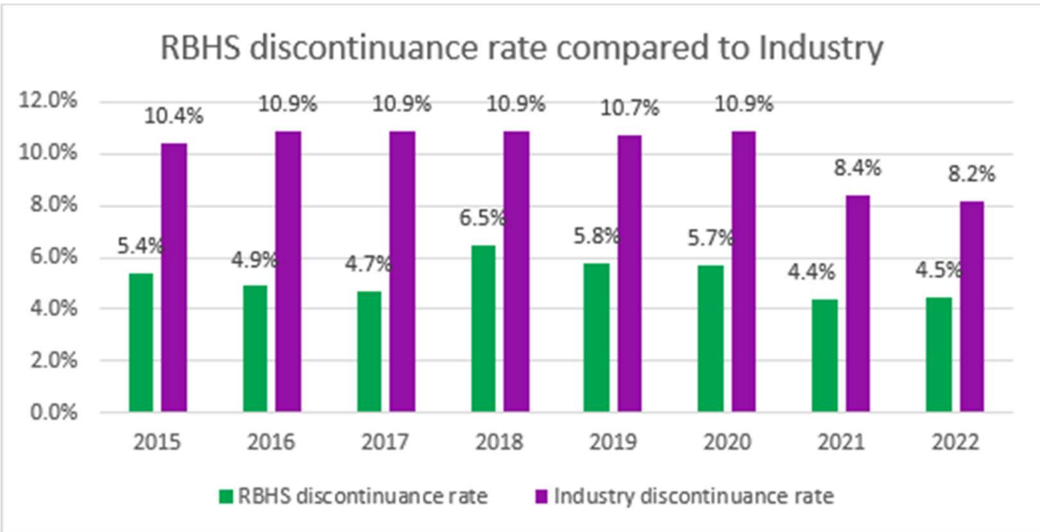
The 2021/22 financial year saw the RBHS continue to support members as Australia navigated its way through another year of the COVID-19 pandemic. Financially, the RBHS experienced a lower level of claims in total during the year, which drove a record surplus of $1.7 million and kept the Fund well capitalised and financially strong. We were able and proud to continue to support members through a series of initiatives during the year, including returning some of the lower claim savings to members in the form of a give back, which was paid in February 2022. This give back to members totalled $525,000 and, while the return that each member received was dependent on the type of policy held, in some cases it was as much as $280. A further member give back, of an additional $500,000, is planned for September 2022.

The return of savings to members through the give back reinforced 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 and not-for-profit ethos of being committed to supporting our members through challenging times.

As a not for profit fund, we continued to look for ways to keep premium increases to a minimum during the year while maintaining high quality benefits; we only charge you what it costs to pay member claims and run the fund. We also try to keep our costs down in other ways too, such as, running as efficiently as possible so we have low administration costs, and working with the Australian Health Service Alliance to have more bargaining power in our contractual arrangements with hospitals and doctors. Some members would have been contacted during the year about a contract renegotiation dispute that with one private hospital group in Sydney; fortunately we were able to reach agreement with that group in June 2022, so avoiding the potential for some out of pocket costs for members for hospital accommodation. More generally, in the event of any upcoming hospital visits, please contact our customer service team for all the tips and tricks on how to save money.

Despite the significant economic challenges faced by many households again in 2021/22, the number of RBHS policyholders increased by 0.5 per cent to 2375 members as at 30 June 2022. And the proportion of policyholders who discontinued their membership through the year was largely unchanged at 4.5 per cent. As in previous years, our discontinuance rate is very low, particularly relative to the industry overall, which averaged of 8.2 per cent in 2021/22. Thank you to everyone who has maintained their RBHS membership in these challenging times.

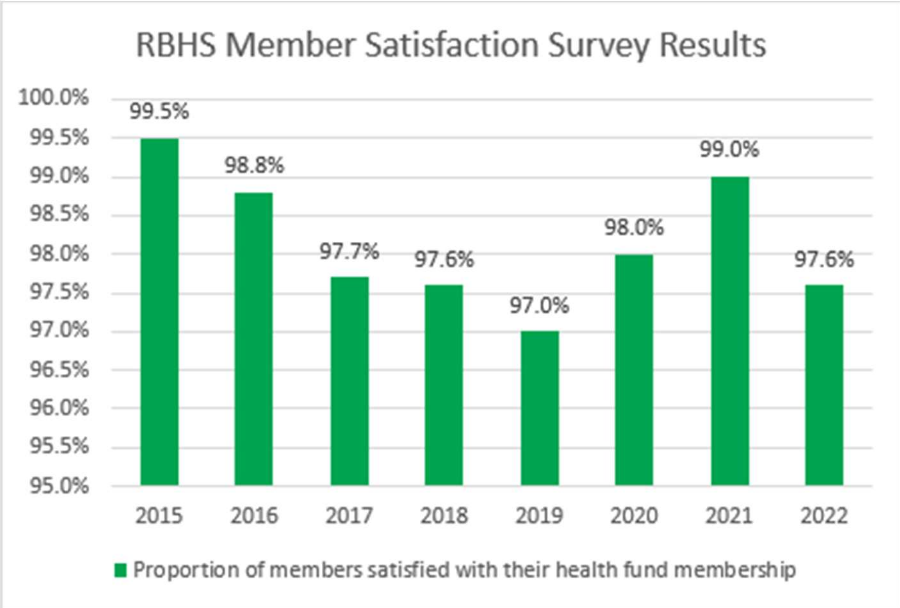


Every year we send out our member survey and benchmark ourselves against similar health funds and our results from previous years. Thank you to the 415 members who responded to the survey request as part of the Members Health Fund Alliance annual Membership Satisfaction Survey of 12 funds. It is very pleasing that satisfaction amongst our membership remained very high in 2021/22, with 97.6 per cent of members saying they are satisfied with their membership (down from 99.0 per cent in 2021), of which 74.5 per cent were very satisfied. Whilst overall satisfaction was down a touch this year, RBHS ranked #1 of the 12 participating funds on:

- quality of service received over the telephone;
- staff attentiveness;
- better benefits than other health funds;

- likelihood for keeping health cover; and
- the importance of being a part of the Members Own group of health funds.

This feedback is important to help us prioritise initiatives for members in the year ahead and we will make efforts to ensure very high levels of satisfaction are maintained in the year ahead. The ongoing positive results for service and attentiveness are a considerable achievement given the disruptions that all workplaces faced with illness and staffing shortages over the year. I thank all the staff at our outsourced service provider – Peoplecare - for the dedication, professionalism and positive approach to keeping things operating in another difficult year. This has been much appreciated by all members, as evidenced by the ongoing high levels of customer satisfaction; the graph below highlights the overall RBHS member satisfaction from the survey results over the last eight years.



As noted, a key focus area for the Board over 2021/22 was how to ensure the RBHS private health insurance offering supported members through the pandemic, while remaining financially strong. In addition, the Board continued to make progress on longer term initiatives, included through the work overseen by the Resilience Project Committee. This Committee, which is an ad hoc sub-Committee of the Board, is charged with assisting the Board to further develop its business sustainability strategy.

This is my final report as Chair of the RBHS, as I am retiring from the Board at the November 2022 Annual General Meeting. I have spent 14 years as a Director and 11 years as Chair of the Board of the RBHS. It has been a truly rewarding experience, providing many opportunities for me to grow and learn from a wide range of highly talented people as the Board grappled with making decisions in, at times, very uncertain times. The transformation of the RBHS over this period has been immense – going from being administered by a small section within the Reserve Bank to an outsourced provider, Peoplecare, which itself has grown considerably over this time. The one certainty through this transformative period has been the dedication and pride of the staff involved at every stage, all energised by the common thread of being involved with a Fund that does operate true to its values of providing 'simply better benefits'. I would particularly like to thank the Deputy Chair of the Board – Warren Wise – for his support and wise counsel, and Melinda Williams (our current CEO) and Michael Bassingthwaighte (our former CEO), for their combined decade of sound advice, willingness to be flexible and share their knowledge with me. I also thank my fellow Directors, in whom I have every confidence that you will continue to exercise sound decision making in the face of the uncertainties that no doubt await you in the period ahead.

M. Coombs

Merylin Coombs
Chairperson - Board

23 September 2022
Sydney

Reserve Bank Health Society Ltd
Directors Report
30 June 2022

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2022.

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
Mr Warren Wise
Mr Sarv Girn
Ms Sharon Suan
Mr David Brown
Mr Keith Drayton
Ms Emma Maley
Ms Jill Pleban (Retired November 2021)
Mr David McKenna (Appointed January 2022)

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.

Like many businesses, the continuing uncertainty created by the COVID-19 pandemic has at different times throughout the financial year presented challenges for RBHS and its members. In response to this uncertainty, RBHS offered a number of initiatives to help improve the value proposition and to assist affordability challenges faced by members. One key initiative during the financial year was the return of permanent claim savings to members for a total value of $0.525 million.

Information on directors

Name:	Ms Merylin Coombs
Title:	Chairperson 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
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 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 Member Risk Committee

Name:	Ms Jill Pleban (Retired November 2021)
Title:	Independent Non-Executive Director
Qualifications:	B. Arts Economics (First Class Hons), M. Sc Economics, Graduate of AICD
Experience and expertise:	Director from August 2015 Member Audit Committee Member Resilience Project 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 Warren Wise
Title:	Independent Non-Executive Director
Qualifications:	B. Business, Graduate of AICD
Experience and expertise:	Director from July 2008 Chairperson Nomination and Remuneration Committee Member Audit Committee Member Resilience Project 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 Chair Resilience Project Committee

Name:	Mr David McKenna (Appointed January 2022)
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

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 2022, 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	9	9	2	2	-	-	-	-
K Drayton	9	9	2	2	4	6	-	-
S Girn	9	9	-	-	6	6	4	4
E Maley	8	9	-	-	6	6	-	-
J Pleban[1]	5	5	-	-	-	-	2	2
S Suan	9	9	-	-	6	6	-	-
W Wise	9	9	2	2	-	-	4	4
D Brown	9	9	-	-	-	-	-	-
D McKenna[2]	3	3	-	-	-	-	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. *J Pleban retired November 2021*
2. *D McKenna appointed January 2022*

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 further term of five (5) years commencing May 2021. The Committee’s work is continuing on the review of strategies to ensure the long term 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 2,375 members as at 30 June 2022, it means the members of the Company are liable to contribute a total of $2,375 ($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 2022 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 2022.

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

Merylin Coombs	Sarv Girn
Chairperson - Board	Director

23 September 2022
Sydney

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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 2022, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Sheridan
Partner - Audit & Assurance

Sydney, 23 September 2022

Reserve Bank Health Society Ltd
Statement of surplus or deficit and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue			
Premium revenue		17,707,074	16,892,986
Expenses			
Fund benefits paid to members		(14,802,192)	(14,708,520)
Movement in outstanding claims liability		(179,563)	(220,109)
Movement in deferred claims liability		362,646	(354,069)
State ambulance levies		(201,716)	(196,993)
Risk Equalisation Special Account levy		1,308,471	1,524,962
		(13,512,354)	(13,954,729)
Gross underwriting result		4,194,720	2,938,257
Management expenses			
Management fees		(975,215)	(944,535)
Depreciation and amortisation expense		(64,663)	(67,200)
Other management expenses		(1,402,079)	(1,504,698)
		(2,441,957)	(2,516,433)
Other			
Other revenue	4	5,299	14,072
Increase in fair value of financial assets	5	(43,041)	68,754
		(37,742)	82,826
Surplus before income tax expense		1,715,021	504,650
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Reserve Bank Health Society Ltd		1,715,021	504,650
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the members of Reserve Bank Health Society Ltd		1,715,021	504,650

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 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	6	956,836	785,239
Trade and other receivables	7	1,033,318	1,017,588
Other financial assets	8	12,950,000	16,900,000
Other assets	9	81,933	61,442
Total current assets		15,022,087	18,764,269
Non-current assets			
Other financial assets	10	5,926,330	-
Property, plant and equipment	11	5,238	8,620
Intangibles	12	137,744	199,072
Total non-current assets		6,069,312	207,692
Total assets		21,091,399	18,971,961
Liabilities			
Current liabilities			
Trade and other payables	13	1,109,933	1,022,434
Provisions	14	2,423,289	2,606,371
Member give back	15	500,000	-
Total current liabilities		4,033,222	3,628,805
Total liabilities		4,033,222	3,628,805
Net assets		17,058,177	15,343,156
Equity			
Retained surpluses		17,058,177	15,343,156
Total equity		17,058,177	15,343,156

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 2022

	Retained surpluses $	Total equity $
Balance at 1 July 2020	14,838,506	14,838,506
Surplus for the year	504,650	504,650
Other comprehensive income for the year	-	-
Total comprehensive income for the year	504,650	504,650
Balance at 30 June 2021	15,343,156	15,343,156

	Retained surpluses $	Total equity $
Balance at 1 July 2021	15,343,156	15,343,156
Surplus for the year	1,715,021	1,715,021
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,715,021	1,715,021
Balance at 30 June 2022	17,058,177	17,058,177

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 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from members and customers		17,843,882	16,949,559
Payments to members, suppliers and employees		(15,652,548)	(15,876,043)
		2,191,334	1,073,516
Interest received		5,299	3,845
Other revenue		-	10,227
Net cash from operating activities	23	2,196,633	1,087,588
Cash flows from investing activities			
Payments for investments		(65,526,330)	(63,000,000)
Payments for property, plant and equipment	11	-	(10,059)
Payments for intangibles	12	-	(84,816)
Proceeds from disposal of investments		63,501,294	61,965,145
Net cash used in investing activities		(2,025,036)	(1,129,730)
Net cash from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		171,597	(42,142)
Cash and cash equivalents at the beginning of the financial year		785,239	827,381
Cash and cash equivalents at the end of the financial year	6	956,836	785,239

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 23 September 2022. 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 2021.

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 2022 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 with an effective date of 1 January 2023. The key considerations of the standard as applicable to RBHS are summarised below.

Measurement of insurance contracts
Measurement models
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 profit to account over the policy period, adjusting the profit 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 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 Company assessed the eligibility of contracts within the portfolio with one year or less to apply the simplified approach. Work is ongoing, however it is anticipated that RBHS's contracts will be eligible for the PAA.

Onerous contracts
AASB 17 requires the identification of 'groups' of onerous contracts which are expected to be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the simplified approach are assumed not to be onerous unless facts and circumstances indicate otherwise.

Presentation and disclosure
AASB 17 will be applied retrospectively to all of RBHS's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. RBHS is currently performing an assessment to conclude on the expected transition approach to be applied for the business.

Financial Impact
Market developments continue to be monitored in order to assess the impact of evolving interpretations and other changes. An example of such evolving interpretations is the ongoing applicability of the Provision for deferred claims on transition to AASB 17. The financial impact of adopting AASB 17 cannot be reasonably estimated at the date of this report.

Note 2. Significant accounting policies (continued)

Implementation progress
RBHS has a comprehensive project underway to assess the potential impact on its financial statements. This includes identifying changes to accounting policies, reporting requirements, systems, processes and controls and consideration of industry interpretations and regulatory responses.

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 has 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:

Note 3. Risk management and financial instruments (continued)

(a) The amount of 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 Poor's short term credit rating of A1, whereas bonds issued by corporate entities must have a minimum Standard and Poor's 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.

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 $7,220,868 (2021: $6,700,851).

(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; and

(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.

Note 3. Risk management and financial instruments (continued)

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 14 for the impact to surplus by a change in interest rate on investments held by the Company at 30 June 2022.

(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 the contract with Peoplecare annually and recommend changes to the Board as appropriate;
- 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 operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the solvency and Capital Adequacy Standards which are set out in the APRA Prudential Standard HPS 100 - Solvency Standard and APRA Prudential Standard HPS 110 - Capital Adequacy.

The Capital Adequacy Standard requires amongst other things that the Company holds sufficient assets in its health benefits fund to provide adequate capital for the conduct of the health benefits fund in accordance with the *Private Health Insurance Act 2007* and in the interests of policyholders of the fund. The Company's compliance with the Capital Adequacy Standard is an indication of its future financial strength, on a going concern basis.

Each private health insurer must have, and comply with, a written, board endorsed, Capital Management Policy, which as a key component must include a Capital Management Plan. The Company's Capital Management Plan must contain:

(i) A description of the board's risk appetite as it relates to capital needs and the process used to determine that appetite;
(ii) Target capital levels which have regard to access to internal and external capital and the impact on premiums of holding more or less capital than the amount determined;
(iii) Details of how the capital target is calculated; and
(iv) Clearly defined capital trigger points and corrective actions for each of the trigger points which specifies the actions and timeframes for those actions that the Company may utilise to return capital to the target levels.

The Board's policy is to maintain a strong capital base and to hold capital in accordance with the Capital Management Plan.

At the end of the reporting period the Company had capital in excess of the minimum statutory requirements, but below the target capital range endorsed by the Board in the Capital Management Plan. This is mainly driven by the deferred claims liability.

Note 3. Risk management and financial instruments (continued)

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

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 2022.

Note 4. Other revenue

	2022 $	2021 $
Interest income	5,299	3,845
Government Grant	-	10,000
Other income	-	227
	5,299	14,072

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 in fair value of financial assets

	2022 $	2021 $
Term Deposits	35,641	68,754
Bonds	(78,682)	-
	(43,041)	68,754

Note 6. Current assets - cash and cash equivalents

	2022 $	2021 $
Cash at bank	956,836	785,239

Cash at bank bears floating interest rates between 0.00% and 0.95% (2021 0.00% and 0.20%).

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

	2022 $	2021 $
Unclosed business premium - earned	8,147	9,217
Unclosed business premium - unearned	8,142	7,714
Amounts due from the Risk Equalisation Special Account	466,813	597,614
Private Health Insurance Rebate on premiums	452,292	304,659
Investment income receivable	9,274	3,609
Other debtors	88,650	94,775
	1,033,318	1,017,588

The ageing of the receivables provided for above are as follows:

	2022 $	2021 $
Past due 0 - 30 days	4,800	2,166
Past due 31 - 120 days	3,347	1,865
	8,147	4,031

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:

Note 7. Current assets - trade and other receivables (continued)

(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 doubtful debts. Other debtors are normally settled in 30 days.

Note 8. Current assets - other financial assets

	2022 $	2021 $
Financial assets at fair value through surplus or deficit: term deposits	12,950,000	16,900,000

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:

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.

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

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

	2022 $	2021 $
Prepayments	81,933	61,442

Note 10. Non-current assets - other financial assets

	2022 $	2021 $
Financial assets at fair value through surplus or deficit: Corporate Bonds	5,926,330	-

The RBHS did not invest in corporate issued securities prior to financial year 2022. Expansion of the Investment portfolio to include high quality corporate bonds, managed by an independent external investment manager, was approved by the Board in September 2021.

Accounting policy

See Note 8 for details of the accounting policy treatment of financial asset.

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

	2022 $	2021 $
Computer equipment - at cost	19,449	19,497
Less: Accumulated depreciation	(14,211)	(10,877)
	5,238	8,620

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

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 2020	307	307
Additions	10,059	10,059
Depreciation expense	(1,746)	(1,746)
Balance at 30 June 2021	8,620	8,620
Depreciation expense	(3,382)	(3,382)
Balance at 30 June 2022	5,238	5,238

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.

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

	2022 $	2021 $
Computer software - at cost	324,700	324,700
Less: Accumulated amortisation	(186,956)	(125,628)
	137,744	199,072

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 2020	179,710	179,710
Additions	84,816	84,816
Amortisation expense	(65,454)	(65,454)
Balance at 30 June 2021	199,072	199,072
Amortisation expense	(61,328)	(61,328)
Balance at 30 June 2022	137,744	137,744

Accounting policy

Intangible assets

Computer Software
Significant costs associated with software are deferred 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

	2022 $	2021 $
Unclosed business premium liability	8,142	7,714
Unearned premium liability (premiums in advance)	479,577	333,132
Other creditors and accruals	622,214	681,588
	1,109,933	1,022,434

Refer to Note 16 for further information on financial instruments.

Accounting policy

Unearned premiums
Premiums received from members prior to 30 June 2022 relating to the period beyond 30 June 2022 are recognised as unearned premiums. Also, forecast premiums receivable from members at 30 June 2022 are recognised as unclosed business premiums.

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.

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

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.

The provision for unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin, over the premiums for the relevant period. 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% (2021: 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% (2021: 55%). The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2023, the next pricing review date.

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 next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.

2021	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total
Hospital and General Treatment Combined Premiums	417,774	10,107	12,787,870	13,215,751
Central estimate of future benefits	(364,469)	(8,684)	(11,276,453)	(11,649,606)
Central estimate of future claims handling management expenses	(43,685)	(1,039)	(1,349,657)	(1,394,381)
Risk margin	(4,082)	(97)	(126,261)	(130,440)
Total outflows	(412,236)	(9,820)	(12,752,371)	(13,174,427)
Total surplus	5,538	287	35,499	41,324
Total unexpired risk liability				-

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

(i) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2021 relating to the period beyond 30 June 2021.
(ii) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2021 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 2021 up to 31 March 2022, the last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2022 premium rates.

No provision for unexpired risk liability has been recognised at 30 June 2022 (2021: nil).

Note 14. Current liabilities - provisions

	2022 $	**2021 $**
Outstanding claims liability - central estimate	1,159,606	992,042
Outstanding claims liability - risk margin	27,380	15,380
Deferred claims liability	1,236,303	1,598,949
	2,423,289	2,606,371

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

Accounting policy

(a) Outstanding claims liability

Movements in the gross outstanding claims and deferred claims liability are as follows:

	Outstanding claims liability 2022 $	Outstanding claims liability 2021 $	Deferred claims liability 2022 $	Deferred claims liability 2021 $
Carrying amount at the start of the year	1,007,422	787,313	1,598,949	1,244,880
Additional provisions recognised	-	-	(18,902)	686,952
Catch up claims	-	-	(343,744)	(332,883)
Claims incurred	14,619,110	15,282,698	-	-
Claims paid	(14,439,546)	(15,062,589)	-	-
Carrying amount at the end of the year	1,186,986	1,007,422	1,236,303	1,598,949

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.

Note 14. Current liabilities - provisions (continued)

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:

	2022			2021		
Variables	**Hospital** %	**Medical** %	**General Treatment** %	**Hospital** %	**Medical** %	**General Treatment** %
Assumed portion paid to date	96.27%	97.46%	98.68%	96.34%	96.93%	98.85%
Expense rate	6.50%	6.50%	6.50%	6.43%	6.43%	6.43%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(15.41%)	(15.41%)	-	(16.93%)	(16.93%)	-
Risk margin	2.70%	2.70%	2.70%	1.80%	1.80%	1.80%

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% (2021: 1.80%) at the end of the reporting period. The risk margin of 2.70% is applied to claims experience up until 30 June 2022, whereas the 2021 risk margin of 1.80% was applied to claims paid to 31 July 2021 which related to the period prior to 30 June 2021. This additional one month of claims hindsight allows a lower risk margin to be adopted, however both risk margins are applied to achieve the Board's intended probability of sufficiency of 55%.

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.

2022 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%	(10,977)	(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

Note 14. Current liabilities - provisions (continued)

2021 **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%	(9,405)	(9,405)	(9,405)	(9,405)
Chain ladder development factors	(1.00%)	9,405	9,405	9,405	9,405
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk equalisation rate	1.00%	(8,132)	(8,132)	(8,132)	(8,132)
Risk equalisation rate	(1.00%)	8,132	8,132	8,132	8,132
Risk margin	1.00%	(8,544)	(8,544)	(8,544)	(8,544)
Risk margin	(1.00%)	8,544	8,544	8,544	8,544

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 2022, 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.

Deferred claims liability
The deferred claims liability is based on best estimate, taking into account relevant risks and uncertainties, of expenditure required to settle claims deferred as a result of surgeries and other health services restricted for policyholders as a result of the COVID-19 pandemic. RBHS has an obligation to settle these claims when they occur in future periods. The liability is calculated by comparing the difference between the actual and expected claims since the commencement of COVID-19 restrictions from March 2020. The expected claims level is based on the estimated underlying claims growth per Single Equivalent Unit per policy (PSEU) that would have occurred if the COVID-19 pandemic did not eventuate, taking into account changes in the membership base.

In estimating the deferred claims provision, four key steps were undertaken:

(1) **Estimating the gross reduction in claims due to temporary closures of elective surgery, reduced access to ancillary benefits and consumer hesitance in seeking medical services due to the ongoing impact of COVID-19.** Incurred claims estimates produced across the period April 2020 to June 2022 as part of the year end outstanding claims provisioning process were compared to the most recent financial forecast prior to COVID-19 impacted claims activity. The difference between forecast and actual incurred was calculated to estimate the financial impact of COVID-19 across the period.
(2) **Estimating risk equalisation levy impact.** The risk equalisation impact of COVID-19 was estimated by comparing the forecast risk equalisation amounts over the period April 2020 to June 2022 to actual experience of the Fund for the same period. The difference between actual and forecast is estimated to be the risk equalisation levy impact to the Fund.
(3) **Applying a deferral rate (percentage of the gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods.** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:

    (i) some types of private health benefits, particularly in the ancillary category, are less likely to have been deferred; and
    (ii) catch up of benefits between ancillary and hospital categories differs due to capacity in facilities, lead time to arrange procedures, and the likelihood of certain types of procedures being deferred.

Note 14. Current liabilities - provisions (continued)

RBHS's deferral rates have been estimated as follows:

- Hospital - 55% (June 2021: 81%) of gross claims reduction in 2022; and
- Ancillary - 31% (June 2021: 77%) of gross claims reduction in 2022

(4) **An analytical review over time** and a comparison of the calculated DCL to industry is conducted with further review of deferral rates to ensure the outcome appears reasonable.

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings (net of risk equalisation impact).

Movements in the deferred claims liability

A net reduction in the deferred claims liability expense of $0.363 million (increase of $0.136m for hospital and a reduction of $0.498m for general treatment) has been recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2022. This brings the total Deferred claims liability to $1.236 million ($0.956m hospital and $0.280m general treatment).

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

Accounting policy

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

	2022 $	2021 $
Member give back	500,000	-

A members give back liability of $0.5 million has been recognised at 30 June 2022 (2021:nil). 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 (2021: Nil).

Note 16. Financial instruments (continued)

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 $602,435 (2021: nil). Equity would increase or decrease by the same amount.

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

	2022 Weighted average interest rate %	2022 Balance $	2021 Weighted average interest rate %	2021 Balance $
Fixed rate instruments (maturing within one year): Financial assets	1.05%	12,950,000	0.20%	16,900,000
Fixed rate instruments (maturing after one year): Financial assets	3.26%	5,926,330	-	-
Variable rate instruments: Financial assets	0.92%	956,836	0.20%	785,239

Sensitivity Analysis:

	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)

	Basis points increase			Basis points decrease		
2021	**Basis points change**	**Effect on surplus**	**Effect on equity**	**Basis points change**	**Effect on surplus**	**Effect on equity**
Fixed rate instruments	100	169,000	169,000	100	(169,000)	(169,000)
Variable rate instruments	100	7,852	7,852	100	(7,852)	(7,852)
		176,852	176,852		(176,852)	(176,852)

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:

Note 16. Financial instruments (continued)

	2022 $	2021 $
Financial Assets		
Cash and cash equivalents	956,836	785,239
Receivables	1,033,318	1,017,588
Financial assets at fair value through surplus or deficit: term deposits	12,950,000	16,900,000
Financial assets at fair value through surplus or deficit: bonds	5,926,330	-
	20,866,484	18,702,827

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

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.

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

2021	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)	672,831	-	-	-	672,831
Total non-derivatives	672,831	-	-	-	672,831

The carrying value of trade and other payables is $605,074 (2021: $672,831). The Company is not significantly exposed to this risk. To meet these obligations as they fall due, it has $956,836 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:

	2022		**2021**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets				
Financial assets fair valued through surplus or deficit	18,876,330	18,876,330	16,900,000	16,900,000
	18,876,330	18,876,330	16,900,000	16,900,000

Note 16. Financial instruments (continued)

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	
Warren Wise	
Sarv Girn	
Sharon Suan	
David Brown	
Keith Drayton	
Emma Maley	
Jill Pleban	(Retired November 2021)
David McKenna	(Appointed January 2022)

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

	2022 **$**	**2021** **$**
Short-term employee benefits	11,818	19,261
Post-employment benefits	1,180	1,881
	12,998	21,142

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:

	2022 $	2021 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	18,375	17,500
Other services - Grant Thornton Audit Pty Ltd		
Audit of regulatory returns	25,410	24,200
	43,785	41,700

Note 19. Contingent assets and liabilities

At 30 June 2022 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:

	2022 $	2021 $
Payment for goods and services:		
Payment for management services to Peoplecare Health Limited	971,002	944,534
Purchase of goods/services from Peoplecare Health Limited	292,524	93,201

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 2022 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

	2022 $	2021 $
Surplus for the year	1,715,021	504,650
Adjustments for:		
Depreciation and amortisation	64,710	67,200
Increase in fair value of financial assets	43,041	(68,754)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(10,065)	78,525
Decrease/(increase) in prepayments	(20,491)	2,989
Increase/(decrease) in trade and other payables	(59,374)	(49,225)
Increase/(decrease) in other provisions	(183,082)	574,178
Increase/(decrease) in other operating liabilities	646,873	(21,975)
Net cash from operating activities	2,196,633	1,087,588

Note 24. Non-cash investing and financing activities

During the financial year the entity did not undertake any non-cash 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 2022

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 2022 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

M. Coombs

Merylin Coombs
Chairperson - Board

Sarv Girn
Director

23 September 2022
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 2022, 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 2022 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the 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 2022, 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 accordingly 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*. The directors' responsibility also includes 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, 23 September 2022