



# **Reserve Bank Health Society Ltd**

**ABN 91 087 648 735**

**Annual Report - 30 June 2024**

**Reserve Bank Health Society Ltd**  
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**30 June 2024**

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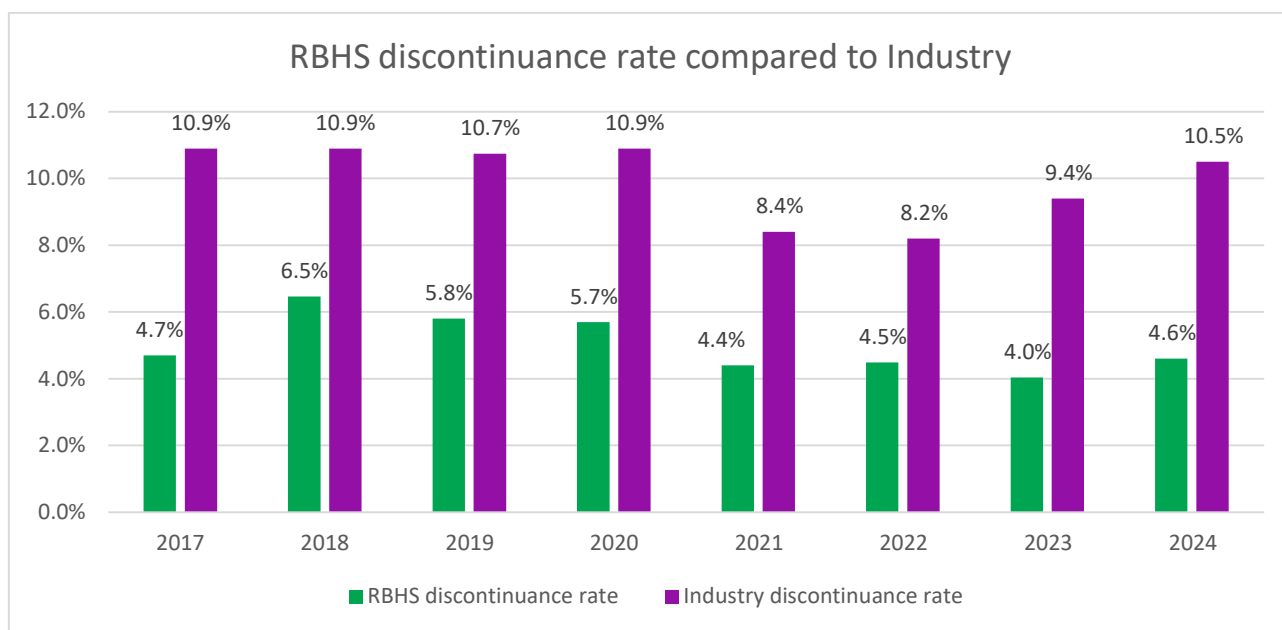
**Reserve Bank Health Society Ltd**  
**Chairperson's Review**  
**30 June 2024**

The 2023/24 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 net surplus of \$2.1 million and kept the Fund well capitalised and in a strong financial position. Net assets now stand at \$21.7 million (up from \$19.6 million in 2022/23) with the capital held per policy holder now \$8,997 (up from \$8,181 in 2022/23).

As noted in previous annual reports, the RBHS provided significant support to members during and after the COVID-19 period. Following on from the give-back of approximately \$525,000 in February 2022, and a give-back of \$500,000 in September 2022. A further give-back of around \$1,000,000 was made in 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. During the year we also commenced a new 3-year Master Services Agreement with our technology solution provider known as HAMBS (Hospital and Medical Benefits System).

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 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.

Despite recent economic challenges, the number of RBHS policyholders increased by 0.79 per cent to 2,412 members as at 30 June 2024. The proportion of policyholders who discontinued their membership in 2024 was marginally higher than in 2023 at 4.6 per cent, significantly below the industry average of 10.5 per cent. Thank you to everyone who has maintained their RBHS membership.



In December 2023, the RBHS participated in the IPSOS Members Health Fund Alliance (MHFA) Member Satisfaction Survey. Overall satisfaction of RBHS members is very high with 96% of respondents satisfied, **ranking first** among the 13 participating health insurers. Additionally, over half of RBHS respondents (54%) rated RBHS 10/10 for overall satisfaction.

The RBHS ranked # 1 of the 13 participating funds on:

- Overall satisfaction with your health insurer
- Hospital claims process
- Extras claims process
- Information being easy to understand

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- The amount of information provided to me about my cover
- The quality of service interactions – phone, written or face to face
- The quality of outcomes when experiencing issues

As evidenced from this survey, 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 interactions are very much 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.

Historically, the RBHS has only offered premium hospital and extras products to members. As part of its growth strategy, the Board is currently in the process of evaluating the introduction of a lower cost hospital (Bronze) product for members. More information will be provided to members once the evaluation has been completed and a product proposal, including pricing, has been finalised. Additionally, although the current financial position of the fund is strong, the Board is aware that costs pressures in future years are likely to be significant. As a result, the Board has agreed to reform its ad-hoc Board-only committee (known as the Resilience Committee) to work through the likely issues and challenges,

In addition to the key items already mentioned, other focus areas for the Board over 2023/24 included work on progressing our business sustainability strategy, work to ensure compliance with the introduction of new capital standards, and ensuring our risk management and governance frameworks and other prudential requirements were in line with industry expectations.

The composition of the RBHS Board has seen some personnel changes during 2023/24. In November 2023, Sarv Girn stepped down after over 10 years as a director. I wish to thank Sarv for his many years of support and for his valuable contributions to the Board and the Risk and Audit Committees. I also welcome Sam Tomaras and Chris Stewart as new directors.

Finally, I wish to note that this will be my last Chairman's report as I will be stepping down as director and Chair at the RBHS AGM in November. I have had the pleasure of being on the RBHS Board for over 16 years, with the last two of these years as Chair. During this time, I have witnessed the RBHS go from strength to strength despite the numerous challenges that the fund, and the private health insurance sector more generally, has faced. I would like to thank all the past and present directors that I served with during my time on the Board for their commitment and contributions which have helped to ensure the success of the fund. I would also like to thank all of the executive management during my tenure for their enormous assistance over many years. I wish the RBHS every success in the future.



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Warren Wise  
Chairperson - Board

25 September 2024  
Sydney

**Reserve Bank Health Society Ltd**  
**Directors' report**  
**30 June 2024**

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2024.

**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:

Mr Warren Wise  
Mr Sarv Girn (Resigned from Board - 17 November 2023)  
Ms Sharon Suan  
Mr David Brown (Resigned from Board - 10 July 2023)  
Ms Emma Maley  
Mr David McKenna  
Ms Kristin Langwasser  
Ms Sarah Harris  
Mr Chris Stewart (Joined Board - 17 November 2023)  
Mr Sam Tomaras (Joined Board - 17 November 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:	Mr Warren Wise
Title:	Chairperson Independent Non-Executive Director
Qualifications:	B. Business, Graduate of AICD
Experience and expertise:	Director from July 2008 Member Resilience Committee
Name:	Mr Sarv Girn (Resigned from Board - 17 November 2023)
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 Sharon Suan
Title:	Independent Non-Executive Director
Qualifications:	B. Economics (Hons), CFA Charterholder, Graduate of AICD
Experience and expertise:	Director from November 2015 Chairperson Risk Committee
Name:	Mr David Brown (Resigned from Board - 10 July 2023)
Title:	Independent Non-Executive Director
Qualifications:	B. Applied Science, Graduate of AICD
Experience and expertise:	Director from 1 March 2020 Chairperson Resilience Committee

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Directors' report  
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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: 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: Director from January 2022  
Chair Audit Committee from November 2023  
Member Risk Committee  
Member Resilience 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  
Member Nomination and Remuneration Committee

Name: Ms Sarah Harris  
Title: Independent Non-Executive Director  
Qualifications: Bachelor of Science (Hons) Finance and Accounting, Graduate of AICD  
Experience and expertise: Director from 16 January 2023  
Member Audit Committee  
Member Nomination and Remuneration Committee

Name: Mr Chris Stewart  
Title: Independent Non-Executive Director  
Qualifications: Bachelor of Economics (Hons), Master of Economics, Graduate of AICD  
Experience and expertise: Appointed Director from 17 November 2023  
Member Risk Committee

Name: Mr Sam Tomaras  
Title: Independent Non-Executive Director  
Qualifications: Bachelor of Business (Finance and Accounting), CPA  
Experience and expertise: Director from 17 November 2023  
Member Audit 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 2024, and the number of meetings attended by each director were:

Director	Board Meetings		Nomination and Remuneration Committee		Risk Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
W Wise	6	6	1	1	-	-	-	-
S Girn <sup>1</sup>	3	3	-	-	1	1	1	2
E Maley	5	6	2	2	3	4	-	-
S Suan	6	6	-	-	4	4	-	-
D Brown <sup>2</sup>	-	-	-	-	-	-	-	-
D McKenna	6	6	-	-	2	3	4	4
S Harris	6	6	2	2	-	-	4	4
K Langwasser	5	6	2	2	-	-	-	-
C Stewart <sup>3</sup>	3	3	-	-	3	3	-	-
S Tomaras <sup>4</sup>	3	3	-	-	-	-	3	3

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

1. S Girn resigned 17 November 2023
2. D Brown resigned 10 July 2023
3. C Stewart appointed 17 November 2023
4. S Tomaras appointed 17 November 2023

### The Resilience Committee

The Resilience 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 2,412 members as at 30 June 2024, it means the members of the Company are liable to contribute a total of \$2,412 (\$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 2024 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 2024.

### 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.

**Reserve Bank Health Society Ltd**  
**Directors' report**  
**30 June 2024**

**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



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Warren Wise  
Chairperson - Board

25 September 2024  
Sydney



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David McKenna  
Director



## 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 2024, 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, 25 September 2024

**Reserve Bank Health Society Ltd**  
**Statement of surplus or deficit and other comprehensive income**  
**For the year ended 30 June 2024**

	Note	2024 \$	2023 (restated) \$
<b>Insurance revenue</b>	4.1	19,216,944	18,523,384
<b>Insurance service expenses</b>			
Incurred claims		(14,750,997)	(15,220,456)
Other insurance service expenses	6	<u>(3,099,534)</u>	<u>(2,533,138)</u>
<b>Insurance service result</b>	4.1	<u>1,366,413</u>	<u>769,790</u>
Financial income	4.2	1,143,712	850,579
Financial expenses		<u>(29,088)</u>	<u>(36,360)</u>
<b>Net insurance financial result</b>	4.2	<u>1,114,624</u>	<u>814,219</u>
Other income		12,049	-
Other expenses	6	<u>(369,232)</u>	<u>(301,760)</u>
<b>Net other income financial result</b>		<u>(357,183)</u>	<u>(301,760)</u>
Surplus before tax		2,123,854	1,282,249
Income tax expense		-	-
<b>Surplus for the year</b>		<u>2,123,854</u>	<u>1,282,249</u>
Other comprehensive income		-	-
<b>Surplus and total comprehensive income for the year</b>		<u><u>2,123,854</u></u>	<u><u>1,282,249</u></u>

The above statement should be read in conjunction with the accompanying notes.

The Company has adopted AASB 17 Insurance Contracts and has restated the comparative periods. The impact of adoption are detailed in Note 3.

**Reserve Bank Health Society Ltd**  
**Statement of financial position**  
**As at 30 June 2024**

	Note	2024 \$	2023 (restated) \$	1 July 2022 (restated) \$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	1,357,703	1,331,673	956,836
Trade and other receivables	8	179,423	158,013	74,437
Financial assets at fair value	9	11,900,000	12,250,000	12,950,000
Other assets	10	73,297	100,968	81,933
<b>Total current assets</b>		<u>13,510,423</u>	<u>13,840,654</u>	<u>14,063,206</u>
<b>Non-current assets</b>				
Financial assets at fair value	11	10,077,117	8,033,592	5,926,330
Property, plant and equipment	12	-	1,820	5,238
Intangibles	13	29,104	76,463	137,744
<b>Total non-current assets</b>		<u>10,106,221</u>	<u>8,111,875</u>	<u>6,069,312</u>
<b>Total assets</b>		<u>23,616,644</u>	<u>21,952,529</u>	<u>20,132,518</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Other payables and accruals	14	133,301	135,904	110,235
Insurance contracts issued that are liabilities	3	1,772,486	1,239,897	1,227,803
Member give back provision	15	10,275	1,000,000	500,000
<b>Total current liabilities</b>		<u>1,916,062</u>	<u>2,375,801</u>	<u>1,838,038</u>
<b>Total liabilities</b>		<u>1,916,062</u>	<u>2,375,801</u>	<u>1,838,038</u>
<b>Net assets</b>		<u>21,700,582</u>	<u>19,576,728</u>	<u>18,294,480</u>
<b>Equity</b>				
Retained surpluses		<u>21,700,582</u>	<u>19,576,728</u>	<u>18,294,480</u>
<b>Total equity</b>		<u>21,700,582</u>	<u>19,576,728</u>	<u>18,294,480</u>

The above statement should be read in conjunction with the accompanying notes.

*The Company has adopted AASB 17 Insurance Contracts and has restated the comparative periods. The impacts of adoption are detailed in Note 3.*

**Reserve Bank Health Society Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2024**

	Note	Retained surpluses \$	Total equity \$
Balance at 1 July 2022, as previously reported		17,058,176	17,058,176
Adjustment on initial application of AASB 17	3	1,236,303	1,236,303
Balance at 1 July 2022 - restated		18,294,479	18,294,479
Surplus for the year		1,282,249	1,282,249
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,282,249	1,282,249
Balance at 30 June 2023 - restated		<u>19,576,728</u>	<u>19,576,728</u>
		Retained surpluses \$	Total equity \$
Balance at 1 July 2023		19,576,728	19,576,728
Surplus for the year		2,123,854	2,123,854
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,123,854	2,123,854
Balance at 30 June 2024		<u>21,700,582</u>	<u>21,700,582</u>

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

*The Company has adopted AASB 17 Insurance Contracts and has restated the comparative periods. The impacts of adoption are detailed in Note 3.*

**Reserve Bank Health Society Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2024**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from members and customers		19,195,534	18,530,013
Payments to members, suppliers and employees		<u>(18,631,740)</u>	<u>(17,536,052)</u>
Interest received		563,794	993,961
		<u>1,155,761</u>	<u>743,316</u>
Net cash from operating activities	23	<u>1,719,555</u>	<u>1,737,277</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(48,148,555)	(49,540,763)
Proceeds from disposal of investments		<u>46,455,030</u>	<u>48,178,323</u>
Net cash used in investing activities		<u>(1,693,525)</u>	<u>(1,362,440)</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		26,030	374,837
Cash and cash equivalents at the beginning of the financial year		<u>1,331,673</u>	<u>956,836</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>1,357,703</u></u>	<u><u>1,331,673</u></u>

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

## **Note 1. Basis of preparation**

### **(a) Corporate 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's 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**

Corner Victoria and Young Streets,  
Wollongong, NSW, 2500

#### **Principal place of business**

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 20 September 2024. The directors have the power to amend and reissue the financial statements.

### **(b) 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').

The Company's accounting policies have been applied consistently to all the years presented, and updated for the application of new and amended accounting standards as set out in Note 3, including the adoption of AASB 17 Insurance Contracts.

#### **Historical cost convention**

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

### **(c) Comparative figures**

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year including to reflect the adoption of AASB 17 Insurance Contracts.

### **(d) 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 5: Insurance contract liabilities

These have been updated to include ongoing judgements following the implementation of AASB17 Insurance Contracts. Details of judgements applied in the initial application of the standard have been included below.

**Note 1. Basis of preparation (continued)**

**Accounting judgements**

**Premium allocation approach (PAA)**

The company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition. For a small number of insurance contracts, which have a coverage period that is greater than 12 months, the company elects to apply the PAA, if at the inception of the contract the company reasonably expects that it will provide a liability for remaining coverage (LRC) that would not differ materially from the General Measurement Model (GMM).

**Sources of estimation uncertainty**

**Best estimate of claims provisioning**

Estimates included in the insurance contract liabilities include expected claims payments and expenses required to settle existing insurance contract obligations. The key assumptions used in the calculation of the liability for incurred claims (LIC) include claims development, claims costs inflation, medical trends and seasonality.

Uncertainty exists particularly in relation to estimating the frequency and severity of incurred claims for the most recent months prior to the year end.

**Note 2. Material accounting policy information**

**(a) 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.

**(b) 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.

**Note 3. Restatement and changes in accounting policy**

Except where noted below, the company has consistently applied its accounting policies to all periods presented in these Financial Statements.

**(a) AASB 17 Insurance Contracts**

AASB 17 Insurance Contracts sets out the principles for the recognition, measurement and presentation of insurance contracts and supersedes AASB 1023 General Insurance Contracts. The Company has adopted AASB 17 Insurance Contracts in these financial statements on a fully retrospective basis.

**Significant judgements on implementation of AASB 17**

On implementation of AASB17, significant judgements include the level of aggregation and the determination of the unit of account, the application of PAA, the determination of which expenses are directly attributable to insurance contracts and the identification of onerous contracts. The key considerations made by the company on application of AASB 17 are set out below.

See Note 1 (d) for significant judgements and estimates relating to the application of AASB 17 that are reassessed each reporting period.

### **Note 3. Restatement and changes in accounting policy (continued)**

#### **Measurement of insurance contract liabilities**

##### Premium Allocation Approach (PAA)

AASB 17 requires the use of the General Measurement Model (GMM) for the recognition and measurement of insurance contracts, unless the criteria to use the PAA has been met. GMM involves estimating future cash flows and risks from existing policies and taking surplus (known as contractual service margin) to account over the policy period, adjusting the surplus over the life of the contract for any experience variances from expected outcomes.

AASB 17 allows the use of the PAA where:

- 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.

For RBHS the majority of policies have a coverage period of one year or less. Those policies with a maturity greater than one year are not considered material to these financial statements and have therefore been accounted for using PAA. As a result, the Company has taken the policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM.

The PAA operates in a manner similar to the way private health insurance contracts were 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.

#### **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. For insurance contracts written 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 the annual cohort as contracts incepting within each financial year.

#### **Insurance contracts**

Insurance contracts are contracts under which the company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Based on the characteristics of the products offered to clients, RBHS has determined that all health insurance contracts are insurance contracts and that there are no non-insurance contracts attached to them.

The company recognises a group of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.



### **Note 3. Restatement and changes in accounting policy (continued)**

#### **Contract boundary**

Contract boundary of an insurance contract pertains to the period where substantive rights and obligations exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

In applying the standard, the Company has reviewed its insurance contracts and considered the contract boundary for each type of policy.

Due to the nature of Australian Complying Health Insurance Products (CHIP), the contract boundary can be determined in several ways. In making such assessment, the Company considered the later of the prepaid period and the next annual premium round implementation date (31st March). As the Company does not allow prepayment of more than 12 months for most CHIP contracts, the Company assessed that the contract boundary is 12 months or less.

#### **Liability for incurred claims (LIC)**

The liability for incurred claims (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.

#### **Liability for remaining coverage policy (LRC)**

The liability for remaining coverage (LRC) under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs not expensed as incurred. In subsequent periods, the LRC is amortised to recognise revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period.

This is recognised on a straight-line basis as the expected pattern of the release of risk during the coverage period does not differ significantly over the passage of time.

For groups of contracts where all contracts have a coverage period of one year or less, the company has taken the policy decision available to expense insurance acquisition cash flows as incurred.

Under the PAA, a risk adjustment is recognised on all LIC balances and on LRC balances for onerous contracts issued. The company has taken the decision to use a confidence level technique to estimate the risk adjustment.

#### **LIC Risk Adjustment**

RBHS has taken the decision to use a confidence level technique to estimate the risk adjustment for the LIC. The margin is set to achieve a probability of adequacy of 75%, which will lead to a value that is consistent with the margin of prudence currently applied under APRA Prudential Standards HPS 340. This is considered the minimum margin required for any transfer of tail liabilities to the Company.

#### **Discounting**

Discounting is optional for the LRC carrying amount if the time between providing each part of the coverage and the related premium due date is one year or less and is optional for the LIC if claims are expected to be paid in one year or less from the date the claims are incurred. Given the short-tailed nature of private health insurance claims, RBHS will not apply discounting to the LRC and LIC.

#### **Onerous contracts**

To identify potentially onerous contracts, the company has considered information reviewed by senior management in monitoring financial performance. The company assumes that no PAA contracts are onerous at initial recognition.

Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed. The loss component is valued by comparing the carrying amount of the LRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach.

In subsequent periods, the loss component is reassessed and any movements are recognised within the Statement of surplus or deficit.

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2024**

**Note 3. Restatement and changes in accounting policy (continued)**

**Insurance service expenses**

Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore included within insurance service expenses. The Company classifies the majority of expenses incurred within insurance service expenses, except for those not directly attributable to insurance contracts.

**Financial impact of the restatements**

The company's Total Equity at transition on 1 July 2022 increased by \$1.236 million. The primary adjustment impacting Total Equity was 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.

**Balance as at 1 July 2022**

\$

**Net assets under AASB 1023**

17,058,177

Derecognition of deferred claims liability

1,236,303

**Net assets under AASB 17**

18,294,480

	Previously reported	Reclassification adjustments	Measurement adjustments	Restated
	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>				
Trade and other receivable	1,033,318	(950,740)	-	82,578
Trade and other payables	(1,109,933)	991,557	-	(118,376)
Provisions	(2,423,289)	1,186,986	1,236,303	-
Insurance contracts liabilities	-	-	-	-
<i>Liability for incurred claims</i>	-	(1,208,665)	-	(1,208,665)
<i>Liability for remaining coverage</i>	-	(19,138)	-	(19,138)
Other assets / liabilities not impacted by AASB 17	19,558,081	-	-	19,558,081
	<u>17,058,177</u>	<u>-</u>	<u>1,236,303</u>	<u>18,294,480</u>

The Statement of surplus or deficit and other comprehensive income and statement of financial position for the year ended June 2023 have been amended to comply with the adoption of AASB 17. The impact on profit for the period and net assets are detailed below:

**Balance at 30 June 2023**

\$

**Surplus for the year under AASB 1023**

2,626,902

Derecognition of deferred claims liabilities

(1,236,303)

Movement in loss component

(108,350)

**Profit for the year under AASB 17**

1,282,249

**Balance at 30 June 2023**

\$

**Net assets under AASB 1023**

19,685,078

Loss Component

(108,350)

**Net assets under AASB 17**

19,576,728

**Note 3. Restatement and changes in accounting policy (continued)**

	Previously reported	Reclassification adjustments	Measurement adjustments	Restated
	\$	\$	\$	\$
<b>Balance at 30 June 2023</b>				
Trade and other receivables	1,220,438	(1,062,425)	-	158,013
Trade and other payables	(1,331,232)	1,195,328	-	(135,904)
Provisions	(998,644)	998,644	-	-
Insurance contracts liabilities	-	-	-	-
<i>Liability for incurred claims</i>	-	(1,035,829)	-	(1,035,829)
<i>Liability for remaining coverage</i>	-	(95,718)	(108,350)	(204,068)
Other assets / liabilities not impacted by AASB 17	20,794,516	-	-	20,794,516
	<u>19,685,078</u>	<u>-</u>	<u>(108,350)</u>	<u>19,576,728</u>

**(b) IFRS Interpretations Committee decision Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)**

In October 2023, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9). This agenda decision considered how an entity that issues insurance contracts applies the requirements in AASB 17 Insurance Contracts and AASB 9 Financial Instruments to premiums receivable, where a policy holder has paid premiums to an intermediary, but the insurer has not yet received the premiums from the intermediary.

The IFRS IC concluded that IFRS 17 was silent on whether such cash flows are within the bounds of an insurance contract, and that the insurer should develop an appropriate accounting policy. The insurer could determine that the cash flows are removed from the measurement of a group of insurance contracts either when they are settled to the insurer, or when the policyholder has settled their obligations by paying the intermediary. Using the first approach, the premiums receivable would continue to be considered future cash flows under AASB 17. Using the second approach, the insurer would account for the premiums receivable as a financial asset, applying IFRS 9.

The Company has reviewed its business and concluded that the first approach is consistently applied. The Agenda Decision therefore resulted in no impact on recognition, measurement or disclosure for the company.

**(c) AASB 101 amendments**

The Company has adopted Disclosure of Accounting Policies (Amendments to AASB 101 from 1 July 2023). The amendments aim to help improve accounting policy disclosures for the primary users of financial statements. Entities must disclose material accounting policies, rather than the previous requirement to disclose significant accounting policies, and the concept of materiality in the context of accounting policies is further defined. Immaterial accounting policy information must not obscure material accounting policy information. Accounting policy disclosures in these financial statements have been aligned with the new requirements.

**(d) New Accounting Standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods. The Company does not intend to adopt these standards before their effective date.

**Note 4.1 Insurance service result**

**(a) Insurance service result**

The insurance service result includes insurance revenue, offset by directly attributable insurance service expenses. Insurance revenue reflects the consideration the Company expects to be entitled to in exchange for providing insurance contract services. Insurance service expenses include expenses that are directly attributable to fulfilling a group of insurance contracts and include claims incurred, other directly attributable insurance service expenses and changes to past service. Other expenses not meeting the above categories are included in other operating expenses in the Statement of surplus or deficit.

**Note 4.1 Insurance service result (continued)**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>(restated)</b>
		<b>\$</b>
<b>Insurance revenue</b>	19,216,944	18,523,384
<b>Insurance service expenses</b>		
Claims incurred	(15,368,173)	(16,400,998)
Changes relating to past service	(467,839)	(13,219)
Movement in risk adjustment for non-financial risk	(64,750)	1,125
Net Risk Equalisation Special Account payments	1,371,332	1,402,536
State levies	(221,567)	(209,900)
	<u>(14,750,997)</u>	<u>(15,220,456)</u>
Other insurance service expenses	(3,099,534)	(2,533,138)
<b>Insurance service result</b>	<u>1,366,413</u>	<u>769,790</u>

**Health insurance revenue recognition accounting policy**

Insurance revenue is the amount of expected premium receipts allocated over the coverage period. For contracts of one year or less the allocation is based on the passage of time. For other contracts, the allocation reflects the expected pattern of risk. Adjustments made to past premiums are recognised as a reduction in insurance revenue.

The Australian Government contributes a rebate towards eligible policyholder's premium and pays this directly to the Company. This rebate is recognised within insurance revenue in the consolidated statement of surplus or deficit and comprehensive income.

**Insurance service expenses**

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts and include claims incurred, other directly attributable insurance service expenses and changes to past service. Other expenses not meeting the above categories are included in other expenses in the statement of surplus or deficit and comprehensive income.

Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore, included within insurance service expenses. The company classifies the majority of expenses incurred within insurance service expenses, except for those not directly attributable to insurance contracts.

Insurance claims are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured hospital, medical and ancillary service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs.

Incurred claims comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period and the Risk Equalisation Special Account levy.

Private health insurers provide private health insurance cover through a community rated scheme. Under legislation, all private health insurers must participate in the Risk Equalisation Special Account in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high cost claim criteria.

The Australian Prudential Regulation Authority (APRA) determines the amount payable to or receivable from the Risk Equalisation Special Account after the end of each quarter. Estimates of amounts payable or receivable are provided in the LIC for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unrepresented and outstanding claims.

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company's policy is to expense acquisition costs as they are incurred.

Changes in the risk adjustment for non-financial risk are presented in the insurance service result and not disaggregated into an insurance service component and an insurance finance component.

**Note 4.2 Investment income and expenses**

**Finance income**

Interest income is recognised in the Statement of surplus or deficit, using the effective interest method. Changes in the value of financial assets at fair value through Statement of surplus or deficit are recognised within finance income as unrealised gains or losses while the assets are held. Upon derecognition of an asset, the cumulative unrealised gain or loss is reversed, and a realised gain or loss is recognised. Realised and unrealised gains and losses are presented as net gain /(loss) on fair value movements on financial assets.

**Financial expense**

Financial expenses includes investment management fees incurred on the financial assets held at fair value through profit or loss.

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>(restated)</b>
		<b>\$</b>
<b>Net investment results</b>		
Interest income - cash at bank	59,897	34,344
Interest income - term deposits	552,582	399,737
Interest income - Fixed Interest	531,233	309,236
Net gain / (loss) on fair value movements on financial assets at fair value	-	107,262
Total financial income	<u>1,143,712</u>	<u>850,579</u>
Investment management expenses	<u>(29,088)</u>	<u>(36,360)</u>
Net investment results	<u><u>1,114,624</u></u>	<u><u>814,219</u></u>

Amounts have been restated for the adoption of AASB 17. Refer to Note 3.

**Note 5. Insurance contracts**

**Insurance contracts**

An insurance contract arises when the Company accepts significant insurance risk from another party by agreeing to compensate them from the adverse effects of a specified uncertain future event. The significance of insurance risk depends on both the probability and magnitude of an insurance event. Once insurance cover has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk significantly reduces during the period.

**Unit of account**

A portfolio of insurance contracts is defined as insurance contracts subject to similar risks and managed together. RBHS have identified the following portfolio: 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:

- (i) onerous at initial recognition;
- (ii) that have no significant possibility of becoming onerous subsequently; and
- (iii) all remaining contracts.

### **Note 5. Insurance contracts (continued)**

There is a presumption under the PAA that no contracts are onerous at initial recognition unless there are clear facts and circumstances that indicate otherwise.

In contemplating the facts and circumstances, the company has considered information reviewed by senior management in monitoring financial performance. RBHS defines facts and circumstances to be results from the financial projections model by the level of granularity in the model (product level). Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued comparing the carrying amount of the LRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. An assessment is made whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. Insurance contracts remain within the same group from initial recognition until they are derecognised.

#### **Recognition and derecognition**

Groups of insurance contracts are initially recognised from the earliest of:

- the beginning of the coverage period;
- the date when the first payment from a policyholder in the group becomes due; and
- when the group of contracts or the underlying insurance contract becomes onerous.

A group of insurance contracts are derecognised when all rights and obligations are extinguished or a contract modification occurs.

#### **Measurement**

##### **Contract boundary and fulfilment cash flows**

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period. For insurance contracts, the company has a substantive right when it can compel the policyholder to pay the premiums or a substantive obligation when it has to provide the policyholder with insurance contract services.

Cash flows within the contract boundary directly relate to the fulfilment of the contract and include cash flows relating to the collection of premiums and payments for claims, benefits and expenses. Cash flows are outside of the contract boundary of an insurance contract when Company's substantive rights and obligations end. This mainly occurs when the Company has the practical ability to reprice the risks of a particular product or change the level of benefits so that the price fully reflects those risks. Cash flows outside the contract boundary relate to future insurance contracts. These future insurance contracts are recognised only when they meet the recognition criteria.

#### **Key judgement**

Due to the nature of Australian Complying Health Insurance Products (CHIP), the contract boundary can be determined in several ways. In making such assessment, the Company considered the later of the prepaid period and the next annual premium round implementation date (31st March). As the Company does not allow prepayment of more than 12 months for most CHIP contracts, the Company assessed that the contract boundary is 12 months or less.

#### **PAA eligibility**

The company applies the PAA for the measurement of insurance contracts. The Company's contracts automatically qualify as the coverage period of each contract in the group is one year or less. As a result, the company has taken the available policy choice to apply the PAA to these contracts.

#### **Measurement Liability for remaining coverage**

On initial recognition of each group of insurance contracts, the carrying amount of the LRC is based on the premiums received less any directly attributable acquisition costs not expensed as incurred adjusted for any onerous contracts. In subsequent periods, the LRC is increased for any additional premiums received and release of any insurance acquisition cash flows and decreased for the recognition of insurance revenue that is released on a straight-line basis over the coverage period. The Company's default policy is not to adjust the LRC to reflect the time value of money and the effect of financial risk, as the company expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is typically no more than one year.

**Note 5. Insurance contracts (continued)**

**Insurance acquisition cash flows**

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. It includes external and internal costs and incremental direct and indirect costs. The Company's policy is to expense acquisition costs as they are incurred.

**Onerous contracts**

If facts and circumstances indicate that a group of contracts is onerous, detailed testing is performed by comparing the carrying amount of the LRC to the estimated fulfilment cash flows, which include an assessment of the risk adjustment using a confidence level approach. If the carrying amount of the LRC is less than the estimated fulfilment cash flows, a loss component is recognised. The loss component increases the LRC and is recognised as an expense in the Statement of surplus or deficit. Subsequently, the loss component is reassessed, with any movements in the loss component adjusting the LRC and being recognised within the Statement of surplus or deficit.

**Key estimate - Onerous contracts**

Key estimation uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

**Liability for incurred claims**

The LIC represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid including claims that have been incurred but not yet reported. A claims episode is an insured hospital, medical and ancillary service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. The LIC is measured as the present value of the estimated future payments arising from claims incurred at the end of each reporting period under insurance cover issued by the Company and other incurred insurance service expenses, including a risk adjustment for the cashflows at risk to the Company. The liability also allows for an estimate of claims handling costs (these include internal and external costs incurred from the negotiation and settlement of claims) and payments to and from the Risk Equalisation Special Account (RESA). The company does not adjust the future cash flows either for the time value of money or for the effect of financial risk for portfolios in which incurred claims are expected to be paid within one year of occurrence. The ultimate liability may vary as a result of subsequent information and events. Adjustments to claims estimates for prior years are included in the Statement of surplus or deficit in the financial year in which the change is made. The methods used and estimates made for the LIC are reviewed regularly.

**Key estimate - LIC**

The LIC includes the expected claims payments and expenses required to settle any insurance contract obligations. The LIC estimate with respect to claims is based on an actuarial assessment of the hospital, medical and ancillary claim categories, calculated using statistical methods adopted for all service months but with service levels for the most recent service month being based on the latest forecast adjusted for any observed changes in payment patterns.

The critical assumption is the extent to which claim incidence and development patterns are consistent with past experience. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of claims levels such as major variability to claims processing volumes.

The process for establishing the LIC involves consultation with the Appointed Actuaries, claims managers and other senior management.

**Risk adjustment**

The risk adjustment reflects the compensation the company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the company fulfils insurance contracts. The Company has taken the decision to use a confidence level technique to estimate the risk adjustment for the LIC. The margin is set to achieve a probability of adequacy of 75% (2023: 55%) and any movements in the risk adjustment are recognised in full within the insurance service result.

**Key estimate - Risk adjustment**

The risk adjustment applied to the company's outstanding claims estimate (i.e. the claims reserve within the LIC) at 30 June 2024 is 12.0% (2023: 2.70%). The risk adjustment is based on an analysis of past experience, including comparing the volatility of past payments to the adopted outstanding claims estimate. The risk adjustment has been estimated to equate to the company's objective of achieving a probability of adequacy of at least 75% (2023: 55%).

**Note 5. Insurance contracts (continued)**

**Health Insurance Risk Equalisation Special Account (RESA) levies accounting policy**

Private health insurers provide private health insurance cover through a community rated scheme. Under legislation, all private health insurers must participate in the Risk Equalisation Special Account in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high-cost claim criteria.

The Australian Prudential Regulation Authority (APRA) determines the amount payable to or receivable from the Risk Equalisation Special Account after the end of each quarter.. Estimates of amounts payable or receivable are provided in the LIC for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unrepresented and outstanding claims.

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.

**(a) Reconciliation of movement in insurance liabilities**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Insurance contracts balance sheet composition</b>		
Liability for remaining coverage	643,059	204,067
Liability for incurred claims	<u>1,129,427</u>	<u>1,035,830</u>
<b>Net insurance contract liabilities</b>	<u><u>1,772,486</u></u>	<u><u>1,239,897</u></u>
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Made up of:</b>		
Liability for remaining coverage (LRC)		
- <i>unearned premium cashflows</i>	768,032	603,686
- <i>private health insurance premium reduction scheme receivable</i>	(369,812)	(507,969)
- <i>loss component</i>	<u>244,839</u>	<u>108,350</u>
	<u>643,059</u>	<u>204,067</u>
Liability for incurred claims (LIC)		
- <i>outstanding claims</i>	758,371	972,389
- <i>outstanding claims risk margin</i>	91,005	26,255
- <i>claims processed not yet claimed and RESA payable</i>	<u>280,051</u>	<u>37,186</u>
	<u>1,129,427</u>	<u>1,035,830</u>
<b>Net insurance contract liabilities</b>	<u><u>1,772,486</u></u>	<u><u>1,239,897</u></u>



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**Note 5. Insurance contracts (continued)**

	Liability for remaining coverage \$	Loss component \$	Liability for incurred claims \$	Risk adjustment for non-financial risk \$	Total \$
<b>30 June 2024</b>					
Opening insurance contracts liabilities - 1 July 2023	95,717	108,350	1,009,575	26,255	1,239,897
<b>Insurance service result</b>					
Insurance revenue	(19,216,944)	-	-	-	(19,216,944)
Incurred claims	-	136,489	14,549,758	64,750	14,750,997
Other insurance service expenses	-	-	3,099,534	-	3,099,534
<b>Insurance service result</b>	<b>(19,216,944)</b>	<b>136,489</b>	<b>17,649,292</b>	<b>64,750</b>	<b>(1,366,413)</b>
Cashflows:					
Premiums received	19,519,447	-	-	-	19,519,447
Claims and other directly attributable expenses paid	-	-	(17,620,445)	-	(17,620,445)
	19,519,447	-	(17,620,445)	-	1,899,002
Closing insurance contracts liabilities - 30 June 2024	398,220	244,839	1,038,422	91,005	1,772,486
<b>30 June 2023</b>					
Opening insurance contracts liabilities - 1 July 2022	19,138	-	1,181,285	27,380	1,227,803
<b>Insurance service result</b>					
Insurance revenue	(18,523,384)	-	-	-	(18,523,384)
Incurred claims	-	108,350	15,113,231	(1,125)	15,220,456
Other insurance service expenses	-	-	2,533,138	-	2,533,138
<b>Insurance service result</b>	<b>(18,523,384)</b>	<b>108,350</b>	<b>17,646,369</b>	<b>(1,125)</b>	<b>(769,790)</b>
Cashflows:					
Premiums received	18,599,963	-	-	-	18,599,963
Claims and other directly attributable expenses paid	-	-	(17,818,079)	-	(17,818,079)
	18,599,963	-	(17,818,079)	-	781,884
Closing insurance contracts liabilities - 30 June 2023	95,717	108,350	1,009,575	26,255	1,239,897

**Impact of changes in key variables on the LIC**

The key variables in the measurement of the LIC include the best estimate liability, risk margin and weighted average term to settlement. A 10% increase/decrease in the claims best estimate would result in a \$82,058 decrease/increase to profit and equity (2023: \$10,352). A 1% movement in other key variables, including risk margin and weighted average term to settlement, would result in an insignificant decrease/increase to profit and equity.

**Note 5. Insurance contracts (continued)**

**Assumptions for private health insurance contracts**

The process of recognising liabilities arising from private health insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing the extent to which any groups of contracts have become onerous.

The principal assumptions in the estimation of the LIC relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends.

The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made.

Claims development patterns are analysed. Various established reserving methods for private health insurance are considered, typically basic chain ladder. Additional consideration is given to the treatment of large claims, claims seasonality and claims inflation for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which benefit is claimed. Medical expense claims are, typically, substantially fully settled within just a few months.

Estimation uncertainty exists in determining a loss component, where facts and circumstances are identified that may indicate that a group of onerous contracts exists. As described above, a loss component is measured by comparing the current estimates of the fulfilment cash flows that relate to the remaining coverage to the carrying amount of the LRC. Uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims and any other expenses, based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

Insurance provisions are inevitably estimates. Actual experience or losses incurred may vary from that anticipated in the reserving estimates. The following tables show the impact on profit before taxation of reasonably possible variations in the key assumptions used to determine the best estimate of claims provisioning and in estimating the fulfilment cash flows used in onerous contract testing. Changes to these assumptions are made while holding all other assumptions constant, however in practice, it is likely that variations in some of the assumptions may be correlated. The sensitivity analysis reflects one-off impacts at the reporting date and should not be interpreted as predictions.

**Note 6. Expenses**

**Other operating expense**

Other operating expenses include staff costs, medical supplies, overheads, depreciation, amortisation of intangible assets, incurred as a consequence of operating the business. Expenses attributed to insurance acquisition cash flows and other directly attributable insurance expenses are included within insurance service expenses. Operating expenses exclude insurance/ direct claims costs.

<b>Expenses by function</b>	<b>2024</b> \$	<b>2023</b> <b>(restated)</b> \$
Insurance service expense - other insurance service expense	3,099,534	2,533,138
Other expenses	369,232	301,760
Financial expenses	29,088	36,360
<b>Total expenses (excluding direct claims expenses)</b>	<b>3,497,854</b>	<b>2,871,258</b>

**Reserve Bank Health Society Ltd**  
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**Note 6. Expenses (continued)**

	<b>2024</b>	<b>2023</b>
	\$	(restated) \$
<b>Expenses by nature</b>		
Salaries and related costs	8,000	4,973
Technology and communication	248,667	113,916
Depreciation and amortisation	49,179	64,699
Marketing costs	67,154	26,642
Third party costs	2,590,351	2,146,615
Professional fees	392,590	354,404
Finance costs	29,088	36,360
Other expenses	112,825	123,649
<b>Total expenses (excluding direct claims expenses)</b>	<u>3,497,854</u>	<u>2,871,258</u>

Amounts have been restated for the adoption of AASB 17. See Note 3

**Note 7. Current assets - cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
	\$	\$
Cash at bank	<u>1,357,703</u>	<u>1,331,673</u>

Cash at bank bears floating interest rates between 4.20% and 4.45% (2023 0.95% and 4.40%).

**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 8. Current assets - trade and other receivables**

	<b>2024</b>	<b>2023</b>
	\$	restated \$
Investment income receivable	81,467	71,714
Other debtors	97,956	86,299
	<u>179,423</u>	<u>158,013</u>

Amounts have been restated for the adoption of AASB 17. See Note 3

Trade and other receivables are carried at amortised cost, net of provisions for ECLs. The carrying value of trade and other receivables is a reasonable approximation of fair value.

**Investment income receivable**

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

**Note 8. Current assets - trade and other receivables (continued)**

**Other debtors**

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

**Note 9. Current assets - Financial assets at fair value**

	2024 \$	2023 \$
Financial assets at fair value through surplus or deficit: term deposits	<u>11,900,000</u>	<u>12,250,000</u>

**Investment management**

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 generates cash from its underwriting, trading and financing activities and invests the surplus cash in financial investments.

*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.

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.

*Fair value of financial investments*

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.

Refer to Note 16 for further information regarding the fair value of financial investments.

**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, if any are recognised in surplus or deficit.

**Note 10. Current assets - other assets**

	2024 \$	2023 \$
Prepayments	<u>73,297</u>	<u>100,968</u>

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**Note 11. Non-current assets - financial assets at fair value**

	2024 \$	2023 \$
Financial assets at fair value through surplus or deficit: Bonds	<u>10,077,117</u>	<u>8,033,592</u>

Refer to Note 16 for the Fair Value Hierarchy.

**Accounting policy**

See Note 9 for details of the accounting policy treatment of financial assets

**Note 12. Non-current assets - property, plant and equipment**

	2024 \$	2023 \$
Computer equipment - at cost	19,449	19,449
Less: Accumulated depreciation	<u>(19,449)</u>	<u>(17,629)</u>
	<u>-</u>	<u>1,820</u>

*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 2022	5,238	5,238
Depreciation expense	<u>(3,418)</u>	<u>(3,418)</u>
Balance at 30 June 2023	1,820	1,820
Depreciation expense	<u>(1,820)</u>	<u>(1,820)</u>
Balance at 30 June 2024	<u>-</u>	<u>-</u>

**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
--------------------	---------

**Note 12. Non-current assets - property, plant and equipment (continued)**

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**

Impairment reviews are undertaken where there are indications that the carrying value of an asset may not be recoverable. An impairment loss on an asset carried at amortised cost is recognised in the Statement of surplus or deficit within other operating expenses to reduce the carrying value to the recoverable amount.

**Note 13. Non-current assets - intangibles**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Computer software - at cost	324,700	324,700
Less: Accumulated amortisation	<u>(295,596)</u>	<u>(248,237)</u>
	<u><u>29,104</u></u>	<u><u>76,463</u></u>

*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 2022	137,744	137,744
Amortisation expense	<u>(61,281)</u>	<u>(61,281)</u>
Balance at 30 June 2023	76,463	76,463
Amortisation expense	<u>(47,359)</u>	<u>(47,359)</u>
Balance at 30 June 2024	<u><u>29,104</u></u>	<u><u>29,104</u></u>

**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.

Intangible assets that are subject to amortisation are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of surplus or deficit to reduce the carrying amount to the recoverable amount.

**Note 14. Current liabilities - other payables and accruals**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>(restated)</b>
	<b>\$</b>	<b>\$</b>
Other payables and accruals	<u>133,301</u>	<u>135,904</u>

Amounts have been restated for the adoption of AASB 17. See Note 3.

Refer to Note 16 for further information on financial instruments.

**Note 14. Current liabilities - other payables and accruals (continued)**

**Accounting Policy**

***Other payables and accruals***

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 15. Current liabilities - Member give back provision**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Member give back	<u>10,275</u>	<u>1,000,000</u>

A members give back liability of \$0.01 million has been recognised at 30 June 2024 (2023: \$1.0 million). This liability relates to the return of permanent COVID-19 claims savings to members. The balance at 30 June 2024 relates to funds returned due to incorrect members details.

**Note 16. Financial risk and capital management**

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:**

The company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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

**Note 16. Financial risk and capital management (continued)**

**Credit exposure to Services Australia (Private Health Premium Reduction Scheme):**

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 receivable.

**Cash and cash equivalents and financial assets with financial institutions:**

The Board has addressed the issue of credit risk from cash and cash equivalents and 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.

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 \$6,800,000 (2023: \$7,250,567).

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:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	1,357,703	1,331,673
Receivables	179,423	158,013
Financial assets at fair value through surplus or deficit: term deposits	11,900,000	12,250,000
Financial assets at fair value through surplus or deficit: bonds	10,077,117	8,033,592
	<u>23,514,243</u>	<u>21,773,278</u>

**(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.

In order to maintain appropriate levels of liquidity, the investment portfolio's target asset allocation is to hold cash and short-term deposits at least equal to the value of the prudential capital amount reporting in the quarterly regulatory returns.

Management also manages liquidity risk through the preparation of daily cash flow forecasts for the following six months. This forecast provides for the major types of cash inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period.



**Note 16. Financial risk and capital management (continued)**

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.

RBHS has a Board endorsed Liquidity Management Plan to ensure sufficient liquidity is available to fund all payments as and when they fall due.

*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.

	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
<b>2024</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	133,301	-	-	-	133,301
Total non-derivatives	133,301	-	-	-	133,301
	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
<b>2023 (restated)</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	135,904	-	-	-	135,904
Member give back	-	1,000,000	-	-	1,000,000
Total non-derivatives	135,904	1,000,000	-	-	1,135,904

The carrying value of trade and other payables is \$133,301 (2023: \$135,904). The Company is not significantly exposed to this risk. To meet these obligations as they fall due, it has \$1,357,703 of cash and cash equivalents.

Amounts have been restated for the adoption of AASB 17. Refer to Note 3.

**(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:**

*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.

**Note 16. Financial risk and capital management (continued)**

*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 below for the impact to surplus by a change in interest rate on investments held by the Company at 30 June 2024.

	<b>2024</b> <b>Weighted</b> <b>average</b> <b>interest rate</b> %	<b>2024</b> <b>Balance</b> \$	<b>2023</b> <b>Weighted</b> <b>average</b> <b>interest rate</b> %	<b>2023</b> <b>Balance</b> \$
Fixed rate instruments (maturing within one year): Financial assets	4.80%	11,900,000	4.51%	12,250,000
Fixed rate instruments (maturing after one year): Financial assets	5.36%	10,165,250	5.72%	8,033,592
Variable rate instruments: Financial assets	4.20%	1,357,703	4.01%	1,331,673

Sensitivity Analysis:

<b>2024</b>	<b>Basis points increase</b>			<b>Basis points decrease</b>		
	<b>Basis points change</b>	<b>Effect on surplus</b>	<b>Effect on equity</b>	<b>Basis points change</b>	<b>Effect on surplus</b>	<b>Effect on equity</b>
Fixed rate instruments	100	220,653	220,653	100	(220,653)	(220,653)
Variable rate instruments	100	13,577	13,577	100	(13,577)	(13,577)
		<u>234,230</u>	<u>234,230</u>		<u>(234,230)</u>	<u>(234,230)</u>

<b>2023</b>	<b>Basis points increase</b>			<b>Basis points decrease</b>		
	<b>Basis points change</b>	<b>Effect on surplus</b>	<b>Effect on equity</b>	<b>Basis points change</b>	<b>Effect on surplus</b>	<b>Effect on equity</b>
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)
		<u>216,153</u>	<u>216,153</u>		<u>(216,153)</u>	<u>(216,153)</u>

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

*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 \$1,007,711 (2023: \$803,359). Equity would increase or decrease by the same amount.

**(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:

**Note 16. Financial risk and capital management (continued)**

- 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 new Private Health Insurance Capital Framework came into effect on 1 July 2023, and included a revised HPS 110 Capital Adequacy standard. The new standard requires private health insurers to have a Board-approved Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP involves an integrated approach to risk and capital management, based around assessing the level of, and appetite for, risk in the business and ensuring that the level and quality of capital is appropriate for that risk profile.

As the company is a non-significant financial institution, the company has availed of the transitions arrangements which allow the company two-years to transition to meet the new ICAAP requirements.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide benefits for policyholders.

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

	2024
	\$
Net tangible assets <sup>1</sup> .	21,671,478
Capital base	21,889,127
Prescribed Capital Amount (PCA)	5,000,000
Excess capital over PCA	16,889,127
PCA multiple	4.38x

1. Net tangible assets excludes intangible assets

**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:

	2024		2023	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Assets</b>				
Financial assets fair valued through surplus or deficit	21,977,117	21,977,117	20,283,592	20,283,592
	<u>21,977,117</u>	<u>21,977,117</u>	<u>20,283,592</u>	<u>20,283,592</u>

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:

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**Note 16. Financial risk and capital management (continued)**

- 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:

Warren Wise  
 Sarv Girn (resigned November 2023)  
 Sharon Suan  
 David Brown (resigned July 2023)  
 Emma Maley  
 Sarah Harris  
 David McKenna  
 Kristin Langwasswer  
 Chris Stewart (joined November 2023)  
 Sam Tomaras (joined November 2023)

*Compensation*

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

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	-	4,491
Post-employment benefits	-	482
	<u>-</u>	<u>4,973</u>

*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.

There were no directors fees paid in the current year, as no director was eligible.

One director completed an AICD directors course (\$8,000) which was paid for by RBHS.

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**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:

	2024 \$	2023 \$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit of the financial statements and regulatory returns	64,610	55,115
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
ASRS 4400 Agreed Upon Engagements to Report Factual Findings	2,610	-
	<u>67,220</u>	<u>55,115</u>

**Note 19. Contingent assets and liabilities**

At 30 June 2024 the Company had no contingent assets and liabilities.

**Other contingencies**

The company operates in a highly regulated industry where guidance is issued from a number of stakeholders including, ASIC, APRA and the Department of Health and Aged Care. From time to time the Company will be required to modify practices and health fund rules as a result of new or clarified guidance, which exposes the Company to risks and potential liabilities.

Management are not aware of any material financial consequences as a result of updated guidance or changes made to practices and fund rules during the year.

**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:

	2024 \$	2023 \$
Payment for goods and services:		
Payment for management services to Peoplecare Health Limited	1,116,518	1,002,870
Purchase of goods/services from Peoplecare Health Limited	73,229	107,696

The Company is managed and administered by Peoplecare Health Limited through a management services agreement. The nature of the relationship is outlined in Note 16.

*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.

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**Note 22. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2024 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**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>(restated)</b>
		<b>\$</b>
Surplus for the year	2,123,854	1,282,249
Adjustments for:		
Depreciation and amortisation	49,179	64,699
Increase in fair value of financial assets	(71,946)	(107,263)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(21,410)	(83,576)
Decrease/(increase) in prepayments	27,671	(19,035)
Increase/(decrease) in trade and other payables	(2,603)	25,668
Increase in insurance contracts issued that are liabilities	532,589	12,094
Increase/(decrease) in other operating liabilities	(917,779)	562,441
Net cash from operating activities	<u>1,719,555</u>	<u>1,737,277</u>

Amounts have been restated for the adoption of AASB 17. See Note 3.

**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**

**Insurance risk management**

The Company provides private health insurance products including hospital cover and ancillary cover, as stand-alone products or packaged products that combine the two, for Australian residents in Australia.

Insurance risks and the holding of capital in excess of prudential requirements are managed through the use of claims management procedures, close monitoring of experience, the ability to vary premium rates, and risk equalisation.

**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 and Aged Care.

**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.

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.

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

**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**  
**Consolidated entity disclosure statement**  
**30 June 2024**

This Consolidated Entity Disclosure Statement (CEDS) is required under the *Corporations Act 2001 (Cth)* and includes required information for each entity that was part of the consolidated entity as at the end of the financial year.

Reserve Bank Health Society Ltd does not have any controlled entities and therefore is not required by the Australian Accounting Standards to prepare consolidated financial statements. As a result, Reserve Bank Health Society Ltd is not required to provide the information stated in the amendment specified in s295(3A) to the *Corporations Act 2001 (Cth)* being a stand-alone entity.

**Reserve Bank Health Society Ltd**  
**Directors' declaration**  
**30 June 2024**

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 1 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 2024 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.
- The Consolidated Entity Disclosure Statement is true and correct and complies with the requirements of Section 295 of the *Corporations Act 2001*.

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



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Warren Wise  
Chairperson - Board

25 September 2024  
Sydney



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David McKenna  
Director

## 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 2024, 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, the consolidated entity disclosure statement 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 2024 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 2024, 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:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A J Sheridan  
Partner – Audit & Assurance

Sydney, 25 September 2024