Annual Report
2020/21

The Choice and Access edition.

Contents

Our purpose:

to help members live healthy lives

Our vision:

to renew community confidence

Our values:

Community

Value and Affordability

Integrity

Member for Life

Accountability

A not for profit, here-for-you health fund.

HIF has been supporting its members and their families health and wellbeing for over 65 years.

Starting from humble beginnings, the HIF story began as the Western Australian Government Railways Employees Hospital and Medical Benefits Fund Inc, before becoming the Health Insurance Fund of WA 24 years later, and then Health Insurance Fund of Australia in 2010.

Today, HIF is an ethical, member-focussed health fund. That's why more and more people are turning away from other Australian health insurers in favour of our great value health, pet and travel cover and our philosophy of doing the right thing by our members. We provide our members the freedom to make their own choices along their health journey.

Recently the HIF brand has evolved to showcase what we stand for and what's important to our members. Choice, Access and doing the right thing by our members is ingrained in everything we do, so we've made sure our brand reflects this.

It's why HIF is loud and proud about the causes that our members care about. We were the very first Australian health insurer to support Australian marriage equality and the LGBTIQ+ community. HIF has covered same-sex couples for decades and we, of course, welcome any new members who are part of the LGBTIQ+ community. HIF is proud to be a health fund that offers third gender options and provides benefits on gender confirmation surgery.

We care about the environment. HIF was Australia's first carbon neutral health fund, as certified by the Carbon Reduction Institute (CRI) on 25 September 2008.

In terms of how we run our business, our office is centrally located in Perth with shower and bicycle parking facilities to encourage staff to ride to work or use public transport. Our building has been designed and built to the National Australian Built Environment Rating System (NABERS) 4-star standard, meaning it's been designed thoughtfully with reducing energy, water and waste offsets. We know that protecting the environment is important to our members, so it's important to us. We will continue to do our bit for the planet, this year and always.

Our goal is to open new doors on our members' health journey and provide more choice than ever before. If our members want to stay with their childhood dentist because that's what's comfortable or want access to alternative therapies, we support that. We're not here to play a leading role, we're the supporting actor in our members' health journey.

HIF was the **very first Australian health insurer** to support Australian marriage equality and the LGBTIQ+ community.

Our goal is to open new doors on our members' health journey and **provide more choice and access** than ever before.

From our Chairman.

In 2020/2021 we processed over 450,000 claims across all products and paid out approximately $150 million in health claims. This shows that although the COVID-19 pandemic continues to cause strain and disruption, our members are continuing to utilise their health insurance where and when they can.

Our COVID-19 support continues. Over 1,000 of our members suspended their health cover due to financial hardship during the year, foregoing HIF over $1 million in business revenue, a cost that we absorbed, knowing that it was in the best interests of our valued members. In total our COVID-19 support for members is close to $9 million.

We extended our Mental Health Navigator service to all policies. This service has seen a significant increase this year, which shows that our members are still feeling the impacts of the pandemic and are seeking help when they need it. We also continue to offer access to telehealth services for our members who are feeling the impacts of state lockdowns.

Our industry continues to experience its challenges. We urge the Federal Government to address prostheses reforms, public hospitals charging patients with private health insurance and restore the 30% rebate in the near future. It is our view that these measures will strongly assist in making the private health system more attractive and affordable for all Australians and will help maintain the important balance between the public and private health systems.

In 2020, HIF began its journey to reconciliation. HIF has been working closely with Reconciliation Australia over the past year to submit our very first Reconciliation Action Plan (RAP), which has now been reviewed and endorsed by Reconciliation Australia. Our RAP will evolve over time, alongside our organisation, and most importantly we remain committed to taking meaningful steps in the right direction.

Under the leadership of new CEO Justin James, HIF has experienced a transformation in only 12 months, with the evolution of a clear strategy and brand values that are integrated and mindfully woven through all areas of the organisation. This direction is already showing promising results for value, access and increased levels of choice for members.

We want to retain the members we have to ensure HIF's resilience for years to come, our funds promising financial results this year demonstrate that we are on track to do this.

On behalf of the Board, I would like to thank all HIF personnel for their contribution to the prosperity of the organisation.

Most importantly we extend our sincere gratitude to all HIF members for their continued support and loyalty. Our focus will always be on continually improving the member experience we offer. HIF has your interests front and centre of our thoughts.

Richard Homsany
Chairman

Our focus will always be on **continually improving the member experience** we offer.

From our CEO.

Choice and Access are fundamental tenets within the private health insurance industry, and at HIF we believe they are instrumental in allowing members the freedom to choose what is important to them, when it comes to their health. We don't just say this, but we work every day to make sure our members experience it.

Over the past 12 months we have accelerated our operational prowess in view of these ambitions, alongside improving community confidence, we are happy that our outcomes reflect this. A helpful financial position, linked to stabilised member growth, positive operational returns in part due to apathy across claims and outstanding investment results have positioned the business well in uncertain COVID-19 times.

This pandemic has reshaped the way our health system operates, and as a health fund we have evolved. At the height of the pandemic our industry regulator rightly asked all health funds to hold onto a provision of funding in the event of a severe COVID-19 outbreak. We've been given the go ahead to give this back, so in the coming months, HIF will be refunding $2.8 million to our members, which equates to between $15-$90 per policy. In total, our business has expensed close to $9 million in funding a range of COVID-19 support measures.

HIF established new partnerships this year that have provided greater choice and access to members and our community. We worked with St John Giving to expand their Community Transport Service (CTS) to the South West of WA and are open to looking to new geographies in the future. As a response to rising wait times in emergency departments in WA, we have worked with St John Urgent Care Centres, to cover the cost of an urgent care appointment. This partnership showcases alternative treatment pathways, when appropriate, for our members and the community. We were also thrilled to partner with the Australian Medical Association (AMA) WA for their inaugural WA medical conference or *MEDCON21*.

This opportunity provided us a platform to reinforce our focus on choice and access to doctors and specialists across WA and listen and learn from the industry's best minds, to better understand what challenges lie ahead for health professionals.

We made a very public stand to support the use of medicinal cannabis in Australia. International results have shown, this progressive and multipurpose treatment is a natural alternative for members who suffer from debilitating health conditions. Not only did we announce that we would pay benefits for eligible members looking to utilise medicinal cannabis, but we also invested alongside our partner Little Green Pharma, in a world first quality of life research study that will help build the credibility of such treatment choices in Australia.

We also believe sleep is a major influencer on the overall health of our members. It's been proven that quality sleep can help lower the risk of many health concerns, help people maintain a healthy weight and assist those who may be suffering from mental health and mood disorders. It has a plethora of benefits that we feel need to be spoken of more – so that's why we plan to weave sleep throughout many new initiatives at HIF.

Lastly, in the year ahead we hope to see our country and community move safely and freely, while we at HIF work as hard as ever for our members to deliver genuine and tangible choice and access.

Justin James
CEO

This pandemic has reshaped the way our health system operates, and **as a health fund we have evolved**.

The year in review.

104,163
Members covered by HIF Health Insurance

$2,069,086
Paid out in Ambulance cover

5,300
Overnight hospital stays assisted by HIF

51,178
Member policies

$149,551,905
In claims paid to HIF Members

642
Pets insured

Claims processed

27,542
Hospital

81,466
Medical

387,820
Extras

How we’ve helped our members in 2020/2021

Benefits towards flu vaccinations on eligible Extras products

Established our first **Reconciliation Action Plan**

Added private room coverage to most of our Hospital products that covered a shared room

Introduced Simple Options, a popular new Extras product that provides at least 60% back in benefits, improving member value

$50 discount on pet insurance premiums to any HIF Health Insurance members. The $50 offer was made possible by HIF forgoing commission on Pet Insurance policies.

Little Green Pharma partnership and covering medicinal cannabis claims on eligible Extras products

Began paying **medicinal cannabis rebates**

Launched new Mobile App

- Introduced digital **HIF member card** for Android and the option to save your membership card in the App
- Members can now **view their limits** on Online Member Centre (OMC) or the HIF App

Reduced the waiting period for Extras Psychology services from 12 months to 2 months

Members can now update their payment preference from billing to direct debit online

Simplified our Dental benefits structure on existing Extras products

Our members interests come first

We're here for our members when they need it most, especially when it comes to requiring serious medical treatment.

$106,264

was paid for a 58-year-old member who needed important back, neck and spine surgery

$88,234

was paid for a 68-year-old member who had a serious digestive system condition that needed treatment

Amount paid to members:

Dental:	**$25,365,765**
Optical:	**$7,199,367**
Physio:	**$3,154,520**
Chiro/Osteo:	**$2,346,082**

$76,608

was paid for a member who needed lifesaving heart surgery

COVID-19 support

1,000+
members suspended their health insurance due to the financial impacts of COVID-19

Our COVID-19 relief support cost HIF close to
$9 million
in total

HIF was first to pay
benefits for teledentistry consultations during the COVID-19 pandemic

HIF HQ
became fully operational at home to ensure we could continue to provide the best service to our members

HIF deferred increases
to premiums from April to October

Our pet insurance members received access to
two free online vet consults with Vetchat

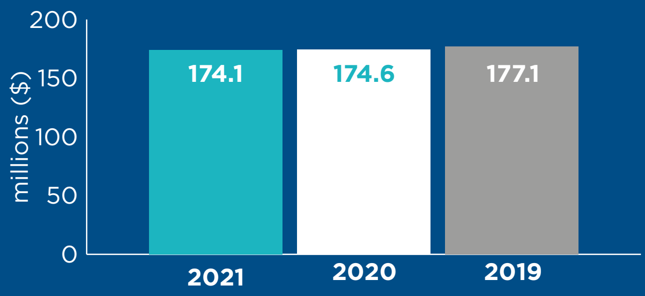
HIF continues the availability of telehealth services to
support members impacted by lockdowns

We made Mental Health Navigator
accessible for all members

HIF will refund members **$2.8 million** in deferred claims in the coming months. Which equates to **$15-$90 per policy**.

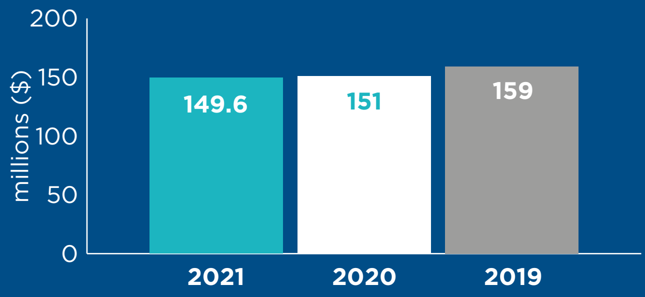
Financial summary

Revenue



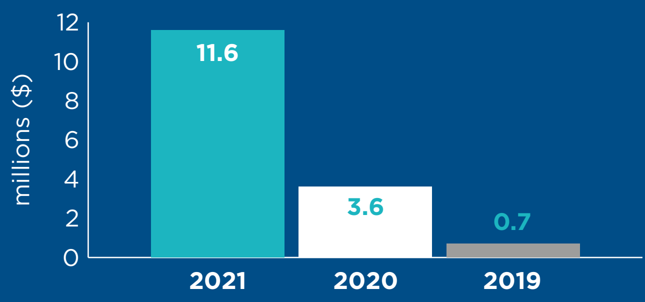
Premium revenue for the year was **$174.1 million** against a budgeted **$167.6 million**.

Net Claims



Net claims incurred in 2021 were **$149.6 million** against a budgeted **$146.6 million**.

Consolidated Surplus



Consolidated surplus in 2021 was **$11.6 million** against a budgeted **$1.8 million**.

The domestic member base increased by 0.5%

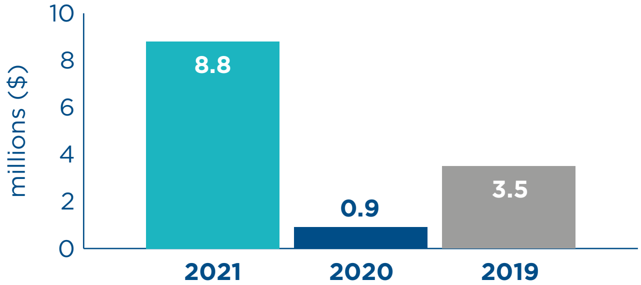
compared to a **decline of 5.8%** in 2020. HIF's membership remains **59%** Western Australian based and **41%** based in other Australian states. Overseas visitor membership **declined by 31%** in 2021 due to international border restrictions throughout the year.

The total overheads for the year were

$22.1 million

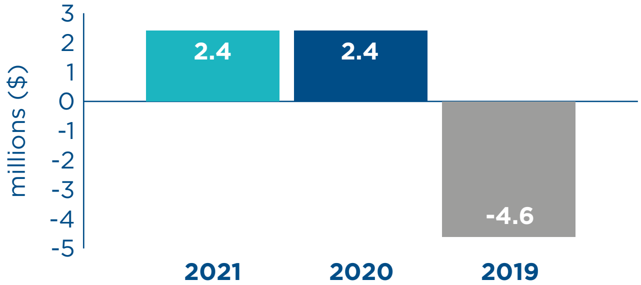
(12.7% of premium revenue) compared to **$21.3 million** (12.2% of premium revenue) in 2020.

Investment Results



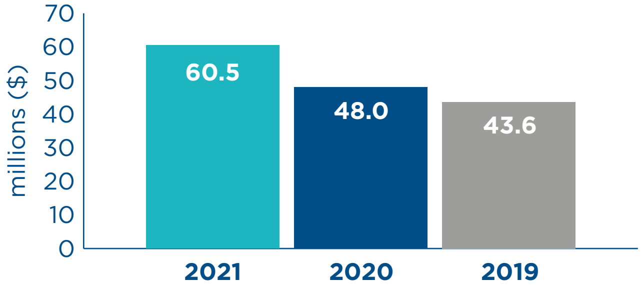
Investment income and fair value gains in 2021 was **$8.8 million** compared to a budgeted **$2.5 million**.

Net Margin



Net margin (operating surplus before investment income) was **$2.4 million** in 2021 compared to a budgeted **-$1.0 million**.

Capital Adequacy



Capital in excess of the regulatory requirement in 2021 was **$60.5 million** compared to a budgeted **$45 million**.

Our community.

HIF Branch and Kiosk

Our HIF branch, located at 100 Stirling Street, Perth is our walk-in storefront for any members who wish to speak to someone face to face regarding their health cover. Please come say hi!

The HIF Kiosk continues its travels across Western Australia. This year the kiosk travelled over 600km visiting shopping centres in Ellenbrook, Morley, Mandurah, Midland, Rockingham, Cockburn and Warwick.

Natural Disaster Relief

2021 has been a turbulent year for many. In February this year, the devastating Wooroloo bushfires ripped through the hills of WA destroying over 80 homes. After analysing our member data, HIF found that potentially 700 of our members could have been impacted by these bushfires. In response we donated $25,000 immediately to the Lord Mayor's Distress Fund. HIF then reached out to all our members located in impacted areas to offer assistance including premium support for up to 12 months for those whose homes were partially or fully destroyed by the fires.

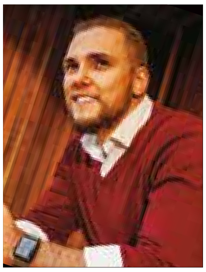
In April, HIF also assisted members whose homes were destroyed by Tropical Cyclone Seroja.

Reconciliation Australia welcomes HIF to the Reconciliation Action Plan (RAP) program with the formal endorsement of its inaugural Reflect RAP.

Karen Mundine
CEO Reconciliation Australia

HIF's journey to reconciliation

As a business and as individuals, we wanted to make a commitment to educate ourselves and do better in acknowledging, respecting and learning from Aboriginal and Torres Strait Islander peoples, which includes listening and understanding the long lasting impacts of how our country was first settled and stolen from its traditional land owners. For our REFLECT plan, HIF worked closely with an internationally renowned Cultural Advisor, to genuinely understand what our first steps should be, and how our plan will evolve as we move through the reconciliation process.



HIF commissioned Rhys Paddick, a Budimia/Yamatji/Nyungar Australian digital artist, to create our very own RAP custom artwork. Our artworks represent health through the beating hearts of the design.

HIF's overall goal is to create a more inclusive and culturally aware workplace, a workplace that understands, values, and respects the histories and cultures of Aboriginal and Torres Strait Islander peoples.

We acknowledge that we need to build meaningful relationships with Aboriginal and Torres Strait Islander stakeholders, encourage cultural awareness and show respect to the Traditional Custodians of the Land. HIF has begun taking practical steps on this journey which has included cultural awareness training, Welcome to Country and acknowledgement of country exposure and most importantly listening and learning from the storytelling of Aboriginal and Torres Strait Islander peoples.

While we are proud of the foundational steps we have made, we acknowledge we have a long journey ahead of us to truly understand and respect what reconciliation means.

We look forward to taking our members and all of our stakeholders on this journey with us.

As a business and as individuals, we made a **commitment to educate ourselves and do better.**

Our people.

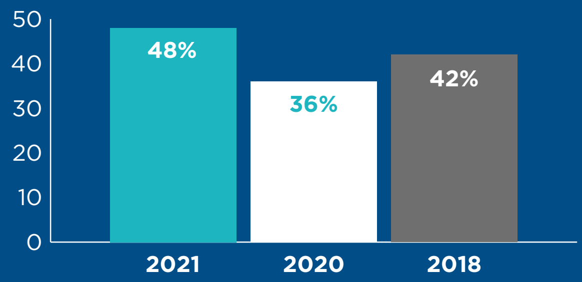
In 2020/2021, HIF's values were refreshed and the company culture re-invigorated. HIF's priority has been to develop our culture, people and processes to ensure our members get access to qualified and experienced staff around the clock.

HIF's technology transitioned to remote working at the beginning of the pandemic to ensure continuity of service for our members, even in lockdown. Remote working has now become a part of the HIF culture, providing more flexibility for staff than ever before. We've been creative in finding ways to ensure the team remains connected with colleagues by creating 'all-in-days' throughout the calendar year. On these days, HIF holds Community Halls, in which the CEO can provide business updates and the HIF team can give feedback or voice any concerns. This two-way communication is important to ensure the HIF team knows that their opinions are important to the success of HIF.

Our team is undergoing further training to help develop the skills and talent we have available, that in turn, will better our member experience. HIF is also consciously looking for ways to diversify our employee base through partnerships with organisations such as the Wirrpanda Foundation.

An enhanced employee benefits scheme has been introduced this year. Paid parental leave for staff now stands at 12 weeks with the recognition of 52 weeks paid super, plus no loss of service continuity. Paid domestic violence and cultural leave is also available for staff if and when they require it. The HIF team received an average salary increase of 3% this year, based on a high level of job performance and upholding the HIF values.

HIF saw a **12% increase** in employee engagement from the previous financial year.



On average, our staff received a **3% salary increase** for the year.

Our brand and partnerships.

This year has seen the HIF brand evolve. We invested in an independent research agency to better understand why members choose HIF and how the wider community sees our brand.

Overwhelmingly members and non-members, both loved that HIF provides the freedom to choose their health provider and they associated us with providing greater access to new treatment options and services. From this, we decided to make our values the focal point of our brand campaign and showcase to the public why more and more Australians are choosing HIF.

Why 'Freedom to Choose'?

Choice is a cornerstone benefit of being with HIF. Whether it's a choice of specialist or doctor, or even a progressive treatment, such as medicinal cannabis, we empower our members to make these decisions themselves.

We don't use the words preferred, contracted or participating providers at HIF, because we simply don't have them. We want our members to have the freedom to choose which services they utilise or visit.

Freedom
to choose

Why 'What if'?

What if? encourages our members to question what they value in their health insurance and how HIF can best meet their health needs. It showcases the freedom that comes with having options and to make the right decision for them when it comes to their health.

During our research we also uncovered that "Hif", our loveable mascot, was only resonating with pet insurance. In response to this, Hif will now be front and centre in all our HIF Pet campaigns. Don't worry, Hif will still be making appearances, keep an eye out for him in all things Pet!

Perth Wildcats

HIF has been a proud supporter of the Perth Wildcats since 2013. As their Diamond Partner, our logo has prime real estate on the back of the Wildcats playing jersey and on the jersey of its wildly passionate Red Army. The Wildcats value of community aligns closely with our member focussed approach, so we are thrilled to continue this partnership for another three years.

MEDCON21
WA DOCTORS TOGETHER

HIF were Diamond Sponsors for the inaugural *MEDCON21* conference held at the Perth Convention and Exhibition Centre and hosted by the Australian Medical Association (AMA).

This unique inter-college medical conference, developed by doctors for doctors, provided HIF with an opportunity to interact with medical professionals and learn about the health issues that are topical and of interest to the Western Australian medical community.

Little Green Pharma

This financial year HIF made a public stance in support of the access to medicinal cannabis. In partnership with WA based medicinal cannabis producer Little Green Pharma, HIF now pays a rebate towards the treatment for eligible members looking for effective and reliable medicinal cannabis products.

To further support the growth of the industry and to help build its credibility in Australia, HIF has worked alongside Little Green Pharma and a long list of national health organisations such as MS Research Australia, Chronic Pain Australia, Arthritis Australia and Epilepsy Action Australia in supporting one the world's largest medicinal cannabis studies, currently occurring in Australia – The Quest Initiative. We hope through additional research, the benefits that medicinal cannabis can have on treating debilitating health conditions across multiple life stages, will become more acceptable and utilised in Australia. The Quest initiative's first round of results are due to be released shortly.

HIF and St John WA

This year we announced our partnership with St John WA and St John Giving.

Our goal is to work with St John over the coming years to support critical healthcare initiatives in WA and help close the gap to accessible healthcare services for all.

Community Transport Service Extension

Our first initiative saw HIF work with St John Giving to expand their Community Transport Service (CTS) to the South West of WA.

The Bunbury CTS service features a fully equipped Honda Odyssey with automatic external defibrillators and first aid kits to safely connect elderly residents and people with moderate disabilities to essential healthcare services in the South West region.

HIF provided the support needed to expand this service into a new area for St John WA.

HIF pays gap fee at Urgent Care Centres for HIF members

This year we announced that HIF will cover the cost of urgent care consultations at urgent care locations in Perth that charge a gap fee.

HIF members can now access urgent medical care without the need to visit the emergency department and without fees for urgent care consultations.

In light of increasing concerns around long wait times in emergency departments, St John Urgent Care Centres provide an alternative option for urgent care treatment of injuries or illnesses that are not life-threatening, but still require urgent medical attention.

Our member-first approach has naturally guided us to explore options to provide members with services that provide access to after hours care, at no additional cost. Urgent Care provides this access and more for HIF members.

We look forward to another year of partnership with St John WA, continuing to support not only HIF members, but the wider Western Australian community.

More to come.

Product

HIF will introduce a new Extras product suite that will simplify our members' Extras journey and will provide more value.

Processes

HIF is investing in new technology to overhaul manual processes to create more automation that will make our members' experience simpler and more efficient.

This overhaul of processes has become a stable of projects run every year at HIF, known as the Top Ten. As part of the Top Ten we analyse our data, along with member feedback to uncover the areas of the business that need to be updated or overhauled. These improvements are all made to improve the member experience we offer.

Innovation

We are investing in improving our digital presence and technology functionality. Some exciting developments to come include:

- **Apple E-Cards** on our Mobile App
- **Person-based logins** for our Online Member Centre (OMC)
- **Access to Member Benefit Statements** anytime via OMC or the HIF App

Partnerships

Our partnerships have opened many avenues for HIF and have helped us provide new services that are unique to our members. Our partnership with 10 x time NBL champions, the Perth Wildcats will continue for the next three years. HIF will look to support Little Green Pharma in the new year, in advocating for better access to medicinal cannabis for the community, but also in exploring new and emerging treatments for mental health and other disorders. We also look forward to working with St John WA in addressing the gaps in our healthcare system that will help provide better access for our members and the wider community to quality healthcare.

Members

At the height of COVID-19 our industry regulator asked all health funds to hold onto a provision of funding in case of a major health crisis. Later this year, we will be releasing $2.8 million back to members. Keep an eye on your inbox for further information over the coming months.

At HIF we know that sleep can have an enormous impact on our physical and mental health. Over the next financial year, sleep will become a focus for HIF, as it impacts everyone.

Emerging treatments that give the health industry ways of dealing with long term mental health issues and other disorders is also an area that we are very keen to explore in the future.

Material Business Risks.

Risk management

HIF's risk management capability is supported by the operation of a risk management framework that among other uses, allows the Board to identify, monitor and manage the organisation's material risks on an ongoing basis.

The Board accepts a certain amount of risk in order to achieve the Company's strategic objectives and to achieve its vision of renewing community confidence. The Board will however only accept material business risks that have been carefully assessed and for which it has geared itself to accept, including through operating effective controls to avoid an unwelcome risk, mitigating the likelihood of the risk materialising and reducing the resulting impact if one did materialise.

The following table outline HIF's material risks under each Strategic Pillar:

Risk	Risk Description
People and Culture	
Conduct Risk	The risk that HIF's organisational behaviours and culture do not align with its core values and the ethical expectations of the community in which it operates, resulting in diminished brand loyalty and stakeholder confidence.
People Risk	The risk of not having the right people, capability and workforce composition negatively impacting the achievement of the overall strategy.
Simplification	
Poor Member Value Proposition Risk	The risk of failing to proactively communicate and deliver on value proposition to current and prospective members with evolving expectations, leading to limited market competitiveness and increased member churn.
Service Delivery Risk	The risk of delivering inadequate levels of service resulting in member dissatisfaction and attrition.
Enhanced Capability	
Cyber Security Risk	The risk of failure, unauthorised or erroneous use of information systems resulting in financial loss, disruption or damage to HIF's reputation.
Enabling Technology Risk	The risk of inadequate technology and infrastructure for servicing members resulting in operational disruptions, poor member experience and loss of business

Risk	Risk Description
Financial Sustainability and Risk Management	
Regulatory Intervention and Sovereign Risk	The risk of HIF's inability to respond to private health insurance related Government or Regulatory changes/reforms resulting in financial or reputational loss.
Third Party Risk	The risk of dependency on and inadequate management of third-party service providers resulting in poor service delivery, regulatory non-compliance and financial loss.
Brand and Reputation Risk	The risk of potential losses in financial capital, community confidence and/or market share resulting from damage to HIF's brand and reputation.
Insurance Risk	The risk of an unexpected increase in claims, changes in member and product mix and product competitiveness negatively impacting affordability, financial viability and sustainability.
Capital and Liquidity Risk	The risk that HIF cannot meet its financial commitments as and when they become due and has insufficient assets to cover its prudent liabilities and regulatory capital requirements.
Investment risk	The risk that HIF's investment portfolio produces insufficient income and/or a loss in capital value due to negative investment market factors including equity prices, interest rates, currency and credit risks.

HIF Financial report.

Corporate information.

Directors

R. Homsany (Chairman)

G. N. Gibson (retired 31 July 2020)

S. V. Blake

P. L. Hersey

K. Laufmann

T. W. Shackleton

Company secretary

K. L. J. Garvey

Registered office and principal place of business

100 Stirling Street, Perth
Western Australia

Whadjuk Country
GPO Box X2221
Perth WA 6847

Solicitor

Lavan

Level 20, 1 William Street, Perth
Western Australia

Banker

National Australia Bank

Level 28, 500 Bourke Street, Melbourne
Victoria

External auditor

Deloitte Touche Tohmatsu

Level 9, Grosvenor Place
225 George Street, Sydney
New South Wales

Internal auditor

PricewaterhouseCoopers

Brookfield Place,
125 St Georges Terrace, Perth
Western Australia

Appointed actuary

J. Reid – Finity Consulting

Level 7, 68 Harrington Street, Sydney
New South Wales

Directors' Report.

The board of directors (**Board**) of Health Insurance Fund of Australia Limited (**the Company**) submit herewith the Directors' report for the year ended 30 June 2021 in accordance with the *Corporations Act 2001* (Cth).

Our Board

Information about the Directors

The directors of the Company (**Directors**) during or since the end of the year ended 30 June 2021 are:

Mr R. Homsany *LLB (Hons), BCom, Grad Dip App Fin & Inv* **Chairman**	Mr Homsany was appointed to the Board in June 2010. Mr Homsany is Executive Vice President, Australia of Mega Uranium Ltd, a TSX listed company and is an experienced corporate lawyer having been admitted as a solicitor for over 20 years. Mr Homsany is also the principal of Cardinals Lawyers and Consultants. Previously he was Partner, Corporate and Commercial, of DLA Phillips Fox (now DLA Piper) and prior to that was a partner of Gadens Lawyers. Mr Homsany has also worked for an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate. Mr Homsany is a Certified Practising Accountant (CPA) with CPA Australia, a fellow of the Financial Services Institute of Australasia (FINSIA) and a member of the Australian Institute of Company Directors. Mr Homsany has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA. Mr Homsany has significant board experience with public listed companies including as Chairman of ASX listed Redstone Resources Ltd and TSX-V listed Central Iron Ore Limited, and as Executive Chairman of ASX listed Toro Energy Ltd, Chairman of ASX listed Galan Lithium Limited and as a Non-Executive Director of ASX Listed Brookside Energy Limited. Mr Homsany is a member of the Audit Committee, Risk Committee and the Investment Committee and Chairman of the Nomination and Remuneration Committee.

Mr G. N. Gibson *BBus, Grad Dip Ed, CPA, GAICD* **Executive Director** Retired: 31 July 2020	Mr Gibson was the Chief Executive Officer and Managing Director of the Company until his retirement on 31 July 2020. Mr Gibson is a Certified Practising Accountant (CPA) with CPA Australia and a Graduate member of the Australian Institute of Company Directors. Mr Gibson was appointed by the Board in 2009. Mr Gibson commenced with the Company in 2004 as Commercial Manager when it operated as an incorporated association under the Associations *Incorporation Act 1987* (WA). In 2005, Mr Gibson was appointed Chief Executive Officer during which time Mr Gibson managed the Company's re-registration as a private health insurer in 2008 and transfer of incorporation (from an association to a company) in 2009, at which time Mr Gibson was appointed Managing Director. Before joining the Company, Mr Gibson worked as an Area Business Manager for Australia's then largest private hospital operator Affinity Health Ltd after serving in senior finance and commercial roles for several publicly listed companies involved in mining, infrastructure, manufacturing and industrial services. Mr Gibson also gained experience in the public sector as a senior lecturer in finance, accounting and commerce.
Ms S. V. Blake *MMkt, Grad Dip Comm, BComm Mkt & PR, GAICD* **Non-executive Director**	Ms Blake was appointed to the Board in September 2016. Ms Blake has significant experience as a consultant in building marketing strategies for clients, including in financial and professional services, utility, government, retail, hospitality, non-government and member-based organisations. Ms Blake has held senior marketing leadership positions in several organisations, involving national promotions and communications strategy and product development, and lectured in marketing and professional practice at Curtin University, and she is a former partner at strategy consulting firm Black House. Ms Blake is the former founding director of Glue Marketing Consulting, a firm specialising in marketing, brand and digital communication and channel strategy development. Ms Blake is currently the Chief Marketing Officer for a global technology company, Tape Ark. Ms Blake is a Councillor of Scotch College. Ms Blake is a member of the Audit Committee and Chairman of the Risk Committee.

Mr P. L. Hersey *BSc, MBA, MAICD* **Non-executive Director**	Mr Hersey was appointed to the Board in June 2019. Mr Hersey has extensive experience in the health, insurance, government, not for profit and financial services sectors as a senior executive and external consultant. Mr Hersey's early career involved working as a management consultant in London, primarily within the health and finance sector. Mr Hersey held roles in quality healthcare and as a project director in the Asia-Pacific region, as a senior executive of the Company, program manager for Ramsay Health, executive manager in health partnerships for a private health insurer and as a director within PricewaterhouseCoopers' health and government practice, working for clients in federal and state health departments, aged care, community and treasury, not-for-profit entities, private hospital groups and health insurers. Mr Hersey was Chief Executive Officer of 360 Health and Community, a not-for-profit primary healthcare organisation until 2017 before becoming a founding director of the Mavuno Group, a wealth, advisory and investments consultancy. Mr Hersey has held board positions within both the not for profit and private sectors, including at Pat Thomas House, Moorditj Koort Aboriginal Health and Wellness Centre and Intium Energy. Mr Hersey is a member of the Investment Committee and Chairman of the Audit Committee.
Mr K. B. Laufmann *BEcon, Grad Dip Fin Plan* **Non-executive Director**	Mr Laufmann was appointed to the Board in April 2020. Mr Laufmann is an advisor at Ord Minnett. Preceding his current role, Mr Laufmann was the Western Australian State Manager, Equity Partner and National Compliance Committee member of EL&C Baillieu Ltd, one of Australia's oldest share brokerage firms. Mr Laufmann has worked in financial markets for the past 25 years, holding positions with Salomon Smith Barney Inc., Citigroup Inc. and HSBC, focusing on capital raising, portfolio management and corporate advice. Throughout his career, Mr Laufmann has advised and funded several ASX resource companies from early-stage venture capital, through to IPO, and discovery. Previously Mr Laufmann was a non-executive director at NxGold Ltd, which held assets in WA and North America and also sat on its Audit Committee. Mr Laufmann is a member of the Risk Committee and the Nomination and Remuneration Committee and Chairman of the Investment Committee.

Mr T. W. Shackleton *BSc, Grad Dip HSM* **Non-executive Director**	Mr Shackleton was appointed to the Board in June 2020. Mr Shackleton has extensive experience as an executive and non-executive director in the public, private and NGO health sectors in WA. Currently employed as Chief Executive Officer (CEO) of Rural Health West (an NGO dedicated to improving access to health care for people in rural and remote regions of WA), his previous experience includes CEO of the Royal Flying Doctor Service, Regional Director for Health in the Pilbara, Gascoyne and Wheatbelt Regions, General Manager of the Murchison Health Service and Executive Director of the Asthma Foundation of WA. In 2011, Mr Shackleton also established health consultancy firm Virtual Health, which he operated successfully until joining Rural Health West in 2016. In addition to his executive experience, Mr Shackleton has a strong background in board directorship. Previous appointments include Chair of the Western Australian Regional Development Council, Chair of the Wheatbelt Development Commission and Chair of WA General Practice Education and Training Pty Ltd. In addition to his position on the Board of HIF, Mr Shackleton is currently Chair of the Western Australian Pastoral Lands Board and Non-Executive Director of the Royal Flying Doctor Service WA. Mr Shackleton has a bachelor's degree in Human Movement and a Post Graduate Diploma in Health Service Administration.

The Directors, except for Mr Gibson, held office during the whole of the year ended 30 June 2021.

Company Secretary

Ms K. L. J. Garvey LLB, BA, MAICD is an experienced corporate and commercial lawyer and is presently Legal Counsel and Company Secretary at Toro Energy Limited and a Senior Associate at Cardinals Lawyers and Consultants. Ms Garvey is also Company Secretary of ASX listed companies Brookside Energy Limited and Aerison Group Limited and of TSX-V listed company Central Iron Ore Limited. Prior to that Ms Garvey spent several years with international law firm DLA Phillips Fox (now DLA Piper) in corporate advisory and commercial. Ms Garvey is a member of the Australian Institute of Company Directors.

Principal Activities

The principal activity of the Company is the provision, as an underwriter, of private health insurance in Australia by operating as a registered private health insurer in accordance with the *Private Health Insurance Act 2007* (Cth) (**Act**). Private health insurance provided by the Company includes coverage for Australian citizens and permanent residents who are entitled to Medicare benefits under Complying Health Insurance Products (**CHIP**) for:

- Hospital treatment – inpatient, day patient and in-the-home services.
- General treatment (extras) – ancillary health services (including dental, optical, physiotherapy and chiropractic).

Collectively, these categories of health insurance are health insurance business as this term is defined in the Act or in the rules referred to in the Act.

The Company provides, as an underwriter, non-CHIP private health insurance, including hospital treatment and/or general treatment, to overseas visitors who temporarily reside in Australia, including Temporary Skill Shortage visa holders (**health related business**). The Company also provides travel and pet insurance under agency agreements with third party underwriters.

The Company's principal activities include providing present and future contributors (as that term is defined in the Company's constitution) to the fund operated by the Company and their dependents (**Members**) access to a wide range of competitively priced healthcare treatments and services that are intended to be used to support healthy lives and lifestyles.

Objectives

The Company's purpose is to help present and future Members lead healthy lives by:

- Providing them choice and access to relevant and high-quality healthcare facilities, providers, treatments and services.
- Informing them about their health cover and relevant healthcare issues.
- Providing them attractive benefits and rebates.
- Keeping their premiums affordable and valuable.
- Providing them the highest standards of service.

The Company's objectives involve:

- Acquiring financial and non-financial benefits to increase value for Members.
- Gaining greater prominence, relevance and reputation amongst Members, consumers, government, regulators and other stakeholders in the community.
- Building confidence with Members to increase their loyalty.
- Growing long term relationships with key healthcare providers and other stakeholders.

The Company leverages its membership of stakeholder groups, including the Australian Health Services Alliance Ltd for purchasing medical services and access to over 540 private hospitals and a limited number of general treatment benefits, and HAMB Systems Ltd for core insurance application services and related electronic and digital information, technology and communications solutions.

The Company's vision is to create lasting relationships with Members through confidence, by providing them value that matters to them.

To support its purpose and vision, the Company believes in its core values of *Community, Member Value and Affordability, Integrity, Member for Life and Accountability*.

Performance Measures

The Company measures its performance in many ways, including by measuring, monitoring and analysing:

- Size, distribution and composition of its Member base.
- Member loyalty, effort, experience and satisfaction.
- How motivated Members are to recommend the Company and its products and services.
- Member acquisition and retention and the related costs.
- Cost and effort to serve Members.
- Premium revenue, claim benefit outlays and out-of-pockets.
- Capital adequacy and solvency strength.
- Efficiency and effectiveness of financial and non-financial resources.
- Staff engagement and culture.
- Income from investments and other activities.

Risk management

The Company also measures its performance by monitoring its governance and risk management frameworks and its ability, using capital and the gearing of its operational resources, to support the Company's strategy and key objectives for performance and development whilst building financial resilience and sustainability.

Financial Results

Profit / (loss)

The consolidated profit for the year ended 30 June 2021 was $11.6 million compared to a consolidated profit of $3.6 million in 2020. Premium revenue for the year was $174.1 million compared to $174.6 million in 2020, a decrease of 0.3%.

The profit this year reflects the Company's fair value gains in the investment portfolio combined with lower net claims incurred and claims handling expenses.

In response to the COVID-19 pandemic, the Company postponed its planned 1 April 2020 increase in Members' premiums to 1 October 2020. On 1 April 2021, the Company increased Members' premiums by a weighted average of 3.78%. The relatively higher premium increases this year (i.e. above the overall industry weighted average increase of 2.74%) are necessary to keep pace with the growth in the Company's net claims incurred and to correct certain CHIP margins.

Comprehensive income

Consolidated total comprehensive income for the year was $11.6 million compared to $3.2 million in 2020. This year, the Directors of the Company adopted the Directors' estimate of fair value at 30 June 2021 of the carrying values of its commercial properties.

Claims incurred and underwriting

Net claims incurred was $149.6 million compared to $151.0 million in 2020, a decrease of 0.9%. The relatively larger decrease in the net claims incurred compared to the 0.3% decrease in premium revenue was due mainly to fewer policies in force over the year and the relatively higher increase in premiums compared to the increase in the utilisation of hospital and medical services and the increased cost per service.

Underlying this year's net claims incurred, of which 72.6% is hospital treatment policies related, was a (5.0%) decrease in the number of hospital claims assessed, a (3.1%) decrease in the number of medical claims assessed and a 5.4% increase in extras claims. The reduction in hospital and medical claims assessed was due to fewer hospital policies in force (6.2%) over the year due to COVID-19 policy suspensions and (29%) fewer overseas visitor policies due to the international border restrictions. The increase in extras claims assessed was due to a catch-up in 2021 of treatments and services deferred in 2020 due to COVID-19 restrictions. There were (1.2%) fewer extras policies in force over the year due to COVID-19 policy suspensions.

In accordance with APRA's guidance, as at 30 June 2021 the Company has provided for 100% of the hospital treatment claims and 85% of the general treatment claims that did not proceed due to COVID-19 restrictions, totalling $5.6 million, to be caught-up and incurred in the future.

The decrease in net claims incurred that resulted from slightly higher utilisation of treatments and services by a reduced number of policyholders over the year resulted in the Company consuming 85.9% of this year's premium revenue towards the net claims incurred, compared to 86.5% in 2020.

Investment income and fair value gains / (losses)

Investment income for the 2021 year was $1.1 million compared to $2.5 million in 2020. This was a relatively good result considering the fall in the average cash rate for the year from 0.7% in 2020 to 0.2% in 2021.

The fair value (unrealised) gain on financial assets (i.e. the investment portfolio) at fair value was $7.7 million compared to a (unrealised) loss of $1.6 million in 2020. Investment markets have performed well, particularly equities with the Australian All Ordinaries Index increasing 26.4% during the year.

Overheads

The total overheads for the year were $22.1 million (12.7% of premium revenue) compared to $21.3 million (12.2% of premium revenue) in 2020. The main drivers of the increase in the cost of overheads were the $0.6 million increase in acquisition expenses and $0.5 million increase in other operating expenses, offset against a decrease of $0.3 million in claims handling expenses.

Acquisition costs increased from 5.6% of premium revenue in 2020 to 5.9% in 2021. The net deferral of acquisition costs in 2021 was limited by the liability adequacy test to $0.3 million compared to a $1.0 million increase in deferred acquisition expenses in 2020.

Other operating expenses for the year were $9.0 million compared to $8.5 million in 2020. The main driver of the 5.6% increase in these expenses was the $1.1 million increase in employee benefit expenses, offset by a decrease of $0.5 million in advertising expenses.

Capital management

The Company's capital management framework including a capital management policy, a pricing philosophy and a capital management plan (**CMP**) guide management's practices to ensure that the Company has enough capital to support the risks it undertakes and to meet its liabilities, including in the event of adverse circumstances.

The pricing philosophy establishes target gross and net margins that must be considered when making decisions affecting the prices of policies. Consideration of the target net margins in pricing decisions helps the Company's management and Board fulfil the obligation to hold adequate economic capital.

The CMP is aligned to the Board's risk appetite which evolves through regular reviews. The reviews involve assessing the required levels of internal risk capital and related trigger points and action plans.

The Company's investment policy contains investment rules and guidelines to ensure the appropriate investment of the Company's financial and non-financial assets and that investments align with the Board's risk appetite.

In 2021 the Company reviewed and enhanced its recovery plan to strengthen the Company's risk management capability, particularly, if the Company were to experience sustained and extremely adverse circumstances impacting on its capital.

Risk management

The Company's risk management capability is supported by the operation of a risk management framework that among other uses, allows the Board to monitor on an ongoing basis the Company's exposure (if any) to the key risks identified by the Board and the effectiveness of risk management processes and practices of management.

Review of Operations

Member growth

The Member base covered by CHIP's increased by 0.5% compared to a decline of 3.5% in 2020 and 3.1% net growth in the industry for 2021. Overseas visitor Members declined by 31% in 2021 due to international border restrictions throughout the year. The proportion of the total Member base from non-traditional markets (states/territories other than Western Australia) at 30 June 2021 was 41% compared to 41% 12 months earlier.

The Board considers net growth in the industry will remain subdued due to the on-going affordability issues for lower and middle income earners and limited effectiveness of stimuli for young Australians to take out private health cover for the first time.

The Board considers its growth prospects in the short to medium term will be slightly positive, reflecting its strategy to improve Member confidence and resulting retention and its resonance with consumers looking for choice and access with an ethical insurer.

Affordability

The Minister for Health approved, for deployment on 1 April 2021, a weighted average 3.78% increase to Members' premiums, compared to a 2.74% weighted average increase for the industry (including the Company). The Company's increase this year reflected the need to keep pace with the growth in net claims incurred that resulted from increased prices charged by health providers and suppliers and increased service and treatment utilisation, and to correct certain CHIP prices in some of the markets in which the Company operates. Postponing the 2020 premium increase by six months from 1 April 2020 to 1 October 2020 and allowing the suspension of premiums due to financial hardship provided premium relief of approximately $5.9 million for Members in 2021. The ultimate decrease in claims as a result of COVID-19 (i.e. claims that will not be incurred rather than those that have just been deferred and will be caught-up in the future) is estimated at $2.8 million.

The Board considers part of the solution to addressing affordability is for the government to address prostheses reforms, public hospitals charging patients with private health insurance and to restore the 30% rebate for low and middle income earners. Without a positive change in government policy towards funding arrangements for private health insurance, the rebate which is now below 25%, will continue to be eroded.

Choice and convenience

The Company's strong stance on choice aligns with the understood consumer preference for them to remain in control when it comes to choosing their health cover and their service provider. This means that Members retain the freedom to choose any level of hospital and/or extras cover from the Company's generous range of covers and go to their family health provider without being financially disadvantaged.

Personalised service and convenience

The Company's priority is to develop its culture, people and processes to ensure Members get access to service-delivery from friendly, qualified, skilled and experienced staff when and in the form they want it. The Company introduced a Member service centre and a kiosk facility in June 2020 and remains focussed on building a Member experience model that provides access to relevant and smart digital transaction processing and communication solutions, including self-service options. The Company believes that its Members benefit from cost savings resulting in a higher allocation of available reserves for increased benefits and more affordable premiums.

Investments

Investments performed well during the year, recovering from the negative impact of COVID-19 in financial year 2020 and considering a further weakening in interest rates during the year. Returns from fixed interest funds and bank term deposits declined over the year with the Reserve Bank of Australia reducing the official cash rate by 0.15% from 0.25% to a record low of 0.10% in November 2020. Income from investments of $1.1 million in 2021 decreased by $1.4 million compared to the $2.5 million earned in 2020. The Company recorded a $7.7 million fair value (unrealised) gain on financial assets at fair value in 2021 compared to an (unrealised) loss of $1.6 million in 2020.

The investment portfolio (excluding cash and cash equivalents) increased from $86.5 million at 30 June 2020 to $103.4 million at 30 June 2021, an increase of 19.5% for the year. The additional cash invested in bank term deposits was drawn from operating surpluses and an increase in total liabilities from $55.9 million at 30 June 2020 to $59.9 million at 30 June 2021.

Property

The Company leases one floor of the Company's head office premises at 100 Stirling Street under a commercial tenancy. All other floors are occupied by the Company.

The Company owns an investment property at 60 - 62 Stirling Street, Perth to earn commercial property rent. This property was fully tenanted for the year ended 30 June 2021.

Other Developments

Electronic transaction processing and communications

During the year, the Company continued to focus on developing and delivering new and innovative digital workflow and communications solutions to improve Member experience, including new Member onboarding and enhanced core insurance application software and workflow integration to improve transaction processing efficiency and effectiveness, and to enhance the clarity of health insurance and policy related information.

Code of conduct

The Company subscribes to the Australian private health insurance industry's peak representative body, Private Healthcare Australia (**PHA**). The Company subscribes to and complies with the PHA's Code of Conduct (**Code**) which is audited regularly. The Company remains compliant with the Code.

Significant Changes in State of Affairs

The Company's long serving CEO and Managing Director, Mr Graeme Gibson, retired on 31 July 2020. Mr Justin James was appointed as CEO in May 2020 with a period of transition prior to Mr Gibson's retirement.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2021.

Significant Matters or Circumstances after 30 June 2021

At its meeting on 29 September 2021, the Board approved the refund of $2.8 million in premiums to Members impacted by the lack of access to health services due to COVID-19 restrictions and lockdowns. The Company is committed to not benefitting financially from COVID-19.

No other matters or circumstances including COVID-19 restrictions and lockdowns have arisen since 30 June 2021 which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Environmental Regulations

The Company's operations are not subject to any environmental regulation under a law of the Commonwealth or of a State or Territory.

The Company is certified NOCO2 by the Carbon Reduction Institute Pty Ltd. Certification confirms the Company's financial contribution, by purchasing carbon offsets, towards reducing carbon emissions.

Indemnification of Officers and Auditors

During the year ended 30 June 2021, the Company paid a premium in respect of a contract insuring the Directors, Secretary and all Executive Officers of the Company and of any related body corporate of the Company against a liability incurred as such by a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its Auditor, Deloitte Touche Tohmatsu (**Deloitte**), as part of the terms of its audit engagement agreement (**Engagement**) against certain claims by third parties arising from the audit work as that term is defined in the Engagement (for an unspecified amount). No payment has been made to indemnify Deloitte during or since the financial year ended 30 June 2021.

The Company has not, during or since the financial year ended 30 June 2021, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees established by the Directors) held during the year ended 30 June 2021 and the number of meetings attended by each Director (including committee meetings attended by them as committee members). During the year ended 30 June 2021, nine Board meetings, three Audit Committee meetings, three Risk Committee meetings, two Nomination and Remuneration Committee and one Investment Committee meeting were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee		Investment Committee	
Directors	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**
Ms S. V. Blake	9	9	3	3	3	3	-	-	-	-
Mr G. N. Gibson[1]	9	1	-	-	-	-	-	-	-	-
Mr P. L. Hersey	9	9	3	3	-	-	2	2	1	1
Mr R. Homsany	9	9	3	3	3	3	2	2	1	1
Mr K. B. Laufmann	9	9	-	-	3	3	2	2	1	1
Mr T. W. Shackleton	9	7	-	-	-	-	-	-		

1 Mr G.N Gibson retired as Executive Director on 31 July 2020.
Att. – Attended

Auditor's Independence Declaration to the Directors of Health Insurance Fund of Australia Limited

The Company has obtained an independence declaration from the Auditor, Deloitte, which is set out on the following page and forms part of this Directors' report for the year ended 30 June 2021.

Signed in accordance with a resolution of the Directors.

R. Homsany
Chairman

Perth, 29 September 2021

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 9, Grosvenor Place
225 George Street
Sydney, NSW
2000
Australia
Tel: +61 2 9322 7000
www.deloitte.com.au

Board of Directors
Health Insurance Fund of Australia Limited
100 Stirling Street
PERTH WA 6000

29 September 2021

Dear Board Members

Auditor's Independence Declaration to Health Insurance Fund of Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Health Insurance Fund of Australia Limited.

As lead audit partner for the audit of the financial report of Health Insurance Fund of Australia Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

David Gaudreault

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountant

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

		Consolidated		Health Insurance Fund of Australia	
	Note	**2021 $**	2020 $	**2021 $**	2020 $
Premium revenue	5	**174,055,389**	174,632,377	**174,055,389**	174,632,377
Net claims incurred	9	**(149,551,905)**	(150,984,579)	**(149,551,905)**	(150,984,579)
Acquisition expenses	16	**(10,343,605)**	(9,713,122)	**(10,343,605)**	(9,713,122)
Claims handling expenses	10	**(2,737,368)**	(3,050,532)	**(2,737,368)**	(3,050,532)
Underwriting result		**11,422,511**	10,884,144	**11,422,511**	10,884,144
Investment income	6	**1,135,412**	2,461,737	**1,135,412**	2,461,737
Fair value gains on financial assets at fair value through profit or loss	7	**7,680,105**	(1,560,990)	**7,680,105**	(1,560,990)
Other income	8	**319,215**	302,523	**319,215**	302,523
Other operating expenses	10a	**(8,965,570)**	(8,493,178)	**(8,965,570)**	(8,494,136)
Result of operating activities		**11,591,673**	3,594,236	**11,591,673**	3,593,278
Finance costs	10b	**(32,580)**	(19,663)	**(32,536)**	(19,597)
Profit before income tax		**11,559,093**	3,574,573	**11,559,137**	3,573,681
Income tax expense	11	**-**	-	**-**	-
PROFIT FOR THE YEAR		**11,559,093**	3,574,573	**11,559,137**	3,573,681
Other comprehensive income		**-**	(361,920)	**-**	(361,920)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,559,093**	3,212,653	**11,559,137**	3,211,761

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2021

		Consolidated		Health Insurance Fund of Australia	
	Note	**2021 $**	2020 $	**2021 $**	2020 $
ASSETS					
Current assets					
Cash and cash equivalents	12	**15,535,959**	16,954,862	**15,535,959**	16,924,060
Trade and other receivables	13	**4,558,968**	4,590,024	**4,528,210**	4,590,024
Other financial assets	14	**32,771,959**	24,421,715	**32,771,959**	24,421,715
Deferred acquisition costs	16	**1,572,517**	1,241,276	**1,572,517**	1,241,276
		54,439,403	47,207,877	**54,408,645**	47,177,075
Non-current assets					
Other financial assets	14	**70,643,863**	62,118,930	**70,643,863**	62,118,930
Investment in controlled entities	15	**-**	-	**1**	1
Property, plant and equipment	17	**13,483,234**	13,624,793	**13,483,234**	13,624,793
Investment property	18	**4,000,000**	4,000,000	**4,000,000**	4,000,000
		88,127,097	79,743,723	**88,127,098**	79,743,724
Total assets		**142,566,500**	126,951,600	**142,535,743**	126,920,799
LIABILITIES					
Current liabilities					
Trade and other payables	19	**4,596,179**	3,588,075	**4,596,180**	3,588,076
Claims liabilities	20	**26,688,762**	24,974,399	**26,688,762**	24,974,399
Unearned premium liability	21	**27,308,397**	25,760,699	**27,308,397**	25,760,699
Unexpired risk liability	23	**-**	-	**-**	-
Provisions	22	**1,185,411**	1,440,737	**1,185,411**	1,440,737
		59,778,749	55,763,910	**59,778,750**	55,763,911
Non-current liabilities					
Provisions	22	**157,425**	116,457	**157,425**	116,457
		157,425	116,457	**157,425**	116,457
Total liabilities		**59,936,174**	55,880,367	**59,936,175**	55,880,368
Net assets		**82,630,326**	71,071,233	**82,599,568**	71,040,431
EQUITY					
Reserves attributable to the entity's members					
Reserves	24	**488,080**	488,080	488,080	488,080
Retained earnings		**82,142,246**	70,583,153	82,111,488	70,552,351
Total equity		**82,630,326**	71,071,233	82,599,568	71,040,431

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

Statement of changes in equity

For the year ended 30 June 2021

	Revaluation reserve	Retained earnings	Total
	$	$	$
Consolidated			
At 1 July 2019	**850,000**	**67,008,580**	**67,858,580**
Fair value revaluation of land and buildings	(361,920)	-	(361,920)
Profit for the year	-	3,574,573	3,574,573
Total comprehensive income for the year	(361,920)	3,574,573	3,212,653
At 30 June 2020	**488,080**	**70,583,153**	**71,071,233**
Fair value revaluation of land and buildings	-	-	-
Profit for the year	-	11,559,093	11,559,093
Total comprehensive income for the year	-	11,559,093	11,559,093
At 30 June 2021	**488,080**	**82,142,246**	**82,630,326**
Health Insurance Fund of Australia			
At 1 July 2019	**850,000**	**66,978,670**	**67,828,670**
Fair value revaluation of land and buildings	(361,920)	-	(361,920)
Profit for the year	-	3,573,681	3,573,681
Total comprehensive income for the year	(361,920)	3,573,681	3,211,761
At 30 June 2020	**488,080**	**70,552,351**	**71,040,431**
Fair value revaluation of land and buildings	-	-	-
Profit for the year	-	11,559,137	11,559,137
Total comprehensive income for the year	-	11,559,137	11,559,137
At 30 June 2021	**488,080**	**82,111,488**	**82,599,568**

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

Statement of cash flows

For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $	Health Insurance Fund of Australia 2021 $	Health Insurance Fund of Australia 2020 $
Cash flows from operating activities					
Premiums received		**175,419,081**	173,446,686	**175,419,081**	173,446,686
Interest and unit distributions received		**1,197,532**	2,501,856	**1,197,532**	2,501,856
Other income received		**10,969**	71,909	**41,728**	71,564
Amounts paid to the Risk Equalisation Special Account		**(11,747,056)**	(11,173,656)	**(11,747,056)**	(11,173,656)
Rent received		**245,879**	219,373	**245,879**	219,373
Claims paid		**(134,605,193)**	(133,249,832)	**(134,605,193)**	(133,249,832)
Ambulance levy paid		**(544,778)**	(591,373)	**(544,778)**	(591,373)
Interest and other finance payments		**(434,447)**	(507,881)	**(434,403)**	(507,815)
Payments to suppliers and employees		**(21,126,656)**	(20,471,501)	**(21,126,657)**	(20,472,460)
Net cash from operating activities	25	**8,415,331**	10,245,581	**8,446,133**	10,244,343
Cash flows from investing activities					
Payments to acquire financial assets		**(96,205,700)**	(15,944,675)	**(96,205,700)**	(15,944,675)
Proceeds on sale of financial assets		**87,010,631**	11,264,190	**87,010,631**	11,264,190
Purchases of property, plant and equipment		**(748,073)**	(308,812)	**(748,073)**	(308,812)
Proceeds from disposal of property, plant and equipment		**108,908**	40,910	**108,908**	40,910
Net cash used in investing activities		**(9,834,234)**	(4,948,387)	**(9,834,234)**	(4,948,387)
Net cash flows from / (used in) financing activities		**-**	-	**-**	-
Net (decrease) / increase in cash and cash equivalents		**(1,418,903)**	5,297,194	**(1,388,101)**	5,295,956
Cash and cash equivalents at beginning of year		**16,954,862**	11,657,668	**16,924,060**	11,628,104
Cash and cash equivalents at end of year	12	**15,535,959**	16,954,862	**15,535,959**	16,924,060

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

Notes to the Financial Statements

For the year ended 30 June 2021

1 Summary of significant accounting policies

a) General information

Health Insurance Fund of Australia Limited ('the Company') is a company limited by guarantee incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate information on page 30. The principal activities of the Company and its subsidiaries ('the Group') are described in the Directors' Report on page 35.

b) Application of new and revised Australian Accounting Standards

b.1) New and amended Accounting Standards that are effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are effective for the current financial reporting period beginning 1 July 2020.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – Reference to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*
- AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*

The impact of the adoption of these Standards and Interpretation did not have a material impact on the Group.

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ending 30 June 2021. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the Group:

1 Summary of significant accounting policies (continued)

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 17 *Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts*	1 January 2023	30 June 2024
• Extension of the Temporary Exemption from Applying AASB 9 (Amendments to AASB 4)	1 January 2023	30 June 2024
• AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	1 July 2021	30 June 2022
• AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2023	30 June 2024
• AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022	30 June 2023
• AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 January 2022	30 June 2023
• AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023	30 June 2024

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts establishes the principals for recognition, measurement, presentation and disclosure of insurance contracts issued. The standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.
The Group has undertaken a preliminary assessment and expects to be able to use the premium allocation approach for all insurance contracts. It is likely there will be some changes to the way in which assets and liabilities are disclosed relating to insurance in the statement of financial position.

1 Summary of significant accounting policies (continued)

c) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group and Company. For the purposes of preparing the consolidated financial statements, the Company is a not-for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 29 September 2021.

d) Basis of preparation

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Australian Prudential Regulation Authority (APRA).

These financial statements have been prepared on a historical cost basis, except for land and buildings, investment property and financial assets at fair value through profit and loss, which have been measured at fair value, as explained in the accounting policies below.

All amounts are presented in Australian dollars, which is the Group's functional currency, unless otherwise noted.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1 Summary of significant accounting policies (continued)

f) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer as it satisfies the performance obligation.

Premium revenue

Premium revenue comprises amounts charged to the policyholders, excluding taxes collected on behalf of third parties.

Premium revenue is recognised from the attachment date, over the period of contract on a daily basis. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned at the reporting date is recognised in the balance sheet as an unearned premium liability.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Commission income

Commission income from referrals to third party pet and travel insurers is recognised when received.

g) Claims expense

Claims expense represents payment for claims and the movement in outstanding and COVID-19 deferred claims liabilities [Note 1(l)].

h) Risk Equalisation Special Account levies / recoveries

Under the provisions of the *Private Health Insurance Act 2007 (Cth)*, all health insurers must participate in the Risk Equalisation Special Account (RESA). The RESA shares a proportion of the hospital claims of all persons aged 55 years and over and those persons with claims in excess of $50,000 in the current and preceding three quarters, amongst all health insurers based upon the number of policy holders. Individual health insurers are required to pay in to the RESA or receive a payment from the RESA for the difference between their proportional share and their actual claims paid.

The amounts payable to and receivable from the Risk Equalisation Special Account are determined by the Australian Prudential Regulation Authority (APRA) after the end of each quarter. Estimated provisions for amounts payable and income receivable are recognised on an accrual basis.

Notes to the Financial Statements

For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

i) Acquisition costs

Acquisition costs incurred in obtaining health insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the income statement in subsequent reporting periods.

Deferred acquisition costs (DAC) includes commission paid to intermediaries and other direct costs incurred in relation to the acquisition or renewal of health insurance contracts. Acquisition costs incurred are amortised in accordance with the expected pattern of the incidence of risk under the health insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

j) Unearned premium liabilities

Unearned premium liability is determined by apportioning the premium written over the period of the policy from date of attachment of risk.

k) Unexpired risk liability

Liability adequacy testing is performed in order to recognise any deficiencies in the income statement arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs (DAC) and intangible assets not meeting the estimated future claims under current health insurance contracts.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus the anticipated administration costs attributable to processing the claims and additional risk margin to reflect the inherent uncertainty in the central estimate, exceeds the unearned premium liability less related intangible assets and related DAC, then the shortfall is first offset against related DAC and then to the extent necessary a separate unexpired risk liability is recognised.

l) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of future projected claims payments and associated claims handling costs in respect of claims reported but not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER).

Standard actuarial methods are applied to assess the net central estimate of outstanding claims liabilities. Features and trends of claim experience including seasonality, service type mix, claims ratios and claims processing are analysed and assumptions about the future are selected.

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

1 Summary of significant accounting policies (continued)

m) Financial assets at fair value through profit or loss

(i) Financial assets backing health insurance liabilities

Assets backing health insurance liabilities are segregated from other assets.

Financial assets are held to back health insurance liabilities on the basis that these assets are valued at fair value in the balance sheet, and consist of liquid and high quality investments such as cash and fixed income securities.

The management of financial assets and health insurance liabilities are closely monitored to ensure that investments are appropriate, given the expected pattern of future cash flows arising from health insurance liabilities.

Financial assets backing health insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost and subsequent measurement is at fair value in the statement of financial position with any resultant unrealised profits and losses recognised in the income statement.

(ii) Determination of fair value

Fair value for the various types of financial assets is determined as follows:

(a) Cash and term deposits – at face value of the amounts deposited;

(b) Unlisted securities – based on redemption value per unit as reported by the fund managers using valuation techniques.

Such valuation techniques include the use of recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iii) Recognition and de-recognition

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Financial assets are de-recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risks and rewards of ownership.

n) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

1 Summary of significant accounting policies (continued)

o) Property, plant and equipment

Property, plant and equipment, excluding buildings and freehold land, are depreciated over their estimated useful lives using the reducing balance and straight line methods. Buildings are depreciated on a straight line basis to write off the net cost or revalued amount over their expected useful lives. Depreciation rates are as follows:

Freehold buildings	2.5%
Office furniture and equipment	5.0% – 33.3%
Motor vehicles	20.0%

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Buildings and freehold land are valued using the revaluation model whereby measurement subsequent to initial recognition is at fair value at the date of the latest revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Every third year the valuations are based on external property valuation reports. In the intervening years, valuations are based on management estimates. All properties are valued simultaneously.

When a revaluation increases the carrying value of a property, the increase is credited directly to equity under the heading of revaluation reserve. However, an increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, any decrease is debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Any remaining balance on the revaluation reserve is credited to retained earnings when the corresponding property is de-recognised.

Properties in the course of construction for administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

p) Cash and cash equivalents

Cash and short term deposits comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

q) Receivables

Trade receivables, which generally have 15-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

An allowance for doubtful debts or expected credit losses is made when there is objective evidence that the entity will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of doubtful debts. Bad debts are written off when identified.

Amounts due under the Federal Government Rebate Incentives Scheme are stated at the net amount expected to be collected.

Notes to the Financial Statements

For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

r) Taxation

(i) Income tax

In accordance with Section 50 - 30 of the *Income Tax Assessment Act 1997* (Cth), the income of the Company is exempt from income tax. The profit of the controlled entity, which is included in the consolidated statements of the Group, has been determined after providing for taxation expense at 30% of the controlled entity's pre-tax operating profit, adjusted for exempt income and non-deductible expenses.

(ii) Deferred tax

Deferred tax is provided in full, using the Balance Sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes attributable to amounts recognised directly in equity are recognised in equity.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables and payables.

Cash flows are included in the statement of cash flow on a net basis.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

s) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Any resultant write-down is recognised as an expense in the reporting period in which it occurs, unless the asset had previously been revalued, in which case the previous revaluation is written back with any excess being expensed.

The recoverable amount is the higher of an asset's fair value, less direct selling costs, and its value in use. In assessing the value-in-use of assets, the relevant cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or company of assets.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operational cash flows (cash generating units).

1 Summary of significant accounting policies (continued)

t) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Payables generally have 15 – 30 day terms.

u) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, rostered days off and long service leave and they are measured at their nominal value, except the liability for long service leave which is measured as the present value of the expected payments to be made in respect of services provided by employees up to the reporting date.

Liabilities arising in respect of wages and salaries, annual leave, personal leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

v) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified in accordance with AASB 16.

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

w) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2 Critical accounting estimates and judgements

Estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant judgement and the methodologies used to determine key assumptions are set out below.

Uncertainty over estimate of claims expense provision arising from health insurance contracts

Actuarial estimates are obtained after analysis of past claims experience. From these analyses, models of the claim payment process can be established and used to project future payments on claims outstanding at the balance date.

The estimates of outstanding claims obtained in this manner are estimates in the sense that there is a degree of uncertainty as to the difference which will ultimately arise between the estimates and the final result of the experience. This uncertainty arises from four sources:

(a) the nature of the claims process is not fully understood, it might be that none of the valuation models used is an entirely accurate representation of reality;

(b) there are components of randomness in the claims process, it is not possible to estimate the parameters of that process with complete precision even if complete confidence were felt in the nature of the model;

(c) any erroneous data will similarly have introduced uncertainties into the estimates of those parameters;

(d) even if the parameters could be estimated with precision, it would not be possible to predict outstanding claims with the same precision because of the random component in future experience.

Errors associated with (b) and (d) can be quantified in a formal way (estimation and statistical errors). However a large part of the uncertainty is associated with (a) (model specification error), and it is not possible to quantify this component.

The investigation and application of different models to the data is intended to reduce the model specification error, although the extent to which this is achieved is unknown.

The initial estimates obtained from the calculations are central estimates in the sense that they incorporate no deliberate bias towards over or under estimation. By definition, the estimates are intended to have about an even chance of ultimately turning out to be sufficient.

The nature of health insurance claims is such that the actual value of the liabilities is unknown because claims experience is subject to random fluctuations. The amount of the claim liability cannot be estimated with certainty. Also it is very difficult to determine the central estimate with a reasonable degree of precision. For this reason the inherent uncertainty in the central estimate must also be considered.

The provisions adopted in the Group's accounts are greater than the central estimate and the difference is referred to as a risk margin. The risk margin allows for some part of the uncertainties in the claim process and it also ensures that as far as possible that the surplus is not released until it is reasonably certain that the surplus is real.

The estimated liability for outstanding claims has been calculated after allowing for expenses associated with administering claims during the run-off period. Given the short weighted mean term of the liability (less than two months) no explicit allowances have been made for inflation and discounting.

2 Critical accounting estimates and judgements (continued)

A claims liability has been recorded for deferred claims that related to the restriction of health services for Members as a result of COVID-19. The Group has an obligation to settle these claims over future periods when the deferred claims are incurred.

Actuarial methods and assumptions

All actuarial methods and assumptions are discussed in Note 3.

3 Actuarial methods and assumptions

Claims estimates for the health insurance classes are derived from an analysis of two different actuarial models. Ultimate number of claims incurred are projected based on changes in claimant behaviour over time and past reporting patterns. Payments experience is analysed based on trends in ultimate incurred by month and paid chain ladder. The resulting projected payments from these models and payments in July 2021 relating to June 2021 and earlier service months are used to determine the final estimate of outstanding claims. The analysis and projection work is done for three valuation categories i.e. hospital, medical and general and consolidated into two health insurance classes, i.e. hospital including medical and general. The exposure period is month of service.

(i) Assumptions

	2021	2020
a) Weighted average expected term to settlement	Months	Months
Gross central estimate	1.37	1.34
Risk equalisation recoveries	1.30	1.26
Net central estimate	1.36	1.33
	Percent	Percent
b) Claims handling expense rate	2.00%	2.00%
c) Risk margin	5.10%	5.10%

(ii) Processes used to determine assumptions

Average weighted term to settlement

The average term to settlement is calculated separately by class of business based on historic payment patterns.

Future claim reports (IBNR)

Future claim reports are analysed using the ratio of late reported claims to reported claims over future development periods.

Expense rate

Claims handling expenses were calculated by analysis of the Company's actual expenses from profit and loss statements over the last 12 months.

Risk margin

The inherent uncertainty in the estimated claim liability means that there is a range of possible outcomes. An analysis of the variation of the expected results lead to adoption of a 5.9% co-efficient of variation and the lognormal distribution. This distribution is then used to calculate the risk margin required to increase the level of sufficiency of the central estimate from 50% to 80%.

.

Notes to the Financial Statements

For the year ended 30 June 2021

3 Actuarial methods and assumptions (continued)

(iii) Sensitivity analysis – insurance contracts

The Company conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions, as described above. The movement in any key variable will impact the performance and equity of the Company.

The tables below describes how a change in each assumption will affect the insurance liabilities and hence the profit / (loss) and the equity both gross and net of risk equalisation.

Variable	Impact of movement in variable
Average weighted term to settlement	Does not directly affect the insurance liabilities.
Adopted reporting rates	Used to determine the level of claims incurred but not reported (IBNR). An increase or decrease in lodgements has a corresponding impact on claims expense.
Incurred cost in latest two service months	A change in the ultimate claims cost incurred for the most recent two service months will have a disproportionate impact on the outstanding claims amount due to the claim payments made to date.
Risk margin	An increase or decrease in the coefficient of variation has a corresponding impact on the risk margin and hence on the actuarial provision.
Claims handling expenses	An increase or decrease in the expense rate assumption has a corresponding impact on claims expense.

Impact of changes in key variables

		Increase / (decrease) in profit and equity ($)			
		2021		2020	
Variable	Movement in variable	Gross of risk equalisation	Net of risk equalisation	Gross of risk equalisation	Net of risk equalisation
Adopted reporting rates	1% decrease	74,848	85,006	19,119	22,375
	1% increase	(74,733)	(84,874)	(19,046)	(22,289)
Incurred cost of latest two service months	1% decrease	259,318	286,700	205,705	229,864
	1% increase	(259,318)	(286,700)	(205,705)	(229,864)
Sufficiency margin	1% decrease	160,008	182,072	85,455	98,679
	1% increase	(160,008)	(182,072)	(85,455)	(98,679)
Claims management expenses	1% decrease	164,871	164,871	83,520	101,678
	1% increase	(164,871)	(164,871)	(83,520)	(101,678)

4 Risk management

The Company's financial condition and operating activities are affected by a number of key financial and non-financial risks. Financial risks include capital and liquidity risk, and investment risk. Non-financial risks include insurance risk, regulatory intervention and sovereign risk, and operational risk. The Company's approach to managing these financial and non-financial risks are set out in this note.

a) Corporate governance framework

The board of directors (Board) of the Company is responsible for corporate governance. The Board determines the Company's overall risk appetite and approves the management strategies, policies and practices to ensure that risks, including compliance risks, are identified and managed within the context of this appetite.

Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee oversees the financial reporting process and the controls in place to ensure the transparency and integrity of internal and published financial information and the circumstances under which the Company's business funding could become inadequate or restricted. The Audit Committee's role includes: reviewing the effectiveness of the Company's financial reporting and advising the Board on the quality and reliability of financial information; overseeing the external audit, internal audit and appointed actuary functions including making recommendations to the Board on the appointment, evaluation and removal of the Appointed Auditor, Internal Auditor and Appointed Actuary; and ensuring there is a whistleblowing process in place, including suitable policies and procedures, for the confidential reporting of concerns about the Company's accounting practices, controls, compliance, audit and other matters.

Risk Committee

The Risk Committee is a sub-committee of the Board. The Risk Committee oversees the implementation and operation of the Company's risk management framework (RMF). The Risk Committee's role includes: overseeing and ensuring that an appropriate framework of policies, procedures, internal controls, reporting, ethical standards and management accountability are established for risk management and legal and regulatory compliance and are consistently maintained and adhered to.

The Risk Committee's responsibilities include to:

(1) review the Board's risk appetite and risk appetite statement for consideration and approval by the Board;

(2) oversee the Company's current and future risk position relative to the Board's risk appetite and capital strength;

(3) ensure the Company has established and maintains an appropriate policy and process to identify, assess, manage and report on the risks that could materially affect the business of the Company;

(4) monitor the appropriateness and effectiveness of the RMF and internal controls ensuring that where any major deficiencies or breakdown in controls have been identified, appropriate and prompt action is taken by management;

4 Risk management (continued)

(5) monitor the alignment of the capital and liquidity requirements within the Company's risk profile having regard to the Board's appetite for risk and risk tolerances and reviewing policies and procedures required to be authorised by the Board to support the RMF;

(6) oversee management's implementation of the risk management strategy;

(7) ensure management has established and maintains systems, processes and procedures for compliance with relevant legal and regulatory requirements; and

(8) oversee senior management's promotion, and staff awareness and understanding, of a risk-based culture that properly and effectively balances risk and reward for the risks accepted.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a sub-committee of the Board. The Nomination and Remuneration Committee is responsible for overseeing the Board's renewal, Director nomination, independence, performance assessment and remuneration processes to support the Board in fulfilling its corporate governance responsibilities.

Investment Committee

The Investment Committee is a sub-committee of the Board. The Investment Committee is responsible for monitoring and reviewing the effectiveness of the Company's investment policies and processes in achieving an optimum return relative to the Board's risk appetite; authorising investment decisions on behalf of the Board; and monitoring legislative compliance in relation to the solvency and capital adequacy implications of investment decisions. The Investment Committee utilises specialised investment management services for the management of the investment portfolio.

Board

The Board is responsible for the overall governance and performance of the Company, by providing strategic guidance and effective oversight of management, as well as satisfying other regulatory and ethical expectations and obligations. The Board is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the Committees referred to above, these mechanisms include the following:

(1) providing strategic direction through constructive engagement in the development, execution and modification of the Company's strategy;

(2) actively promoting and reinforcing the Company's values and desired culture of acting lawfully, ethically and responsibly; and

(3) assessing business performance against Board approved budgets, targets and strategies.

4 Risk management (continued)

b) Financial Risks

Capital and Liquidity Risk

Capital comprises the total equity as reflected in the statement of financial position. The Company operates within the regulatory environment established by the *Private Health Insurance Act 2007 (Cth)* (the "Act"). The regulatory body for the Private Health Insurance industry is the Australian Prudential Regulation Authority (APRA). The Company is subject to the Solvency and Capital Adequacy Standards applied by the Act and regulated by APRA. The Company is required to submit quarterly returns to APRA as well as an annual audited return that is used to establish whether the Company complies with the standards. The Company has exceeded the required Solvency and Capital Adequacy reserves throughout the year.

The Company makes use of the Financial Condition Report (FCR) prepared by its Appointed Actuary to inform the Board about decisions on capital management issues. The FCR is a medium term projection of the overall financial position of the business under a variety of economic and operating scenarios, allowing for new business. The FCR considers a number of key performance indicators in addition to solvency and capital requirements. The FCR enables the Company to assess a range of risks to which the business is exposed, their evolution over time, and the impact of the mitigating actions that might be taken.

Other tools the Company utilises to manage its capital requirements are the annual premium submission to the Department of Health, forecasts, the annual budget and monthly management accounts. The annual premium submission considers the financial impact of the Company's plans over the next two years and the impact on capital adequacy and solvency. The annual premium submission, which is reviewed by the Company's Appointed Actuary, is approved by the Minister for Health.

With regards to liquidity risk management, refer to note 28.

Insurance risk

The Company's insurance activities primarily involve the underwriting of risks and claim management. The Company employs a disciplined approach to underwriting and risk management that emphasises maximising member benefits rather than a premium, volume or market share oriented approach.

4 Risk management (continued)

(i) Risk management objectives and policies for mitigating insurance risk

Risk management activities include prudent underwriting, pricing, claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the Company's overall health insurance operations.

The key policies in place to mitigate risks arising from writing health insurance contracts include the following:

(a) the maintenance and use of management information systems that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time;

(b) the use of actuarial models based on historical data to calculate premiums and monitor claims patterns;

(c) the mix of assets invested in is matched to the term of the insurance liabilities to maximise investment performance;

(d) the diversification of business over two classes of insurance and a large number of uncorrelated individual risks seeks to reduce variability in loss experience.

(ii) Terms and conditions of health insurance business

The terms and conditions attached to health insurance contracts affect the level of insurance risk accepted by the Company. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(iii) Concentration of insurance risk

The Company's exposure is concentrated in Western Australia where 59% of its policyholders reside. This concentration risk will change as the Company expands its business in other States and Territories.

(iv) Claims management and claims provisioning risks

The Company's approach to determining the outstanding claims liability is set out in Note 3. The Company's Appointed Actuary determines the Company's outstanding claims liability, that is reported at balance date, using approved actuarial methodology.

Investment Risk

With regards to investment risk management, including market risk and interest rate risk, refer to note 28.

Regulatory Intervention and Sovereign Risk

APRA administers the Risk Equalisation Special Account (RESA) in accordance with the Act. All private health insurance funds in Australia are required to submit their quarterly eligible claims data to APRA for inclusion in an age based and high cost claims pool. The pool is divided by the total number of single equivalent units (SEUs) across all funds. The SEU rate is then applied to the number of SEUs in the fund and compared to the fund's actual risk equalisation eligible claims for the quarter. Each fund then either contributes their shortfall to or receives a payment for their surplus from the RESA. This arrangement spreads the risk of high cost claims and higher claiming older members across all funds in each defined RESA jurisdiction in Australia.

Notes to the Financial Statements

For the year ended 30 June 2021

5 Premium revenue

	Consolidated and Health Insurance Fund of Australia		
	Hospital Tables $	General Tables $	Total $
Premium revenue has been determined after including:			
2021 premium revenue			
Premiums received including Federal Government rebates	**122,181,437**	**53,237,644**	**175,419,081**
+/- premiums in arrears	**55,489**	**26,351**	**81,840**
+/- unearned premium liability	**(1,047,974)**	**(510,978)**	**(1,558,952)**
+/- amount receivable from the Federal Government Rebate Incentives Scheme	**79,084**	**34,336**	**113,420**
Total premium revenue	**121,268,036**	**52,787,353**	**174,055,389**
2020 premium revenue			
Premiums received including Federal Government rebates	121,430,034	52,016,652	173,446,686
+/- premiums in arrears	(111,939)	(47,056)	(158,995)
+/- unearned premium liability	1,137,810	226,087	1,363,897
+/- amount receivable from the Federal Government Rebate Incentives Scheme	(13,458)	(5,753)	(19,211)
Total premium revenue	**122,442,447**	**52,189,930**	**174,632,377**

The Group assessed the disaggregation of the revenue by geographical region and type of policies. This is information regularly reviewed by the Board to evaluate the financial performance of the Group. The Group's revenue from external customers by geographical location and type of policy are detailed below.

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Geographical region				
Australian Capital Territory	**1,257,515**	1,258,893	**1,257,515**	1,258,893
New South Wales	**17,811,171**	18,588,098	**17,811,171**	18,588,098
Northern Territory	**202,912**	200,731	**202,912**	200,731
Queensland	**15,738,250**	16,593,991	**15,738,250**	16,593,991
South Australia	**4,135,457**	4,088,188	**4,135,457**	4,088,188
Tasmania	**971,223**	977,584	**971,223**	977,584
Victoria	**26,837,615**	27,295,518	**26,837,615**	27,295,518
Western Australia	**107,101,246**	105,629,374	**107,101,246**	105,629,374
	174,055,389	174,632,377	**174,055,389**	174,632,377

Notes to the Financial Statements

For the year ended 30 June 2021

5 Premium revenue (continued)

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Type of policy				
Complying Health Insurance Products	**171,284,513**	170,933,626	**171,284,513**	170,933,626
Overseas Visitor Cover	**2,770,876**	3,698,751	**2,770,876**	3,698,751
	174,055,389	174,632,377	**174,055,389**	174,632,377

6 Investment income (net)

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Investment income	**1,135,412**	2,461,737	**1,135,412**	2,461,737

Investment income includes interest income and distribution income from unit trust investments.

7 Fair value gains on financial assets at fair value through profit or loss

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Unrealised fair value gain / (loss)	**7,680,105**	(1,560,990)	**7,680,105**	(1,560,990)

Fair value gains / (losses) represent movements on equity and fixed interest unit trust investments.

8 Other income

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Profit from sale of property, plant and equipment	**16,986**	3,828	**16,986**	3,828
Rental revenue	**245,879**	219,373	**245,879**	219,373
Other revenue	**56,350**	79,322	**56,350**	79,322
	319,215	302,523	**319,215**	302,523

Notes to the Financial Statements

For the year ended 30 June 2021

9 Net claims incurred

	Consolidated and Health Insurance Fund of Australia		
	Current year $	Prior years $	Total $
2021			
Gross claims expense			
Gross claims incurred – undiscounted	147,667,619	(11,348,063)	136,319,556
Discount movement	-	-	-
	147,667,619	(11,348,063)	136,319,556
Ambulance levies	543,459	-	543,459
Risk equalisation expense			
Risk equalisation expense – undiscounted	14,844,634	(2,155,744)	12,688,890
Discount movement	-	-	-
	14,844,634	(2,155,744)	12,688,890
Net claims incurred	163,055,712	(13,503,807)	149,551,905
2020			
Gross claims expense			
Gross claims incurred – undiscounted	142,488,747	(3,748,581)	138,740,166
Discount movement	-	-	-
	142,488,747	(3,748,581)	138,740,166
Ambulance levies	589,405	-	589,405
Risk equalisation revenue			
Risk equalisation revenue – undiscounted	11,782,311	(127,303)	11,655,008
Discount movement	-	-	-
	11,782,311	(127,303)	11,655,008
Net claims incurred	154,860,463	(3,875,884)	150,984,579

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

The Company values are the same as the consolidated values.

Notes to the Financial Statements

For the year ended 30 June 2021

10 Other expenses

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
a) Other operating expenses				
Commission	**803,037**	608,332	**803,037**	608,332
Information technology	**1,722,580**	1,965,477	**1,722,580**	1,965,477
Depreciation	**797,708**	846,124	**797,708**	846,124
Impairment of investment property	**-**	250,000	**-**	250,000
Post-employment benefits	**996,435**	890,089	**996,435**	890,089
Other employee benefits	**11,470,525**	10,498,515	**11,470,525**	10,498,515
Legal fees	**74,508**	107,128	**74,508**	108,085
Postage and telephone	**558,869**	563,828	**558,869**	563,828
Printing and stationery	**111,721**	134,408	**111,721**	134,408
Rental and property expenses	**522,121**	468,866	**522,121**	468,866
Advertising	**3,148,841**	3,684,889	**3,148,841**	3,684,889
Other expenses	**1,769,572**	1,703,436	**1,769,572**	1,703,437
	21,975,917	21,721,092	**21,975,917**	21,722,050
Reclassification to deferred acquisition costs	**(10,444,411)**	(10,396,714)	**(10,444,411)**	(10,396,714)
Reclassification to claims handling expenses	**(2,565,936)**	(2,831,200)	**(2,565,936)**	(2,831,200)
	8,965,570	8,493,178	**8,965,570**	8,494,136

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
b) Finance costs				
Financial charges and taxes	**434,447**	507,881	**434,403**	507,815
Reclassification to deferred acquisition costs	**(230,435)**	(268,886)	**(230,435)**	(268,886)
Reclassification to claims handling expenses	**(171,432)**	(219,332)	**(171,432)**	(219,332)
	32,580	19,663	**32,536**	19,597

Notes to the Financial Statements

For the year ended 30 June 2021

11 Income tax

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Income tax expense				
Deferred tax	-	-	-	-
Total tax expense charged to profit or loss	-	-	-	-
Reconciliation between net profit before tax and tax expense				
Profit / (Loss) before income tax expense	11,559,093	3,574,573	11,559,137	3,573,681
Tax at the Australian tax rate of 30% (2020: 30%)	3,467,728	1,072,372	3,467,741	1,072,104
Exempt income of parent entity	(3,467,741)	(1,072,104)	(3,467,741)	(1,072,104)
Deferred tax liability / (asset) not recognised on profit / (loss) in subsidiary	13	(268)	-	-
Tax expense for the year	-	-	-	-

12 Cash and cash equivalents

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Cash on hand	1	949	1	949
Cash at bank and on call	15,535,958	16,953,913	15,535,958	16,923,111
	15,535,959	16,954,862	15,535,959	16,924,060

13 Receivables

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Current				
Premiums in arrears	307,734	225,801	307,734	225,801
Investment income receivable	25,413	87,534	25,413	87,534
Amounts due from the Federal Government Rebate Incentives Scheme	3,273,476	3,160,056	3,273,476	3,160,056
Other amounts receivable	952,345	1,116,633	921,587	1,116,633
	4,558,968	4,590,024	4,528,210	4,590,024

Notes to the Financial Statements

For the year ended 30 June 2021

14 Other financial assets

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Current				
Term deposits	**32,771,959**	24,421,715	**32,771,959**	24,421,715
Non-current				
Investments in unit trusts	**70,643,863**	62,118,930	**70,643,863**	62,118,930

The group holds investments in unit trusts carried at fair value through profit or loss (FVTPL).

15 Investments in controlled entities

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Health Insurance Australia Pty Ltd	**-**	-	**1**	1
	-	-	**1**	1

The subsidiary company is 100% owned by Health Insurance Fund of Australia Limited.

16 Deferred acquisition costs

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Deferred acquisition costs at 1 July	**1,241,276**	288,798	**1,241,276**	288,798
Acquisition costs deferred	**10,674,846**	10,665,600	**10,674,846**	10,665,600
Recognised in income statement	**(10,343,605)**	(9,713,122)	**(10,343,605)**	(9,713,122)
Deferred acquisition costs at 30 June	**1,572,517**	1,241,276	**1,572,517**	1,241,276

Notes to the Financial Statements

For the year ended 30 June 2021

17 Property, plant and equipment

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Land at fair value	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Buildings at fair value	**9,906,041**	9,746,066	**9,906,041**	9,746,066
Less: accumulated depreciation	**683,103**	446,066	**683,103**	446,066
	12,222,938	12,300,000	**12,222,938**	12,300,000
Office furniture and equipment – at cost	**5,456,025**	5,075,058	**5,456,025**	5,075,058
Less: accumulated depreciation	**4,404,063**	3,884,752	**4,404,063**	3,884,752
	1,051,962	1,190,306	**1,051,962**	1,190,306
Motor vehicles – at cost	**264,547**	251,727	**264,547**	251,727
Less: accumulated depreciation	**56,213**	117,240	**56,213**	117,240
	208,334	134,487	**208,334**	134,487
Total property, plant and equipment	**13,483,234**	13,624,793	**13,483,234**	13,624,793

The basis of valuation for land and buildings is the fair value based on existing use. The Company's Board of Directors is of the opinion that this basis provides a reasonable estimate of the recoverable amount. There was a revaluation of the Company's freehold land and buildings in June 2020. The valuation was based on the fair market value of the property at that date by reference to several methodologies including capitalisation method, discounted cash flow and direct comparison approach and was conducted in accordance with independent valuation standards. The valuation was performed by David Lang of Knight Frank Australia Pty Ltd who is a Certified Practising Valuer (Licensed Valuer # 44506). Management does not believe the fair market value of the properties has changed materially since the June 2020 valuation. The next independent valuation will be conducted in June 2023. The historic cost of the revalued land and buildings was $2,068,152.

Notes to the Financial Statements

For the year ended 30 June 2021

17 Property, plant and equipment (continued)

	Land & Buildings	Office Furniture & Equipment	Motor Vehicles	Total
	$	$	$	$
Reconciliation of property, plant and equipment 2021 – consolidated				
Carrying amount at 1 July 2020	**12,300,000**	**1,190,306**	**134,487**	**13,624,793**
Revaluation	**-**	**-**	**-**	**-**
Additions	**159,975**	**384,972**	**203,126**	**748,073**
Disposals	**-**	**(1,825)**	**(90,098)**	**(91,923)**
Depreciation expense	**(237,037)**	**(521,491)**	**(39,181)**	**(797,709)**
Carrying amount at 30 June 2021	**12,222,938**	**1,051,962**	**208,334**	**13,483,234**
Reconciliation of property, plant and equipment 2020 – consolidated				
Carrying amount at 1 July 2019	12,924,272	1,405,976	230,857	14,561,105
Revaluation	(361,920)	-	-	(361,920)
Additions	-	308,812	-	308,812
Disposals	-	(1,393)	(35,689)	(37,082)
Depreciation expense	(262,352)	(523,089)	(60,681)	(846,122)
Carrying amount at 30 June 2020	12,300,000	1,190,306	134,487	13,624,793
Reconciliation of property, plant and equipment 2021 – Health Insurance Fund of Australia				
Carrying amount at 1 July 2020	**12,300,000**	**1,190,306**	**134,487**	**13,624,793**
Revaluation	**-**	**-**	**-**	**-**
Additions	**159,975**	**384,972**	**203,126**	**748,073**
Disposals	**-**	**(1,825)**	**(90,098)**	**(91,923)**
Depreciation expense	**(237,037)**	**(521,491)**	**(39,181)**	**(797,709)**
Carrying amount at 30 June 2021	**12,222,938**	**1,051,962**	**208,334**	**13,483,234**
Reconciliation of property, plant and equipment 2020 – Health Insurance Fund of Australia				
Carrying amount at 1 July 2019	12,924,272	1,405,976	230,857	14,561,105
Revaluation	(361,920)	-	-	(361,920)
Additions	-	308,812	-	308,812
Disposals	-	(1,393)	(35,689)	(37,082)
Depreciation expense	(262,352)	(523,089)	(60,681)	(846,122)
Carrying amount at 30 June 2020	12,300,000	1,190,306	134,487	13,624,793

Notes to the Financial Statements

For the year ended 30 June 2021

18 Investment property

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Fair value				
Completed investment property	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Balance at beginning of year	**4,000,000**	4,250,000	**4,000,000**	4,250,000
Additions	-	-	-	-
Revaluation	-	(250,000)	-	(250,000)
Balance at end of year	**4,000,000**	4,000,000	**4,000,000**	4,000,000

All of the Group's investment property is held under freehold interests.

The fair value of the Group's investment property as at 30 June 2021 has been arrived at on the basis of a valuation carried out in June 2020 by David Lang of Knight Frank Australia Pty Ltd who is an independent valuer not related to the Group. Mr Lang is a member of the Institute of Valuers of Australia, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was based on the fair market value of the property at that date by reference to several methodologies including capitalisation method, discounted cashflow method and direct comparison approach and was conducted in accordance with independent valuation standards. In estimating the fair value of the properties, the highest and best use of the property is its current use. Management does not believe that the fair market value of the properties has changed materially since the June 20 valuation. The next independent valuation will be conducted in June 2023.

19 Trade and other payables

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Amounts due to the Risk Equalisation Special Account	**3,253,856**	2,312,022	**3,253,856**	2,312,022
Trade payables	**664,172**	509,134	**664,172**	509,134
Other creditors	**678,151**	766,919	**678,152**	766,920
	4,596,179	3,588,075	**4,596,180**	3,588,076

The average credit period on purchases is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice.

Notes to the Financial Statements

For the year ended 30 June 2021

20 Claims liabilities

		Consolidated		Health Insurance Fund of Australia	
		2021 $	2020 $	2021 $	2020 $
Outstanding claims liability – central estimate	(A)	**17,893,468**	10,996,854	**17,893,468**	10,996,854
Claims handling costs	(B)	**313,741**	193,488	**313,741**	193,488
Risk margin	(C)	**928,566**	570,708	**928,566**	570,708
Gross outstanding claims liability		**19,135,775**	11,761,050	**19,135,775**	11,761,050
COVID-19 deferred claims liability (refer note d below)		**5,622,775**	8,663,030	**5,622,775**	8,663,030
Outstanding claims payable		**1,930,212**	4,550,319	**1,930,212**	4,550,319
Claims liabilities		**26,688,762**	24,974,399	**26,688,762**	24,974,399
Gross claims incurred – undiscounted	(A)+(B)+(C)	**19,135,775**	11,761,050	**19,135,775**	11,761,050
a) Reconciliation of movement in gross outstanding claims liability					
Brought forward	(D)	**11,761,050**	14,880,152	**11,761,050**	14,880,152
Effect of changes in assumptions		**(1,749,931)**	(3,142,612)	**(1,749,931)**	(3,142,612)
Increase in claims incurred / recoveries anticipated over the year		**19,135,775**	11,761,050	**19,135,775**	11,761,050
Incurred claims recognised in income statement	(E)	**17,385,844**	8,618,438	**17,385,844**	8,618,438
Claim payments / recoveries during the year	(F)	**10,011,119**	11,737,540	**10,011,119**	11,737,540
Carried forward	(D)+(E)-(F)	**19,135,775**	11,761,050	**19,135,775**	11,761,050

b) Claims development tables

The claims development table is not required where uncertainty about amount and timing is typically resolved within one year. As greater than 99.9% of the Company's claims are resolved within one year, the claims development table has not been included.

c) Risk margins

Uncertainty was analysed for each portfolio taking into account potential uncertainties relating to the actuarial models and assumptions, the data quality, the health insurance environment and the impact of legislative reform.

As the Company is a single portfolio comprising two correlated classes of risk, no allowance is made for diversification when setting the risk margin. The risk margin applied to increase the level of adequacy of the central estimate to 80% is 5.1%.

20 Claims liabilities (continued)

d) COVID-19 deferred claims liability

The Company holds a liability for claims that have been deferred as members were unable to access treatment prior to 30 June 2021 as a result of restricted access to service providers in response to the COVID-19 pandemic.

The liability comprises the following components:

1) 'Claims that did not occur' from March 2020 to March 2021, split by hospital treatment and general treatment. This was determined by:
   - Estimating the hospital and general treatment claims that would have occurred in those service months if COVID- 19 had not happened.
   - Subtracting the estimated hospital and general treatment claims that ultimately did occur, based on payments to date and the outstanding claims liability for those service months.
2) For the 'claims that did not occur' 100% of the above calculation for hospital claims and 85% for general treatment claims was taken into account.
3) Due to the uncertainty in incurred costs arising from the June 2021 quarter and absence of COVID-19 related service restrictions in the period, the Company has not accrued or drawdown the liability calculated at 31 March 2021 for claims experienced over the June 2021 quarter.

Claims handling expenses and risk margins are implicitly included in the hospital and general treatment factors prescribed above, although a separate allowance is made for risk equalisation.

The liability held at 30 June 2021 exceeds that required if the Company adopted the APRA standard approach. The reserve as at 30 June 2021 is greater than if the APRA methodology had been applied at 30 June 2021 and it is estimated to have a level of sufficiency greater than 95%.

21 Unearned premium liability

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Unearned premium liability at beginning of the period	**25,760,699**	27,138,051	**25,760,699**	27,138,051
Deferral of premiums on contracts paid in the period	**27,308,397**	25,760,699	**27,308,397**	25,760,699
Earning of premiums paid in previous periods	**(25,760,699)**	(27,138,051)	**(25,760,699)**	(27,138,051)
Unearned premium liability at the end of the period	**27,308,397**	25,760,699	**27,308,397**	25,760,699

22 Provisions for employee entitlements

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Current				
Annual leave	**734,510**	708,437	**734,510**	708,437
Long service leave	**450,901**	732,300	**450,901**	732,300
	1,185,411	1,440,737	**1,185,411**	1,440,737
Non-current				
Long service leave	**157,425**	116,457	**157,425**	116,457

23 Unexpired risk liability

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
(a) Unexpired risk liability				
Unexpired risk liability opening balance	-	-	-	-
Release of unexpired risk liability in the period	-	-	-	-
Unexpired risk liability closing balance	-	-	-	-
(b) Calculation of deficiency				
Contributions in advance (CIA)				
Unearned premium liability	**27,676,788**	26,033,227	**27,676,788**	26,033,227
Less: related deferred acquisition costs	**1,572,517**	1,241,276	**1,572,517**	1,241,276
	26,104,271	24,791,951	**26,104,271**	24,791,951
Future claims*	**25,429,998**	24,151,575	**25,429,998**	24,151,575
Risk margin	**674,273**	640,376	**674,273**	640,376
	26,104,271	24,791,951	**26,104,271**	24,791,951
Unexpired risk liability – CIA	-	-	-	-
Constructive obligation (CO)				
Unearned premium liability	**102,322,997**	96,852,400	**102,322,997**	96,852,400
Less: related deferred acquisition costs	**5,536,508**	4,060,192	**5,536,508**	4,060,192
	96,786,489	92,792,208	**96,786,489**	92,792,208
Future claims*	**94,286,495**	89,957,218	**94,286,495**	89,957,218
Risk margin	**2,499,994**	2,834,990	**2,499,994**	2,834,990
	96,786,489	92,792,208	**96,786,489**	92,792,208
Unexpired risk liability – CO	-	-	-	-
Unexpired risk liability – CIA and CO	-	-	-	-

**Central estimate of present value of expected future cash flows arising from future claims including risk equalisation and policy handling expenses.*

23 Unexpired risk liability (continued)

The liability adequacy test identified a surplus (2020: surplus) for the combined portfolio of Hospital and General contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process for determining the overall risk margin of 2.65%, is based on a coefficient of variation of 4.0% at 75% level of sufficiency.

The related deferred acquisition costs were recognised only to the extent of the surplus in the current year and in the prior year.

As health insurance contracts have no end date, unlike a general insurance contract, health funds are obliged to keep offering and renewing their products to members thus giving rise to a constructive obligation. The constructive obligation is required to be included when performing the liability adequacy test to determine the unexpired risk liability. It is generally recognised that whilst health insurance contracts have no end date, a health fund will be able to alter its product's prices at least annually (from 1 April), thus limiting the impact of the constructive obligation.

24 Reserves

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Reserves comprise revaluation of:				
Land and buildings	**488,080**	488,080	**488,080**	488,080

The land and buildings revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties' revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings. The land and building at 100 Stirling St was revalued at 30 June 2020 resulting in a write down in value of $361,920 against the reserve.

Notes to the Financial Statements

For the year ended 30 June 2021

25 Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Net profit from ordinary activities after tax	**11,559,093**	3,574,573	**11,559,137**	3,573,681
Adjustments for:				
Depreciation of property, plant and equipment	**797,708**	846,123	**797,708**	846,123
Profit on sale of property, plant and equipment	**(16,986)**	(3,828)	**(16,986)**	(3,828)
Fair value (gains) / losses on financial assets	**(7,680,105)**	1,560,990	**(7,680,105)**	1,560,990
Impairment of investment property	**-**	250,000	**-**	250,000
Operating cash flows before movements in working capital	**4,659,710**	6,227,858	**4,659,754**	6,226,966
Increase in deferred acquisition costs	**(331,241)**	(952,478)	**(331,241)**	(952,478)
(Increase) / Decrease in unearned premium liability	**1,547,699**	(1,377,352)	**1,547,699**	(1,377,352)
(Increase) / Decrease in contributions in arrears	**(81,934)**	159,322	**(81,934)**	159,322
Increase in claims liabilities	**1,714,363**	5,490,335	**1,714,363**	5,490,335
(Decrease) / Increase in employee entitlements	**(214,358)**	183,678	**(214,358)**	183,678
Decrease in other debtors	**50,869**	108,298	**81,627**	107,952
Increase in creditors	**1,008,103**	365,801	**1,008,103**	365,801
Decrease in interest receivable	**62,120**	40,119	**62,120**	40,119
Net cash generated by operating activities	**8,415,331**	10,245,581	**8,446,133**	10,244,343

As the Group does not have any debt, there is no changes in the Group's liabilities arising from financing activities.

26 Related party disclosures

The names of each person holding the position of director of the Company during the financial year are:

S. V. Blake, P. L. Hersey, G. N. Gibson , R. Homsany, K. Laufmann and T .W. Shackleton.

Directors of the Company are entitled to receive Company health benefits at subsidised rates applicable to all employees.

Transactions with related entities

There were no transactions with related entities in the current financial year.

26 Related party disclosures (continued)

Key management personnel compensation

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

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Short-term employee benefits	**2,336,233**	1,847,042	**2,336,233**	1,847,042
Post-employment benefits	**186,185**	147,259	**186,185**	147,259
	2,522,418	1,994,301	**2,522,418**	1,994,301

27 Remuneration of auditors

	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
Remuneration of the external auditor for audit of the consolidated financial statements of the Group and regulatory reporting (Deloitte Touche Tohmatsu)	**141,750**	119,102	**141,750**	119,102
Remuneration of the internal auditor for internal audit services (PricewaterhouseCoopers)	**138,750**	111,330	**138,750**	111,330
	280,500	230,432	**280,500**	230,432

28 Financial instruments

a) Financial risk

The Group is exposed to a number of forms of financial risk, the most significant being market risk. This section provides an explanation of the other aspects in which the Group is affected by financial risks.

(i) Market risk

The Group takes on exposure to market risks including fair value risk, interest risk and price risk. Market risks arise from open positions in interest rates and equity products, all of which are exposed to general and specific market movements. The market risks that the Group primarily faces are equity risk and interest rate risk, due to the nature of its investments and liabilities.

Investment activity for the Group is undertaken in accordance with an investment policy established by the Board of Directors. The policy stipulates cash flow requirements, liquidity management, authorised investments and maximums, composition of portfolio, performance benchmarks and credit structure.

28 Financial instruments (continued)

At 30 June, the Group had the following mix of financial assets exposed to equities price risk:

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Financial assets				
Investment in unit trusts	**70,643,863**	62,118,930	**70,643,863**	62,118,930

The unit trusts invest in companies listed on Australian and international stock exchanges.

At 30 June, if the S&P/ASX 300 Index had moved, as illustrated in the table below, with all other variables held constant, post tax profit/equity would have been affected as follows:

	Post tax profit / equity higher / (lower)			
	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
+ 10% S&P/ASX 300 Index	**3,390,494**	2,528,991	**3,390,494**	2,528,991
- 10% S&P/ASX 300 Index	**(3,390,494)**	(2,528,991)	**(3,390,494)**	(2,528,991)

(ii) Interest rate risk

The Group manages its exposure to interest rate risk through a diversified portfolio of investments including property and equity investments in addition to interest bearing assets. The interest bearing assets are further diversified in type and duration.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Financial assets				
Cash and cash equivalents	**15,535,959**	16,954,862	**15,535,959**	16,924,060
Term deposits	**32,771,959**	24,421,715	**32,771,959**	24,421,715
	48,307,918	41,376,577	**48,307,918**	41,345,775

28 Financial instruments (continued)

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and hence equity would have been affected as follows:

	Post tax profit / equity higher / (lower)			
	Consolidated		Health Insurance Fund of Australia	
	2021 $	2020 $	2021 $	2020 $
+ 1.0% (100 basis points)	**850,468**	782,056	**850,468**	781,748
- 0.5% (50 basis points)	**(425,234)**	(391,028)	**(425,234)**	(390,874)

The movements in profit / equity are due to higher / lower interest income from variable rate cash and term deposit balances.

(iii) Liquidity risk

The Group is exposed to daily calls on its available cash resources from policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Company's Board sets limits on the minimum proportion of maturing funds available to meet such calls and to cover claims at unexpected levels of demand.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities at 30 June 2021. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

Maturity analysis of financial assets and liabilities based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Payables and other financial liabilities mainly originate from the ongoing operations of the Group such as overhead expenses and investments in working capital. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its various business units that reflects expectations of management of expected settlement of financial assets and liabilities. The financial assets at fair value through profit and loss categorised as maturing in less than or equal to 3 months have been categorised as such because there is no maturity date, however, they are disclosed as non current assets on the Statement of Financial Position as it is the intention to hold these investments for greater than 12 months.

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	**15,535,959**	**-**	**-**	**-**	**-**	**15,535,959**
Term deposits	**18,239,288**	**14,558,084**	**-**	**-**	**-**	**32,797,372**
Receivables	**4,533,555**	**-**	**-**	**-**	**-**	**4,533,555**
Financial assets at fair value through profit or loss	**70,643,863**	**-**	**-**	**-**	**-**	**70,643,863**
	108,952,665	**14,558,084**	**-**	**-**	**-**	**123,510,749**
Financial liabilities						
Payables	**(4,596,179)**	**-**	**-**	**-**	**-**	**(4,596,179)**
Net maturity	**104,356,486**	**14,558,084**	**-**	**-**	**-**	**118,914,570**
Year ended 30 June 2020						
Financial assets						
Cash and cash equivalents	16,954,862	-	-	-	-	16,954,862
Term deposits	23,418,999	1,090,249	-	-	-	24,509,248
Receivables	4,502,490	-	-	-	-	4,502,490
Financial assets at fair value through profit or loss	62,118,930	-	-	-	-	62,118,930
	106,995,281	1,090,249	-	-	-	108,085,530
Financial liabilities						
Payables	(3,588,075)	-	-	-	-	(3,588,075)
Net maturity	103,407,206	1,090,249	-	-	-	104,497,455

28 Financial instruments (continued)

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Health Insurance Fund of Australia	$	$	$	$	$	$
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	15,535,959	-	-	-	-	15,535,959
Term deposits	18,239,288	14,558,084	-	-	-	32,797,372
Receivables	4,502,797	-	-	-	-	4,502,797
Held to maturity investments	-		-	-	-	-
Financial assets at fair value through profit or loss	70,643,863	-	-	-	-	70,643,863
	108,921,907	14,558,084	-	-	-	123,479,991
Financial liabilities						
Payables	(4,596,180)	-	-	-	-	(4,596,180)
Net maturity	104,325,727	14,558,084	-	-	-	118,883,811
Year ended 30 June 2020						
Financial assets						
Cash and cash equivalents	16,924,060	-	-	-	-	16,924,060
Term deposits	23,418,999	1,090,249	-	-	-	24,509,248
Receivables	4,502,490	-	-	-	-	4,502,490
Held to maturity investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss	62,118,930	-	-	-	-	62,118,930
	106,964,479	1,090,249	-	-	-	108,054,728
Financial liabilities						
Payables	(3,588,076)	-	-	-	-	(3,588,076)
Net maturity	103,376,403	1,090,249	-	-	-	104,466,652

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

Maturity analysis of the Company's undiscounted outstanding claims liability on insurance contracts is as follows:

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Year ended 30 June 2021	**18,717,866**	**1,974,165**	**299,166**	**74,791**	**-**	**21,065,988**
Year ended 30 June 2020	14,466,170	1,011,852	666,678	166,670	-	16,311,369

Fair value

The methods for estimating fair value are outlined in Note 1(m) Financial assets at fair value through profit or loss.

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	1 - 5 years	Non interest bearing	Total
Consolidated 2021	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	**15,535,958**	**-**	**-**	**1**	**15,535,959**
Term deposits	14		**32,771,959**	**-**	**-**	**32,771,959**
Premiums	13	**-**	**-**	**-**	**307,734**	**307,734**
Other receivables	13	**-**	**-**	**-**	**4,225,821**	**4,225,821**
Investment income receivable	13	**-**	**-**	**-**	**25,413**	**25,413**
Financial assets at fair value through profit and loss	14	**-**	**-**	**-**	**70,643,863**	**70,643,863**
		15,535,958	**32,771,959**	**-**	**75,202,832**	**123,510,749**
Weighted average interest rate		**0.07%**	**0.26%**			
Financial liabilities						
Payables	19	**-**	**-**	**-**	**(4,596,179)**	**(4,596,179)**
Net financial assets		**15,535,958**	**32,771,959**	**-**	**70,606,653**	**118,914,570**

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	Fixed interest maturing in: 1 - 5 years	Non interest bearing	Total
Consolidated 2020	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	16,953,913	-	-	949	16,954,862
Term deposits	14		24,421,715	-	-	24,421,715
Premiums	13	-	-	-	225,801	225,801
Other receivables	13	-	-	-	4,276,689	4,276,689
Investment income receivable	13	-	-	-	87,534	87,534
Financial assets at fair value through profit and loss	14	-	-	-	62,118,930	62,118,930
		16,953,913	24,421,715	-	66,709,903	108,085,531
Weighted average interest rate		0.69%	1.26%			
Financial liabilities						
Payables	19	-	-	-	(3,588,075)	(3,588,075)
Net financial assets		16,953,913	24,421,715	-	63,121,828	104,497,456

Liquidity and interest risk tables

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	Fixed interest maturing in: 1 - 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2021	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	15,535,958	-	-	1	15,535,959
Term deposits	14	-	32,771,959	-	-	32,771,959
Premiums	13	-	-	-	307,734	307,734
Other receivables	13	-	-	-	4,195,062	4,195,062
Investment income receivable	13	-	-	-	25,413	25,413
Financial assets at fair value through profit and loss	14	-	-	-	70,643,863	70,643,863
		15,535,958	32,771,959	-	75,172,073	123,479,990
Weighted average interest rate		0.07%	0.26%			
Financial liabilities						
Payables	19	-	-	-	(4,596,180)	(4,596,180)
Net financial assets		15,535,958	32,771,959	-	70,575,893	118,883,810

Liquidity and interest risk tables

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	Fixed interest maturing in: 1 - 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2020	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	16,923,111	-	-	949	16,924,060
Term deposits	14	-	24,421,715	-	-	24,421,715
Premiums	13	-	-	-	225,801	225,801
Other receivables	13	-	-	-	4,276,689	4,276,689
Investment income receivable	13	-	-	-	87,534	87,534
Financial assets at fair value through profit and loss	14	-	-	-	62,118,930	62,118,930
		16,923,111	24,421,715	-	66,709,903	108,054,729
Weighted average interest rate		0.69%	1.26%			
Financial liabilities						
Payables	19	-	-	-	(3,588,076)	(3,588,076)
Net financial assets		16,923,111	24,421,715	-	63,121,827	104,466,653

28 Financial instruments (continued)

b) Credit risk

The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk is mitigated by close management review of outstanding amounts which are regularly followed up and collected.

The table below provides information regarding the credit risk exposure of the Group at 30 June 2021 by classifying assets according to the Standard and Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

The Group manages credit risk by setting investment limits based on counterparty credit ratings and the duration of investments. The compliance with these limits is reported to the Company's Board of Directors on a monthly basis.

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2021	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated						
Cash and cash equivalents	**-**	**15,535,958**	**-**	**-**	**1**	**15,535,959**
Term deposits	**-**	**32,771,959**	**-**	**-**	**-**	**32,771,959**
Receivables	**3,273,476**	**25,413**	**-**	**-**	**1,260,079**	**4,558,968**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**70,643,863**	**70,643,863**
Total	**3,273,476**	**48,333,330**	**-**	**-**	**71,903,943**	**123,510,749**

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2020	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated						
Cash and cash equivalents	-	16,953,913	-	-	949	16,954,862
Term deposits	-	24,421,715	-	-	-	24,421,715
Receivables	3,160,056	87,534	-	-	1,342,434	4,590,024
Held to maturity investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	62,118,930	62,118,930
Total	3,160,056	41,463,162	-	-	63,462,313	108,085,531

The AAA rated receivables reflected above are due from Medicare Australia, a body administered and managed by the Federal Government. The Group's policy does not permit investment in any security rated below Standard and Poor's long-term A rating.

c) Currency risk

All financial assets and liabilities of the Group are denominated in Australian dollars.

28 Financial instruments (continued)

Reconciliation of net financial assets to net assets

	Notes	Consolidated		Health Insurance Fund of Australia	
		2021 $	2020 $	2021 $	2020 $
Net financial assets	28a)	**118,914,570**	104,497,456	**118,883,810**	104,466,653
Investment in controlled entities	15	**-**	-	**1**	1
Deferred acquisition costs	16	**1,572,517**	1,241,276	**1,572,517**	1,241,276
Property, plant and equipment	17	**13,483,234**	13,624,793	**13,483,234**	13,624,793
Investment property	18	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Deferred tax asset		**-**	-	**-**	-
Current liabilities	20, 21, 22	**(55,182,570)**	(52,175,837)	**(55,182,570)**	(52,175,836)
Non-current liabilities	22	**(157,425)**	(116,457)	**(157,425)**	(116,457)
Net assets per the balance sheet		**82,630,326**	71,071,231	**82,599,567**	71,040,430

Net fair value of financial assets and liabilities per the statement of financial position

The net fair value of financial assets and liabilities approximate their carrying value.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 30 June 2021

28 Financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2021	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	**-**	**70,643,863**	**-**	**70,643,863**

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2020	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	-	62,118,930	-	62,118,930

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at 30 June 2021 $	Fair value as at 30 June 2020 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property, plant and equipment – land and buildings	**12,222,938**	12,300,000	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Investment property	**4,000,000**	4,000,000	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Other financial assets – unit trusts	**70,643,863**	62,118,930	Level 2	Stated at the redemption price quoted by the trust managers as at the reporting date	N/A	N/A

There were no transfers between Levels in the period.

29 Lease arrangements

The Group owns two properties located at 60-62 Stirling Street and at 100 Stirling Street, Perth. Lease receivables at 30 June 2021 relates to both of the two properties owned by the Group and at 30 June 2020 to 60 - 62 Stirling Street only.

60-62 Stirling Street, Perth, has a lease term of 2 years, which ends on 31 March 2022. The lessee does not have an option to purchase the property at the expiry of the lease period.

The tenancy on level one of 100 Stirling Street, Perth, has a lease term of 5 years, with an end date of 21 January 2026. The tenant has an option to renew for a further 5 years to 2031. The remainder of the property is occupied by the Group.

The property rental income earned by the Group from its properties, which are leased out under operating leases, amounted to $245,879 (2020: $219,373). Direct operating expenses arising on the investment properties in the period amounted to $239,534 (2020: $208,738).

Non-cancellable operating lease receivables

	Consolidated		Health Insurance Fund of Australia	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Not later than 1 year	**312,641**	170,549	**312,641**	170,549
Later than 1 year and not longer than 5 years	**487,183**	-	**487,183**	-
Later than 5 years	**-**	-	**-**	-
	799,824	170,549	**799,824**	170,549

30 Subsequent events

At its meeting on 29 September 2021, the Board approved the refund of $2.8 million in premiums to Members impacted by the lack of access to health services due to COVID-19 restrictions and lockdowns. The Company is committed to not benefitting financially from COVID-19.

There has not arisen in the interval between 30 June 2021 and the date of this report, any other item, transaction or event including COVID-19 restrictions and lockdowns, of a material and unusual nature likely, in the opinion of the Board of Directors of the Company, to effect significantly the operations of the Group, the results of its operation, or the state of affairs of the Group in future years, other than the matters disclosed in this report.

HEALTH INSURANCE FUND OF AUSTRALIA LIMITED
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001 (Cth)*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the group;

(c) the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 (c).

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors

R. Homsany
Director

Perth, 29 September 2021

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 9, Grosvenor Place
225 George Street
Sydney, NSW
2000
Australia
Tel: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the Members of Health Insurance Fund of Australia Limited

Opinion

We have audited the financial reports of Health Insurance Fund of Australia Limited (the "Entity"), and its subsidiaries (the "Group") which comprise the Group and the Entity's statement of financial position as at 30 June 2021, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group and the Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group and the Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) 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 Group 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 reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial reports 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 reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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 Reports

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

In preparing the financial reports, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 reports.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial reports represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial reports. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants
Sydney, 29 September 2021

Freedom to choose.

Call, email or visit us online.

hif.com.au

1300 134 060

hello@hif.com.au

Whadjuk Country GPO Box X2221 Perth WA 6847

Find us on:

41698_key2creative_0921