

STRONGER TOGETHER

NOW & INTO THE FUTURE



The full financial statements are available to Members on request by calling 1800 011 255.

The MDA National Group is made up of MDA National Limited ABN 67 055 801 771 and MDA National Insurance Pty Ltd ABN 56 058 271 417 AFS Licence No. 238073. Insurance products are issued by MDA National Insurance Pty Ltd. MDA National Limited and MDA National Insurance Pty Ltd are together referred to in this report as the MDA National Group, MDAN Group or the Group. These expressions are used for convenience as both are separate legal entities.

Members' names have been removed from the testimonials in this report due to privacy considerations.

— **Dr Maria Boulton** Family Doctors Plus Director, General Practitioner

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1 —

A YEAR IN REVIEW

2019/20 Highlights

Freeze on premium
increases for **99%**
of Members*
for 2020/21

Retained **96.3%**
of practising doctor
Members
at year-end renewals

Increased premium
income levels by
4.5%
for 2019/20

—
2

*Less than 1% of Members received a premium increase due to their claims experience, nature of practice, level of billings or risk profile.

Responded to record number of 9,303 medico-legal enquiries

Introduced complimentary COVID-19 insurance category to facilitate 'surge workforce'

Implemented 24-hour automated phone payment service to simplify Member transactions

Launched COVID-19 Support Hub to inform and assist Members

Enhanced Online Services Platform for easier Member access and interactions

Introduced Live-Chat for real-time online medico-legal support

Leadership report

Stronger together

It is not surprising that the past financial year has been a challenging one. The onset of COVID-19 created an increased urgency to respond to unforeseen circumstances from an operational and financial perspective, without compromising the quality of service to our Members.

We are proud of the way our Members responded to the uncertainties and pressures created by the pandemic. And we are appreciative of the way our staff across the organisation came together in this time of crisis, working hard to prioritise Members' needs.

Support in the moments that matter

COVID-19 created many issues for the medical profession. Amidst the rapidly changing healthcare environment, Members were faced with concerns about managing their medico-legal responsibilities, while continuing to maintain safe medical practice.

We were able to quickly adapt our services and operations to provide a rapid response to Members – to help them keep on practising with confidence and peace of mind during these unprecedented times.

We immediately launched a dedicated web page – the COVID-19 Support Hub – with the advice and guidance Members urgently needed. We constantly updated the Hub to keep Members informed through the evolving pandemic, while our Education team quickly began preparing webinars and other digital resources to support Members' needs.

Our medico-legal advisers handled a record number of 9,303 medico-legal enquiries this past year, with a large influx of questions arising from the onset of COVID-19. Flooded with pandemic-related concerns ranging from COVID-19 testing, telehealth, and the supply and use of PPE, to employment issues and legal obligations, they went above and beyond in many ways to ensure Members' concerns were addressed with speed, expertise and empathy.

The risk advisers from our Support in Practice team also met increased demands, providing a record number of written advices to Members.

Our IT department implemented all the technical requirements for the rapid setup of remote working capabilities for staff, while ensuring uninterrupted service to Members and maintaining the highest level of system security needed with increased remote access.

In addition, we extended support on behalf of Members and the broader medical community by submitting an open letter (in August) to federal and state governments and hospital employers, calling for a safer work environment. We also provided on-ground support to hospitals through our Keep on Caring program.

Putting Members first

Our Boards held crisis meetings in March, a time when we would usually determine premiums for the upcoming financial year. Considering the situation from a business perspective, with the stock market crash and rising cost of medical indemnity claims, this would have ordinarily meant increasing premiums for 2020/21.

However, as a doctor-owned mutual organisation that exists to benefit Members, we recognised the financial impact doctors were facing due to the pandemic. We felt it was our duty first and foremost to consider Members' best interests and help ease some of the financial pressure, so they could carry on with their profession.

We collectively made the decision to apply a freeze on premium increases for the upcoming year for 99% of Members. In doing so, we had to employ a different rationale for the high-risk Member categories by aligning risk level with premium, which led to some of these high-risk Members getting a higher premium increase. This was an unfortunate but necessary step – as it was untenable for us to continue covering these risks without applying an appropriate premium, in the interests of the majority membership.

Fortunately, our sound investments held over the years have kept us in a strong financial position and helped build good capital reserves. The value of holding such reserves was demonstrated when we were able to use some of these funds to implement the premium freeze for 2020/21 and provide additional financial support for Members experiencing hardship due to the COVID-19 crisis.

Meeting strategic objectives

While keeping a close eye on our pandemic support for Members, we continued working on our business transformation and risk management in alignment with our four strategic objectives:

- ▶ *Delivering Member value through service leadership*
- ▶ *Enhancing Member engagement and experience by leveraging our digital and data capability*
- ▶ *Financial stability and growth*
- ▶ *People capability and culture*

We launched new individualised risk-based pricing, giving us the capability to align premiums with risk levels. We took on the management of ADAWA dental claims from the Dental Cases Panel (DCP).

We will always support our Members in the moments that matter. We remain stronger together, now and into the future.

We implemented a new and improved Online Services platform to enhance Members' experience, and our online payment portal was improved to simplify renewal payments. We introduced a live-chat channel to provide Members with real-time medico-legal advice.

We strengthened our IT security and improved the support systems (including updated video conferencing) – this proved very timely when virtual meetings became a necessity with the onset of COVID-19.

We restructured our Business Development team to support our strategic objectives. We also realigned the location of our staff and resources to ensure we had the right support in the right place – which assisted with reducing operational costs without impacting our levels of service.

Now and into the future

We are extremely grateful to all MDA National staff for the remarkable way in which they coped with the changed circumstances in work environments. It was heartwarming to witness their unwavering commitment to support our Members, despite the impact to their own work-life balance.

We are thankful to management for their immediate and efficient response to ensure seamless operations and services to Members, while also being mindful of the effects of the pandemic on the health and wellbeing of our employees.

As the impact of COVID-19 continues, we remain committed to being by the side of our Members, providing the ongoing support and protection they need. We will continue to be vigilant as the pandemic ensues, and we will constantly scan the environment for emerging risks and global changes so we can be ready to respond.

While our financial result for the year may seem less than satisfactory, our financial position remains strong and we are confident that we will weather this storm.

On behalf of our leadership team, thank you to our Members for your ongoing loyalty and trust.

We are pleased at having been able to prioritise Members' needs and respond to the unforeseen circumstances from an operational and financial perspective, without compromising the long-term viability of MDA National.

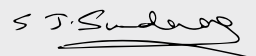
Our mutual structure, financial strength and unwavering focus on Members' needs have enabled MDA National to take a long-term approach to the immediate challenges of the past financial year while supporting our Members.

On behalf of our leadership team, thank you to our Members for your ongoing loyalty and trust. MDA National is your organisation. We will always act in your best interests and we will continue to support you in the moments that matter.

We remain stronger together, now and into the future.



Dr Rod Moore
President
MDA National



Steve Scudamore
Chairman
MDA National Insurance



Ian Anderson
CEO
MDA National

Our Board members

The MDA National Group is made up of MDA National Limited and MDA National Insurance Pty Ltd. The Boards of both entities work closely to ensure the organisation meets Members' needs, maintains financial stability and complies with regulatory requirements.



Dr Rod Moore
President, Mutual Board
MBBS (WA), Grad Dip Sp Med (UNSW), FAICD



Dr David Gilpin
Vice President, Mutual Board
MBBS (Hons), FRACS, GAICD



Dr Michael Gannon
Chair of Finance
MBBS, MRCPI, FRANZCOG, GAICD, FAMA



Mr Steve Scudamore
Chairman, Insurance Board
MA (Oxon), FCA, FAICD, SF Fin



Dr Andrew J Miller
MBBS, LLB (Hons), FANZCA, FACLM, FAICD



Dr Andrew Wesseldine
MBChB (University of Auckland), FRACP, GAICD, MBA



Ms Anne O'Driscoll
FCA, GAICD, ANZIIF (Fellow)



Dr Christine Pascott
MBBS, FRACGP, GAICD, CHIA



Dr Mellissa Naidoo
BSc (Hons I), BMBS, DCH, MHM, FRACMA, FCHSM, GAICD, CHIA



A/Prof Michael Hollands
MBBS, FRACS, FRSC, FACS, DHMSA



Dr Simon D Benson
MBChB, BSc (Hons), MRCGP, FRACGP



Mr Terry Agnew
BE (Hons), MSc, MBA, FAICD, SF Fin, FAIM



MUTUAL BOARD directors' individual profiles can be viewed at mdanational.com.au/about-us/who-is-md-national/governance

INSURANCE BOARD directors' individual profiles can be viewed at mdanational.com.au/about-us/who-is-md-national/insurance-board

UNWAVERING SUPPORT

*I'm worried that my practice
is not adopting appropriate
coronavirus safeguards...*

The onset of COVID-19 raised many questions and concerns from Members about managing their medico-legal responsibilities and maintaining safe medical practice.

I decided to commence telehealth consultations for all my patients. This has now led to a complaint to Ahpra...

My practice is refusing my request to consult patients via telehealth, despite my being a 'vulnerable' person...

My patient wants a letter to say they have a medical condition that exempts them from wearing a face mask...

I saw a patient with a cough and sent him for COVID-19 testing. The patient's family have now complained that this test was unnecessary...

What if a patient refuses to be tested for COVID-19 or to self-quarantine?

Supporting you through challenging times

As COVID-19 evolved into a pandemic, it created numerous challenges for the medical profession. Members were faced with uncertainty about many aspects of their practice including telehealth, risk management, insurance cover, and managing safe and compliant medical practice in the changing healthcare environment.

We identified our highest priorities and quickly set them in motion to help Members through these unprecedented times.

1 —

Provided a rapid response to Members with the advice and guidance they urgently needed to navigate the evolving uncertainties and keep on delivering safe patient care.

Launched the COVID-19 Online Support Hub

Webinars and educational resources

produced quickly to support Members

Advocated on key issues

on behalf of Members and the broader medical community

Provided proactive advice on legal obligations

COVID—19 Member Support

Our online COVID-19 Support Hub with regular updates kept Members informed and supported during the evolving pandemic.



Telehealth Toolkit

to assist Members who were new to telehealth



Curated information

from the government, state health departments and medical associations



Health & wellbeing resources

to help doctors cope with stress and anxiety



COVID-19 FAQs

related to patient care, practice issues, insurance cover and telehealth



24-hour emergency helpline

for medico-legal advice



Medico-legal blog posts, case studies & articles

related to COVID-19



Pandemic Practicalities live webinar

and various multimedia resources produced quickly to help doctors during the pandemic



2 —

Took immediate measures to ensure our staff and essential systems could still function to assist Members in the face of a national lockdown, without compromising the quality of service.

Business continuity

Rapid setup of remote working capabilities for MDA National staff

providing secure access to all required data, files and systems

Implemented a new soft phone system

to enable Member services and medico-legal teams to answer calls remotely

Our newly installed video conferencing system

was timely as it enabled virtual meetings while staff worked from home

Improved technology support services

to ensure systems and websites stayed operational

Applied a new workflow management process

to ensure the efficient completion of tasks while staff worked remotely

3 —

Took steps to ease some of the financial burden and other pressures faced by Members.

Insurance support

Freeze on premium increases for 99% of Members*

Eligibility for a premium reduction

if the nature and/or the level of activity of the practice had materially changed

New monthly direct debit payment option

to help Members manage cashflow

*For the 2020/21 financial year. Less than 1% of Members received a premium increase due to their claims experience, nature of practice, level of billings or risk profile.

Complimentary COVID-19 insurance category

to encourage recently retired medical practitioners to join the 'surge workforce'

Expanded assistance

for Members experiencing financial hardship

Automatic extension of cover for overseas work

in specific circumstances, with the option to seek an extension if those circumstances did not apply

Service enhancements

Enhanced the Online Services platform

to facilitate Members' interactions and access to resources

Introduced a new live-chat channel

to provide Members with real-time online medico-legal support

Improved the online payment portal

to simplify renewal payments

Implemented a 24-hour automated phone payment service

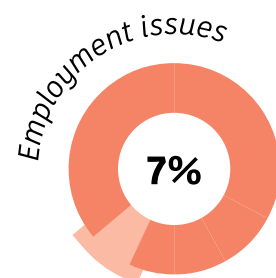
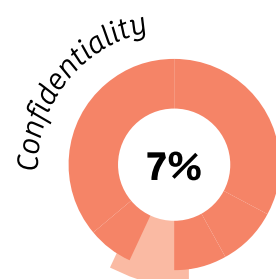
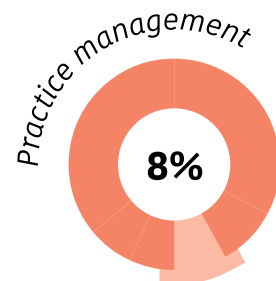
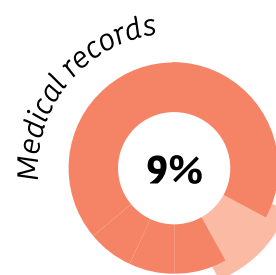
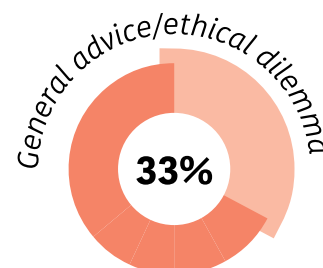
Supporting you in medico-legal matters

Whether it was general medico-legal advice, support with claims and complaints, or specific advice related to COVID-19, we were always on hand and ready to take the stress away — so Members could keep on practising with confidence and peace of mind.

“ I have really relied on your guidance throughout this very stressful time. Your huge efforts on weekends and after hours – and in general going above and beyond in all matters – was all greatly appreciated. I am extremely grateful for all your help, competence, care, diligence and consideration. I truly felt I could trust your expertise and experience, and that has been invaluable.

Physician, NSW

Top 5 reasons for medico-legal advisory calls*



*In 2019/20

A case of COVID-19 in a small country town

LiveChat with MDA National medico-legal advisers

Dr Jones

Hi, I need some advice.

Medico-legal Adviser

Hi Dr Jones, how can I help you?

Dr Jones

I saw a patient (Jack) who had just returned from a two-month road trip around the US. When Jack tested positive for COVID-19, I commented to my practice nurse that coronavirus had even reached our small country town. She mentioned my comment to her flatmate, not realising her flatmate had subsequently posted it on Facebook.

Jack was self-isolating at home and had not told anyone about his test result. He was stunned and dismayed when his local football teammate called to ask how he was coping with the coronavirus. He then discovered the escalating Facebook posts.

Unhappy about his condition being made public, Jack contacted me wanting an explanation. Shocked and embarrassed, I discussed the situation with my practice nurse and the truth came to light.

Jack's name had not been disclosed, either by me or the practice nurse. But we now realise that in a small town with a population of 450 people, the patient was easily identifiable as the young man who had just returned from a holiday in the US.

Outcomes from MDA National's advice to Dr Jones

Dr Jones called Jack and apologised for the inadvertent breach of his privacy, explaining how it had happened. Jack accepted his apology and decided to take no further action.

Dr Jones' practice considered its legal obligations under the Notifiable Data Breaches scheme. They determined that a notification to the Office of the Australian Information Commissioner was not needed, as the breach wasn't likely to result in serious harm to the patient.

The importance of privacy was made a priority agenda item at the next practice meeting, where all staff watched the MDA National webinar: *Privacy and Information Security in Private Medical Practice*.

This case study is based on an actual medico-legal referral. However, certain facts have been omitted or changed to ensure the anonymity of the parties involved.

Supporting you with timely education

Our usual complimentary education offerings for Members continued to evolve in 2019/20, with increased urgency to create diverse digital resources to support Members through the COVID-19 pandemic.



>1,000

participants in formal education activities



**Average
of 81%**

survey respondents planned to do something differently because of our education activity



2x

the number of live webinars compared to the last financial year



Pandemic Practicalities live webinar

First medical indemnity insurer to deliver a live webinar specifically responding to COVID-19 questions

Highest number of participants in an MDA National live webinar







Non-Members invited to participate, supporting the medical profession broadly



>800

viewings of live webinar recordings

Created short multimedia resources to help doctors respond quickly during the pandemic

	Video	Podcast
Competence & care in a crisis: considerations if asked to perform a new medical role		
Is a doctor medico-legally protected if they refuse to carry out a duty because there isn't appropriate personal protective equipment? (excerpt from Pandemic Practicalities webinar)		
COVID-19 complications for careers (created for release in August 2020)		
Telehealth Q&A (Questions hospital-based doctors asked MDA National)		
Diplomacy in a hierarchy: tips for approaching a difficult conversation with a senior colleague (created for release in August 2020)		

“Excellent presentation of very useful information and expansive responses to the questions around difficult management issues arising at this [COVID-19] time.

Ophthalmologist, VIC

FINANCIAL PERFORMANCE

Concise Financial Report

RELATIONSHIP OF THE CONCISE FINANCIAL REPORT TO THE FULL FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 30 June 2020. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of MDA National Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and independent audit report will be sent to Members on request, free of charge.

MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

Directors' Report

The Directors of MDA National Limited (MDA National) and its controlled entities (the Group) present the concise financial report of the Group for the year ended 30 June 2020 and their report as follows:

Corporate Information

MDA National is medical practitioner owned and operated and offers professional medical indemnity in Australia through its wholly owned insurance company, MDA National Insurance Pty Ltd (MDANI). Founded in Western Australia (1925), MDA National Limited is a company limited by guarantee under the *Corporations Act 2001* (Cth) and protects the interests of doctor members in Australia.

Registered office

Level 3, 88 Colin Street
West Perth WA 6005
Phone (08) 6461 3400

Directors and Company Secretary

The names of MDA National's directors and company secretary in office during the financial year and until the date of this report are as follows:

DIRECTOR

Dr R Moore

MBBS (WA), Grad Dip Sp Med (UNSW), FAICD

Period in office

Since 1998

Experience

General Practitioner
– Sports Medicine

Special responsibilities

President (since 2015), MDANI director, Chair of MDANI's Cases Committee (Western/Central), member of the MDANI's Clinical Underwriting Committee, member of the Group's Nominations & Remuneration Committee and the Group's Capital Committee

DIRECTOR

Dr S Benson

MBChB BSc (Hons) MRCPG FRACGP

Period in office

Since 16 November 2018

Experience

Specialist GP

Special responsibilities

None

DIRECTOR

Dr A Miller

MBBS, LLB (Hons), FANZCA, FACLM, FAICD

Period in office

Since 1998

Experience

Anaesthetist

Special responsibilities

MDANI director, member of MDANI's Case (Western/Central), Committee and the Group's Nominations & Remuneration Committee (until April 2020)

DIRECTOR

Mr S Scudamore

MA (Oxon), FCA, FAICD, SF Fin

Period in office

Since 2013

Experience

Accounting and Advisory Services

Special responsibilities

Chair of the MDANI Board and the Group's Nominations & Remuneration Committee; member of the Group's Capital Committee, the Group's Audit Committee and the Group's Risk Committee

DIRECTOR

Dr D Gilpin

MBBS (Hons), FRACS, GAICD

Period in office

Since 2010

Experience

Orthopaedic Surgeon

Special responsibilities

Vice President (since 2019), MDANI Alternate Director (to Dr R Moore, from May 2019), Chair of MDANI's Clinical Underwriting Committee

DIRECTOR

Dr M Gannon

MBBS, MRCP, FRANZCOG, GAICD, FAMA

Period in office

Since 15 June 2018

Experience

Obstetrician & Gynaecologist

Special responsibilities

Chair of Finance (from 31 January 2020), member of the Group's Capital Committee (from March 2020) and MDANI's Cases Committee (Western/Central)

DIRECTOR

Dr M Naidoo

BSc (Hons I) MBBS, DCH, MHM, FRACMA, FCHSM, GAICD, CHIA

Period in office

From 16 November 2018

Experience

Clinical and medical leadership roles

Special responsibilities

Member of the Group's Nominations & Remuneration Committee (from June 2020) and Chair of Queensland State Advisory Committee.

DIRECTOR

Dr A Wesseldine

MBChB (University of Auckland), FRACP, GAICD, MBA

Period in office

Since 20 November 2019

Experience

General Physician & Geriatrician

Special responsibilities

Member of the MDANI's Clinical Underwriting Committee (from August 2020) and WA State Advisory Committee

DIRECTOR

A/Prof M Baumwol

MBBS (WA), FRCS (Eng), FRCS (Edin), FRACS

Period in office

From 1993 until 20 November 2019

Experience

General Surgeon

Special responsibilities

Chair of Finance (from 2002 until November 2019), member of the Group's Capital Committee (until November 2019) and MDANI's Cases Committee (Western/Central)

DIRECTOR

A/Prof M Hollands

MBBS, FRACS, FRSC, FACS, DHMSA

Period in office

2013-2016 and since 2017

Experience

General Surgeon

Special responsibilities

Chair of MDANI's Cases Committee (Eastern)

DIRECTOR

Dr C Pascott

MBBS, FRACGP, GAICD, CHIA

Period in office

Since 2016

Experience

General Practitioner

Special responsibilities

Member of the Group's Audit Committee and the Group's Risk Committee

COMPANY SECRETARY

Ms J Wright

BEC, AGIA

Period in office

Since June 2019

Experience

Company Secretarial, Corporate Administration

Special responsibilities

Company Secretary to MDANI

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

Director	Directors' Meetings		Audit Committee		Capital Committee		Nominations & Remuneration Committee		Risk Committee	
	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held
Dr R Moore	7	9			5	5	4	4		
Dr D Gilpin	9	9								
A/Prof M Baumwol ⁽¹⁾	2	3			2	3				
Dr S Benson	9	9								
Dr M Gannon	9	9			3	3				
A/Prof M Hollands	8	9								
Dr A Miller	8	9					2	3		
Dr M Naidoo	9	9					1	1		
Dr C Pascott	9	9	5	5					4	4
Mr S Scudamore	9	9	5	5	5	5	4	4	3	4
Dr A Wesseldine ⁽²⁾	6	6								

(1) Ceased 20 November 2019

(2) Appointed 20 November 2019

Principal activity

The principal activity of the Group during the year was medical indemnity services. There was no significant change in the nature of this activity.

Throughout the 2019 financial year, the Group has continued to provide members with a competitive insurance policy that protects their interests in addition to providing members and insureds with high quality services through educational, medico-legal advice and advocacy.

Objective

MDA National's primary objective is to support and protect members and to promote good medical practice.

MDA National works to achieve this objective by supporting and protecting the character and interests of medical practitioners, practising or eligible to practise as such, in accordance with the laws of the states or territories of Australia and of students enrolled in the study of medicine at universities or other tertiary education institutions.

In striving to promote good medical practice, MDA National has developed a vision of being chosen as the most valued medical defence organisation and a trusted part of a doctor's professional risk management. The Group has a robust business plan in place using a series of key performance indicators. Net Promoter Score has been chosen by the Group as the single beneficial performance indicator to measure member satisfaction.

Results and performance

The consolidated net loss after tax for the year was \$30.45 million representing an increase of \$29.9 million from 2019 loss after tax of \$0.55 million.

Key drivers for the financial performance were:

- an increase in the net claims expense of \$13.47 million due to worse than expected medical and dental claims experience, a general increase in member base and a decrease in the discount rate used to value the outstanding claims provision
- a decrease in investment revenue (including movements in fair value) of \$12.73 million predominantly due to the adverse impacts of COVID-19 on the financial markets
- derecognition of deferred tax assets of \$5.59 million and property, plant and equipment impairment charges of \$1.42 million

partially offset by:

- an increase in net premium revenue of \$3.36 million due to an increase in average premium combined with member growth.

Significant changes in the state of affairs

There were no significant changes for the year ended 30 June 2020.

Matters subsequent to the end of the financial year

There are no material subsequent events from balance date to the date of this report.

Likely developments and expected results of operations

Likely developments in the operations of MDA National and the expected results of those operations in future years are that MDA National will continue normal operations with a view to remaining one of Australia's leading medical indemnity providers through careful management of its financial position, while seeking to be chosen as the most valued and trusted part of a doctor's professional risk management.

Environmental regulation

The operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Insurance of officers

During the financial year, MDA National paid an insurance premium in respect of Directors' and Officers' liability insurance. This insurance premium related to insurance of current and former Directors and Officers of MDA National against legal costs incurred in defending proceedings for conduct other than:

- a) a wilful breach of duty; and
- b) a contravention of sections 182 or 183 of the *Corporations Act 2001*

Pursuant to section 300(9) of the Corporations Act, as the contract of insurance prohibits the disclosure of the insurance premium paid and the nature of the liabilities covered, no details can be disclosed.

No indemnity payment has been made during or since the financial year.

Rounding

The Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in financial/Directors' Report) instrument 2016/191. Where permitted by that class order, amounts in the Director's Report have been rounded to the nearest dollars.

Indemnification of auditors

To the extent permitted by law, MDA National has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Directors' benefits

A disclosure of the benefits provided to directors during the year is made in the full financial statements.

Class of membership

The membership of MDA National is divided into the following classes: Practising Members, Student Members, Retired Members, Honorary Life Members and Compounded Life Members.

Liability of members and guarantee on winding up

The liability of members is limited. Each member undertakes to contribute to the assets of MDA National if it is wound up while he or she is a member or within one year afterwards, such amount as may be required not exceeding ten dollars (\$10) in aggregate. Based on 30 June 2020 membership, the maximum amount that members of MDA National are liable to contribute is \$439,600.

Auditor's independence declaration to the Directors of MDA National Limited

The Directors have received an independence declaration from the auditor, Ernst & Young. A copy of this can be found on page 25.

Non-audit services

Non-audit services, in the form of advisory work, was provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received \$131,600 for the provision of non-audit services for the 2020 financial year.

Signed in accordance with a resolution of the Board of Directors



Director
DR R MOORE



Director
DR M GANNON

Perth, 18 September 2020



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Independent Auditor's Report to the Members of MDA National Limited

Report on the Concise Financial Report

Opinion

We have audited the concise financial report, which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and related notes, derived from the financial report of MDA National Limited (the Company) and its subsidiaries (collectively the Group) for the year ended 30 June 2020. The concise financial report also includes discussion and analysis and the directors' declaration.

In our opinion, the accompanying concise financial report, including the discussion and analysis and the directors' declaration complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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 Concise Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the concise financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Concise financial report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 18 September 2020.

Responsibilities of the directors for the concise financial report

The directors of the Company are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibilities for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report complies, in all material respects, with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Ernst & Young

V L Hoang
Partner
Perth
18 September 2020



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Auditor's Independence Declaration to the Directors of MDA National Limited

As lead auditor for the audit of the concise financial report of MDA National Limited and its controlled entities for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MDA National Limited and the entities it controlled during the financial year.

Ernst & Young

V L Hoang
Partner
Perth
18 September 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

		Consolidated	
	Notes	30 June 2020 \$000	30 June 2019 \$000
Revenue			
Premium and subscription revenue	4	72,604	68,992
Outward reinsurance expense		(3,504)	(3,248)
Net premium revenue		69,100	65,744
Claims expense		(94,082)	(76,507)
Reinsurance and other recoveries revenue		27,244	23,142
Net claims incurred		(66,838)	(53,365)
Other underwriting expenses		(3,403)	(3,445)
Underwriting result		(1,141)	8,934
Investment income	4	7,885	11,448
Fair value (loss)/gains		(5,134)	4,035
Rental revenue		754	616
Other income		987	832
Salaries, fees and employee benefits expense		(11,147)	(12,917)
Promotion and travel expense		(2,352)	(2,871)
Consulting expense		(1,317)	(1,127)
Depreciation and amortisation expense		(3,343)	(2,177)
Financial costs and fees		(972)	(874)
General insurance expense		(1,032)	(740)
Legal expense		(227)	(138)
Impairment expenses		(1,423)	-
Interest expense		(70)	-
Direct investment expenses		(34)	(30)
Other expenses		(6,010)	(6,629)
Loss before income tax credit		(24,576)	(1,638)
Income tax (expense)/credit		(5,876)	1,086
Net loss after income tax (expense)/credit from continuing operations		(30,452)	(552)
Net loss attributable to members of parent		(30,452)	(552)
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
TOTAL comprehensive loss for the year		(30,452)	(552)

Discussion and analysis

The net loss after tax for the year ended 30 June 2020 was \$30.45 million compared to the loss after tax of \$0.55 million for the year ended 30 June 2019.

Underwriting result

During the current year, net premium and subscription revenue increased by \$3.36 million due to an increase in average premium combined with member growth. The net claims incurred expense for the year ended 30 June 2020 increased by \$13.47 million to \$66.84 million. The claims experience in relation to current and prior underwriting years was unfavourable. The higher claims expense is also due to member growth and lower discount rates.

Investment performance

Net investment income for the year was \$2.75 million compared to \$15.48 million in 2019. The decrease is mainly attributed to the adverse impact of COVID-19 on financial markets.

Salaries, fees and employee benefits

The decrease of \$1.77 million in salaries, fees and other employee benefits expense is mainly related to lower salary cost following the 2019 restructuring.

Depreciation, amortisation and impairment expense

Majority of the \$1.17 million increase relates to a change in the accounting standard for leasing which requires leased assets to be capitalised and depreciated.

During the financial year ended 30 June 2020, the Group recognised an impairment expense of \$1.42 million against its property based on an independent valuation report.

Income tax expense

The Group has concluded that it cannot demonstrate sufficient probability of taxable profits in the foreseeable future to justify continued recognition of deferred tax assets as at 30 June 2020. Balances as at 1 July 2019 have also been written down.

Statement of Financial Position

as at 30 June 2020

Discussion and analysis

The net assets as at 30 June 2020 have decreased by \$30.45 million from \$180.31 million as at 30 June 2019 to \$149.86 million, due to the loss for the current year.

Total assets have increased by \$7.92 million mainly due to increases in financial assets (including cash) of \$6.68 million.

In addition, reinsurance and other recoveries have increased by \$8.66 million during the year. This is predominately due to higher claim recoveries from government schemes and reinsurance following an overall increase in the claims provision and the number of large claims. These are offset by a decrease in deferred tax assets of \$5.59 million.

Total liabilities have increased by \$38.38 million as a result of an increase of \$30.71 million in the gross outstanding claims provision. The increase in the gross outstanding claims provision reflects an additional year of claims exposure less claims payments during the year and additional reserves to reflect the deterioration in the claims experience across the dental and medical portfolios as well as a reduction in the discount rate adopted in its valuation. Payables increased by \$7.36 million mainly attributed to timing combined with changes to the leasing standard.

	Consolidated	
	30 June 2020 \$000	30 June 2019 \$000
ASSETS		
Current Assets		
Cash and cash equivalents	34,227	40,863
Receivables	5,483	7,724
Reinsurance and other recoveries	12,672	13,691
Financial assets	162,325	145,381
Prepayments	254	772
Total Current Assets	214,961	208,431
Non-Current Assets		
Receivables	129	129
Reinsurance and other recoveries	71,113	61,436
Right to use asset	2,222	-
Financial assets	146,471	150,100
Deferred tax asset	-	5,587
Intangible assets	3,701	2,994
Property, plant and equipment	15,548	17,545
Total Non-Current Assets	239,184	237,791
TOTAL ASSETS	454,145	446,222
LIABILITIES		
Current Liabilities		
Payables	19,658	13,853
Income tax payable	197	157
Unearned premium revenue	28,022	27,625
Employee benefits	1,563	1,607
Outstanding claims	55,368	51,413
Total Current Liabilities	104,808	94,655
Non-Current Liabilities		
Payables	1,556	-
Employee benefits	398	490
Outstanding claims	197,523	170,765
Total Non-Current Liabilities	199,477	171,255
TOTAL LIABILITIES	304,285	265,910
NET ASSETS	149,860	180,312
MEMBERS' EQUITY		
Accumulated surplus	149,860	180,312
TOTAL MEMBERS' EQUITY	149,860	180,312

The accompanying notes form part of these concise financial statements.

Statement of Changes in Equity

for the year ended 30 June 2020

	Consolidated	
	Accumulated Surplus \$000	Total Members' Funds \$000
At 1 July 2018	180,864	180,864
Net loss after tax for the year	(552)	(552)
Total comprehensive loss	(552)	(552)
At 30 June 2019	180,312	180,312
Net loss after tax for the year	(30,452)	(30,452)
Total comprehensive loss	(30,452)	(30,452)
At 30 June 2020	149,860	149,860

Discussion and analysis

Accumulated surpluses decreased to \$149.86 million as a result of the operating loss after tax of \$30.45 million for the year.

Discussion and analysis

Cash flows from operations

Net cash inflows from operations increased \$7.16 million from \$4.56 million as at 30 June 2020 to \$11.72 million. The major contributing factors are highlighted below:

- higher cash receipts from premiums and reinsurance and other recoveries of \$17.03 million
- less payments made to suppliers and employees of \$2.20 million

offset by:

- increase in claims paid by \$9.55 million.

Cash flows from investments

Net additions to investments of \$15.35 million from the increase in net operating cash flows, and a reduction of \$6.64 million in cash and cash equivalents led to the increased outflows for investing activities.

Statement of Cash Flows

for the year ended 30 June 2020

	Consolidated	
	30 June 2020	30 June 2019
	\$000	\$000
Cash flows from operating activities		
Subscription receipts	4,437	4,161
Premium receipts	84,431	78,292
Receipts from reinsurance and other recoveries	21,672	10,779
Interest received	5,206	5,406
Payments to suppliers, employees	(40,406)	(42,604)
Claims paid	(63,369)	(53,819)
Income (paid)/tax received	(252)	2,349
Net cash inflows from operating activities	11,719	4,564
Cash flows from investing activities		
Funds deposited into managed portfolio and term deposits	(65,276)	(59,834)
Proceeds from the redemption of investments	50,396	73,354
Acquisition of property, plant and equipment and intangibles	(2,763)	(2,822)
Net cash (outflows)/inflows from investing activities	(17,643)	10,698
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(712)	-
Net outflows from financing activities	(712)	-
Net (decrease)/increase in cash and cash equivalents	(6,636)	15,262
Cash and cash equivalents at beginning of year	40,863	25,601
Cash and cash equivalents at the end of year	34,227	40,863

Notes to the Concise Financial Statements

for the year ended 30 June 2020

1. General Information

MDA National Limited (MDA National) is a not-for-profit company domiciled in Australia. The address of the company's registered office is 88 Colin St, West Perth. The concise financial report has been prepared in accordance with the requirements of Australian Accounting Standard AASB 1039 *Concise Financial Reports* for the year ended 30 June 2020, comprising MDA National and its subsidiaries (the Group).

2. Basis of Preparation

The concise financial report is presented in Australian dollars and is rounded to the nearest thousand dollars (\$000) unless otherwise stated. MDA National Limited's functional currency is Australian dollars. The concise financial report has been prepared on a historic cost basis except for certain financial instruments that have been measured at fair value.

3. Actuarial Estimates and Judgements

Significant estimates and judgements are made by the Group to arrive at key assets and liability amounts arising from general insurance activities including:

- outstanding claims liabilities: the cost of claims incurred but not settled at balance date arising under insurance policies;
- recovery assets: amounts expected under reinsurance arrangements and government schemes including High Cost Claims Scheme (HCCS) and Run-Off Cover Scheme (ROCS).

The determination of these estimates and judgements are continually being evaluated and are based on historical experience and independent actual valuation. While all reasonable steps are taken to ensure that adequate information is obtained regarding exposures and recoveries, given the uncertainty in establishing the claims provisions, it is likely the final outcome will prove to be different from the original liability established.

A description of the factors used to determine the actuarial assumptions is provided below.

Assumption	Factors considered
Average weighted term to settlement	Based on historical settlement patterns.
Estimated future claim numbers (claim frequency)	Based on historical patterns of claim reporting and conversion from incident to claim.
Average claim size	Based on historical claim size experience.
Inflation	Based on future forecasts for wage inflation.
Superimposed inflation	There is a tendency for claims costs, particularly for medical indemnity, to increase at levels in excess of standard inflationary pressures. This can be due to a number of factors including court awards and precedents and social and environmental pressures which are analysed and forecast separately from wage inflation. The actuarial method used to project future claim payments in respect of medical indemnity claims has an explicit allowance for superimposed inflation.
Reinsurance and non-reinsurance recoveries	Based on historical recovery rates. HCCS recoveries are based on the estimated costs above the HCCS thresholds implied by the Group's average claim size model. ROCS recoveries are based on the likelihood of doctors meeting the ROCS criteria in future and historical reporting patterns.
Claims handling expenses	Based on the historical relationship between claims handling expenses and gross claim costs. The ROCS legislation allows for claims handling recoveries of 5% on all ROCS recovery amounts.

Discount rate	Estimated using the expected claim payment profile and the Commonwealth Government bond yield curve at the balance date.
Risk margin	Uncertainty is analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform. The assumptions regarding uncertainty are applied to the net central estimates to arrive at an overall provision which is intended to have a 75% probability of sufficiency. Measurement of MDA National's risk margin reflects a parent entity capped exposure of \$0.35m (2019: \$0.35m).

The following table provides key actuarial assumptions made in determining the outstanding claims liability:

	2020	2019
Average weighted term to settlement from reporting date	3.3 years	3.2 years
Claims handling expense rate:		
% claims (capped at excess of loss retention)	5.5%	7.0%
ROCS (% of ROCS claims recoveries)	5.0%	5.0%
Discount rate	0.4%	1.1%
Inflation	N/A *	N/A *
Risk margin	10.8%	10.1%

* The method used to measure the liability for reported outstanding claims does not involve explicit assumptions for inflation rates. However in valuing the Incurred But Not Reported ("IBNR"), Extended Reporting Benefit ("ERB") and Death, Disablement or Retirement ("DDR") liabilities, 1.5% (2019: 2.75%) normal inflation and 2.5% (2019: 2.5%) superimposed inflation were used for all projection years.

(i) Outstanding claims

The liability for outstanding claims is measured at the present value of the expected future payments, reflecting the fact that not all the claims have to be paid out in the immediate future. The expected future payments include those in relation to claims reported but not paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement, such as normal inflation and 'superimposed inflation'.

The expected future payments are then discounted to a present value at the balance date using discount rates based on Australian Commonwealth bonds.

A liability for outstanding claims is recognised in respect of all claims notified to the Group. Corresponding receivables are disclosed as reinsurance recoveries and other recoveries.

(ii) Reinsurance recoveries

Reinsurance recoveries are recognised as revenue for claims incurred. Recoveries receivable are measured using actuarial methods to estimate the present value of expected future receipts arising from related insurance contracts. The valuation is prepared by the appointed actuary. The revision of certain actuarial assumptions may result in the reversal of recoveries previously recognised. This may result in negative recovery revenue.

(iii) Recoveries from government schemes

Estimates of the amounts recoverable from the Commonwealth Government under the HCCS and the ROCS are recognised as revenue in respect of claims liabilities recognised at balance date, other than where claims are subject to reinsurance arrangements.

Other government recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

4. Revenue and Other Income

	Consolidated	
	2020	2019
	\$000	\$000
Underwriting activities		
Premium revenue	68,875	65,347
Subscription revenue	3,729	3,645
	72,604	68,992
Investment income		
Interest – other bodies corporate	4,319	5,460
Trust distributions	3,387	5,819
Fee rebate income	179	169
	7,885	11,448

5. Impact from COVID-19

The financial and social impacts of COVID-19 continue to emerge and will further develop over the coming year. The extent and duration are difficult to forecast and remain dependent on many factors. These include the extent to which the virus persists, the efficacy of government and central bank responses (both locally and globally) and the impact prolonged uncertainty has on consumer and business sentiment.

The immediate impacts on the Group have been from market volatility creating lower investment returns (and consequential impact on capital management activities), increases in insurance liabilities, the acute effect on the practices of some of our members and their patients, and the adoption of altered working practises amongst our members, employees and suppliers. As the impacts of the virus and associated responses evolve, so too will the associated risks and the Group is committed to appropriately managing those risks at all levels through its existing comprehensive risk management framework.

In preparing the current year financial statements, the Group has considered the impact of COVID-19 and other market volatility in key judgements and estimates in relevant disclosure notes, including the valuation of insurance liabilities and reinsurance recoveries, fair value measurement of investment portfolio, expected credit losses of insurance and non-insurance assets, recoverability of deferred tax assets and impairment of properties, plant and equipment.



*We will always support our
Members in the moments
that matter.*

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