

Annual  
Report 2018

**BY  
YOUR  
SIDE**



# BY YOUR SIDE

The case studies in this document are based on actual medical negligence claims or medico-legal referrals. However, certain facts have been omitted or changed to ensure the anonymity of the parties involved.

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. MDA National Limited and MDA National Insurance 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 some of the testimonials in this report due to privacy considerations.

# Contents

Concise Financial Report

# Highlights 2017/18

**Net assets grew to \$181m**

as at 30 June 2018  
(from \$178m at 30 June 2017)

**\$2.8m surplus achieved**

for the year ending  
30 June 2018

**Members and insureds grew by 4.6%**

**Practice policies grew by 11.5%**

**12.9% increase in medico-legal advisory calls**

**>120 medico-legal & risk management presentations delivered**

**Cyber Risk Program initiated**

**Travel insurance Member benefit introduced**

# Trust

**BY  
YOUR  
SIDE**

## Our Mission

To support and protect Members and promote good medical practice

## Our Vision

Our Members choose us as the most valued MDO and trusted part of a doctor's professional risk management. We will demonstrate this by having industry leading Member services and continued growth in market share.

## Our Values



Member Service



Integrity



Teamwork



Openness



Continuous Improvement & Performance

## BY YOUR SIDE

# Leadership report

We have had a rewarding year, and are proud to be supporting **54,000+** Members and insureds across Australia.

We are focused on being future-ready, relevant and by your side.

We will continue to earn your trust by being responsive to your needs, with support you can rely on.

Last year, we conducted a survey of our annual report to gather insight into your needs and preferences. Thank you to all of you who took the time to complete the survey. We have taken your comments on board and used your valuable feedback in producing this year's annual report - we hope it better meets your expectations.

This annual report is focused on four key attributes which we expect you, as a medical practitioner, would value most from your MDO:

**Trust:** by your side with honest communication and acting in your best interests

**Expertise:** by your side with medico-legal advice, claims support and best practice education

**Reassurance:** by your side supporting you and protecting your career and reputation

**Stability:** by your side with safe and responsible stewardship of Membership funds.

### Change

The 2017/18 financial year has been an important time for MDA National. We reinvigorated our strategic direction with an emphasis on service leadership - to create value for medical practitioners and support the long-term needs of the medical

profession. We began delivering on our strategy by focusing on our key areas of activity through clearly defined strategic pillars (outlined on page 7).

We understand that your world as a medical practitioner is constantly evolving. Changes in medical practice and healthcare systems coupled with rapid advances in technology and the digital environment, all within a highly regulated profession, are bound to place a lot of pressure on your work and your wellbeing. In this fast-paced environment, we are adapting our services to respond to your evolving needs.

During the year, we spent time transforming the way we do things - investing in new capabilities to prepare for a future that will require more competitiveness, efficiency and contemporary use of technology. We made changes to our team structures, internal processes, digital communications and technical capabilities to improve the quality of your interactions with us.

We expanded our online education services with great feedback from those of you who have experienced the quality of the content and ease of access. We also strengthened our claims and medico-legal advisory teams with new staff appointments.

### Advocacy

Our strong industry alliances and relationships at a state and federal level (outlined on page 12) enable us to achieve better outcomes for you and a stronger platform for advocacy. And we keep you updated on issues or changes that may impact on your professional practice. We work closely with the AMA to lobby and negotiate on behalf of the medical profession. We continue to robustly advocate in relation to doctors' health and the mandatory reporting exemption for treating doctors. We have played an active role for a number of years in ensuring your interests are protected in relation to My Health Records - this representation is ongoing.

We are pleased to have been involved in various industry and government meetings as part of the Thematic Review and First Principles Review of our governing legislation, facilitated by the federal Department of Health. The most important outcome from a medical malpractice insurance perspective is that the federal government will continue the support it has provided for almost two decades, which has stabilised the industry and resulted in reduced premiums in real terms.

## Stability

MDA National finished the financial year with a solid capital position of \$181 million in net assets and a surplus of \$2.8 million. We had a 4.6% increase in Members and insureds, and grew our Practice Policies by 11.5%. Our dental indemnity product offering continues to resonate with the dental profession, reflected by a 13% increase in Dental Policies.

Our financial security is also reflected in the renewal of our re-insurance program, once again with highly positive feedback from the reinsurers on the quality of our claims management processes. From an insurance perspective, we remain conscious about maintaining our financial stability with a good and safe capital base. We manage our investments consistently to get good returns while also exercising caution to ensure our capability to meet obligations in relation to ongoing claims.

## Value and culture

While the primary value we deliver is through our market-leading claims and advisory services, we are also conscious of providing value to those of you who haven't used these services. This has

largely led to our commitment to providing complimentary education, risk management services, medico-legal publications and online resources to inform and support you in your area of practice. We remain conscientious about our underwriting standards, and conscious about managing any adverse effects of high-risk Members on the overall Membership.

The composition of our Boards (shown on page 11) and the distribution of our Members and insureds (page 8) are reflective of our commitment to maintain a viable and robust national organisation. Whilst we are a doctor-focused mutual, we are also a regulated financial services organisation. Just as you are focused on complying with Medical Board guidelines to manage your risks, we are focused on our processes to ensure we work within our Australian regulatory framework. And we are as surprised and disappointed as the public and the medical profession by the recent revelations from the Royal Commission.

We take pride in our knowledge and understanding of, and compliance with, our regulatory obligations. You can be assured of our strongly

embedded culture of honest and open communication, and that we will continue to act in your best interests. MDA National is *your* organisation, and we encourage you to contact any of our Mutual Board directors if you have concerns about what we do and how we do it.

On behalf of MDA National's leadership team, thank you to our Members for your loyalty and trust. Thank you to our Board members for your robust governance. Thank you to our employees for your unwavering commitment and professionalism. And thank you to our industry stakeholders for your collaboration that helps us achieve better outcomes for our Members and the medical profession.

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We are adapting our services to respond to your evolving needs, helping you navigate the risks of clinical practice.

We are BY YOUR SIDE.



**Dr Rod Moore**  
MDA National President



**Steve Scudamore**  
MDA National Insurance Chairman



**Ian Anderson**  
MDA National CEO



# Our Strategic Pillars

## Service

Delivering market membership, medico-legal advice & claims management services which are easy to use

Providing relevant & accessible knowledge, education and insight

Delivering new and additional Membership benefits



## Price & Product

Providing core medical indemnity products which remain comprehensive and current in the market

Ensuring premiums are competitive and equitable in relation to services and products provided



## Culture

Focusing on organisational culture to improve employee engagement and promote a productive, positive and innovative working environment



## Efficiency

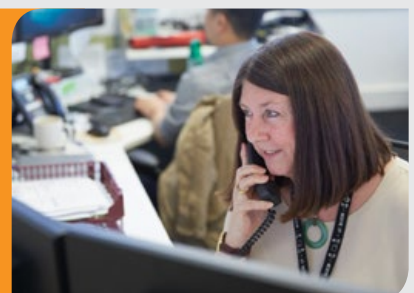
Improving operational efficiency and internal capability

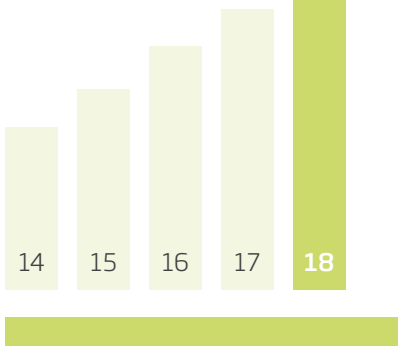
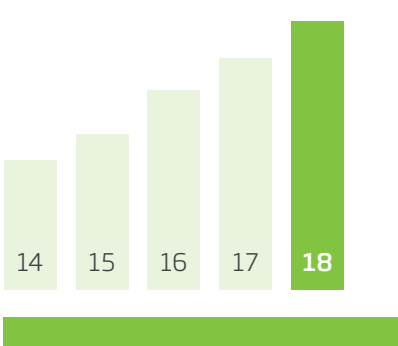
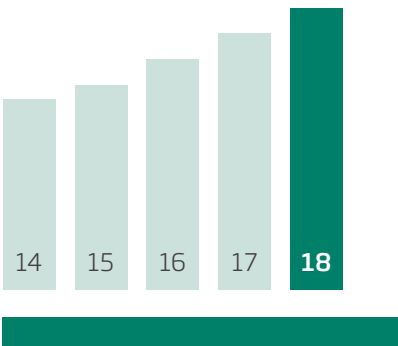
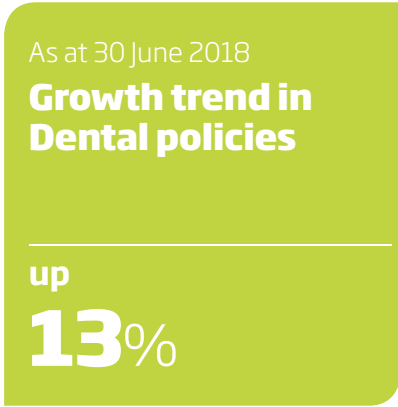
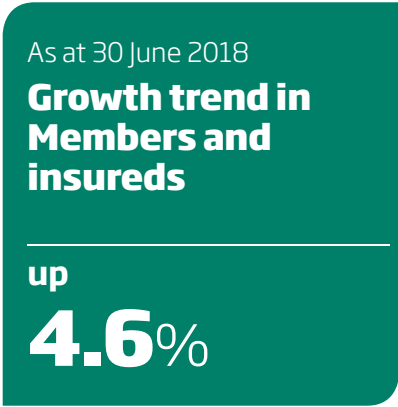
Eliminating waste through effective allocation of resources



## Knowledge

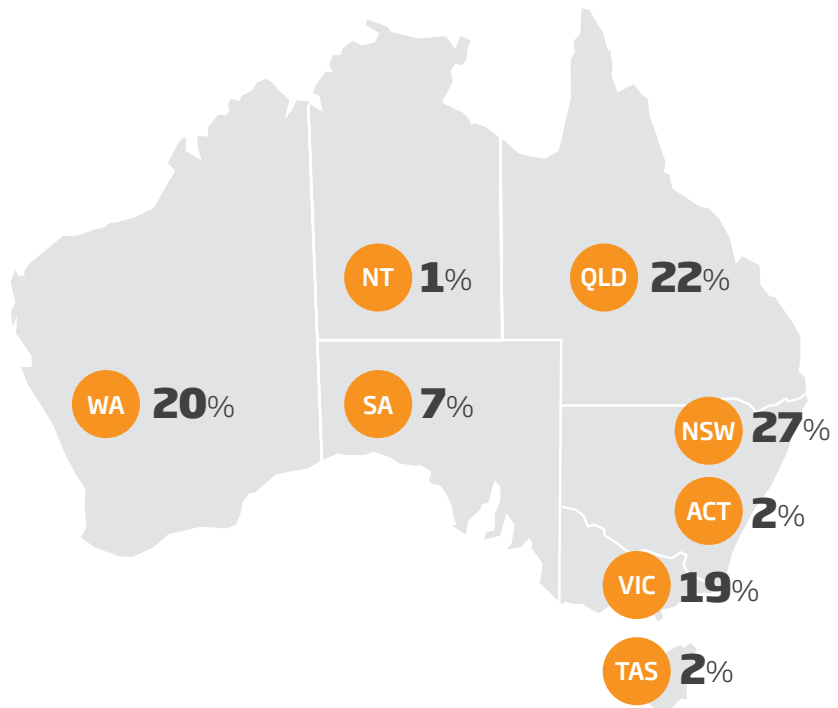
Developing best intelligence of the market, Membership and our business to support all other pillars





## National distribution of Members and insureds

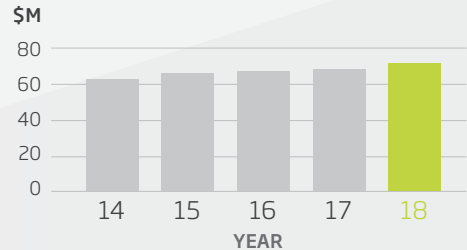
as at 30 June 2018



# Financial performance

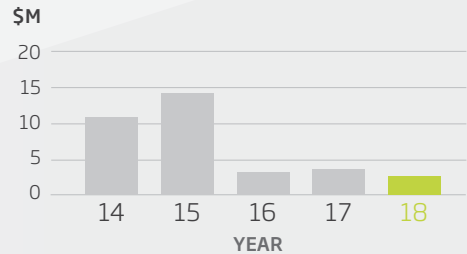
## Subscription and Premium Income for financial year ending 30 June

- Our subscription and premium income was \$66.6 million - an increase of 6% from the financial year ending 30 June 2017.
- This reflects continued growth in Membership and dental professionals, along with a small increase in average premiums.



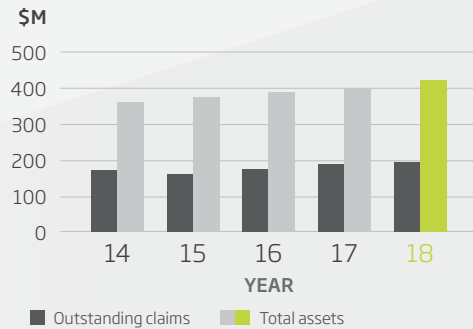
## Surplus for financial year ending 30 June

- The \$2.8 million surplus achieved this year exceeded our close to break-even budget. Setting of the budget was based on not needing to build capital and our commitment to continue delivering quality Member services while keeping premiums affordable.
- The surplus is attributable to greater than budgeted investment income and lower general expenses, offset partially by higher than expected claims expense.



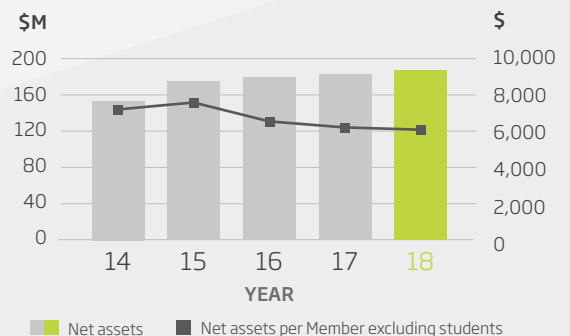
## Outstanding Claims and Total Assets as at 30 June

- MDA National's total assets increased to \$421 million - an increase of \$18 million (5%) from last year. This comfortably exceeds the outstanding claims liability of \$199 million.
- With total assets amounting to more than double the outstanding claims liability, MDA National is well equipped to meet Members' current needs, with the added capacity to respond to any unforeseen future claims events.



## Net Assets and Net Assets per Member (excluding students) as at 30 June

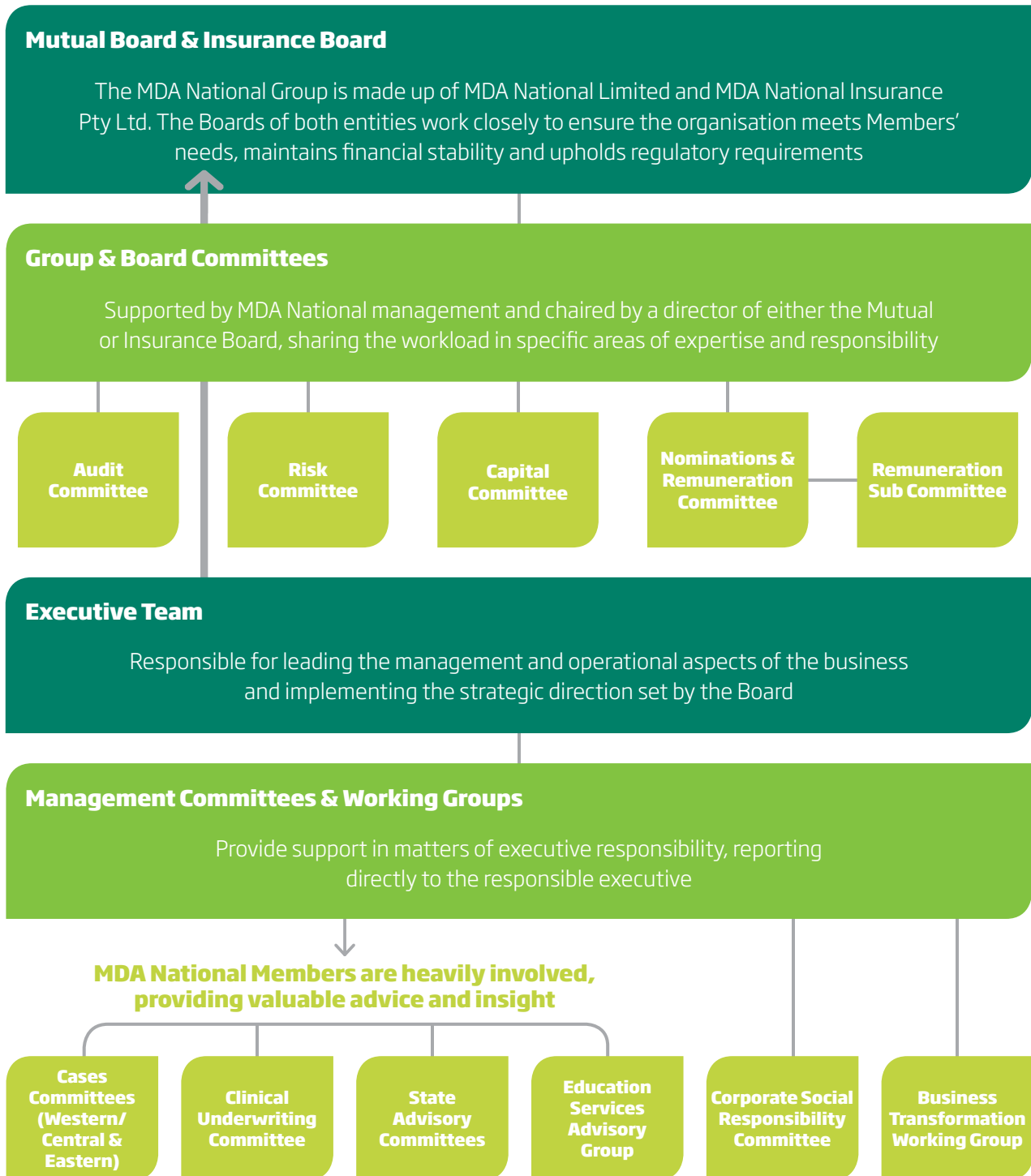
- MDA National's net assets increased to \$181 million, from \$178 million as at 30 June 2017.
- Net assets per Member (excluding students) have continued to reduce due to the steady growth in Membership combined with not targeting an increase in capital.
- MDA National Insurance comfortably exceeds the regulator's (Australian Prudential Regulation Authority) minimum capital requirements and the prudential buffer required by the Insurance Board.



**BY YOUR SIDE**

# Corporate governance

## Leadership structure



Details about our leadership structure and committee members can be viewed on our website at:

# Our Board members

as at 30 June 2018



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

**2 Dr Beres Wenck - QLD**  
Vice President  
MBBS, FRACGP (Hons), FAMA, MAICD

**3 A/Prof Max Baumwol - WA**  
Chair of Finance  
MBBS (WA), FRCS (Eng), FRCS (Edin), FRACS

**4 Mr Steve Scudamore - WA**  
Chairman, Insurance Board  
MA (Oxon), FCA, FAICD, SF Fin

**5 Mr Terry Agnew - WA**  
BE (Hons), MSc, MBA

**6 Dr Michael Gannon - WA**  
MBBS, MRCPI, FRANZCOG, GAICD, FAMA

**7 Dr David Gilpin - QLD**  
MBBS (Hons), FRACS, GAICD

**8 A/Prof Michael Hollands - NSW**  
MBBS, FRACS, FRSC, FACS, DHMSA

**9 Dr Patrick Mahar OAM - VIC**  
MBBS (Hons), LLB (Hons), MBA, PhD,  
DMedSc, FACLM, FACD, GAICD

**10 Dr Andrew Miller - WA**  
MBBS, LLB (Hons), FANZCA, FACLM, FAICD

**11 Ms Anne O'Driscoll - NSW**  
FCA, GAICD, ANZIIF (Fellow)

**12 Dr Christine Pascott - WA**  
MBBS, FRACGP, GAICD

-  Mutual Board
-  Insurance Board
-  Mutual & Insurance Boards



Mutual Board directors' individual profiles can be viewed at



Insurance Board directors' individual profiles can be viewed at

**BY YOUR SIDE**

# Alliances based on mutual trust

Working together with like-minded organisations helps us achieve better outcomes for you and a stronger platform for advocacy.

In 2017/18 we continued to build and maintain strong strategic alliances and key industry relationships to enhance the value we deliver to you.

**2017/18: Formalised industry relationships**



**2017/18: Strategic alliances**



**Australian Medical Associations (AMAs) WA, NT, QLD and VIC**  
Preferred medical indemnity provider status



**Australian Society of Ophthalmologists (ASO)**  
Preferred insurer status



**Rural Doctors Association of Australia (RDAA)**  
Major MDO sponsor status

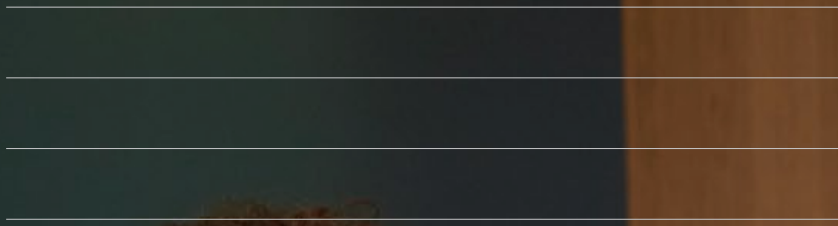


**Royal Australasian College of Surgeons (RACS)**  
Preferred medical indemnity provider sponsor status with RACS Queensland and RACS Western Australia



**General Practice Supervisors Australia (GPSA)**  
Exclusive MDO sponsor status

# Expertise



**BY  
YOUR  
SIDE**

**BY YOUR SIDE**

# When you need medico-legal advice

**We provide a medico-legal 'phone-a-friend' lifeline to assist you in times of need.**

You have 24-hour access to expert medico-legal advice to help navigate a range of issues. Our medico-legal advisers are experienced in health care, law and medical indemnity, and also have access to our broader team including doctors, solicitors and risk advisers.

This multidisciplinary approach enables us to respond to each enquiry - no matter how big or small - with accurate, practical and personalised advice and support.



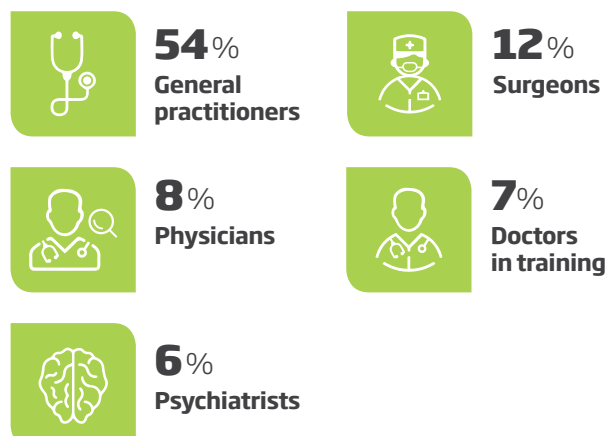
In 2017/18, we received **8,709 calls** to our medico-legal advisory line.

**2017/18: Top 10 reasons for medico-legal advisory calls**



**2017/18: Top 5 specialties calling for medico-legal advice**

shown as % of total calls







## Member testimonial

*I am truly impressed with the fantastic support and prompt response I received from MDA National. I had a serious problem at the clinic after 4:00pm which required a response by 9:00am the following day. I called MDA National for help at about 6:30 pm, not having much hope that I would get through to anyone at that time. To my surprise my call was redirected to WA where Dr Jane Deacon answered and provided me with preliminary advice. She also forwarded my request and emails to Julie Brooke-Cowden in NSW, asking her to call me first thing in the morning.*

*I was so relieved to receive Julie's call at 8:00 am the following day. Julie gathered more information from me and contacted Tresscox right away to assign me a lawyer. By 8:30 am, a Tresscox lawyer called me with advice about what I should do and say at the 9:00am meeting I was required to attend. They also handled my case diligently, which is now arriving at a very satisfactory end.*

**General Practitioner, VIC**

**Photo:** Dr Jane Deacon, Medico-legal Adviser

## CASE STUDIES

### Inadequate assessment and records

An experienced GP Member received a complaint from AHPRA regarding allegations that he had refused to properly assess a patient and provide appropriate referrals. Although our Member had a reasonable explanation for his treatment decisions, his records were very brief. As a result, AHPRA proposed to impose conditions upon our Member's medical registration requiring him to complete formal education regarding medical record-keeping. Our Member was invited to provide a submission addressing that proposed action.

We assisted our Member in taking steps to change his practice to satisfy AHPRA that their proposed action was not necessary. These steps included:

- reading the Medical Board's *Good Medical Practice: A Code of Conduct for Doctors* and the RACGP's guide, *Quality Health Records in Primary Healthcare*
- completing MDA National's online, CPD-accredited course: *Noteworthy: The How, What, Where and Why of Medical Documentation*
- having a peer undertake an audit of a random selection of his medical records
- preparing a report for AHPRA regarding his reflections about the further training he had completed.

AHPRA subsequently decided to take no further action, as our Member had satisfactorily addressed the Board's concerns.

### Family dispute on child's medication

A Paediatrician Member contacted us for advice about an ongoing Family Court matter. Her patient was diagnosed with ADHD, but the separated parents could not agree on the medication recommended by the doctor. Eventually the mother took the matter to the Family Court. When our Member received a subpoena to give evidence, we advised her on its validity and provided general advice on giving evidence in court. After she gave evidence in court, the patient's father approached her and made serious threats against her. We assisted our Member in obtaining a restraining order against the father. The Family Court issued an order for the child to commence the medication.

### Breach of privacy legislation

A practice owner contacted us when an independent contractor resigned and opened her own medical practice just one kilometre away. As there was no written contract, there was nothing preventing her from doing this. Not long after, the practice owner discovered some of his patients had been sent letters from the new practice stating they had access to their medical records and could transfer their care to the new practice at no cost.

With our help, the practice owner was able to write to his former contractor to remind her that removing and using patients' details and medical records without consent was a breach of privacy legislation, and asked her to return the database and stop contacting his patients. She agreed to all the requests and the matter was resolved quickly, without the need for litigation.

## BY YOUR SIDE

# When you have a complaint or claim

We take the stress out of a complaint or claim so you can focus on your medical practice.

We take a truly member-centric approach to case management, and our highest priority is to support your best interests. We find the best outcomes are achieved by listening to your concerns and working in close partnership with you.

With each case, you have the benefit of our in-house expertise backed by a range of experienced external lawyers. This gives you the added advantage of having the most appropriate expert carefully matched to your specific matter to deliver the best outcome for you.



In 2017/18, our Medico-legal and Advisory Services team delivered **>90 medico-legal presentations** at universities, industry events and conferences.

## 2017/18: Top 5 reasons for cases



**32%**  
General duty of care



**17%**  
Legal issues



**15%**  
Procedure



**14%**  
Diagnosis



**12%**  
Medication/treatment

## 2017/18: Top 5 specialties involved in cases

shown as % of total cases



**47%**  
General practitioners



**18%**  
Surgeons



**8%**  
Physicians



**6%**  
Psychiatrists



**5%**  
Anaesthetists



## Member testimonial

*I'd like to thank MDA National for all the assistance provided to me during this entire process, in particular, the initial stages of preparing my statement for the Coroner. Although I was being formally assisted by the hospital lawyers, I was really impressed with how involved MDA National was from the start until eventually taking over the case. I'm truly thankful for your help and support in getting me through the inquest which was a very stressful process. Thank you for your diligence, kindness, acknowledging my concerns, and answering my questions no matter how trivial they may have seemed.*

*It definitely helped me to deal with what was going on. I don't fully understand the ins and outs of your profession, but I'm pretty sure your job description doesn't include having to console your client every time you spoke to them. I don't think I can fully articulate to you the effect that your words and advice have had on me, which is something I'm grateful for.*

**Resident Medical Officer, NSW**

**Photo (left to right):** Gayle Peres da Costa, Claims Manager (Solicitor) and Nikki Reyes, Claims & Medico-Legal Officer

## CASE STUDIES

### Complaints about conduct

A GP Member received three patient complaints to the Health Care Complaints Commission (HCCC) in the space of four months. All complaints related to the Member's conduct with her patients.

The Member disclosed to us that she was under financial stress due to a separate Medicare investigation and personal health issues. Our medico-legal adviser assisted her with negotiating a payment plan with Medicare, and also spoke with the Member at length about other ways MDA National could help, including offering her a referral to our Doctors for Doctors Program. The Member was very grateful for the advice and support as she was unaware MDA National offered these additional services.

We recently received confirmation from the HCCC that all three complaints against the Member had been dismissed with no further action. The Member and her Practice Director were extremely happy with the outcome and appreciative of our assistance in the matter.

### Employment matters

A long-term career medical officer felt she had no choice but to resign from her position after an internal hospital dispute continued to escalate. However,

the hospital alleged there was a breach of contract and refused to pay out her entitlements. Our Member argued that the hospital had failed to address the bullying and harassment she had reported on numerous occasions, and asked for our help to recover her entitlements. Cover was provided under her Professional Indemnity Policy, and we were able to negotiate an equitable settlement with the hospital on her behalf.

### AHPRA notifications

A staff specialist was asked to assist his hospital in responding to a complaint made by a patient. The patient had been discharged after recovering from a minor complication, and the staff specialist thought no more about it until he received an AHPRA notification. Although the patient had been seen by several doctors in the hospital, the staff specialist was the only doctor whose name she had noted.

When the patient felt the hospital had not adequately addressed her concerns, she lodged a notification with AHPRA. The staff specialist assumed the hospital's legal team would assist him, but he was told his hospital indemnity did not extend to AHPRA notifications. He was greatly relieved to find out that our experienced medico-legal advisory services team would assist with his response and guide him through the process.

**BY YOUR SIDE**

# When you need support in practice

We provide practical risk management strategies to fit into your everyday practice of medicine.

Our Support in Practice (SiP) team provides a proactive service to help you identify potential risks that could lead to complaints or claims.

We provide advice by phone or email, and will visit your practice if needed to speak to you and your staff.

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**2017/18: Top 7 topics for SiP advice to Members and practices**




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**2017/18: Support in Practice services**



# CASE STUDIES

## AHPRA complaint

Dr A was working in a solo specialist practice. A disgruntled ex-employee lodged an anonymous complaint with AHPRA about her, alleging she had health issues affecting her ability to practise, and also that her record-keeping and file management were not up to standard.

On receipt of correspondence from AHPRA, Dr A phoned MDA National for assistance. We arranged for a risk adviser from our Support in Practice team to visit her practice. A thorough review of her record-keeping system, which was almost entirely paper-based, was conducted. Dr A's filing systems, archiving process and record-keeping were found to be generally of a good standard. A few process improvements were suggested which Dr A was able to implement.

At AHPRA's request, Dr A also underwent a health assessment which showed her to be in good health, with no impairment affecting her ability to practise safely. We then helped Dr A to prepare a response to the allegations about record-keeping, including information about

the systems in place and recent improvements she had made. AHPRA was satisfied with her response and took no further action.

## Records of a deceased patient

A practice manager received an urgent request for medical records for a recently deceased patient. The patient's usual doctor was on annual leave and the written request included a copy of a power of attorney. The practice manager provided a copy of the records, believing that the requesting party had appropriate authority.

Two weeks later, the practice received an aggressive letter from lawyers acting for the executor of the patient's estate demanding to know why a copy of the medical records had been provided to the deceased patient's estranged son who had held power of attorney only for a brief period many years ago. When the lawyers requested a written response and threatened to report the matter to the Office of the Australian Information Commissioner, the practice manager

sought our advice. We discussed the legal requirements when providing access to medical records (even if the patient is deceased). We helped the practice manager respond to the lawyers, and to set up systems and staff education to prevent a similar incident.

## Iron staining

A practice manager contacted us for advice after receiving a request for compensation from a patient who suffered significant tissue iron staining (tattooing) following administration of iron by the practice nurse. The practice initially responded to the complaint by providing a referral to a dermatologist. However, the patient, a 19-year-old model, became extremely upset when the dermatologist told her the staining might be permanent. She engaged a lawyer and was seeking compensation for lost income as a result of the staining. We reviewed the practice's protocols and consent processes, and provided recommendations that the practice could incorporate into their current systems.

## Support in practice



## BY YOUR SIDE

# When you need education on safe practice

We provide a growing range of complimentary education activities for you, focused on supporting safe medical practice.

Education topics are based on your needs and requests, and advice from our medico-legal experts and Education Services Advisory Group. Topics are also identified from areas of focus for the Medical Board of Australia and health complaints entities, to help you mitigate issues arising from complaints.

We offer a choice of formats to suit your needs, and have activities for different career stages and certain specialties. You have access to a range of complimentary, CPD-recognised e-learning which you can complete in your own time, at your own pace.

## 2017/18: Education highlights

### Delivered 62 face-to-face sessions



**69%**  
in capital  
cities



**31%**  
outside of  
capital cities

### Approximately 1,600 participants



**15%**  
Medical  
students



**18%**  
Doctors  
in training



**12%**  
Doctors in  
specialist  
training



**55%**  
Practising  
specialist  
doctors

Launched  
**webinars**  
as a new method  
of education delivery

Reported  
**3,500 CPD points**  
to colleges for participants

Created  
**6 new ongoing  
education  
activities**

**17 distance  
education  
activities** made available

Created a  
**second active learning module**  
particularly useful as another way for GP Members  
to fulfil an important CPD requirement

Majority of survey respondents selected '9' or '10' out of 10 to indicate they would recommend the activity to a colleague or friend.

## 2017/18: New education delivered

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### New one-off activities

- *How to Avoid Catching and Sharing IT Woes*
  - *Protecting Your Practice from Cyber Strike*
  - *Cognitive Base of Medical Professionalism*
- 

### New ongoing activities



#### Face-to-face

- *Engaging Teams Through Positive Culture and Effective Feedback*
- *Making Teams Work: Through Culture, Communication and Conduct*
- *Helping Colleagues Who Have Health Concerns Affecting Their Fitness to Practise*



#### Online

- *Noteworthy: The How, What, Where and Why of Medical Documentation*
- *Prescribing Opioids*
- *Medico-legal CPD Quizzes*

*I was surprised to discover deficiencies in my understanding and practice. This was a timely reminder to upgrade my practice.*

#### General Practitioner

(Noteworthy: The How, What, Where and Why of Medical Documentation, online activity)

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*This was the best educational activity I have been to in years and doctors of all levels should be required to complete something like it.*

#### Emergency Physician

(Making Teams Work: Through Culture, Communication and Conduct, Brisbane)

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*Very important as it covered aspects of medicine that weren't stressed so much when I was in medical school.*

#### Medical Practitioner

(Practical Solutions to Patient Boundaries, Melbourne)

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*Great session and well timed for my career. I would attend again in the future. Relevant for all specialties.*

#### Doctor in Training

(Avoiding Misunderstandings around Physical Contact and Intimate Examinations, Brisbane)



## The latest happenings in the medico-legal world at your fingertips...

We created our Medico-legal Blog for you because we know your time is valuable. It allows us to effectively communicate topical and relevant medico-legal issues faster and in a more succinct manner to benefit time-poor doctors.

Our medico-legal advisers generate the blog articles on the latest topics, recent cases, court judgments and legislative updates, with links to relevant information and advice.



You can view our Medico-legal Blog articles at:



**1,700**  
subscribers



**>31,000**  
visitors



**>100**  
blog articles



# Reassurance

**BY  
YOUR  
SIDE**

## BY YOUR SIDE

# Throughout your professional journey

Combining professional indemnity insurance with advice, expertise and financial security is MDA National's core offering to you.

We are by your side, informing and guiding you on best practice through our high quality education, medico-legal blogs, publications and risk management services. We care about your health and wellbeing, and remain committed to delivering value over and above medical indemnity.

## What changed in 2017/18

<p><b>New additions to benefits for Members and insureds</b></p>	<ul style="list-style-type: none"> <li>• Introduced the Cyber Risk education program to raise cyber security awareness - <i>all Members</i></li> <li>• Introduced the Cyber Risk Policy through Chubb Insurance - <i>Practice Policy holders</i></li> <li>• Introduced access to discounted travel insurance - <i>all Members and their immediate families</i></li> </ul>
<p><b>Enhancements to Professional Indemnity Insurance Policy</b></p>	<ul style="list-style-type: none"> <li>• New cover for legal costs to assist Members in self-reporting to AHPRA and self-referring to a Health Program under the National Law - <i>all Members</i></li> <li>• New cover for civil liability for defamation; legal costs of Members pursuing allegations of defamation against others; and legal costs of defending defamation claims - <i>all Members except students</i></li> <li>• Enhanced the Policy wording to provide greater clarity</li> </ul>
<p><b>Improvements to risk categorisation</b></p>	<ul style="list-style-type: none"> <li>• Broadened the Doctor in Specialist Training category to include international medical graduates undertaking mandatory training in an employer-indemnified capacity so their specialist overseas qualifications could be recognised by the college and/or the Medical Board</li> <li>• Expanded the Non Procedural Ophthalmology category</li> <li>• Clarified that Good Samaritan Acts undertaken overseas including the USA and its territories are covered. Accompanying an Australian sporting or cultural team to the USA and its territories would also be covered if an extension of cover has been provided</li> </ul>
<p><b>New initiatives</b></p>	<ul style="list-style-type: none"> <li>• Introduced an online payment facility and removed the need for the Member to sign the offer of insurance, making it quicker and easier for new Members to join us</li> <li>• Created a new role to manage the medico-legal and clinical risks of practitioners who present a higher than average risk profile compared to their peers, by utilising a range of underwriting and insurance risk mitigation strategies</li> </ul>



## Member testimonial

*MDA National is an organisation that is not only efficient, productive and friendly, but one that has my total trust. They have been an invaluable, continuous support throughout my medical career. Their commitment to promote education is of a high standard. On a personal level, they have provided wonderful support in my own endeavours to improve junior doctor wellbeing and mentoring.*

**Dr Rachel Collings, Obstetrics and Gynaecology Registrar, VIC**

## More than medical indemnity, more of what really matters



### WE PROTECT

Extensive Professional Indemnity Cover

Expert Medico-legal Advice

24-Hour Medico-legal Emergency Helpline

Personalised Case Management

Support in Practice & Risk Management



### WE ENGAGE

Ambassador Program

Networking & Industry Events

Members on Management Committees

Benefits from Corporate Industry Alliances

Local Presence, National Support



### WE INFORM

Complimentary Education Activities

Medico-legal Blogs

Publications Relevant to Career Stage

Online Resources, Videos & Podcasts

Cyber Risk Education - **New in 2018**



### WE PROVIDE

Access to Discounted Travel Insurance - **New in 2018**

Publisher Discounts on Medical Books

Member Sponsorships for Fundraising Activities

Industry Event Sponsorships



### WE SUPPORT

Live Well Work Well Activities

Doctors' Health & Wellbeing

Doctors for Doctors Program

Professional Support Service

**BY YOUR SIDE**

# Through your medical training

**As a doctor in training, you may believe that your hospital's indemnity will give you the broad individual cover you need.**

However, without your own professional indemnity you could be personally liable for medico-legal matters brought against you. And hospital indemnity alone may not help with a complaint, employment dispute, or representation in a coronial inquiry. You can continue your medical training with peace of mind knowing our medico-legal experts are by your side, whenever you need advice or support.

**CASE STUDIES**

## Mental health and mandatory reporting

Dr B was partway through specialist training. He was posted to a regional centre, and moved there with his wife and son. Around this time, his son began to experience mental health issues. As treatment options for his son were limited in the rural setting, his wife became increasingly stressed and felt unsupported away from her family.

Dr B began to experience difficulty sleeping and concentrating. He was devastated when he failed his next exam due to inadequate preparation. Unfortunately, he then obtained some drugs which he self-administered at his workplace. Dr B's employer advised him that they would be obliged to make a mandatory report about this to AHPRA.

At this point, Dr B contacted us and we assisted him in dealing with AHPRA, including a voluntary undertaking that he would cease work until he was well. With encouragement, Dr B engaged with a psychiatrist and psychologist, and his depression lifted. We assisted him with his employer and with the AHPRA process as he returned to work, initially under conditions on his registration. Dr B eventually got back on track, passed his next attempt at the exam, and went on to complete his specialist training.

## Police statement

An intern treated a patient in ED with injuries from an assault, and was directed by the hospital to provide a police statement detailing the patient's injuries. As the intern had never prepared a police report, she called us for advice. We sent her information which included a pro-forma statement, and our medico-legal adviser reviewed the intern's draft statement. After some suggested amendments were made,

her statement was sent to the police. When the intern was later subpoenaed to give evidence at the trial, we gave her guidance and information on giving evidence in court.

## Death on the ward

A nurse contacted our RMO Member to ask if she could give some oxycodone to a patient who had just returned to the ward after the insertion of a PEG tube. The RMO was reviewing an acutely unwell patient on another ward at the time. The RMO agreed to prescribe a stat dose of oxycodone, saying she would review the patient as soon as possible.

Two hours later, the patient suffered a massive haematemesis and could not be resuscitated. The patient's death was reported to the coroner. The RMO contacted us for advice and support. We assisted her in preparing a report to the coroner, and provided advice and support when she was asked to participate in a root cause analysis meeting at the hospital.



## Member testimonial

Twice in my internship year I contacted MDA National - once for advice on responding to a request from the police for an expert certificate, and once regarding a request from my hospital to participate in a root cause analysis. On both occasions I was extremely impressed by the speed, quality and thoroughness of the advisers' responses. I will definitely be renewing my Membership next year, as I'm confident I can rely on MDA National.

Dr Benjamin Veness, Psychiatry Registrar, VIC

### More than medical indemnity, more of what really matters

#### WE PROTECT

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- Personalised Case Management
- Support in Practice & Risk Management



#### WE PROVIDE

- Access to Discounted Travel Insurance - *New in 2018*
- Publisher Discounts on Medical Books
- Member Sponsorships for Fundraising Activities
- Industry Event Sponsorships



#### WE INFORM

- Complimentary education activities
- Medico-legal Blogs
- Publications Relevant to Career Stage
- Online Resources, Videos & Podcasts
- Cyber Risk Education - *New in 2018*



#### WE SUPPORT

- Live Well Work Well Activities
- Doctors' Health & Wellbeing
- Doctors for Doctors Program
- Professional Support Services



#### WE ENGAGE

- Ambassador Program
- Networking & Industry Events
- Members on Management Committees
- Benefits from Corporate Industry Alliances
- Local Presence, National Support



### PLUS specific benefits for doctor-in-training Members:

Complimentary medical indemnity cover and Membership up to end of PGY3



Subsidised premiums for PGY4-5 & Doctors in Specialist Training



First Defence publication



Internship videos and specialty podcasts



Tailored education activities



Junior doctor wellbeing activities



**BY YOUR SIDE****While you study****Feeling safe and secure while learning is vital for an emerging doctor.**

Complaints, claims or investigations can happen years after you provided health care during a medical placement or elective. And a seemingly minor incident can escalate, causing potential damage to your future career and reputation.

Be reassured, we are by your side to provide accurate advice and timely support - so you can continue to focus on your studies.

**CASE STUDIES****Inappropriate social media post**

A medical student was observing at a large tertiary hospital when a media celebrity was brought into the ED. The student and intern chatted about how famous the patient was - and when no one was looking, the student took a photo of the patient and posted it on the intern's Facebook page with the caption, "Look who's coming to dinner tonight!".

A nurse who was a Facebook friend of the intern recognised the patient and reported both the student and the intern to the hospital. The student sought our advice when the hospital made a complaint to the university, and we supported him when he was referred for disciplinary action.

**Criminal charges**

A medical student was involved in a serious car accident which killed one of his friends. After he was charged with dangerous driving causing death, he engaged his own lawyers. He was found guilty, but received a suspended sentence in view of his previously clean driving record.

Unfortunately, his criminal lawyers did not know it was a legal requirement to notify AHPRA within seven days of being charged with an offence punishable by 12 months' imprisonment. AHPRA's criminal check during the intern application process uncovered the matter, and they sent the student a "please explain" letter. The student then contacted us for support and advice about how to respond to AHPRA.

**Allegations of substance abuse**

Several medical students at a university had raised concerns about a fellow student whom they believed to have a significant substance abuse problem. The university gave the student an opportunity to self-report to AHPRA. The student declined as she was adamant she did not have a substance abuse problem.

The university made a notification to AHPRA as the student was about to start a clinical placement. She sought our advice when she received a letter from AHPRA requesting that she attend a health assessment.



## Member testimonial

*I have been a Member of MDA National since I was a medical student. I didn't think I would need their help, but over the years from junior doctor to consultant I have been able to access expert advice and support for a range of issues. MDA National has also been a strong advocate and supporter of doctors' health and wellbeing - an essential part of our career longevity and peace of mind.*

**Dr Alex Markwell, Emergency Physician, QLD**

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- Cyber Risk Education - *New in 2018*



### WE SUPPORT

- Live Well Work Well Activities
- Doctors' Health & Wellbeing
- Doctors for Doctors Program
- Professional Support Services



### WE ENGAGE

- Ambassador Program
- Networking & Industry Events
- Members on Management Committees
- Benefits from Corporate Industry Alliances
- Local Presence, National Support



## PLUS specific benefits for medical student Members:

**Complimentary medical indemnity cover and Membership**



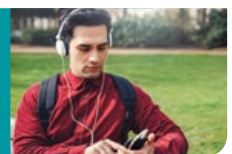
**Free access to The Electives Network**



**Student eNews publication**



**Podcasts on medical specialties**



**Tailored education activities**



**Live Well Study Well activities**



**Medical society alliances**





**Doctors in training who attended MDA National’s inaugural Live Well Work Well Junior Doctor Retreat described it as a “must go to” event on Australia’s annual medico-legal event calendar.**

Co-hosted by the AMA Queensland, the event took place in March 2018 at the picturesque Spicers Hidden Vale in South East Queensland – just as our emerging doctors were embarking on their next career milestone, internship.

From medico-legal matters to mindfulness, speakers openly shared invaluable insights and strategies on managing the stresses and challenges of internship years and beyond.



View more information about the Live Well Work Well Retreat at:



*Member testimonial*

*MDA National’s Live Well Work Well Retreat was a well needed breath of fresh air amidst a busy lifestyle. Spicers Hidden Vale gave us a beautiful opportunity to stop, regroup, and think in the present moment, very much appreciated in a profession that doesn’t allow time for that. Junior doctors were able to touch base with core questions like: Why did I do medicine? Am I currently happy? How can I best look after myself?*

*This weekend made us feel valuable. I wish all junior doctors could have an opportunity to experience a retreat like this!*

**Dr Honor Magon, Intern, QLD**



# Stability

## CONCISE FINANCIAL REPORT

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**BY  
YOUR  
SIDE**

### **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 2018. 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.

## CONCISE FINANCIAL REPORT

# Directors' Report

The Directors of MDA National Limited (MDA National) and its controlled entities (the Group) present the concise financial report for the year ended 30 June 2018 and their report as follows:

### Corporate information

MDA National Limited is medical practitioner owned and operated and offers professional medical indemnity throughout 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. Directors and company secretary were in office for the entire period unless otherwise stated.

#### Dr R Moore Director

*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

#### Dr B Wenck Director

*MBBS, FRACGP (Hons), FAMA, MAICD*

#### Period in office

Since 2004

#### Experience

General Practitioner

#### Special responsibilities

Vice President (since 2008), member of MDANI's Clinical Underwriting Committee and National Chair of the State Advisory Committees

#### A/Prof M Baumwol Director

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

#### Period in office

Since 1993

#### Experience

General Surgeon

#### Special responsibilities

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

#### Dr D Gilpin Director

*MBBS (Hons), FRACS, GAICD*

#### Period in office

Since 2010

#### Experience

Orthopaedic Surgeon

#### Special responsibilities

Chair of MDANI's Clinical Underwriting Committee

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

**Dr M Gannon  
Director***MBBS, MRCPI, FRANZCOG, GAICD, FAMA***Period in office**

Since 15 June 2018

**Experience**

Obstetrician &amp; Gynaecologist

**Special responsibilities**

Member of MDANI's Cases Committee (Western/Central)

**Dr A Miller  
Director***MBBS, LLB (Hons), FANZCA, FACLM, FAICD***Period in office**

Since 1998

**Experience**

Anaesthetist

**Special responsibilities**

MDANI director, member of MDANI's Cases (Western/Central) Committee and the Group's Nominations &amp; Remuneration Committee

**Dr C Pascott  
Director***MBBS, FRACGP, GAICD***Period in office**

Since 2016

**Experience**

General Practitioner

**Special responsibilities**

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

**A/Prof M Hollands  
Director***MBBS, FRACS, FRSC, FACS, DHMSA***Period in office**

2013-2016 and since 23 August 2017

**Experience**

General Surgeon

**Special responsibilities**

Member of MDANI's Cases Committee (Eastern)

**Dr R Napier  
Director***MBBS (Sydney), FAMA, MAICD***Period in office**

From 2005 to 17 Aug 2017

**Experience**

General Practitioner

**Special responsibilities**

None

**Mr S Scudamore  
Director***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 &amp; Remuneration Committee; member of the Group's Capital Committee, the Group's Audit Committee and the Group's Risk Committee

**Dr P Mahar  
Director***MBBS (Hons), LLB (Hons), MBA, PhD, DMedSc, FACLM, FACD, GAICD***Period in office**

Since 2015

**Experience**

Dermatologist

**Special responsibilities**

None

**Dr P Nisselle  
Director***MBBS (Hons), M Hlth&MedLaw (Melb), FRACGP, FACLM, FFLM, RCP***Period in office**

From 2015 to 17 November 2017

**Experience**

General Practitioner

**Special responsibilities**

None

**Mrs D Browning  
Company Secretary***B Juris LLB***Period in office**

Since 2012

**Experience**

Legal, Secretarial, Risk Management

**Special responsibilities**

General Counsel, Company Secretary to MDANI

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

### DIRECTORS' REPORT

#### 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 was 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	8	8			4	4	5	5		
Dr B Wenck	7	8								
A/Prof M Baumwol	8	8			4	4				
Dr M Gannon <sup>(1)</sup>	1	1								
Dr D Gilpin	7	8	3	3					2	2
A/Prof M Hollands	7	8								
Dr P Mahar	6	8								
Dr A Miller	8	8					5	5		
Dr R Napier <sup>(2)</sup>	1	1								
Dr P Nisselle <sup>(3)</sup>	-	3								
Dr C Pascott	8	8	2	2					2	2
Mr S Scudamore	8	8	5	5	4	4	5	5	4	4

<sup>(1)</sup> Appointed 15 June 2018

<sup>(2)</sup> Ceased 17 August 2017

<sup>(3)</sup> Ceased 17 November 2017

#### 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 2018 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.

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL DIRECTORS' REPORT

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MDA National also strives to promote honourable and contemporary practice by medical practitioners and to discourage irregular medical practice. MDA National has developed a vision of being chosen as the most valued medical defence organisation and 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 profit after tax for the year was \$2.776 million representing a decrease of \$0.995 million from 2017 profit after tax of \$3.761 million.

Key drivers for the financial performance were:

- increase in net premium revenue of \$4.066 million due to an increase in average premium combined with member growth;
- investment revenue (including movements in fair value) higher than last year by \$1.755 million;

offset by:

- prior year claims reserve releases lower than last year by \$3.319 million; and
- an increase in the current year's net claims expense of \$4.215 million following an overall increase in exposure.

### Significant changes in the state of affairs

There were no significant changes for the year ended 30 June 2018.

### 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 wilful breach of duty; and
- a contravention of sections 182 or 183 of the *Corporations Act 2001* (Cth), as permitted by section 199B of the *Corporations Act 2001* (Cth).

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.

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL DIRECTORS' REPORT

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### 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 Directors' Report have been rounded to the nearest thousand 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 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 2018 membership, the maximum amount that members of MDA National are liable to contribute is \$440,240.

### 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 38.

### Non-audit services

No non-audit services were provided by the MDAN Group's auditor, Ernst & Young. Accordingly, the Directors are satisfied that the provision of non-audit services is compatible with and did not compromise the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Board of Directors:



President  
**Dr R MOORE**



Vice President  
**DR B WENCK**

Perth, 21 September 2018



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## 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 2018, 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 2018. 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* (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 21 September 2018.

#### 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 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  
21 September 2018



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

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Fax: +61 8 9429 2436  
ey.com/au

## 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 2018, 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  
21 September 2018



## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

		<b>Consolidated</b>	
	Notes	30 June 2018 \$000	30 June 2017 \$000
<b>Revenue</b>			
Premium and subscription revenue	4	<b>66,637</b>	62,776
Outward reinsurance expense		<b>(3,164)</b>	(3,369)
Net premium revenue		<b>63,473</b>	59,407
Claims expense		<b>(54,969)</b>	(53,847)
Reinsurance and other recoveries revenue		<b>8,940</b>	15,352
Net claims incurred		<b>(46,029)</b>	(38,495)
Other underwriting expenses		<b>(2,896)</b>	(2,769)
<b>Underwriting result</b>		<b>14,548</b>	18,143
Investment income	4	<b>9,483</b>	9,740
Fair value gains		<b>4,120</b>	2,108
Rental revenue		<b>661</b>	543
Other income		<b>630</b>	454
Salaries, fees and employee benefits expense		<b>(11,596)</b>	(10,832)
Promotion and travel expense		<b>(3,229)</b>	(3,567)
Consulting expense		<b>(1,353)</b>	(1,444)
Depreciation and amortisation expense		<b>(1,760)</b>	(1,199)
Financial costs and fees		<b>(948)</b>	(1,048)
General insurance expense		<b>(620)</b>	(490)
Legal expense		<b>(144)</b>	(195)
Direct investment expenses		<b>(24)</b>	(28)
Other expenses		<b>(7,054)</b>	(6,977)
<b>Profit before income tax revenue/ (expense)</b>		<b>2,714</b>	5,208
<b>Income tax revenue/(expense)</b>		<b>52</b>	(1,447)
<b>Net profit after income tax expense from continuing operations</b>		<b>2,766</b>	3,761
<b>Net profit attributable to members of parent</b>		<b>2,766</b>	3,761
<b>Other comprehensive income</b>		<b>-</b>	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	-
<b>Total comprehensive profit for the year</b>		<b>2,766</b>	3,761

### Discussion and analysis

The net profit after tax for the year ended 30 June 2018 was \$2.8 million compared to the profit after tax of \$3.8 million for the year ended 30 June 2017.

#### Underwriting result

The net claims incurred expense for the year ended 30 June 2018 increased by \$7.5 million to \$46.0 million. For the current year, the claims experience in relation to prior underwriting years was slightly unfavourable. This resulted in a provision strengthening of \$0.7 million (2017: \$2.6 million release) with respect to higher than expected claims arising from the 2017 and prior underwriting years. Current year's claims expense increased by \$4.2 million due to expected claims trends and an overall increase in exposure.

#### Investment performance

Net investment income for the year was \$13.6 million compared to \$11.8 million in 2017. The increase is mainly attributed to the market performance in 2018.

#### Salaries, fees and employee benefits

The increase of \$0.8 million in salaries, fees and employee benefits expense is mainly related to an increase in salaries and recruitment to fill vacant positions.

#### Depreciation and amortisation expense

Majority of the \$0.6 million increase relates to an increased value of assets transferred out of work-in-progress and an increased spend in software assets in 2018.

The accompanying notes form part of these concise financial statements.

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<b>Consolidated</b>	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	25,601	11,777
Receivables	6,107	17,458
Reinsurance and other recoveries	11,494	13,344
Financial assets	155,623	170,625
Income tax receivable	2,477	3,866
Prepayments	735	540
<b>Total Current Assets</b>	<b>202,037</b>	<b>217,610</b>
<b>Non-Current Assets</b>		
Receivables	130	129
Reinsurance and other recoveries	51,379	50,671
Financial assets	143,356	110,191
Deferred tax asset	4,216	4,227
Intangible assets	1,929	1,335
Property, plant and equipment	17,966	18,552
<b>Total Non-Current Assets</b>	<b>218,976</b>	<b>185,105</b>
<b>TOTAL ASSETS</b>	<b>421,013</b>	<b>402,715</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	10,781	10,385
Income tax payable	-	-
Unearned premium revenue	27,738	26,370
Employee benefits	1,621	1,465
Outstanding claims	49,138	46,063
<b>Total Current Liabilities</b>	<b>89,278</b>	<b>84,283</b>
<b>Non-Current Liabilities</b>		
Employee benefits	519	570
Outstanding claims	150,352	139,764
<b>Total Non-Current Liabilities</b>	<b>150,871</b>	<b>140,334</b>
<b>TOTAL LIABILITIES</b>	<b>240,149</b>	<b>224,617</b>
<b>NET ASSETS</b>	<b>180,864</b>	<b>178,098</b>
<b>MEMBERS' EQUITY</b>		
Accumulated surplus	180,864	178,098
<b>TOTAL MEMBERS' EQUITY</b>	<b>180,864</b>	<b>178,098</b>

### Discussion and analysis

The net assets as at 30 June 2018 have increased by \$2.8 million from \$178.1 million as at 30 June 2017 to \$180.9 million, due to the profit for the current year.

Total assets have increased by \$18.3 million mainly due to increases in cash and cash equivalents of \$13.8 million.

Reinsurance and other recoveries have decreased by \$1.1 million during the year. This is predominately due to lower claim recoveries from government schemes and reinsurance.

Total liabilities have increased by \$15.5 million as a result of an increase of \$13.7 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 reserve strengthening.

The accompanying notes form part of these concise financial statements.

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

### STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	<b>Consolidated</b>	
	<b>Accumulated Surplus \$000</b>	<b>Total Members' Funds \$000</b>
<b>At 1 July 2016</b>	174,337	174,337
Net profit after tax for the year	3,761	3,761
<b>Total comprehensive profit</b>	<u>3,761</u>	<u>3,761</u>
<b>At 30 June 2017</b>	178,098	178,098
Net profit after tax for the year	2,766	2,766
<b>Total comprehensive profit</b>	<u>2,766</u>	<u>2,766</u>
<b>At 30 June 2018</b>	<b><u>180,864</u></b>	<b><u>180,864</u></b>

#### Discussion and analysis

Accumulated surpluses increased to \$180.9 million as a result of the operating profit after tax of \$2.8 million for the year.

The accompanying notes form part of these concise financial statements.

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	<b>Consolidated</b>	
	30 June 2018 \$000	30 June 2017 \$000
<b>Cash flows from operating activities</b>		
Receipts from members and insureds	82,180	77,355
Receipts, reinsurance and other recoveries	15,965	440
Interest received	5,053	5,008
Payments to suppliers, employees	(42,906)	(44,920)
Claims paid	(36,469)	(44,049)
Income tax recovered/(paid)	1,451	(6,091)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>25,274</b>	<b>(12,257)</b>
<b>Cash flows from investing activities</b>		
Funds deposited into managed portfolio and term deposits	(40,622)	(51,262)
Proceeds from the redemption of investments	30,941	62,248
Acquisition of property, plant and equipment and intangibles	(1,769)	(1,656)
<b>Net cash (outflows)/inflows from investing activities</b>	<b>(11,450)</b>	<b>9,330</b>
<b>Cash flows from financing activities</b>		
<b>Net inflows from financing activities</b>	-	-
<b>Net increase in cash and cash equivalents</b>	<b>13,824</b>	<b>(2,927)</b>
Cash and cash equivalents at beginning of year	11,777	14,704
<b>Cash and cash equivalents at the end of year</b>	<b>25,601</b>	<b>11,777</b>

### Discussion and analysis

#### Cash flows from operations

Net cash inflows from operations were \$25.3 million compared with a \$12.3 million outflow in 2017. The major contributing factors are highlighted below:

- higher cash receipts of \$20.4 million from an increase in premium receipts and reinsurance recoveries
- a decrease of \$7.6 million in claims paid
- a decrease in tax payments of \$7.5 million.

#### Cash flows from investments

Net cash outflow from investment activities was \$11.5 million compared with a \$9.3 million inflow for the previous year, largely due to a decrease of proceeds from redemptions of investments of \$31.3 million with investments coming to maturity also being reinvested due to an increase in cash from operating activities. The bond portfolio had a net cash inflow of \$8.1 million (2017: outflow of \$10.9 million).

The accompanying notes form part of these concise financial statements.

# MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

## NOTES TO THE CONCISE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 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 2018, 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 expense 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 (2017: \$0.35m).

## MDA NATIONAL LIMITED TRADING AS MDA NATIONAL

**NOTES TO THE CONCISE FINANCIAL STATEMENTS**

For the year ended 30 June 2018

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

	2018	2017
Average weighted term to settlement from reporting date	<b>3.3 years</b>	3.2 years
Claims handling expense rate:		
% claims capped at excess of loss retention	<b>8.0%</b>	8.0%
ROCS (% of ROCS claims recoveries)	<b>5.0%</b>	5.0%
Discount rate	<b>2.3%</b>	2.1%
Inflation	<b>N/A *</b>	N/A *
Risk margin	<b>13.0%</b>	15.1%

\* 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, 3.00% (2017: 3.25%) normal inflation and 2.5% (2017: 3.0%) 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**

	<b>Consolidated</b>	
	2018	2017
	\$000	\$000
<b>Underwriting activities</b>		
Premium and subscription revenue	<b>66,637</b>	62,776
<b>Investment income</b>		
Interest - other bodies corporate	<b>5,122</b>	5,527
Trust distributions	<b>4,201</b>	4,049
Fee rebate income	<b>160</b>	164
	<b>9,483</b>	9,740

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