



We're for teachers

# ANNUAL REPORT

2020/2021





# Contents

From the Chairperson	<b>4</b>
From the CEO	<b>6</b>
Corporate governance statement	<b>11</b>
Directors’ report	<b>19</b>
Auditor’s independence declaration	<b>22</b>
Financial statements	<b>23</b>
Directors’ declaration	<b>52</b>
Independent auditor’s report	<b>53</b>



# From the Chairperson

**Helen MacGregor**  
Chairperson

**For Teachers Health, the 2021 financial year is best described as a year of resilience within a climate of ongoing uncertainty.**

**We've taken inspiration from our members on the frontline of the COVID-19 pandemic – Australia's teachers, educators, nurses, midwives, and their broader communities. Just as they put our communities first, our members are always at the HEART of everything we do.**

**With a clear focus on our members, a robust strategy in place to guide our efforts, and an engrained culture of prudent governance, I'm pleased to report that Teachers Health remains strongly positioned to respond to the immediate and long-term challenges ahead.**

## COVID-19 response

COVID-19 continues to have a fundamental impact on Australians and businesses alike, including the private health insurance industry. As the health insurer of choice for over 360,000 people, Teachers Health has an important role to play in supporting their health and wellbeing now and into the future.

Last year I reported on our organisation's successful rapid response to the initial COVID-19 outbreak. This extended throughout the 2021 financial year, as the situation evolved and members' needs continued to change. In addition to these initial response measures, the Board and Executive of Teachers Health have been working on the overarching business strategy to prepare for future operating environments.

A prudent approach to capital requirements and risk management have been significant areas of focus, ensuring we are well placed to support the health insurance needs of our members for the long term. This also aligns with the directives of the private health insurance industry regulator, APRA.

Health funds have been tasked with the responsibility of appropriately managing their deferred claims liabilities in an unforeseen

environment, without precedent to use as a guide. This means preparing to respond to several factors that have the potential to impact our financial performance, such as higher claims volumes in future years and the cost of financial relief measures.

Our prudent approach in the face of this uncertainty will ensure we remain in a strong financial position, protecting the best interests of our members.

## We're for people, not for profit

As a not-for-profit health fund, our focus is on giving back and providing value to our members.

While the COVID-19 situation is ever-evolving, one thing is certain – Teachers Health will not profiteer from the pandemic and is committed to passing on any savings that do materialise back to members.

Our intention is to return any savings in the form of lower premium increases, investment in services, ongoing support and relief and in returning more to members in benefits. This has a greater long-term benefit to members, rather than a smaller, one-off payment. Lower premium increases can have a positive flow-on effect for future premium reviews, benefiting members sustainably over time.

Teachers Health is also committed to finding ways to reduce financial pressure for members, advocating for reforms that will ensure a fairer outcome for members who need to access health care. A recent example was our support of an industry campaign calling for a reduction in medical device pricing, which has a significant impact on the cost of health insurance premiums.

## Stronger together

The dedication and sacrifice demonstrated by the education and nursing and midwifery communities during COVID-19 continues to inspire us all. We are proud to be the health fund for those who have supported Australians continuously and selflessly during this crisis.

Our relationships with our partner unions and stakeholders are pivotal to our ongoing success.

We have found enormous strength, opportunity and benefit in working with partners and stakeholders from across both the education community and nursing and midwifery community and look forward to building on this in the future. There is a real sense of common purpose between these organisations and Teachers Health; our members are the reason we exist.

Our Business Development Team continues to be a key conduit to these communities and, despite the disruptions they've faced, have found new and innovative ways to have a presence and provide support. I thank our members for embracing these new technologies and ways of engaging, not just with us, but in your professional and personal lives as well.

And, in finding innovative ways to build on the strength of the organisation, I'm pleased to report that the Boards of Teachers Health and Nurses & Midwives Health have agreed to pursue a merger in 2022 and plans are well-advanced.

## More for members

Teachers Health continues to build on its offering to members, with a focus on providing quality health solutions and greater value for their health fund memberships.

Teachers Healthcare Services provides Broader Health Cover and care co-ordination services to eligible members of the Fund. Teachers Healthcare Services supports an average of over 1,100 members per month. During the year, 1,260 members were referred to external programs by Teachers Healthcare Services, including Hospital Substitute treatment programs, mental wellness programs and new family programs.

Teachers Health Centres continue to provide value to our members, delivering more than 62,000 important primary and preventative eyecare and dental services last year. While COVID-19 impacted the operations for the last quarter of the 2020 financial year and the earlier months of the 2021 financial year, patient numbers have since rebounded close to pre-COVID levels.

We continue to provide additional value to members through access to a range of general insurance policies, including motor vehicle, landlord, home and contents and life insurance.

Despite the disruptions throughout the year, the Teachers Health Foundation has continued to fund research projects aimed at delivering better health outcomes for the education community. One of our recent grants was to Professor Lisa Gibbs of the University of Melbourne to understand the impact to staff

and student health and wellbeing, and the support available to school staff after major emergencies, most recently the Black Summer bushfires. We look forward to seeing the research outcomes of this and other grants in the near future.

## Thank you

On behalf of the Board, I would like to thank the staff of Teachers Health for their ongoing commitment to members. In the face of many disruptions, they've adapted to new ways of working and continued to deliver for our members, demonstrating the values that Teachers Health is built on.

I thank my fellow Directors for their continued dedication and support, including their work on Board sub-committees. I would specifically like to thank John Dixon, who retired from our Board in May, for his long tenure on the Board and the contribution he made during his 20 years of service. I would also like to take the opportunity to welcome Maree O'Halloran and Maxine Sharkey who joined the Board this year.

With our guiding purpose, enduring commitment to members and a focus on resilience and sustainability, Teachers Health will continue to deliver excellent value and service to our members, who are at the HEART of everything we do.

**H M MacGregor**  
CHAIRPERSON



Dated this 22nd day of September 2021



Chairperson, Ms Helen MacGregor



# From the CEO

**Brad Joyce**  
Group Chief Executive Officer

**While the COVID-19 pandemic dominated the last financial year, it also shone a light on the incredible resilience and selflessness of Australia's teachers, educators, nurses and midwives.**

**We are proud to be their health fund, and we are motivated by all they do.**

As we reflect on the past year, I'm incredibly proud of the strong position that Teachers Health has maintained despite extraordinary challenges. Throughout our 67-year history, we've not witnessed such a dramatic shift in both the economic and health landscape.

Our resilience during this time can be credited to our history of responsible operating practices, effective governance, prudent risk management and commitment to members.

It's important to us that our members and partners have confidence that Teachers Health will be by their side for the long haul.

## Not for profit, all for members

As a not-for-profit health fund, our members are at the HEART of everything we do.

The health and wellbeing of our members always has and always will be our priority, as well as ensuring we continue to provide value-for-money health insurance.

Keeping premiums as low as financially sustainable is always a key focus for Teachers Health. The unpredictability of the COVID-19 pandemic, and uncertainty about the long-term impact on claiming, means that it's as important as ever to manage capital reserves in a prudent way. It's not only in our members' best interests to do this, it's also a requirement of the industry regulator, APRA.

As outlined in the Chair's report, Teachers Health is committed to passing on any savings that do materialise back to our members in the form of lower premium increases and improved services and benefits. Our focus is on being able to give back in a meaningful way that provides genuine, long-term benefit for members.

This aligns with our values as an organisation – being real and transparent with our members, and ensuring the decisions we make are in their best interests both now and into the future.

## COVID-19 support measures

At the start of the pandemic we introduced a member support package and, as the situation has evolved, we've extended a range of measures to ensure continuity of service and support.

Access to a range of telehealth services and financial hardship provisions will continue until at least the end of 2021. Members on all levels of Hospital cover are also covered for COVID-19 hospital admissions, providing greater peace of mind during these uncertain times.

Teachers Healthcare Services has continued to be a valuable resource for members, especially during COVID-19, supporting members to access a suite of chronic disease management programs and hospital substitute treatment services. These services are provided as a benefit of membership with Teachers Health, at no additional costs to members.

Our values, beliefs and purpose have guided us since day one and have been fundamental in our response to the COVID-19 pandemic. I'm proud of the way Teachers Health has continued to evolve and adapt to address the changing needs of members.

## A focus on growth

The past 18 months have highlighted the importance of private health insurance and the industry has continued to play an important role in the provision of healthcare in Australia.

While it was difficult to predict the impact COVID-19 would have on growth, an increased awareness of the value of private health insurance has played an important role in driving participation.

Teachers Health continued to welcome new members during the financial year, growing at a steady rate of 3.4% compared to an industry-wide average of 3.1%.

As at 30 June 2021, Teachers Health had

171,626 policyholders with 361,966 lives covered. I'm proud to say that Teachers Health remains Australia's largest industry-based health fund.

Teachers Health's strong foundation of member advocacy and referrals continues to be a key driver of growth.

Our member retention rate of 96.3% has remained consistently high throughout our 67-year history. This tells us that we're doing many things right for our members, however, it also motivates us to continually improve our offering to them.

## Building for the future

Considering the experiences of the past 18 months, significant effort has been put into planning and prioritising our activities for the future. With a renewed strategy in place for the next three years, our focus will be on ensuring the long-term sustainability of the organisation through growth in membership to create organisational scale, enhancement of our products and services and uplift in our business capabilities.

The future of Teachers Health is about ensuring that we have the right products, services and technology in place to support our members' health journeys, including both preventative measures and immediate care.

As our member base continues to grow, and their needs change, technology will play an important part in us being able to provide the personalised service that they expect. With an enhanced digital roadmap, and continuous product improvement, our aim is to help members navigate through these difficult times, understand their choices, and minimise their out-of-pocket expenses.

Our employees are critical to the success of these initiatives and the success of Teachers Health as an organisation. Improving the employee experience is at the forefront of our planning including the introduction of a hybrid work model, which offers employees alternative ways of working and greater work-life balance.

## Working with HEART

Like our members, our staff have demonstrated enduring commitment throughout the last 18 months, not just in the way they responded to the initial COVID-19 outbreak, but their resilience to continue to deliver on organisational objectives and demonstrate our HEART values.

They have adjusted and adapted as required, remaining nimble to ensure we continue to support our members. Despite the difficulties of reduced face-to-face interaction, they have

embraced new ways of working and been pivotal in us introducing a hybrid work model within the organisation.

I would like to acknowledge the incredibly committed teams from our Teachers Health Centres who have shown enduring resilience throughout the many disruptions across the year. Lockdown measures have created significant challenges; however, the teams have worked hard to ensure limited interruption to their activities and continuity of service to members. In the face of significant uncertainty and changing conditions, these teams stepped up to ensure members had access to the service and treatments they needed including emergency dental and eyecare support.

While responding to the immediate challenges of the pandemic, we also continued to work on bringing our HEART values to life through a range of diversity and inclusion initiatives. We completed the Inclusion@Work Index to better understand our workforce diversity and inclusion. The survey results will inform our strategy and provide a benchmark for us to measure our progress in years to come. A key focus for the organisation throughout the year and going forward is our Reconciliation Action Plan (RAP). Our RAP Working Group continued to develop our RAP in consultation with Reconciliation Australia, staff and members of the Aboriginal and Torres Strait Islander Community.

## Looking ahead

While the COVID-19 pandemic continues to create uncertainty for the future, what is certain is our commitment to members and being there for them when they need us.

Despite the disruptions of the past year, our focus on the future and identifying and implanting opportunities for growth has remained.

Our history of responsible and prudent governance has ensured that we remain well-positioned to not just effectively respond to the challenges ahead but also continue to grow for the long-term benefit of members.

Because we're not-for-profit, our priority is always on finding ways to provide greater value and give back to members, who are at the HEART of all we do.

**B S Joyce**  
Group Chief Executive Officer



Dated this 22nd day of September 2021



Group CEO, Mr Brad Joyce

# MEMBERS ARE AT THE **HEART** OF EVERYTHING WE DO



**114,569**  
People moving better



**136,218**  
Brighter smiles

**2,395**



Mums supported with the  
arrival of their new bundles



**101,343**  
Sets of eyes seeing  
more clearly

**35,006**



Podiatry consultations to  
keep people on their feet



**88<sup>c</sup>**  
**IN EVERY \$1**  
Paid in claims



**2,575**  
Hearts cared for



**7,432**  
Gym memberships  
supported



**1,198**  
New knees



**15,374**  
Massages



**96%**  
Retention rate

**\$255,583** **BIGGEST  
CLAIM**

Note: Information is based on July 2020 – June 2021 data for Teachers Health only.





Melissa, Teachers Health member

# Corporate Governance Statement

## Governance at Teachers Health

Teachers Federation Health Ltd (Teachers Health or the Company) is a company limited by guarantee subject to the Corporations Act 2001 (Cth). The Company is a registered private health insurer and conducts the Teachers Health Fund (the Fund).

The Board of Directors of the Company (Board) places high importance on the governance practices of Teachers Health, which it believes are vital to the performance, reputation and sustainability of the Fund. Teachers Health has adopted a comprehensive framework of corporate governance guidelines and policies that are reviewed every two years.

As at 30 June 2021, the Board's corporate governance practices reflect the ongoing focus of the Board in discharging its responsibilities at an appropriate level to meet the full expectations of Company Members, members, regulatory authorities and the general community. The Fund is regulated by the Australian Prudential Regulation Authority (APRA). APRA issues prudential standards pertaining to governance in the Private Health Insurance sector, and the Fund provides regular reports to APRA.

Teachers Health's corporate governance policies and practices comply with APRA's Cross-industry Prudential Standard (CPS) 510 Governance, which came into force on 1 July 2019. The Teachers Health corporate governance framework provides a solid foundation to enable ongoing compliance with APRA's prudential standards.

As a separate corporate entity, Nurses & Midwives Health (NMH) has its own governance framework, which, as appropriate, replicates that of Teachers Health. As a registered private health insurer, NMH is also regulated by APRA.

## Board of Directors

### Roles and responsibilities

The roles and responsibilities of the Board are set out in, and the Board operates in accordance with, the broad principles in its Board Charter. The Board Charter also details the membership and operation of the Board.

The Board provides overall strategic guidance for Teachers Health and effective oversight of management. The Board ensures that the Company complies with its Constitution and all

legal and regulatory requirements.

The Board has reserved to itself the following specific responsibilities:

- strategy including, in conjunction with the CEO and senior executives, charting the direction, strategies and performance objectives for Teachers Health and monitoring the implementation of those strategic and business plans and performance objectives;
- oversight of management, including the regular monitoring and assessment of the CEO and other senior executives' performance in achieving Board-approved strategies, budgets and key performance indicators;
- approving remuneration policies and practices of the organisation, reviewing the performance of the CEO and approving CEO and senior executive remuneration;
- oversight of ethics, conduct and culture of the organisation including actively promoting ethical and responsible decision making, establishing and maintaining a code of conduct to guide Directors, senior executives and all employees in the practices necessary to maintain confidence in Teachers Health's integrity;
- oversight of financial and capital management, including establishing and overseeing Teachers Health's accounting and financial management systems, regular monitoring of Teachers Health's financial results, financial condition and forecasts, reviewing and approving the annual financial report and approving decisions affecting the investments and capital of Teachers Health; and
- compliance and risk management, including establishing, overseeing and regularly reviewing systems of internal compliance, risk management and control, and systems of legal compliance (including but not limited to Privacy, Competition and Consumer Law and Work Health & Safety) that govern the operations of Teachers Health, to ensure they are operating effectively.

The Board has delegated a number of its responsibilities to its committees. The responsibilities of these committees are set out in the following sections of this Corporate Governance Statement.

The Board has delegated to the CEO the authority to manage and control the day-to-day affairs of Teachers Health other than those matters specifically reserved to itself in the Board Charter and the Delegation of Authorities Policy. The CEO is not a Director of the Company. Under the Company's Delegation of Authorities Policy, the CEO, executive management and other employees of Teachers Health are authorised, within limits, to make certain decisions necessary to perform the work assigned to their positions. These authorities are exercised within an extensive system of internal controls.

### Board composition

The Board comprises ten Directors, each of whom is a non-executive Director. The Company's Constitution provides that the Board is made up of the following classes of Directors:

- two ex-officio Directors, being the Branch President and the General Secretary of the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch;
- five independent specialist Directors;
- an independent specialist Chair; and
- two Insured Persons elected independent Directors.

Details of each Director's qualifications, special responsibilities and attendance at meetings are set out in the Directors' report.

The Chairperson is an independent and non-executive Director appointed by the Board. The Chairperson's responsibilities include:

- leading the Board in reviewing and discussing Board matters;
- ensuring the efficient organisation and conduct of the Board's function;
- promoting constructive relations between Board members and between the Board and management; and
- reviewing corporate governance matters with the CEO and reporting on those matters to the Board.



# Corporate Governance Statement

## Appointment and election of Directors

Teachers Health seeks to have a Board comprised of Directors that collectively have a range of skills, knowledge and experience to:

- understand and manage the risks to the organisation;
- understand and ensure compliance with the organisation’s legal prudential obligations;
- effectively oversee the management of the organisation; and
- effectively contribute to the Board’s deliberations and processes.

The private health insurance industry is heavily regulated and complex and, as such, Directors need to have qualifications or experience that enables them to work within this environment. APRA mandates governance and prudential standards that require ongoing compliance and all Directors must develop and maintain a sound understanding of these obligations.

All Directors must meet the Fit and Proper Policy requirements of the organisation. To this end, the Board has established a set of general criteria and skills that would ensure that all Directors of the Company would be able to carry out their responsibilities effectively.

Specific criteria may be developed for each appointment, having regard to:

- the immediate collective capacity of the Board in terms of the mix of skills, experiences, functional orientation and personal qualities;
- the organisation’s current and future strategies;
- the Board’s renewal policy, succession plans and business development intentions; and
- diversity, but only as a secondary dimension to skills, experience and personal qualities.

The Board has developed a role description for Directors that details the role and responsibilities of Directors as well as the professional qualifications and skills required.

Directors are appointed and/or elected to the Board in accordance with the Constitution, which places limits on the period for which an elected Director may hold office without re-election by the Company Members. An elected member Director must not hold office without

re-election for more than two years. Specialist Directors are appointed for a term of up to three years. Retiring Directors are eligible for re-election. Directors appointed to the Board (other than the elected member Directors) must have their appointment confirmed by the Company Members at the next Annual General Meeting.

## Director induction and education

Directors participate in a formal induction program upon appointment, and in addition, the Board has also established a program of continuing education. The People and Remuneration Committee oversees and regularly reviews the induction procedures, continuing development and education program for Directors. This includes hosting sessions with experts in the particular fields relevant to Teachers Health operations and promoting attendance at relevant conferences and seminars. The training and education programs ensure that Directors keep up-to-date with developments in a dynamic and challenging industry. Directors are also encouraged to attend and actively participate in education sessions and courses offered by external organisations such as the Australian Institute of Company Directors and Governance Institute of Australia.

## Board meetings

The Board meets regularly during the year according to a schedule determined at the end of each calendar year. The scheduled meetings are supplemented by special purpose meetings where required. An extensive agenda is prepared for each meeting. The agenda enables Directors to be adequately informed about the operations of Teachers Health, to monitor management’s implementation of key strategic initiatives, financial performance and capital management, performance of the Risk Management Strategy and Framework and to consider the environment in which the Company operates. In addition to the Board meetings, a structured Directors’ development and strategy review is the major focus of the Board workshop held at least annually.

## Independence and management of conflicts of interest

Board composition is an issue regularly considered by the Board and its committees. The Board places high importance on independence of any interests of stakeholders, management and competing or conflicting business interests as a prerequisite to discharging its review and oversight role

effectively. Teachers Health has a close relationship with the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch, which provides two ex-officio Directors.

With the introduction of APRA’s CPS 510, particular consideration has been given to strengthening the Board’s independence. A Director is considered independent if the Director is a non-executive Director who is not a member of management, not an ex-officio Director and is free of any business or other association that could materially interfere with the exercise of their unfettered and independent judgement.

A Director will not be independent who:

- is employed, or has previously been employed in an executive capacity by Teachers Health, or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- within the last three years, has been a principal of a material professional adviser or material consultant to Teachers Health or another group member or an employee materially associated with the service provided;
- is a material supplier or customer of Teachers Health or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with Teachers Health or another group member other than as a Director of Teachers Health.

A Director who has, or has had in the last 12 months, an association with the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch such as the Branch President, the Branch Deputy President, the General Secretary, a member of the Branch Executive, an Assistant Secretary or an Administrative Officer will not be considered independent.

All Directors, whether independent or not, must at all times bring an independent judgement to bear on all Board decisions.

Teachers Health has a Board Renewal Policy and succession planning arrangements which promote fresh ideas and independent thinking while retaining adequate expertise and business knowledge. Terms of tenure

are staggered to support continuity and the appropriate transfer of knowledge and skill of Directors. In implementing the Board Renewal Policy consideration is also given as to whether each Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their independence or ability to act in the best interest of the Company.

Teachers Health has a Conflicts of Interest Policy and Framework to assist it in managing conflicts. Teachers Health also actively promotes ethical and responsible decision making. Directors are required to disclose conflicts and material personal interests, whether actual or potential, to the Board. A register of directors’ interests is maintained and regularly reviewed. The People and Remuneration Committee annually assesses the independence of each Director in light of the interests disclosed by them.

Where necessary, the Board will evaluate whether a Director should participate in the consideration of a matter by using the mechanism set out in the Constitution and the Corporations Act 2001 (Cth). Directors regularly review their positions to assist in the avoidance of situations where the interests of the Directors might affect, or appear to affect, decision making by the Board.

## Fit and proper

Teachers Health has developed and implemented a Fit and Proper Policy to assist in assessing the fitness and propriety of Teachers Health Directors and other nominated persons in line with APRA’s CPS 520 Fit and Proper prudential standard. Directors must have the appropriate skills, experience and knowledge to perform that role (“competencies”) and must act with the requisite character, diligence, honesty, integrity and judgement (“character”).

A person will be considered “fit and proper” if he or she is assessed to meet substantially the assessment criteria set out in this policy and, if appropriate, in the position description for their role. The assessment consists of an attestation by the individual, and the Company undertakes any necessary and relevant investigations to verify the information provided in the attestations, including where considered appropriate or desirable referee checks, police checks and searches of appropriate registers. The policy includes a process for dealing with and reporting breaches of the policy.

## Access to Group information and independent professional advice

Managers responsible for critical areas of the business are regularly requested to brief the Board and its committees to assist Directors in maintaining a strong understanding of Teachers Health’s activities. These briefings

contribute to the assessment made by the Board about the performance of management in running the business. External professionals and consultants also brief the Board and its committees where appropriate.

The Board has in place a procedure whereby, Directors are entitled to seek independent professional advice, at the expense of Teachers Health, to assist them in carrying out their duties as Directors. The procedure provides that any such advice is generally made available to all Directors.

## Remuneration of Directors and executive management

In accordance with clause 15.8 of the Company’s Constitution, Directors may be paid in the aggregate up to the remuneration determined by resolution at a meeting of the Company Members.

In November 2016, the Company Members determined that Directors as a whole may be paid an aggregate amount of up to \$120,000 to be divided among the Directors in accordance with the Director Remuneration Policy. Total remuneration paid to Directors was within the aggregate limit approved by Company Members for the twelve months ended 30 June 2021.

For the twelve months ended 30 June 2021, the total remuneration of key management personnel, which includes the directors and executive management, is disclosed in the annual financial statements.

Teachers Health has a Directors’ Remuneration Policy that guides and regulates the manner in which payments are made to Board members. Director remuneration is based on average standard hours for preparation for and attendance at Board and committee meetings with payments reflecting fair acknowledgement of participation time and effort by Directors.

The payment rate is based on the hourly rate for a headteacher in schools. In addition, as required by legislation, superannuation is paid in respect of remuneration at the rate provided by the Superannuation Guarantee Charge and Directors receive a subsidy toward in-house health insurance on a pro-rata monthly basis up to the rate of \$1,333 p.a. (cumulative).

Directors are reimbursed for expenses to cover costs incurred when attending meetings, conferences, courses etc. and for professional registration fees, for example, membership of Australian Institute of Company Directors. The Company provides Directors and Officers Insurance.

Reimbursement is also made to Directors for loss of salary or leave entitlement resulting

from their attendance at Board and committee meetings upon presentation to the CEO of appropriate documentation to validate the claim.

The Board, based on recommendations from the People and Remuneration Committee, determines the remuneration of the CEO as part of the incumbent’s terms and conditions of appointment. Teachers Health’s policy in respect of the CEO and executive management incorporates remuneration that is competitively set so the organisation can attract, motivate and retain high calibre executives to lead the Group. The People and Remuneration Committee review the remuneration of the CEO and executive management annually through a process that considers individual performance and relevant comparative market remuneration data from an independent third party. The outcomes of this process are reported to and discussed with the Board.

The CEO and executive management have individual, team and overall business key performance indicators set each year. The People and Remuneration Committee annually reviews the performance of the CEO in a structured process that includes performance against targets set. The outcome of this review is reported to the Board as a whole. The CEO annually reviews the performance of executive management in a structured process that includes performance against targets set. The outcome of this review is discussed with the People and Remuneration Committee and reported to the Board.

There are no short-term incentive, performance bonus or long-term incentive payments (such as share options) made to any Director, the CEO or executive manager of the Group.

## Board performance

The Board has a policy of undertaking an annual assessment of its collective performance and the performance of individual Directors and of its committees to ensure its ongoing effectiveness. The People and Remuneration Committee has oversight of this process.

This assessment may be by way of self-assessment, and as required, the Board will engage an external consultant to facilitate this review. The Chairperson formally discusses the results of the performance review with individual Directors and the Board as a whole.

The discussion also considers the effectiveness of the Board and its contribution to the Group. Actionable recommendations are implemented as soon as practicable after the final Board performance evaluation is received.

# Corporate Governance Statement

Each of the Board’s committees also reviews its performance against the objectives of its respective Charter annually.

### Directors’ and officers’ insurance

Teachers Health maintains an insurance policy for the benefit of the Directors, the company secretary, officers and employees (as defined by the policy) insuring all insured persons against a liability (and not including any liabilities for which insurance is prohibited under s199B of the Corporations Act 2001 (Cth)).

In accordance with commercial practice, the insurance policy prohibits the disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premiums.

### Board committees

The Board has established four committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The standing committees are:

- Audit and Finance Committee,
- People and Remuneration Committee,
- Risk and Governance Committee, and
- Strategy Committee.

Each committee has its own written charter setting out its responsibilities, composition,

structure and the manner in which the committee is to operate.

The charter of each committee is reviewed every two years. Board committees have delegated authority within their charter of responsibilities and make recommendations to the Board. Activities of each committee are reported to the Board at the next full Board meeting. Where there are matters of relevance to more than one committee, a joint meeting of those committees may be held to discuss the matter, or the matter may be dealt with by one committee before being referred to the other committee.

Details about the membership of committees and the attendance of members at committee meetings are set out in the Directors’ report. In addition to the four standing Committees, the Board may from time-to-time hold joint committee meetings and create ad-hoc Board committees as required.

### Audit and Finance Committee

The Audit and Finance Committee has been established to assist the Board to fulfil its statutory and regulatory responsibilities relating to the financial reports, the financial condition of Teachers Health and matters concerning the appointed actuary, the external auditors and internal auditors.

The purpose of the Committee is to provide an objective, non-executive review of the effectiveness of Teachers Health’s financial reporting and risk assurance framework.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non- executive members of the Board, a majority of whom are independent, and each of whom has appropriate financial experience and understanding of the private health insurance industry.

The Board determines the Chairperson of the Committee who is an independent non-executive member of the Board and not the Chairperson of the Board.

The Committee’s responsibilities also include:

- all APRA statutory reporting requirements;
- an objective non-executive review of the effectiveness of the financial reporting framework to ensure the balance, transparency and integrity of published financial information;
- the financial condition of Teachers Health and the health benefits fund conducted by Teachers Health;
- the appointment, role and performance of the Appointed Actuary;
- the effectiveness of Teachers Health’s internal control systems and internal audit function;
- the independent audit process including the appointment, independence, performance and remuneration of the External Auditor;

- the investment activities of Teachers Health including investment policy, investment strategy, investment performance and appointment of investment advisors;
- the maintenance of an effective Whistleblower Policy and procedures, including how matters raised under the Whistleblower Policy are dealt with to ensure the appropriateness of action; and
- undertake any special projects delegated by the Board or deemed necessary by the Committee.

Since the establishment of Nurses & Midwives Health (NMH), the Audit and Finance Committee has responsibility for the oversight of the Management and Services Agreement between the Company and NMH.

The Committee Charter provides that the Committee meet not less than three (3) times per year. The Committee met five (5) times during the reporting year. The Committee has an opportunity to meet with the external auditor, including without management being present, at each Committee meeting.

### People and Remuneration Committee

The People and Remuneration Committee has been established to assist the Board in fulfilling its statutory and regulatory responsibilities and to oversee, review and make recommendations to the Board relating to Board composition, renewal and performance, human resource matters and compliance with employment laws and regulations.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non-executive members of the Board, the majority of whom are independent.

The principal responsibilities of the Committee are to:

- make recommendations to the Board on the necessary and desirable competencies of the Board, Board succession plans, the process of evaluation of the performance of the Board, its committees and Directors;
- make recommendations to the Board on the appointment of new Board member candidates, having regard to their skills, experience and expertise;
- develop and review induction procedures, continuing development and education programs for Board Directors;
- establish and conduct the annual performance evaluation of the CEO and report to the Board the outcomes of this review;
- review with the CEO the outcomes of the annual performance evaluation of direct reports to the CEO and other persons whose activities may, in the Committee’s opinion, affect the financial soundness of Teachers Health or the Group and any other person specified by APRA;
- review the conditions of employment and annual remuneration of the CEO and report the outcomes of this review to the Board;
- review and approve the recommendations of the CEO relating to the conditions of employment and annual remuneration of the direct reports of the CEO, other persons whose activities may, in the Committee’s opinion, affect the financial soundness of Teachers Health or the Group and any other person specified by APRA;

- periodically review with the CEO, the Teachers Health organisational capability and succession plan for employees, managers and executives; and
- review people-related issues and policies generally.

The Committee Charter provides that the Committee meet not less than three (3) times per year. The Committee met eight (8) times during the reporting year.

### Risk and Governance Committee

The Risk and Governance Committee has been established to assist the Board to fulfil its statutory and regulatory responsibilities by providing objective, non-executive oversight and review of the effectiveness of the implementation and operation of Teachers Health’s Risk Management and Compliance Management Frameworks.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent, with appropriate risk management and governance experience and understanding of the private health insurance industry. The Board determines the Chairperson of the Committee who is an independent non-executive member of the Board and not the Chairperson of the Board.

Within its scope of authority, the Committee reviews and makes recommendations to the Board on:

- Teachers Health’s system of risk management and internal control including:
  - the effectiveness of Teachers Health’s Risk Management Strategy and Framework,



Max, Teachers Health member



# Corporate Governance Statement

- having regard to the organisation’s risk management culture;

  - the identification and assessment of the material risks facing Teachers Health considered against the organisation’s risk appetite;
  - the organisation’s Business Continuity and Disaster Recovery Framework which have been updated to reflect the ongoing response to the COVID–19 pandemic; and
  - the appropriate level of reporting on the performance and application of the risk management and internal control system throughout Teachers Health.
- Teachers Health’s corporate governance policies and practices including:
    - Teachers Health’s systems and procedures for compliance with laws, regulations, internal policies and industry standards;
    - corporate governance, regulatory and compliance issues including the Private Health Insurance Act 2007, Private Health Insurance (Prudential Supervision) Act 2015, APRA Rules, Prudential Standards and Reporting Standards, Ministerial Private Health Insurance Rules, the Corporations Act and ASIC requirements;
    - review of material changes and disclosure of corporate governance policies and information to ensure effective communication of Teachers Health corporate governance practices; and
    - best practice developments in corporate governance.

### Strategy Committee

The Strategy Committee has been established to assist the Board in fulfilling its responsibilities relating to the development and implementation of corporate strategy for Teachers Health.

The Committee is comprised of a minimum of three (3) and up to a maximum of five (5) non-executive members of the Board.

The principal responsibilities of the Committee are to:

- review strategy and recommend refinements, as necessary, to the Board to enhance the Group’s competitive position and long–term performance;
- consider viable and likely opportunities and threats that are expected to be presented to the Group as further rationalisation and change occurs in the private health insurance industry;
- inform the Board of any other strategic developments and make appropriate recommendations as required;
- work with management on the development and articulation of any strategic plan or initiative for recommendation to the Board; and
- assist management with recommendations regarding specific strategies such as new products or new markets.

The Committee Charter provides that the Committee meet not less than once (1 time) per year. The Committee met three (3) times during the reporting year.

### Accountability and audit

#### External audit

The Group has appointed Ernst & Young (“External Auditor”) to audit the records and financial statements of the Group for the 2021 financial year and also to perform various regulatory and compliance audits.

The Audit and Finance Committee meets with the External Auditor during the year to:

- discuss the external audit, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- finalise annual reporting, review the preliminary financial report before sign-off and any significant adjustments as a result of the auditor’s findings.

The External Auditor reviews and tests the system of internal controls, to the extent necessary, to be able to issue an independent opinion on the financial statements at the

end of the year. The External Auditor is invited to attend the Annual General Meeting and is available to answer questions from members of the Company on the conduct of the company audit, the preparation and content of the audit report, the accounting policies adopted by Teachers Health and the independence of the auditor in relation to the conduct of the audit.

#### Internal controls

The Board is responsible for the overall internal control framework and for reviewing its effectiveness. Key features of the control environment include the Charters of the Board and each of its committees and a clear organisational structure with documented delegation of authority from the Board to executive management.

#### Internal audit

Internal audit operates under its own Charter. PwC was appointed as the internal auditor from 1 January 2016. The internal audit function provides an independent and objective review of the management of Teachers Health’s material risks and the implementation of effective controls designed to manage these material risks, and provide reasonable assurance against material misstatement or loss by enabling the timely identification of matters that require the attention of management or the Board. These controls have been established by management and are reviewed periodically by internal audit, with the findings of reviews reported to the Audit and Finance Committee and the Board.

#### Risk management

Teachers Health recognises effective risk management is good management practice, supports achieving organisational objectives and is an integral part of sound corporate governance. A detailed Risk Management Strategy and Framework based on ISO 31000:2018 has been developed and implemented by management and endorsed by the Board. This risk management framework is critical to the safety, reputation and sustainability of the operations of the business and to the ongoing viability of the health benefits fund operated by Teachers Health.

The various risk management practices are undertaken to provide reasonable assurance to the Board of the effectiveness of the risk management framework within the overriding principle that business risk is a basic line management responsibility – all managers, not just the CEO, share that responsibility.



Guy & Allana, Teachers Health members

Both the Board and the Risk and Governance Committee receive frequent updates about the management of risk. At each Board meeting, the CEO updates the Board on developments in relation to the material business risks facing Teachers Health. The Board reviews and sets Teachers Health’s risk appetite regularly.

### Ethical standards

#### Code of Conduct

Teachers Health has adopted a Code of Conduct that applies to all Directors, officers, employees, contractors and consultants to Teachers Health. This Code sets out the ethical standards and rules of Teachers Health and provides a framework to guide compliance with legal and other obligations to stakeholders, including:

- the avoidance of conflicts of interest or disclosure of conflicts of interest if one occurs;
- acting appropriately in relation to corporate opportunities and other benefits;
- compliance with the Privacy Act 1988 (Cth);

- the integrity and security of confidential information;
- dealing honestly and fairly with all parties; and
- compliance with relevant laws and regulations.

#### Industry Code of Conduct

Teachers Health is a signatory to the Private Health Insurance Code of Conduct. The purpose of the Code is to promote informed relationships between Private Health Insurers (PHI), consumers and intermediaries, to enhance standards across the private health insurance industry.

Teachers Health is required to submit a certification or full self-audit each year attesting to, and for the full self-audit evidencing, compliance with the Code. Teachers Health submitted the triennial full self-audit in 2020 and has been assessed by the PHI Code Compliance Committee as being a compliant fund.

#### Diversity and inclusion

Teachers Health values diversity and inclusion

and seeks to maintain an appropriate mix of skills, expertise and experience within the organisation, including on the Board, to successfully navigate the increasingly complex and dynamic business environment, enabling strong business performance and outcomes for our members.

A voluntary target for the representation of women on the Board was set at 40%, and representation on the Board has remained above the target for more than five years and is at 44% for 2021. In the same five-year period, representation of women on the Senior Leadership Team grew from 30% in 2017 to 50% at 30 June 2021.

Teachers Health is proud of achieving and maintaining its status as Employer of Choice for Gender Equality, recognised as such by the Workplace Gender Equality Agency (WGEA) and its predecessor since 2011.

In accordance with the requirements of the Workplace Gender Equality Act 2012, Teachers Health lodged its 2021 annual public report with the WGEA. Access a copy of the report at [teachershealth.com.au](https://teachershealth.com.au) or at [wgea.gov.au](https://wgea.gov.au)



The representation of women across the organisation as at 31 March 2021 is shown in the below table:

Category	Number	Percentage of category
Women on the Board	4	44%
Women in senior executive positions	4	44%
Women in management positions	16	44%
Women employees in the whole organisation	253	67%

Fostering a culture of diversity and inclusion continues to be an ongoing objective for Teachers Health so that the organisation attracts and retains a diversity of talented people that are well equipped to support the individual needs of all of our members.

Whistleblower policy

Teachers Health is committed to the prevention and early identification of breaches of law, regulations, codes or standards relevant to the Group. For this purpose, Teachers Health has developed and implemented a Whistleblower Policy. Teachers Health’s whistleblower process facilitates the disclosure of misconduct and supports eligible whistleblowers.

The Whistleblower Policy encourages and provides a framework for all Teachers Health employees (and others) to report any corrupt or improper conduct or genuine matters or behaviours that they have reasonable grounds to believe contravene Teachers Health’s policies or the law, including:

- misconduct, or an improper state of affairs or circumstances;
- contravention of any law administered by ASIC and/or APRA;
- conduct that represents a danger to the public or the financial system; and
- an offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months or more.

Teachers Health allows for a number of avenues for reporting of disclosures. In addition to the prescribed categories of eligible recipients, Teachers Health has introduced an anonymous whistleblowing tool available through its website. The tool empowers eligible whistleblowers to report anonymously and is accessible from outside the organisation. Reports made through the online tool are



triaged before being escalated through the whistleblowing process or redirected internally.

Reporting under the Modern Slavery Act 2018 (Cth)

In 2021, Teachers Health published its first Modern Slavery Statement under the Modern Slavery Act 2018 (Cth). The joint Modern Slavery Statement covers Teachers Health as well as all entities in the Group and is available on the Teachers Health website.

The Modern Slavery Act 2018 (Cth) defines modern slavery as including eight types of serious exploitation: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; the worst forms of child labour.

Modern slavery can occur in every industry and sector and has severe consequences for victims.

Teachers Health is continually assessing and taking measures to address the Group’s risk of modern slavery practices in its operations and supply chain by:

- performing initial and ongoing exposure assessments of its direct suppliers (tier 1) through a specialised consultancy;
- using a supply chain management platform to assess the Group’s exposure to modern slavery practices on an ongoing basis;
- contributing to a Private Health Insurance

Modern Slavery Community of Interest to support an industry-wide approach;

- including clauses to address modern slavery risks in new and renewing supplier contracts considered to be in high-risk categories; and
- providing e-learning on modern slavery across the organisation with focused training to be delivered to relevant staff to increase rigour in the procurement process.

Teachers Health periodically reviews the effectiveness of steps taken to address the risks of modern slavery practices in its operations and supply chain. Teachers Health aims to continually monitor and where necessary, improve any policies, procedures and systems to address modern slavery.

Directors’ Report

Your Directors present their report, together with the consolidated financial statements of the group consisting of Teachers Federation Health Limited (Teachers Health or the Company) and the entities it controlled (collectively referred to as the Group) at the end of or during the year ended 30 June 2021.

Directors

The names and details of the Directors of Teachers Health in office at any time during the financial year, including the period until the date of this report, are as follows:

H M MacGregor

B.A. (USYD), Dip. Ed, M. Ed. (USYD), MAICD  
Chairperson, non-executive Director  
Appointed Director: June 2001  
**Special responsibilities:**  
Chairperson of the Board, Chairperson of the People and Remuneration Committee, member of the Strategy Committee, the Audit and Finance Committee and the Risk and Governance Committee

G M Ackroyd

Dip. Ed., B. Ed. (UOW), M. A. (UNSW), MAICD  
Non-executive Director  
Appointed Director: November 2019  
**Special responsibilities:**  
Member of the Audit and Finance Committee

N E Dawson

B.A. (MAQ), Dip. Ed. (UNE), M. Ed. LL. M. (USYD), B. Leg S (MAQ), Grad Cert Leg P (UTS), Dip. ACG (GIA), FCIS, Chartered Secretary & Chartered Governance Professional, MAICD, AGIA, FANZCN  
Non-executive Director  
Appointed Director: September 2010  
**Special responsibilities:**  
Chairperson of the Risk and Governance Committee and member of the People and Remuneration Committee

J M Dixon

B. Com. (Eco. and Acc.), Dip. Ed., Grad. Dip. Marketing, MAICD  
Non-executive Director  
Appointed Director: June 2001 and retired in May 2021  
**Special responsibilities:**  
Member of the Strategy Committee and the People and Remuneration Committee

A Gavrielatos

B.A., Dip. Ed.  
Non-executive Director  
Appointed Director: February 2020  
**Special responsibilities:**  
None

T J Mulroy

BA Dip Ed (NSW), MAICD  
Non-executive Director  
Appointed Director: November 2012  
**Special responsibilities:**  
Member of the Audit and Finance Committee and member of the Strategy Committee

M O’Halloran

B. A., Dip. Ed., B. Leg. S., GDLP, LL.M., GAICD  
Non-executive Director  
Appointed Director: March 2021  
**Special responsibilities:**  
Member of the Strategy Committee and the People and Remuneration Committee

S Roberts

B Ec (Macq), FIAA, MAICD  
Non-executive Director  
Appointed Director: October 2017  
**Special responsibilities:**  
Chairperson of the Audit and Finance Committee

M Rosicky

BA Visual Arts, Dip Ed., MAICD  
Non-executive Director  
Appointed Director: November 2013  
**Special responsibilities:**  
Member of the Risk and Governance Committee and the People and Remuneration Committee

M L Sharkey

B. Soc. Sci. (Welfare), BVET  
Non-executive Director  
Appointed Director: May 2021  
**Special responsibilities:**  
None

D Wynne

Dip. Teach. (Goulburn CAE), B. Ed. (CSU), Ext. Courses Ind. Law (UTS), MAICD  
Non-executive Director  
Appointed Director: June 2001  
**Special responsibilities:**  
Deputy Chairperson of the Board, Chairperson of the Strategy Committee and member of the Audit and Finance Committee, the People and Remuneration Committee and the Risk and Governance Committee

Company Secretaries

The names of the Company Secretaries in office at the end of the year are:

B S Joyce

B Comm (University of Newcastle), FCPA, FAICD  
Appointed Company Secretary in November 2010  
Mr Joyce was appointed Chief Executive Officer of Teachers Health in 2006.

D N Lethbridge

LLB, MBA, Grad Dip ACG, FGIA, FCG, GAICD  
Appointed Company Secretary in April 2012  
Mr Lethbridge was appointed Chief Operating Officer of Teachers Health in February 2012.

Objectives

Teachers Health’s long-term objectives are:

- to continue to ensure that Teachers Health delivers the value propositions designed to attract and retain members by providing them with competitively priced products and services that meet their needs, and through a level of service that its members recognise as superior;
- to maintain the resilience and commercial sustainability of the business through a combination of initiatives designed to grow revenue, manage benefits, lift business capability and deliver business efficiencies; and
- to operate an efficient business which focuses on ongoing business improvement, transformation and innovation designed to increase organisational capabilities and undertake activities that will ensure the attraction, retention, development and engagement of high-quality employees.

Teachers Health’s objectives have been reflected in the current Strategic Plan (FY2019–22) and seek ways to improve and increase growth and retention (both in terms of revenue and members) and lift the capability of the business to support this growth. The volatility created by, and uncertainty regarding, the duration and impact from the current COVID–19 situation, meant that the traditional approach to the business planning process was adjusted for FY2020–21, and focused on managing the immediate risk and uncertainty associated with the COVID–19 situation while ensuring future business planning cycles addressed the need for enhanced sustainability and resilience outcomes for the organisation. An updated three-year strategy and business plan for the period July 2021 to June 2024 was approved by the Board in June 2021.

Strategy

Teachers Health’s strategy to deliver these objectives is through a number of strategic initiatives:

- membership growth – to increase the size and scale of the private health insurance business;
- diversification and expansion – to consider opportunities to expand revenue sources from complementary and/or adjacent sectors



and through other non-organic growth opportunities as appropriate to the overall strategic objectives of the organisation;

- health management – to support the overall health and wellbeing of our members through the provision of integrated wellness, prevention and disease management services; and

- capability – to enhance the efficiency, effectiveness and overall capability of the business to support its growth objectives and resilience.

### Principal activities

The principal activities of the Group during the financial year were:

- the operation of its restricted access private health insurance business;
- the operation of Nurses & Midwives Health;

- the operation of Teachers Health Centres eyecare and dental businesses; and

- the operation of Teachers Healthcare Services care coordination for chronic disease management and hospital substitute programs.

The Group also provided general insurance and life insurance under authorised representative agreements. These principal activities have contributed to Teachers Health’s objectives.

The Company operates a successful restricted access health insurance business which continues to deliver value and excellent service to its members. The dental, eyecare, and health support services contribute to the value proposition that the Fund offers its members.

### COVID–19 response

The Group has continued to adapt its response to the COVID–19 pandemic as conditions evolve. A range of strategies and initiatives have been implemented to support members and employees during the year.

The most significant disruptions to health care access and delivery impacting the Group’s policyholders occurred early in the pandemic, between March and June 2020. During that period, the Group observed lower claims than usual, with some treatments deferred in the hope they would be caught up quickly once pandemic conditions eased. At 30 June 2020, the Group recognised a liability of approximately \$51 million and set aside funds for these deferred claims. During the 2021 financial year, a comprehensive range of health services

resumed and began to approach more typical levels of activity. However, the emergence of subsequent outbreaks and waves of COVID–19 in New South Wales and Victoria in particular, disrupted momentum and catching up on deferred health treatments was sporadic rather than sustained.

For the 2021 financial year, even after allowing for the catch up of some 2020 deferred claims, overall claims costs were lower than expected. Combined with excellent returns on the Group’s investment portfolio, the lower claims costs resulted in the Group generating a Profit for the year of \$55.971 million. The Group’s balance sheet remained strong and resilient at 30 June 2021 and included a revised deferred claims liability of approximately \$40 million to cover the remaining estimate of claims delayed due to the COVID–19 disruptions.

As a not-for-profit organisation, Teachers Health always has the health and wellbeing of members at the HEART of everything we do and is committed to continuing to provide value-for-money health insurance. Teachers Health will pass on any claims savings that do materialise back to members in the form of lower premium increases, investment in services, ongoing support and relief and returning more in benefits. The unpredictability of the COVID–19 pandemic, and uncertainty about the long-term impact on claiming, means that it’s important that capital reserves are managed in a prudent way. Therefore, a responsible balance will be maintained between delivering additional COVID–19 benefits and support to members during the pandemic, and monitoring the impacts and continuing to return further savings as the outlook stabilises.

The Group has already implemented a range of initiatives to support members during this challenging period, including:

- Premium increases were delayed by six months;
- Financial hardship relief was extended for members under financial stress due to COVID–19;
- Extending cover for all COVID–19 related treatment on all levels of Hospital cover;
- Eligibility criteria for the New Family Program was broadened to provide access to more members with Hospital cover;
- Mental Wellness Program is always available via Teachers Healthcare Services and was promoted to eligible members with Hospital cover; and
- For members with Extras cover, access to telehealth services was extended to a range of additional services. This allowed members

to continue receiving ongoing treatment during periods of lockdown.

During periods with COVID–19 restrictions, the Teachers Health Centres continued to provide urgent eyecare and dental services by appointment. At all times, the Teachers Health Centres adopted additional safety measures to protect patients, members and employees.

The Group encouraged employees to work remotely where appropriate, providing support with setting up their work-from-home environment ergonomically and safely, as well as access to the necessary equipment and technology. Employees were able to access flexible leave arrangements if required for COVID–19 related needs. The workforce stayed in touch and supported employees’ health and wellbeing virtually, and those experiencing difficulties were also encouraged to access further support, such as via the Employee Assistance Program.

During periods of eased restrictions, COVID–safe opportunities were created for employees to return to working from the office. A hybrid work model has been developed, which offers employees alternative ways of working and a more flexible work-life balance beyond the COVID–19 pandemic.

### Measuring performance

Teachers Health utilises a range of quantitative and qualitative metrics to set and monitor its performance against its overarching strategic objectives and to guide each annual business plan to maintain alignment with the strategic direction of the Group.

Key success factors and a range of operational key performance indicators are identified as part of the business planning process and reported against during the course of the financial year. The performance objectives of the CEO and executives of the organisation are aligned to these same metrics and indicators, and individual performance is measured against these annually.

### Meetings of Directors

During the financial year, 33 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Committee meetings									
	Board Meetings		Risk & Governance Committee		Audit & Finance Committee		Strategy Committee		People & Remuneration Committee	
Name	E	A	E	A	E	A	E	A	E	A
G Ackroyd	10	10			5	5				
N E Dawson	10	9	7	7					8	7
J M Dixon <sup>1</sup>	8	7					3	3	7	6
A Gavrielatos	10	7								
H M MacGregor	10	10	7	6	5	5	3	3	8	8
T Mulroy	10	10			5	5	3	3		
M O’Halloran <sup>2</sup>	2	2					1	1		
S Roberts	10	10			5	5				
M Rosicky	10	9	7	7					8	8
M Sharkey <sup>3</sup>	2	1								
D Wynne	10	10	7	7	5	5	3	3	8	8

<sup>1</sup>Mr Dixon retired as a non-executive director in May 2021.

<sup>2</sup>Ms O’Halloran was appointed as a non-executive director in March 2021.

<sup>3</sup>Ms Sharkey was appointed as a non-executive director in May 2021.

**Table key:**

**E** Number of meetings eligible to attend

**A** Number of meetings attended

### Members’ guarantee

The Company is limited by guarantee and hence has no contributed equity. If the Company is wound up, the Constitution states that all property (other than property forming part of a health benefits fund conducted by the Company) that remains after payment of all of the debts and liabilities of the Company shall be paid to an entity or organisation selected by the Directors, or in default by the court, which prohibits the distribution of its assets and income to its members. If the Company is wound up and cannot meet its debts, the Constitution states that each Company Member is required to contribute a maximum of ten dollars (\$10) towards meeting any outstanding obligations of the Fund. The total amount that Company Members were liable to contribute at 30 June 2021 if the Company was wound up was one hundred and eighty dollars (\$180).

### Indemnification of Directors

During or since the financial year, the Company has paid premiums in respect of contracts insuring any past, present or future Directors, Secretaries and other officers of the Company against certain liabilities. In accordance with common commercial practices, the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

### Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, 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 ended 30 June 2021.

### Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22 and forms part of this Directors’ report. Signed in accordance with a resolution of the Board of Directors.

H M MacGregor  
CHAIRPERSON



Dated this 22nd day of September 2021  
Sydney, NSW





# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	2021	2020
		\$'000	\$'000
<b>Premium revenue</b>	2	<b>801,189</b>	<b>759,672</b>
Claims expense		(694,351)	(670,636)
Risk Equalisation Special Account recovery/expense		4,723	1,829
State levies		(14,818)	(14,276)
<b>Net claims incurred</b>		<b>(704,446)</b>	<b>(683,083)</b>
Unexpired risk liability (increase)/decrease		(42)	1,264
Other underwriting expenses	3	(65,426)	(62,774)
<b>Underwriting result</b>		<b>31,275</b>	<b>15,079</b>
Other revenue	2	11,986	9,497
Other expenses	3	(10,565)	(10,486)
Investment revenue	2	23,559	9,170
Finance costs	3	(284)	(60)
<b>Profit before income tax for the year</b>		<b>55,971</b>	<b>23,200</b>
Income tax expense	1	-	-
<b>Profit for the year</b>		<b>55,971</b>	<b>23,200</b>
Other comprehensive income – Property revaluation that will not be reclassified subsequently to profit or loss		-	1,386
<b>Total comprehensive income for the year</b>		<b>55,971</b>	<b>24,586</b>

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated statement of financial position

As at 30 June 2021

	Note	2021	2020
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	4	90,156	136,451
Trade and other receivables	5	28,997	27,494
Inventories		544	557
Financial assets	6	518,795	413,277
Other current assets	7	2,139	1,299
<b>Total current assets</b>		<b>640,631</b>	<b>579,078</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	17,560	19,318
Intangible assets	9	2,029	4,614
Right-of-use assets	10	9,470	11,812
<b>Total non-current assets</b>		<b>29,059</b>	<b>35,744</b>
<b>Total assets</b>		<b>669,690</b>	<b>614,822</b>
<b>Current liabilities</b>			
Trade and other payables	11	26,443	25,078
Unearned premium liabilities		66,486	74,017
Claims provisions	12	117,874	109,623
Unexpired risk liability	13	2,390	2,348
Lease liabilities	10	2,655	2,366
Other provisions	14	7,741	6,489
<b>Total current liabilities</b>		<b>223,589</b>	<b>219,921</b>
<b>Non-current liabilities</b>			
Lease liabilities	10	7,281	9,738
Other provisions	14	2,084	2,229
<b>Total non-current liabilities</b>		<b>9,365</b>	<b>11,967</b>
<b>Total liabilities</b>		<b>232,954</b>	<b>231,888</b>
<b>Net assets</b>		<b>436,736</b>	<b>382,934</b>
<b>Equity</b>			
Reserves	15	8,335	8,335
Retained earnings		428,401	374,599
<b>Total equity</b>		<b>436,736</b>	<b>382,934</b>

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Asset Revaluation Reserve	Retained Earnings	Total
		\$'000	\$'000	\$'000
<b>Balance at 30 June 2019</b>		<b>6,949</b>	<b>351,399</b>	<b>358,348</b>
Profit for the year		-	23,200	23,200
Other comprehensive income – Fair value revaluation of property in use	15	1,386	-	1,386
Total comprehensive income for the year		1,386	23,200	24,586
<b>Balance at 30 June 2020</b>		<b>8,335</b>	<b>374,599</b>	<b>382,934</b>
Restatement <sup>(1)</sup>		-	(2,169)	(2,169)
<b>Balance at 1 July 2020 (restated)</b>		<b>8,335</b>	<b>372,430</b>	<b>380,765</b>
Profit for the year		-	55,971	55,971
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	55,971	55,971
<b>Balance at 30 June 2021</b>		<b>8,335</b>	<b>428,401</b>	<b>436,736</b>

<sup>(1)</sup> Restatement reflects the change in accounting policy for Software as a Service (SaaS) intangible assets detailed in Note 1x and Note 9

This statement should be read in conjunction with the notes to the financial statements.

# Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021	2020
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts of premiums		793,864	760,067
Claims and levies paid		(696,005)	(642,013)
Other receipts from customers		11,896	9,392
Payments to suppliers and employees		(70,517)	(75,112)
Interest and distributions received		11,847	10,391
Finance costs paid		(298)	(60)
<b>Net cash inflow from operating activities</b>	17	<b>50,787</b>	<b>62,665</b>
<b>Cash flows from investing activities</b>			
Movement in investments			
Proceeds		152,000	132,500
Purchases		(245,241)	(127,500)
Payments for intangibles		(652)	(4,688)
Payments for property, plant and equipment		(791)	(2,339)
Proceeds from sale of property, plant and equipment		61	48
<b>Net cash (outflow) from investing activities</b>		<b>(94,623)</b>	<b>(1,979)</b>
<b>Cash flows from financing activities</b>			
Payments for lease liabilities (principal element)		(2,459)	(2,472)
<b>Net cash (outflow) from financing activities</b>		<b>(2,459)</b>	<b>(2,472)</b>
Net change in cash and cash equivalents held		(46,295)	58,214
Cash and cash equivalents at beginning of financial year		136,451	78,237
<b>Cash and cash equivalents at end of financial year</b>	4	<b>90,156</b>	<b>136,451</b>

This statement should be read in conjunction with the notes to the financial statements.



# Notes to the financial statements

For the year ended 30 June 2021

## 1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes to the financial statements.

The general purpose financial statements are for the consolidated entity consisting of Teachers Federation Health Ltd (“the Company”) and its controlled entities (together comprising “the Group”). The Company, trading as Teachers Health, is a company limited by guarantee, incorporated and domiciled in Australia. The Company is a not-for-profit entity for the purpose of preparing financial statements.

### a. Statement of compliance

The financial statements have been prepared in accordance with Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements incorporate the published views from ASIC and APRA on the measurement and recognition of a deferred claims liability in response to the unique circumstances arising from the COVID-19 pandemic. ASIC published an FAQ on “COVID-19 implications for financial reporting and audit” regarding the financial years ended 30 June 2020 and 30 June 2021, stating “Private health insurers should recognise a claims liability where an insured person who knows that they have a condition is likely to continue their cover until the surgical procedure has been performed”, in effect requiring a provision at each reporting date for the backlog of medical procedures that were expected to occur from March 2020 to 30 June 2021, but did not due to COVID-19.

APRA has published the “Application of the Capital Framework for COVID-19 Related Disruptions”, which endorsed the recognition of a deferred claims liability and further outlined guidance for its measurement. APRA issued measurement guidance to all private health insurers on 22 June 2020 specifying the treatment of the deferred claims liability

for prudential reporting to APRA as at 30 June 2020. APRA issued updated guidance on 26 March 2021. The APRA guidance was adopted by the Group for both prudential reporting to APRA and financial reporting as at 30 June 2020 and 30 June 2021.

A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying not-for-profit sector specific requirements contained in Australian Accounting Standards.

The financial statements were authorised for issue by the Directors on 22nd September 2021.

### b. Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The financial statements are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Rounding in Financial/Directors’ Reports Instrument 2016/191.

Comparative information has been reclassified where required for consistency with the current year’s presentation.

### c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2021 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group. Further details of the Company’s subsidiaries and other entities are set out in Note 19.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June 2021.

All transactions and balances between Group companies are eliminated on

consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### d. Income tax

The Company and its subsidiary, Nurses and Midwives Health Pty Ltd, are private health insurers within the meaning of the Private Health Insurance Act 2007 and are exempt from income tax assessment under section 50-30 of the Income Tax Assessment Act 1997. Teachers Healthcare Services Pty Ltd had no taxable profits in the current and prior year.

### e. Revenue

Premium revenue is recorded on an accrual basis, reflecting contributions received adjusted for the opening and closing contributions in advance and in arrears. Contributions received in advance are recorded as a liability and contributions in arrears (to the extent recoverable) are recorded as an asset. Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the services to the customers. Other revenue is recognised as the performance obligations of contracts are satisfied.

Investment revenue consists of distribution income, interest income and changes in the fair value of investments in investment unit trusts. Distribution income is recognised when the right to receive the income is established. Changes in the fair value of investments in unit trusts are calculated as the difference between the fair value at sale, or balance date, and the fair value at the previous valuation point and are recognised in profit or loss.

All revenue is reported net of the amount of goods and services tax (GST).

## f. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

### Property

Property in use is shown at its fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction). Valuations are performed every three years or when it is likely there has been a material movement in the value of the assets.

Increases in the carrying amount arising on revaluation of properties in use are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of asset are charged against the related revaluation reserve directly in equity. All other decreases are charged to profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

### Leasehold improvements, plant and equipment

Leasehold improvements and plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

### Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of each item of property, plant and equipment over its expected useful life to the

Group, commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2%
Leasehold improvements	15–25%
Plant and equipment	20–33%

## g. Intangibles

### Computer software

Computer software has a finite useful life and is carried at cost, less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis to allocate the cost of the software over their useful lives being three years.

Software as a Service (SaaS) arrangements are service contracts providing the Group with rights to access the cloud provider’s application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider’s application software, are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems or applications controlled by the Group and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

## h. Impairment of non-financial assets

At each balance date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. In assessing value in use, the estimated future cash flows are

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset’s carrying value over its recoverable amount is expensed to the profit or loss.

## i. Financial instruments

### Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measure at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the nature of the financial assets and the contractual terms of the relevant cash flows.

### Assets backing private health insurance liabilities

All financial assets backing private health insurance liabilities are classified as fair value through profit or loss. The Group has determined that Cash and Cash Equivalents and Financial Assets are held to back private health insurance liabilities.

### Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised initially at fair value. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, for financial assets measured at fair value through profit or loss, realised and unrealised gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation

# Notes to the financial statements

For the year ended 30 June 2021

techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. The Expected Credit Loss simplified approach under AASB 9 has been applied. Unless otherwise stated, all receivables are expected to be settled within 30–60 days.

The receivable for premiums in arrears is adjusted to take into account the probability of receiving the revenue. The probability factors are the Group's best estimate of the probability of receiving the funds based on past experience. The premium in arrears considered to be impaired or non-collectable at balance date was not material.

## Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

## Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or

liabilities assumed is recognised in profit or loss.

## j. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently measured under the cost model and depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is reviewed for indicators of impairment and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification that is not accounted for as a separate lease, there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

## k. Employee benefits

### Short-term employee benefits

Short-term employee benefits include wages and salaries, non-monetary benefits, personal leave and annual leave. Short-term employee benefits expected to be settled within twelve months are measured at the undiscounted amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

### Other long-term employee benefits

Long-term employee benefits include obligations in respect of long service leave, which is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The liability for long service leave is measured at the present value of the expected future payments to be made to employees.

The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if it does not have an unconditional right to defer settlement for at least twelve months after the reporting period, irrespective of when the actual settlement is expected to take place.

### Post-employment benefits plans

The Group provides post-employment benefits through defined contribution plans.

### Defined contribution plans

The Group pays fixed contributions into independent entities in relation to superannuation and insurance for individual

employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

## l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

## m. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are held at fair value through profit or loss.

## n. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the basis of full purchase price. Overheads are applied on the basis of normal operating capacity.

## o. Claims

Claims are recorded as an expense in the period in which the service has been provided to the member. During the period, claims that were expected to occur but were delayed due to the COVID-19 pandemic, were recognised as a deferred claims liability and included in the claims expense (see note 1r.). The cost of claims therefore represents the claims paid during the period adjusted for the movement in the outstanding claims liability and the deferred claims liability.

## p. Risk equalisation

Risk equalisation relates to amounts recoverable from or payable to the Risk Equalisation Special Account (RESA) which is administered by APRA. Risk equalisation is recognised in the statement of financial performance based on the amounts received

or paid during the year and the amount receivable or payable at the end of each reporting period.

## q. Outstanding claims liability

The liability for outstanding claims provides for claims received but not assessed and claims incurred but not received. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. It is measured as the central estimate of the present value of expected future payments arising from claims incurred at the end of each reporting period.

## r. Deferred claims liability

Provision is made at balance date for the liability for claims that were expected to be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2021, but were delayed due to restrictions and circumstances impacting on health services providers and persons insured.

## s. Unexpired risk liability

At reporting date, the Group assesses the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against current health insurance contracts. This assessment is referred to as the Liability Adequacy Test ('LAT').

The LAT is performed to ensure that unearned premiums (unearned premium liabilities) and premiums expected to be received based on a current policyholder's option to renew their existing contract (constructive obligation) is adequate to cover the expected liabilities arising from the policyholders' existing rights and obligations. The expected liabilities include benefits, member servicing costs and a margin for risk. The period of the projections is up until the next price review or change in contractual benefits.

If the present value of the expected future claims cash flows plus the additional risk margin exceeds the unearned premium liability, then the unearned premium liability is deemed to be deficient. The Group applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

## t. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## u. Accounting for joint ventures

Interests in joint ventures are accounted for using the equity method of accounting where material to the Group.

## v. Adoption of new and revised accounting standards

The Group has adopted all new and amended Australian Accounting Standards and interpretations issued by the AASB that are mandatory for the current reporting period. The amendments did not have a material impact on amounts recognised in the current or prior periods, and are not expected to significantly affect future periods.

## w. New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group does not anticipate early adoption of these standards.

Apart from the standard below, other accounting standings and interpretations issued but not yet effective are not expected to have a material impact on the financial statements of the Group. A discussion of those future requirements and their impact on the Group follows:

*AASB 17 Insurance Contracts (applicable to reporting periods commencing on or after 1 January 2023)*

On 19 July 2017, the Australian Accounting Standard Board issued AASB 17 Insurance Contracts, incorporating the recently issued



# Notes to the financial statements

For the year ended 30 June 2021

IFRS 17 Insurance Contracts. This will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. The Standard will change the accounting for insurance contracts by the Group.

On 25 June 2020, the International Accounting Standards Board (“IASB”) issued ‘Amendments to IFRS 17’ to address concerns and implementation challenges raised in consultation processes with the industry. This was adopted by the AASB in July 2020. The new standard now comes into effect for annual periods beginning on or after 1 January 2023 with earlier application permitted. The standard becomes effective for the Group from 1 July 2023.

The standard introduces three new measurement approaches for accounting for insurance contracts. These include the General Model, which is the default model to be applied to contracts, the Premium Allocation Approach, which may be applied to short term contracts and the Variable Fee Approach, to be applied to direct participating products.

The Group continues to assess the likely impact of AASB 17 Insurance Contracts on its business and financial statements. It is anticipated that the Premium Allocation Approach will be available for adoption for the Group’s insurance contracts.

## x. Change in accounting policies

During the year the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements with cloud providers. The change in accounting policy resulted from the implementation of an agenda decision issued by the IFRS Interpretations Committee (IFRIC), “Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)”, which clarified IFRIC’s interpretation of how current accounting standards apply to these types of arrangements.

The Group has implemented this guidance retrospectively as a change in accounting policy, with the cumulative effect as at 30 June 2020 recognised as an adjustment to retained earnings as at 1 July 2020 in the Consolidated Statement of Changes in Equity. The Group’s revised accounting policy

for software assets is detailed in Note 1g.

## y. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The key areas in which critical estimates are applied are as described below:

### Fair value of directly-held properties

Directly-held property is measured at fair value at last valuation date less subsequent depreciation. The Group engages independent registered valuers to value each of its directly-held properties once every three years and reviews for indicators of impairment annually.

Details of specific estimates and judgments used in deriving the valuation of property in use at balance date are detailed in Note 8.

### Outstanding claims liability

Provision is made at balance date for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under insurance contracts issued by the Company.

The expected future payments include those in relation to claims incurred but not yet reported, together with allowances for RESA consequences and claims handling expenses. This ‘central estimate’ of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason, the inherent uncertainty in the central estimate must also be considered and a risk margin is added. Actual results could differ from the estimate.

Details of specific key estimates and judgments used in deriving the outstanding claims liability at balance date are detailed in Note 12.

### Deferred claims liability

Provision is made at balance date for the liability for claims that were expected to

be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2021, but were delayed due to restrictions and circumstances impacting on health services providers and persons insured.

The expected future payments reflected in this estimate include those which have been estimated as delayed, together with allowances for RESA consequences and claims handling expenses. Actual results could differ from the estimate.

Details of specific key estimates and judgments used in deriving the deferred claims liability at balance date are detailed in Note 12.

### Unexpired risk liability

The unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin over the premiums for the relevant period. Projected benefits, risk equalisation, state levies and claims related expenses were determined from projections adjusted for recent experience and based on no membership growth.

Details of specific key estimates and judgments used in deriving the unexpired risk liability at year end are detailed in Note 13.

## 2. Revenue

	2021	2020
	\$’000	\$’000
Premium revenue	801,189	759,672
Other revenue	11,986	9,497
Distribution income	8,080	3,300
Interest income	2,966	5,315
Changes in the fair value of investment in unit trusts	12,513	555
Investment revenue	23,559	9,170
Total other income	836,734	778,339

## 3. Expenses

	2021	2020
	\$’000	\$’000
Employee expenses	(39,151)	(37,254)
Depreciation and amortisation	(6,159)	(6,885)
Consultancy and professional fees	(5,583)	(6,480)
Marketing and publicity costs	(5,587)	(4,746)
Information technology expenses	(7,055)	(4,177)
Commission costs	(1,774)	(1,868)
Occupancy costs	(1,886)	(1,618)
Costs of goods sold	(2,018)	(1,612)
Administration and other expenses	(6,764)	(8,620)
Finance costs	(298)	(60)
Total expenses (excluding claims and unexpired risk expenses)	(76,275)	(73,320)

## 4. Cash and cash equivalents

	2021	2020
	\$’000	\$’000
Cash on hand	5	6
Cash at bank	90,151	136,445
Total cash and cash equivalents	90,156	136,451

# Notes to the financial statements

For the year ended 30 June 2021

## 5. Trade and other receivables

	2021	2020
	\$'000	\$'000
Trade receivables	187	272
Premiums in arrears	1,516	1,515
Medicare rebate receivable	21,564	21,692
Investment income receivable	931	1,496
Risk equalisation levy receivable	1,241	-
Other receivables	3,558	2,519
<b>Total trade and other receivables</b>	<b>28,997</b>	<b>27,494</b>

## 6. Financial assets

	2021	2020
	\$'000	\$'000
Term deposits, at fair value	300,138	229,138
Fixed income trusts, at fair value	141,363	122,212
Equity trusts, at fair value	77,294	61,927
<b>Total financial assets</b>	<b>518,795</b>	<b>413,277</b>

## 7. Other current assets

	2021	2020
	\$'000	\$'000
Prepayments	2,127	1,280
Other	12	19
<b>Total other assets</b>	<b>2,139</b>	<b>1,299</b>

## 8. Property, plant and equipment

	2021	2020
	\$'000	\$'000
<b>Property in use</b>		
At fair value (a)	12,925	12,925
Accumulated depreciation	(258)	-
<b>Total property in use</b>	<b>12,667</b>	<b>12,925</b>
<b>Leasehold improvements</b>		
At cost	12,944	13,971
Accumulated depreciation	(9,523)	(9,646)
<b>Total leasehold improvements</b>	<b>3,421</b>	<b>4,325</b>
<b>Plant &amp; equipment</b>		
At cost	8,313	8,014
Accumulated depreciation	(6,841)	(5,946)
<b>Total plant &amp; equipment</b>	<b>1,472</b>	<b>2,068</b>
<b>Total property, plant and equipment</b>	<b>17,560</b>	<b>19,318</b>

(a) The fair value of property at balance date was estimated using observable data on recent transactions and rental yields for similar properties. Property in use was last revalued by the Directors as at 30 June 2020 using the results of independent valuations conducted in June 2020, reduced by an allowance for the heightened uncertainty and risk of volatility in the property market arising from the COVID-19 pandemic. No material change to the valuation of the property was observed as at 30 June 2021.

### Movements in carrying amounts

	Property in use	Leasehold improvements	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at 30 June 2019</b>	<b>11,308</b>	<b>4,617</b>	<b>2,140</b>	<b>18,065</b>
Additions	-	1,345	993	2,338
Transfers	466	(466)	-	-
Disposals	-	-	(105)	(105)
Depreciation expense	(235)	(1,171)	(960)	(2,366)
Revaluation	1,386	-	-	1,386
<b>Carrying amount at 30 June 2020</b>	<b>12,925</b>	<b>4,325</b>	<b>2,068</b>	<b>19,318</b>
Additions	-	70	721	791
Disposals	-	-	(93)	(93)
Depreciation expense	(258)	(974)	(1,224)	(2,456)
<b>Carrying amount at 30 June 2021</b>	<b>12,667</b>	<b>3,421</b>	<b>1,472</b>	<b>17,560</b>



# Notes to the financial statements

For the year ended 30 June 2021

## 9. Intangible assets

	2021	2020
	\$'000	\$'000
<b>Computer software</b>		
Cost	6,432	7,948
Accumulated amortisation	(4,403)	(3,334)
<b>Net carrying value</b>	<b>2,029</b>	<b>4,614</b>
<b>Total intangible assets</b>	<b>2,029</b>	<b>4,614</b>

### Movements in carrying amounts

	2021	2020
	\$'000	\$'000
<b>Intangible assets at the beginning of the year</b>	<b>4,614</b>	<b>1,779</b>
Restatement <sup>(1)</sup>	(2,169)	-
<b>Intangible assets at the beginning of the year (restated)</b>	<b>2,445</b>	<b>1,779</b>
Additions	652	4,688
Amortisation charge	(1,068)	(1,853)
<b>Intangible assets at the end of the year</b>	<b>2,029</b>	<b>4,614</b>

<sup>(1)</sup> Restatement reflects the change in accounting policy for Software as a Service (SaaS) intangible assets detailed in Note 1x and the Statement of Changes in Equity.

## 10. Leases

This note provides information for leases where the Group is a lessee. Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position and the movements during the period:

	2021	2020
	\$'000	\$'000
<b>Right-of-use assets</b>		
Property	9,470	11,812
<b>Lease liabilities</b>		
Current	2,655	2,366
Non-current	7,281	9,738
<b>Total lease liabilities</b>	<b>9,936</b>	<b>12,104</b>

### Movements in carrying amounts

	Right-of-use assets	Lease liabilities
	\$'000	\$'000
<b>Carrying amount at 30 June 2019</b>	<b>-</b>	<b>51</b>
Amounts recognised on adoption of AASB 16	14,464	14,464
<b>Carrying amount at 1 July 2019</b>	<b>14,464</b>	<b>14,515</b>
Additions	-	-
Depreciation expense	(2,652)	-
Interest expense	-	60
Payments	-	(2,471)
<b>Carrying amount at 30 June 2020</b>	<b>11,812</b>	<b>12,104</b>
Additions	291	291
Depreciation expense	(2,633)	-
Interest expense	-	298
Payments	-	(2,757)
<b>Carrying amount at 30 June 2021</b>	<b>9,470</b>	<b>9,936</b>

# Notes to the financial statements

For the year ended 30 June 2021

## 11. Trade and other payables

	2021	2020
	\$'000	\$'000
Trade and other payables	26,443	23,791
Amounts payable to the Risk Equalisation Special Account	–	1,287
<b>Total trade and other payables</b>	<b>26,443</b>	<b>25,078</b>

## 12. Claims provisions

	2021	2020
	\$'000	\$'000
Outstanding claims liability	77,652	58,448
Deferred claims liability	40,222	51,175
<b>Total claims provisions</b>	<b>117,874</b>	<b>109,623</b>

### (a) Outstanding claims liability

	2021	2020
	\$'000	\$'000
Central estimate of the expected future payments for claims incurred	71,087	52,004
Claims handling costs	1,106	827
Expected payments to the RESA in relation to the central estimate	(1,072)	691
Risk margin	6,531	4,926
<b>Total outstanding claims liability</b>	<b>77,652</b>	<b>58,448</b>

### Movements in the Outstanding claims liability:

	2021	2020
	\$'000	\$'000
<b>Outstanding claims liability at the beginning of the year</b>	<b>58,448</b>	<b>83,613</b>
Change in claims incurred for the prior year	(2,215)	714
Claims incurred during the year	709,297	619,539
Claims paid during the year	(688,157)	(645,445)
Change in claims handling costs component	279	27
<b>Outstanding claims liability at the end of the year</b>	<b>77,652</b>	<b>58,448</b>

## Key assumptions and estimates

### Expected future payments

The outstanding claims liability has been estimated based on historical experience and future expectations as to claims. The calculation was determined taking into account actual claims and membership as at the balance date.

The outstanding claims estimate is derived based on three valuation classes, namely Hospital, Medical and General Treatment services. Diversification benefits within a valuation class are implicitly allowed for through the model adopted. The determination of the risk margin has also implicitly allowed for diversification between valuation classes based on an analysis of past correlations in deviations from the adopted model.

The central estimate of outstanding claims is calculated gross of any estimated risk equalisation recoveries. A separate estimate is then made of the net amounts receivable from or payable to the RESA in relation to the central estimate and included in the outstanding claims liability.

As claims for private health insurers are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.

### Risk margin

A risk margin has been applied to reflect the inherent uncertainty of the central estimate. A risk margin for Teachers Health of 9.0% (2020: 9.0%) and for Nurses & Midwives Health of 15.0% (2020: 15.0%) has been applied to the underlying liability, which has been estimated to equate to a probability of adequacy of 75%.

For Teachers Health, the risk margin has been based on an analysis of past experience of the fund. This analysis examined the volatility of past payments that have not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility.

For Nurses & Midwives Health, due to the fund's relatively short history and low volume of claims available to establish reliable assumptions, the risk margin has been primarily set with reference to industry benchmarking.

### Claims handling costs

The liability also allows for an estimate of the costs associated with achieving settlement of outstanding claims. The claims handling costs both directly and indirectly associated with individual claims and have been calculated with reference to the past experience of total claims handling costs as a percentage of past claims payments.

### b) Deferred claims liability

	2021	2020
	\$'000	\$'000
Central estimate of the expected future payments for deferred claims	39,279	50,020
Expected payments to the RESA in relation to the central estimate	327	363
Claims handling costs	616	792
<b>Total deferred claims liability</b>	<b>40,222</b>	<b>51,175</b>

### Movements in the Deferred claims liability:

	2021	2020
	\$'000	\$'000
<b>Deferred claims liability at the beginning of the year</b>	<b>51,175</b>	<b>–</b>
Deferred claims recognised/(adjusted) during the year	(4,879)	50,383
Deferred claims paid	(5,861)	–
Change in claims handling costs component	(213)	792
<b>Deferred claims liability at the end of the year</b>	<b>40,222</b>	<b>51,175</b>



# Notes to the financial statements

For the year ended 30 June 2021

## Key assumptions and estimates

The deferred claims liability reflects liabilities relating to treatments that were expected to be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2021, but were delayed due to community lockdowns and restrictions on elective surgery and allied health provision.

APRA issued measurement guidance to all private health insurers on 22 June 2020 specifying the treatment of the deferred claims liability for prudential reporting to APRA as at 30 June 2020. APRA issued updated guidance on 26 March 2021. The APRA guidance was adopted by the Group for both prudential reporting to APRA and financial reporting as at 30 June 2020 and 30 June 2021.

The Group's methodology for estimating the deferred claims liability has been reviewed over the course of the pandemic, taking into account the increasing internal and external information available for analysis. As a result, the methodology has been refined compared to the previous year to improve the accuracy of the estimate.

In determining the deferred claims liability at 30 June 2020, claims projected during the 2020 premium round were adjusted for the latest membership figures and compared to actual claims incurred during the period of March to June 2020. The difference was considered to be the services that were deferred. 100% of the hospital and medical claims and 85% of the general treatment claims estimated as not having proceeded due to the COVID-19 pandemic through to 30 June 2020 were recognised in the deferred claims liability.

In determining the deferred claims liability at 30 June 2021, the difference between expected and actual claims during the period of March 2020 to June 2021 was further analysed by clinical category or service type, where reliable data was available. Deferral assumptions were set for each clinical category according to the likelihood that the treatments were deferred due to COVID-19. This more detailed approach to estimating the deferred claims liability resulted in a lower estimate of deferred claims.

After allowing for the revisions to the deferral estimates in 2021, the proportion of claims that did not occur as expected during the COVID-19 pandemic until 30 June 2021 and were treated as deferred was approximately 69% of the hospital and medical claims and approximately 76% of the ancillary claims. Further, during the year where it was reasonable to attribute higher-than-usual claims to the clearing of COVID-19 deferred claims, a corresponding amount was then released from the deferred claims liability.

The provision has been set at a level estimated to equate to a probability of adequacy of 75%.

Allowance has been made in the deferred claims liability for claims handling costs and the RESA consequence of the deferred claims.

## 13. Unexpired risk liability

	2021	2020
	\$'000	\$'000
Unearned premium	182	235
Unearned unclosed business	1	4
Constructive obligation	2,207	2,109
<b>Total unexpired risk liability</b>	<b>2,390</b>	<b>2,348</b>

## Key assumptions and estimates

The unexpired risk liability is determined as the excess of claims, risk equalisation, state levies, and claims-related expenses plus a risk margin over the premiums for the relevant period. Projected claims, risk equalisation, state levies and claims-related expenses were determined from projections, adjusted for recent experience and based on no membership growth.

The liability adequacy test as at 30 June 2021 and 2020 resulted in an unexpired risk liability for Nurses & Midwives Health. No liability was required for Teachers Health.

For Nurses & Midwives Health, a risk margin of 7.5% (2020: 9.0%) has been applied in calculating the unexpired risk liability, which is estimated to equate to a probability of adequacy of 75%. The risk margin applied in performance of the liability adequacy test for Teachers Health was 3.0% (2020: 3.0%), which was also estimated to equate to a probability of adequacy of 75%.

While it is assumed there will be increased claims payments over the period covered by the liability adequacy test due to the catch-up of treatments deferred during the year ended 30 June 2021 due to COVID-19 impacts, these claims payments have not been included in the unexpired risk liability calculation as they are provided for in the deferred claims liability at balance date.

## 14. Other provisions

	2021	2020
	\$'000	\$'000
<b>Current</b>		
Employee benefits	7,741	6,489
<b>Total current provisions</b>	<b>7,741</b>	<b>6,489</b>
<b>Non-current</b>		
Employee benefits	1,236	1,381
Make good on leased premises	848	848
<b>Total non-current provisions</b>	<b>2,084</b>	<b>2,229</b>

## Movements in Other provisions

	Employee benefits	Make good on leased premises	Total
	\$'000	\$'000	\$'000
<b>Balance at 30 June 2019</b>	<b>7,056</b>	<b>800</b>	<b>7,856</b>
Amounts used during the year	(4,366)	-	(4,366)
Amounts raised during the year	5,180	48	5,228
<b>Balance at 30 June 2020</b>	<b>7,870</b>	<b>848</b>	<b>8,718</b>
Amounts used during the year	(4,036)	-	(4,036)
Amounts raised during the year	5,143	-	5,143
<b>Balance at 30 June 2021</b>	<b>8,977</b>	<b>848</b>	<b>9,825</b>

# Notes to the financial statements

For the year ended 30 June 2021

## 15. Reserves

### Asset revaluation reserve

The asset revaluation reserve records the cumulative revaluations of non-current assets. The current balance of this reserve has been recognised as a result of the revaluation of properties in use since acquisition.

	Asset Revaluation Reserve Movement
	\$'000
<b>Balance at 30 June 2019</b>	<b>6,949</b>
Revaluation of property in use	1,386
<b>Balance at 30 June 2020</b>	<b>8,335</b>
Revaluation of property in use	–
<b>Balance at 30 June 2021</b>	<b>8,335</b>

## 16. Segment reporting

The Group operates predominantly in one operating segment, being the provision of private health insurance in Australia.

## 17. Reconciliation of cash flows from operating activities

	2021	2020
	\$'000	\$'000
Profit for the year	55,971	23,200
– Depreciation and amortisation	6,159	6,872
– Net loss on disposal of property, plant and equipment	31	105
– Fair value losses/(gain) on investment trusts	(12,277)	(354)
Changes in operating assets and liabilities		
– Decrease/(increase) in trade receivables	(1,503)	1,224
– Decrease/(increase) in inventories	13	(54)
– Increase in other assets	(839)	(15,467)
– Increase/(decrease) in payables	1,365	5,597
– Increase/(decrease) in other liabilities	(6,425)	15,935
– Increase in claims provision and unexpired risk liability	8,292	25,607
<b>Net cash inflow from operating activities</b>	<b>50,787</b>	<b>62,665</b>

## 18. Financial instruments

### (a) Financial risk management

The Group's business and activities are affected by a variety of financial risks, including market risk, liquidity risk and credit risk. A comprehensive risk management system is in place to manage financial and non-financial risks.

The Board has overall responsibility for the establishment and oversight of the risk management framework and is supported by the Audit and Finance Committee, Risk & Governance Committee and management in monitoring and managing the Group's financial risk exposures. The following policies have been established and are regularly reviewed to support effective financial risk management and to meet the Company's prudential regulatory obligations:

- Capital Management Plan;
- Pricing Philosophy;
- Liquidity Management Plan; and
- Investment Policy.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, investments in equity and fixed income trusts, accounts receivable and payable and leases. The Group is not a direct party to any derivative instruments at 30 June 2021 (2020: nil).

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2021	2020
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	90,156	136,451
Financial assets at fair value through profit or loss		
– Equity trusts	77,294	61,927
– Fixed income trusts	141,363	122,212
– Term deposits	300,138	229,138
Financial assets at amortised cost:		
– Trade and other receivables	28,997	27,494
	<b>637,948</b>	<b>577,222</b>

	2021	2020
	\$'000	\$'000
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
– Trade and other payables	26,443	25,078
– Lease liabilities	9,936	12,104
	<b>36,379</b>	<b>37,182</b>



# Notes to the financial statements

For the year ended 30 June 2021

## (b) Fair value measurement

### Fair value hierarchy

The tables below separate financial assets and financial liabilities according to a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's financial assets and liabilities as identified above have carrying amounts that are reasonable approximations for fair values.

	Level 1	Level 2	Level 3	Total
2021	\$'000	\$'000	\$'000	\$'000
<b>Assets at fair value through profit or loss</b>				
Term deposits	300,138	–	–	300,138
Equity trusts	–	77,294	–	77,294
Fixed income trusts	–	141,363	–	141,363
<b>Total assets at fair value through profit or loss</b>	<b>300,138</b>	<b>218,657</b>	<b>–</b>	<b>518,795</b>
<b>Assets at fair value through other comprehensive income (OCI)</b>				
Property in use	–	–	12,667	12,667
<b>Total assets at fair value through OCI</b>	<b>–</b>	<b>–</b>	<b>12,667</b>	<b>12,667</b>

	Level 1	Level 2	Level 3	Total
2020	\$'000	\$'000	\$'000	\$'000
<b>Assets at fair value through profit or loss</b>				
Term deposits	229,138	–	–	229,138
Equity trusts	–	61,927	–	61,927
Fixed income trusts	–	122,212	–	122,212
<b>Total assets at fair value through profit or loss</b>	<b>229,138</b>	<b>184,139</b>	<b>–</b>	<b>413,277</b>
<b>Assets at fair value through OCI</b>				
Property in use	–	–	12,925	12,925
<b>Total assets at fair value through OCI</b>	<b>–</b>	<b>–</b>	<b>12,925</b>	<b>12,925</b>

Level 3 investments consist of non-listed investments in Australian property. An assessment of the current impact of COVID-19 on the performance of the Level 3 component of the investments has been undertaken and that performance has not changed sufficiently to currently warrant any additional sensitivity being included.

## Change in level 3 financial assets

	Property in use
	\$'000
<b>Balance as at 30 June 2020</b>	<b>12,925</b>
Change in valuation of property in use for the period:	
– Additions	–
– Depreciation expense	(258)
– Property in use revaluation that will not be reclassified subsequently to profit or loss	–
<b>Balance as at 30 June 2021</b>	<b>12,667</b>

The Group holds land and buildings at fair value of \$12.7 million classified as Level 3. The Level 3 fair value of land and buildings has been derived using the market value approach. The key inputs under this approach are the current observable prices in an active market for similar properties in the same location and condition, and the net market rental income as at valuation date, capitalised at an appropriate market yield. Adjustment has been factored to recognise the uncertainty regarding the duration and impact of the COVID-19 pandemic and the implications for the commercial property market.

## (c) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to continue to provide benefits for stakeholders, whilst maintaining an optimal capital structure.

The Group must satisfy APRA Prudential Standards HPS 100 (Solvency) and HPS 110 (Capital Adequacy) under the Private Health Insurance (Prudential Supervision) Act 2015 with respect to Teachers Health and Nurses & Midwives Health.

In brief, the intention of these standards is to ensure that the health benefits fund of a private health insurer has sufficient, appropriate assets available to be able to demonstrate that it will be able to meet future policyholder and creditor obligations under a range of adverse circumstances.

The Group's Board-endorsed financial risk management policies are designed to ensure compliance with Solvency and Capital Adequacy requirements and include internal targets and triggers to govern monitoring and management actions. Both funds operated by the Group fully met their capital and solvency requirements at all times during the financial year.

## (d) Market risks

The Group's overall investment strategy seeks to assist it in meeting its financial targets, while minimising potential adverse effects on financial performance. During the current and previous financial year, the Group's financial assets were exposed to a range of market risks, most notably interest rate risk and equity price risk.

# Notes to the financial statements

For the year ended 30 June 2021

## Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. No disclosure has been made below in relation to financial liabilities as the Group does not have material interest rate risk exposure on its financial liabilities as at 30 June 2021.

	Weighted average effective interest rate	Maturing within 1 year	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing greater than 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000
<b>2021</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.28%	90,156	–	–	90,156
Term deposits	0.67%	300,138	–	–	300,138
Fixed interest trusts	1.44%	141,363	–	–	141,363
<b>Total interest-bearing financial assets</b>		<b>531,657</b>	<b>–</b>	<b>–</b>	<b>531,657</b>
<b>2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.35%	136,451	–	–	136,451
Term deposits	1.57%	229,138	–	–	229,138
Fixed interest trusts	1.27%	122,212	–	–	122,212
<b>Total interest-bearing financial assets</b>		<b>487,801</b>	<b>–</b>	<b>–</b>	<b>487,801</b>

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2021		2020	
Interest rate movement	+1.00%	–1.00%	+1.00%	–1.00%
	\$'000	\$'000	\$'000	\$'000
Impact on net result for the year	2,315	(2,315)	2,587	(2,587)
Impact on equity	2,315	(2,315)	2,587	(2,587)

## Equity price risk

The Group holds investments in equity trusts. These investments are held for long-term strategic purposes rather than trading.

The following table illustrates sensitivities to the Group's exposures to changes in equity prices. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2021		2020	
Equity price movement	+5.00%	–5.00%	+5.00%	–5.00%
	\$'000	\$'000	\$'000	\$'000
Impact on net result for the year	3,865	(3,865)	3,096	(3,096)
Impact on equity	3,865	(3,865)	3,096	(3,096)

## Insurance risk

The Group's health insurance activities primarily include pricing, claims management and investment management.

Because of the specific requirements of health insurance community rating, risks must be accepted at a standard premium rate that is not individually risk rated. The Group is also required to participate in an industry-wide arrangement to effectively provide reinsurance support so the industry as a whole shares the hospital cost of high-risk groups (the Risk Equalisation Special Account). Risk equalisation provides some protection to high cost claims however it exposes the Company to claims from other health insurers.

While the Group has the ability to determine premium rates and benefits payable within certain parameters, there is limited ability to price for risk.

## Other market risks

The group has exposure to foreign currency risk through investments in unhedged global equities. This exposure is monitored against the investment policy. The Group has no material risk to foreign currency risk at balance date.

The Group has no material exposure to commodity price risk.

## (e) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that financing facilities will be rolled forward.



# Notes to the financial statements

For the year ended 30 June 2021

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities.

Maturity analysis	Due < 1 yr	Due 1 – 5 yrs	No Fixed Date	Total
2021	\$'000	\$'000	\$'000	\$'000
<b>Financial assets — cash flows realisable</b>				
Cash and cash equivalents	90,156	–	–	90,156
Investment income receivable	931	–	–	931
Term deposits	300,138	–	–	300,138
Equity trusts	77,294	–	–	77,294
Fixed income trusts	141,363	–	–	141,363
Trade and other receivables	28,066	–	–	28,066
<b>Total anticipated inflows</b>	<b>637,948</b>	<b>–</b>	<b>–</b>	<b>637,948</b>
<b>Financial liabilities — cash flows realisable</b>				
Trade and other payables	26,443	–	–	26,443
Lease liabilities	2,655	7,281	–	9,936
<b>Total anticipated outflows</b>	<b>29,098</b>	<b>7,281</b>	<b>–</b>	<b>36,379</b>
<b>Net inflow on financial instruments</b>	<b>608,850</b>	<b>(7,281)</b>	<b>–</b>	<b>601,569</b>

Maturity analysis	Due < 1 yr	Due 1 – 5 yrs	No Fixed Date	Total
2020	\$'000	\$'000	\$'000	\$'000
<b>Financial assets — cash flows realisable</b>				
Cash and cash equivalents	136,451	–	–	136,451
Investment income receivable	1,496	–	–	1,496
Term deposits	229,138	–	–	229,138
Equity trusts	61,927	–	–	61,927
Fixed income trusts	122,212	–	–	122,212
Trade and other receivables	25,997	–	–	25,997
<b>Total anticipated inflows</b>	<b>577,221</b>	<b>–</b>	<b>–</b>	<b>577,221</b>
<b>Financial liabilities — cash flows realisable</b>				
Trade and other payables	25,078	–	–	25,078
Lease liabilities	2,366	9,738	–	12,104
<b>Total anticipated outflows</b>	<b>27,444</b>	<b>9,738</b>	<b>–</b>	<b>37,182</b>
<b>Net inflow on financial instruments</b>	<b>549,777</b>	<b>(9,738)</b>	<b>–</b>	<b>540,039</b>

## (f) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Group.

Management monitors credit risk by actively assessing the rating quality and liquidity of counterparties. Standard & Poor's ratings of publicly rated assets are used and mapped to the corresponding grade for APRA reporting purposes. Below is an analysis of the credit risk profile of financial assets at balance date.

	APRA Grading				Unrated	Total
	1	2	3	4		
2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	90,151	–	–	–	5	90,156
Investment income receivable	834	97	–	–	–	931
Term deposits	218,138	82,000	–	–	–	300,138
Equity trusts	–	1,575	–	–	75,719	77,294
Fixed income trusts	67,970	59,300	10,076	535	3,482	141,363
Trade and other receivables	–	–	–	–	28,066	28,066
<b>Total</b>	<b>377,093</b>	<b>142,972</b>	<b>10,076</b>	<b>535</b>	<b>107,272</b>	<b>637,948</b>
% of total	59.11%	22.41%	1.58%	0.08%	16.82%	

	APRA Grading				Unrated	Total
	1	2	3	4		
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	136,445	–	–	–	6	136,451
Investment income receivable	1,114	382	–	–	–	1,496
Term deposits	149,138	80,000	–	–	–	229,138
Equity trusts	–	987	–	–	60,940	61,927
Fixed income trusts	65,431	47,561	6,429	251	2,540	122,212
Trade and other receivables	–	–	–	–	25,997	25,997
<b>Total</b>	<b>352,128</b>	<b>128,930</b>	<b>6,429</b>	<b>251</b>	<b>89,483</b>	<b>577,221</b>
% of total	61.01%	22.34%	1.11%	0.04%	15.50%	

## 19. Interest in subsidiaries and other entities

The parent entity within the Group is Teachers Federation Health Ltd.

Name of entity	Country of incorporation and principal place of business	Principal activity	Group's proportionate of ownership	
			2021	2020
Nurses & Midwives Health Pty Ltd	Australia	Providing private health insurance	100%	100%
Teachers Healthcare Services Pty Ltd	Australia	Broader health cover services of care coordination	100%	100%
Teachers Federation Health Foundation Pty Ltd*	Australia	Trustee for foundation, funding or promoting medical research	100%	100%
Teachers Dental (Surry Hills)**	Australia	Dental services	51%	51%

\* This entity did not actively trade during the year and hence no impact on the consolidated statement of profit or loss and other comprehensive income.

\*\* This entity is an unincorporated joint venture entity that is not material to the consolidated financial statements.

# Notes to the financial statements

For the year ended 30 June 2021

## 20. Related party transactions

The following table details transactions with related parties.

	Note	2021	2020
		\$	\$
Teachers Dental (Surry Hills) – Profit distribution	(a)	458,398	545,737
Teachers Dental (Surry Hills) – Management fees	(b)	1,669,680	1,605,527
		<b>2,128,078</b>	<b>2,151,264</b>

(a) The Group receives profit distribution from Teachers Dental (Surry Hills).

(b) The Group charges Teachers Dental (Surry Hills) for premises rental, personnel and resources supplied.

The total amount due from Teachers Dental (Surry Hills) to the Group was \$17,325 at 30 June 2021 (\$144,526 at 30 June 2020).

The key management personnel compensation included within employee expenses is:

	2021	2020
	\$	\$
<b>Short-term employee benefits</b>		
Salary and fees	3,712,165	3,773,839
Other benefits	337,923	118,214
	<b>4,050,088</b>	<b>3,892,053</b>
<b>Post-employment benefits</b>		
Superannuation	229,764	265,790
<b>Total key management personnel compensation</b>	<b>4,279,852</b>	<b>4,157,843</b>

Key management personnel are those who have the responsibility for planning, directing and controlling the activities of the Group and consist of the Directors, CEO and direct reports.

## 21. Auditors' remuneration

	2021	2020
	\$	\$
Fees paid or payable to Ernst and Young as auditor of the Group:		
– Audit of annual financial reports	191,342	177,404
– Audit or review of other regulatory requirements	103,177	97,127
<b>Total auditor's remuneration</b>	<b>294,519</b>	<b>274,531</b>

## 22. Parent entity information

Information relating to Teachers Federation Health Ltd:

	2021	2020
	\$'000	\$'000
<b>Statement of financial position</b>		
Current assets	616,325	556,790
<b>Total assets</b>	<b>661,779</b>	<b>605,600</b>
Current liabilities	216,271	210,563
<b>Total liabilities</b>	<b>224,707</b>	<b>222,429</b>
Reserves	8,335	8,335
Retained earnings	428,737	374,836
<b>Total equity</b>	<b>437,072</b>	<b>383,171</b>
<b>Statement of profit or loss or other comprehensive income</b>		
Profit for the year	56,070	20,773
Other comprehensive income	–	1,386
<b>Total comprehensive income</b>	<b>56,070</b>	<b>22,159</b>

## 23. Commitments and contingencies

The Group had contingent liabilities at 30 June 2021 in respect of bank guarantees backed by term deposits, issued in respect of premises leases of \$2,137,999 (2020: \$ 2,137,999).

## 24. Events after the balance sheet date

During the year the Boards of Teachers Federation Health Ltd and its wholly-owned subsidiary Nurses & Midwives Health Pty Ltd agreed to pursue a merger of the health benefits funds conducted by each entity in 2022. A merger remains subject to final Board and regulatory approvals.

In response to new cases of COVID-19, a range of restrictions including stay-at-home orders have been in effect after the balance date and up until the date of finalising the financial report. Lockdowns in New South Wales, Victoria and the Australian Capital Territory have the greatest potential to impact the Group given both the prolonged durations of lockdowns in those geographies and the geographic distribution of the Group's policyholders. The financial impact of these developments will arise in reporting periods after 30 June 2021. The impacts will include disruptions to claims, but cannot be reliably estimated at reporting date.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 25. Group details

The registered office and principal place of business of the Group is:

Teachers Federation Health Ltd  
ABN 86 097 030 414  
Level 4, Tower A  
260 Elizabeth Street  
SYDNEY NSW 2000



# Directors' declaration

The Directors of Teachers Federation Health Ltd declare that:

- 1. The consolidated financial statements and notes, as set out on pages 24 to 51, are in accordance with the Corporations Act 2001 and:
  - i. comply with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - ii. give a true and fair view of the Group's financial position as at 30 June 2021 and of the performance for the year ended on that date.
- 2. In the Directors' opinion there are reasonable grounds to believe that Teachers Federation Health Ltd will be able to pay its debts as and when they become due and payable.


This declaration is made in accordance with a resolution of the Board of Directors.



**H M MacGregor**  
Director

Dated this 22nd day of September 2021  
Sydney, NSW

# Independent auditor's report



**EY**  
Building a better  
working world

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2046 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

**Independent Auditor's Report to the Members of Teachers Federation Health Ltd**

**Opinion**

We have audited the financial report of Teachers Federation Health Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial 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.

**Emphasis of Matter – Private Health Insurance Basis of Accounting**

We draw your attention to Note 1 'Statement of Compliance' within the Financial Statements. This note describes the incorporation of the published views of the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on the measurement and recognition of a deferred claims liability in response to the unique circumstances arising from the COVID-19 pandemic.

In our view, this matter is fundamental to the users' understanding of the Consolidated Financial Report and the financial position and performance of the Group. Our Opinion is not modified with respect to this matter.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation



Page 2

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation



Page 3

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst &amp; Young

David Jewell  
Partner  
Sydney  
22 September 2021

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation





Melissa, Teachers Health member



## OUR PROMISE

**We're for Teachers.**

**We're for the educators,  
the inspirers and the nurturers.**

**The ones who lead the way  
and the ones behind the scenes.**

**For the teachers who put in the hard yards  
and make it look simple,  
you inspire us to do the same for you.**

**Just as every child deserves a teacher champion,  
we believe every teacher deserves a health champion.**

**We're part of the education community –  
our role is to serve you as well as you've served our kids.**

**We care for you in sickness and health  
because your wellbeing is important to so many.**

**We're invested in your future,  
just as you're invested in future generations.**

**We're with you from your first day to your last day,  
at sport time to report time.**

**We're here for you when your feet are sore,  
your voice is gone and your patience is tested.**

**We're for people, not profit.  
Everything we do is for the benefit of our members.**

**We are Teachers Health,  
we're for Teachers.**



We're for teachers