

**Annual Report**

**20**  
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# About CBHS

More than great health insurance.  
Building healthier and happier communities.



## More care

The health and happiness of our members is at the heart of everything we do. That's why every major business decision we make has our CARE

Values – Customer First, Active, Respect and Excellence – at its cornerstone. In the unprecedented times of 2020, it was important that we brought more care to our members who needed it most. During COVID-19, we launched an outbound wellbeing call service. These calls, made by clinicians, aim to support members through the challenges of the pandemic. The wellbeing call includes a basic health assessment, and members who need further support are referred to a CarePoint program.

For members with Extras cover, more care is now even easier to find. [In the past financial year, more than 580 dental and 2,600 optical providers joined the CBHS Choice Network.](#) This means that our valued members can now access a wider range of providers who not only deliver exceptional service, but also offer no gap or known gaps on selected services. Notable national optical partners that joined our CBHS Choice Network this year were OPSM and Laubman & Pank. These organisations are all committed to customer satisfaction, experience and high-quality products with exceptional after sales service.



## More value

CBHS was proudly amongst one of the first funds to announce a deferral of the premium increase scheduled for 1 April 2020 for six months until 1 October 2020 to help relieve financial pressure on members during

COVID-19. We were also one of the only funds to provide up to six months premium relief for members with Hospital or combined Hospital and Extras cover who are experiencing financial hardship as a result of COVID-19, as well as provided further relief through a refund of 30% on Extras premiums paid for the month of May. The Extras refund was our way of recognising members were unable to utilise some face-to-face services during the COVID-19 restrictions.

To protect the value in our members' cover and ensure care could continue, we worked hard to make a large range of treatments and services available from the safety of home.

This included chemotherapy, dialysis, and post-surgery rehabilitation which allowed members to recover at home.

We made it possible for members to access services from allied health professionals in a telehealth or digital setting, including psychology, dietetics, physiotherapy, exercise physiology, speech pathology and antenatal/postnatal education and care. Industry research tells us that telehealth and virtual services are particularly popular amongst younger demographics. These groups see the value in accessing services this way and it's a key factor in why they're choosing to hold onto their health cover despite the economic challenges faced in a global pandemic.

As the lasting impacts on the public health system's surgical waiting lists continue to be realised, we know that avoiding these long wait times is a key driver of the value in private hospital cover, now more than ever. [CBHS holds agreements with more than 500 private hospitals across Australia,](#) as well as provides members access to a database of specialists where a transparent schedule of fees makes it easy to see what, if any, out-of-pocket costs there will be.



## More support

More support means being available more often and in more ways. We made this happen in 2020 by opening an exciting new Health Hub in the Commonwealth Bank's Axle building.

Prior to COVID-19 this Health Hub saw almost 9,000 interactions with Commonwealth Bank Australia (CBA) staff.

COVID-19 provided opportunities for us to reach more of our CBA community, through taking Health Hub services virtual, including offering webinars, challenges and one-to-one consultations with experts. For the first time, we were also able to reach our wider membership with a program of health and wellbeing webinars – Healthy Bytes X – presented by allied health professionals. [We're extending this webinar pilot in FY21.](#)

Many members made use of health services, including Better Living and hospital substitution programs. We paid 1,177 claims for members who were able to avoid or shorten a hospital stay in favour of treatment outside of the hospital setting. Almost 550 members took part in our Better Living



programs, which included virtual health coaching for a range of chronic and mental health conditions as well as our Digital Wellness program.

We launched the SkinVision digital app to members with an initial six-months free. *Within just one month, the app had performed more than 1,700 skin checks, flagged 244 spots as high risk and issued 56 recommendations to visit a GP.*

Members now have more choice on how they want to be supported – through our online Member Centre, Facebook, chat, email, by phone with our Member Care team or via our mobile app. As of the end of the financial year, more than 63,000 members had downloaded the app, which helps members self-service outside of business hours.



### More stability

CBHS is a fund with a long and proud history. We're now in our seventieth year of serving the CBA Group community, which includes the families of those who are, or have been, connected to the CBA Group.

Despite another challenging year for the private health insurance industry which experienced negative growth, CBHS grew memberships. Much of that growth was in segments which have proven challenging at an industry level – those aged under 35 years. All new members are valued but increasing membership levels within this age group is particularly important for the sustainability of the fund. As a member-owned, not-for-profit, this in turn, benefits us all.

# Highlights

CBHS continues to provide more members with peace of mind, now with more than 115,000 memberships

## Membership

(thousands)



Membership growth has been better than industry average.

## Premium revenue

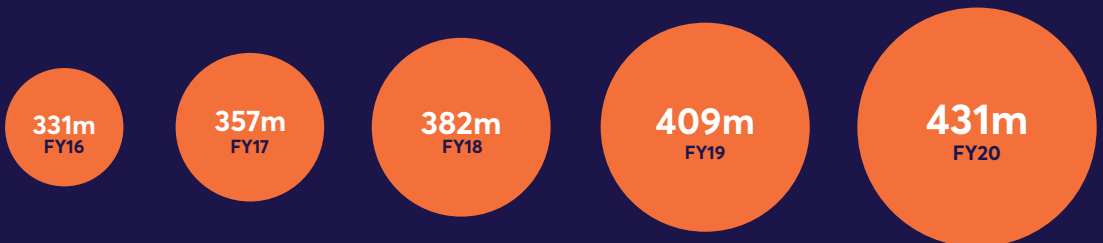
(millions)



Increase in premium revenue is driven by membership growth, premium increases from FY19 and strong membership growth from our subsidiary CBHS Corporate's overseas visitors and students business.

## Net claims incurred

(millions)



9.5%



Increase in membership

4.8%



Increase in premium revenue

5.3%



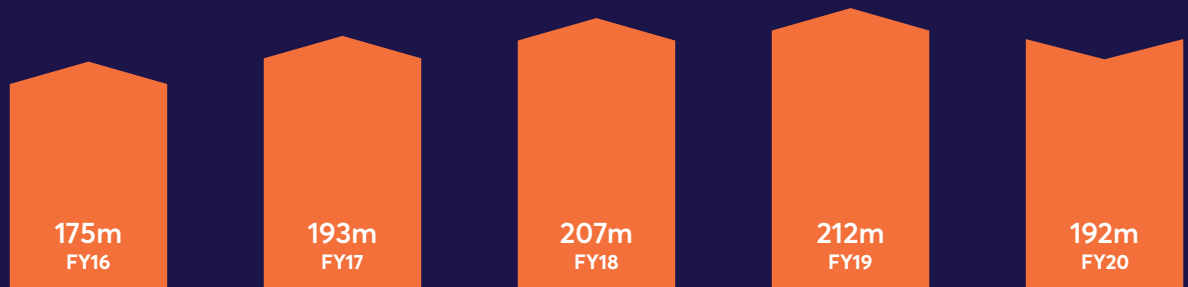
Increase in net claims incurred

### Profit (millions)



CBHS has recorded a loss of \$19.3m in FY20. The loss is underpinned by financial assistance provided to members during COVID-19. Financial assistance provided included delaying the premium rate increase to 1 October 2020 and financial assistance to members who have suffered employment challenges during this difficult period.

### Net assets (millions)



Net assets have fallen in FY20 primarily as a result of a decline in investment returns and insurance underwriting losses due to the impact of COVID-19.

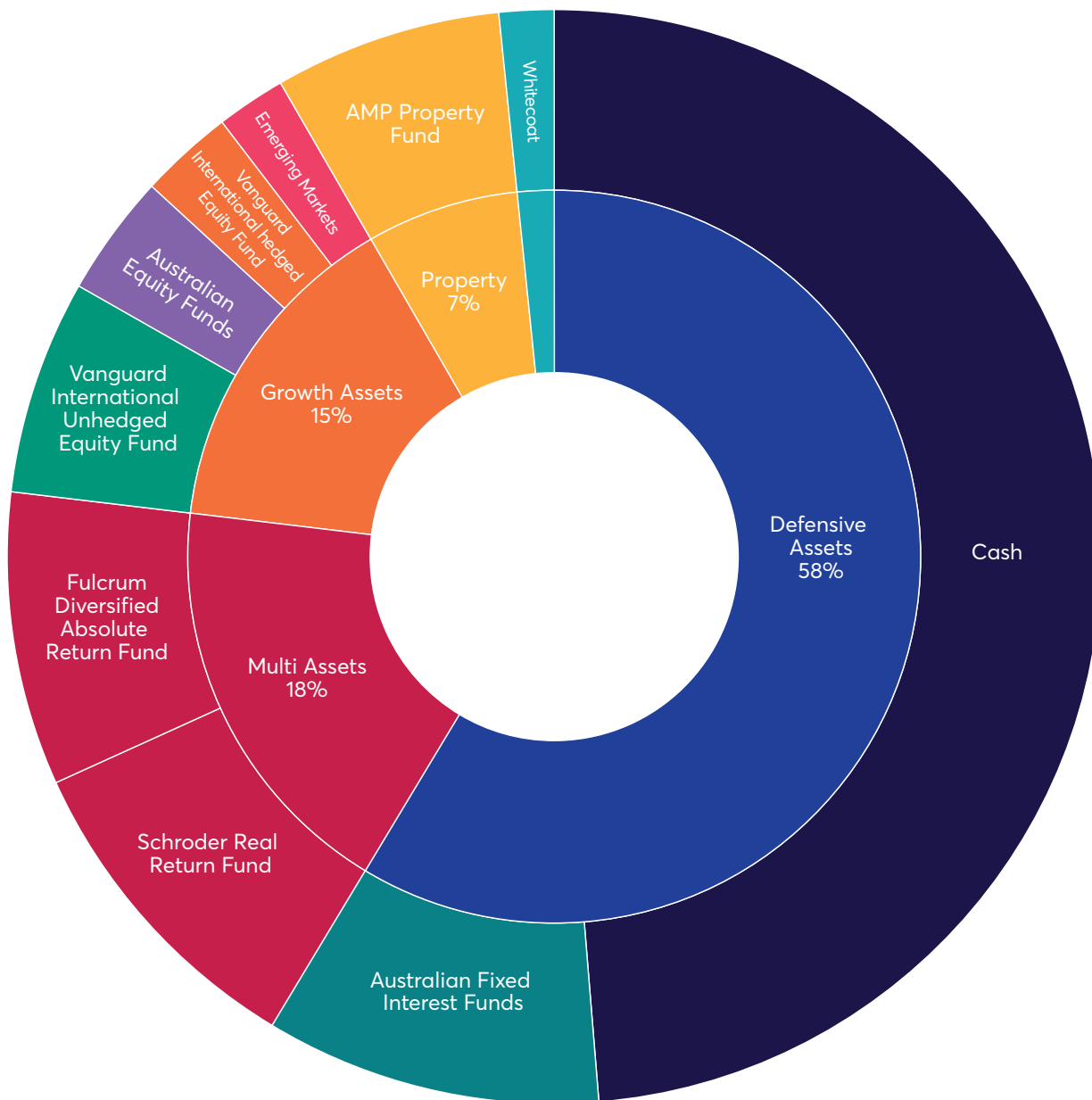
### Investment returns



Investment returns declined by \$9.7m in FY20 compared to the prior financial year due mainly to broader market sell-off due to COVID-19. Notwithstanding this sell-off, the investment portfolio still had positive returns due mainly to the defensive weighting.

# Investment Portfolio

CBHS' portfolio has a defensive weighting with a bias towards asset protection.



\*As at 30 June 2020 more than 50% of funds within the Multi Asset Funds were in cash and bonds.





# Five Year History

(in \$'000 unless otherwise indicated)

	2020	2019	2018	2017	*2016
<b>INCOME STATEMENT</b>					
Direct premium revenue	461,486	440,506	416,977	392,015	360,713
Benefits incurred	(384,861)	(362,678)	(336,739)	(312,033)	(286,669)
Health benefits risk equalisation trust fund	(40,112)	(40,987)	(40,274)	(40,587)	(39,610)
Government levies	(5,847)	(5,508)	(5,174)	(4,797)	(4,465)
<b>Net claims incurred</b>	<b>(430,820)</b>	<b>(409,173)</b>	<b>(382,187)</b>	<b>(357,417)</b>	<b>(330,744)</b>
Net movement in unexpired risk liability	(10,820)	(2,771)	-	-	-
Underwriting expenses	(42,170)	(39,020)	(34,120)	(31,201)	(26,043)
<b>Underwriting profit</b>	<b>(22,323)</b>	<b>(10,398)</b>	<b>670</b>	<b>3,397</b>	<b>3,926</b>
Investment and other income	6,557	16,986	14,602	14,765	4,300
Depreciation and amortisation	(3,460)	(1,660)	(981)	(594)	(471)
Interest on lease payments	(128)	-	-	-	-
<b>Profit/(loss) / surplus / (deficit) before tax</b>	<b>(19,355)</b>	<b>4,928</b>	<b>14,291</b>	<b>17,568</b>	<b>7,755</b>
Income tax benefit/(expense)	67	(34)	(26)	348	-
<b>Profit/(loss) / surplus / (deficit) before tax</b>	<b>(19,288)</b>	<b>4,894</b>	<b>14,265</b>	<b>17,916</b>	<b>7,755</b>
<b>BALANCE SHEET</b>					
Current assets	134,590	90,987	96,000	92,234	142,713
Non-current assets	202,501	224,653	205,872	192,219	116,257
<b>Total assets</b>	<b>337,091</b>	<b>315,640</b>	<b>301,872</b>	<b>284,453</b>	<b>258,970</b>
Current liabilities	141,814	102,166	93,406	90,398	83,665
Non-current liabilities	3,372	1,768	1,654	1,508	674
<b>Total liabilities</b>	<b>145,186</b>	<b>103,934</b>	<b>95,060</b>	<b>91,906</b>	<b>84,339</b>
<b>Net assets</b>	<b>191,906</b>	<b>211,706</b>	<b>206,812</b>	<b>192,547</b>	<b>174,631</b>
<b>Reserves</b>					
Retained earnings	191,906	211,706	206,812	192,547	174,631
<b>Total reserves</b>	<b>191,906</b>	<b>211,706</b>	<b>206,812</b>	<b>192,547</b>	<b>174,631</b>

\* Values refer to parent entity result only as CBHS Corporate did not begin trading until FY17

You will note many references to the term "profit" throughout this report.

This is an accounting requirement.

It reflects CBHS' investment in CBHS Corporate Health Pty Ltd, which has been established as a "for profit" business, for the long-term benefit of CBHS members.

The use of this terminology throughout this report does not change in any way the core values of the parent company, being a member owned, not-for-profit organisation.

# Delivering Value to Members

**245,294** people now experience the benefits of CBHS membership

**Insured persons**  
(thousands)

212K  
FY16

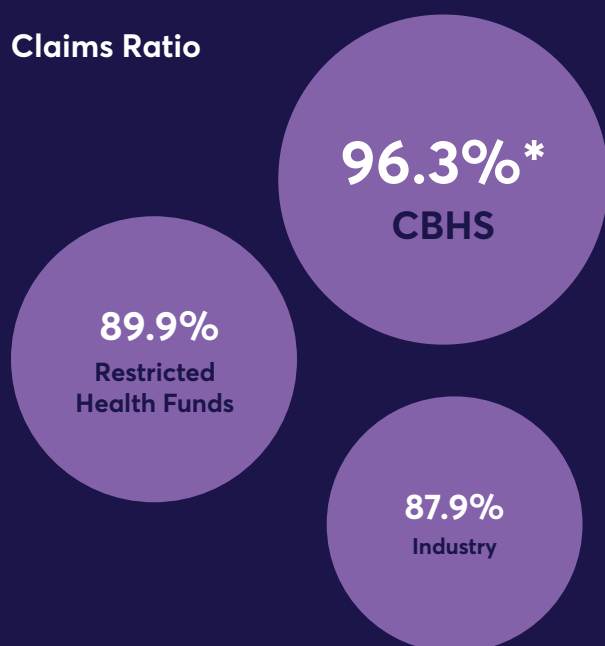
219K  
FY17

227K  
FY18

236K  
FY19

245K  
FY20

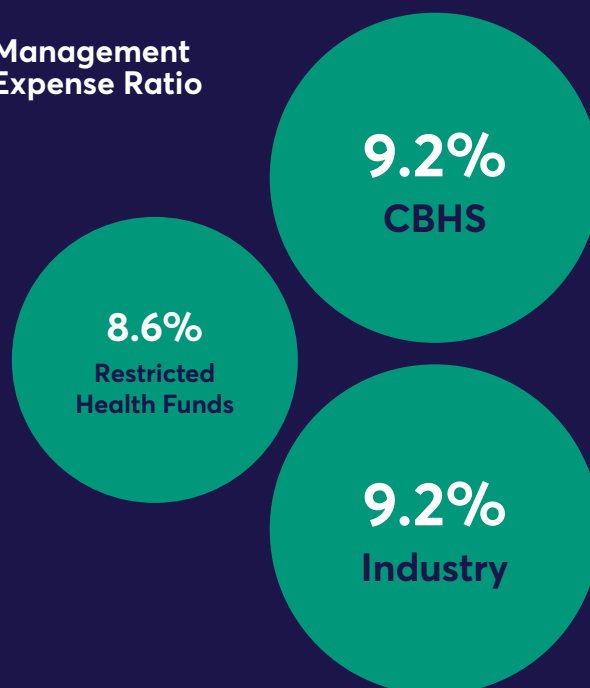
## Claims Ratio



CBHS' member focus ensures we give back more to members than the industry average. In 2020 we paid out almost 96.3 cents in claims\* for every premium dollar received.

*\*Claims ratio comparison relate only to APRA defined Health Insurance Business (HIB) which has been sourced from APRA Private Health Insurance Quarterly Statistical Report.*

## Management Expense Ratio



Management expenses have increased due to continued investment in enhancing staff capabilities, strengthening of our cyber defences and providing software solutions to improve member access and delivery of services. Management expects the Management Expense Ratio (MER) to gradually decline over the next few years.

*MER comparison relate only to APRA defined Health Insurance Business (HIB) which has been sourced from APRA Private Health Insurance Quarterly Statistical Report.*

# Message from the Chairman



In my third year as Chairman, I am pleased on behalf of the Board, to present the 2020 Annual Report.

One of the most tangible benefits of being part of a member-owned, not-for-profit organisation is that we group together and provide support for one another. I'm a big believer in staying informed and keeping in touch with members — it was one of the first things I discussed in the Annual Report and my Annual General Meeting address last year. And, in these difficult times, supporting others is now more important than ever.

In 2020, we're enduring the worst public health crisis in over a hundred years. At the same time, we are also facing the worst economic growth outlook in more than ninety years. There is not one person walking the planet with experience managing *one* of these significant events, yet we are called upon to deal with *two* of them — concurrently.

Many millions of lives have been directly affected by our changed circumstances and we are all living with considerable uncertainty. I know these are testing times. Our greatest concern is to do what we can to provide practical and immediate assistance to our members. Rest assured that we'll continue to do that.

I am so proud of our continuous efforts to give our members certainty during these uncertain times. As custodians of this member-owned fund we believed it was appropriate to spend some of our capital reserves in these exceptional times, to give our members the certainty they deserve by offering a range of health and financial initiatives. The positive member feedback we have received tells us that our members agree these were the right decisions.

Thank you to our members who took the time to extend their thanks for our support. I have personally read all the feedback and it is a great feeling to know our efforts are appreciated and making a real and positive impact on our members' lives.

## Closing the loop on progress

Last year, I outlined several initiatives we have been focusing on, as part of our commitment to the health and happiness of our members:

- **Enhance member community experience and value**  
We're always working on ways to improve access to the tailored support, guidance and services our members need. This year we enhanced our digital platforms so members can better manage their health and healthcare decisions, and continued to grow our CBHS Choice Network, especially in the optical space.
- **Accelerate core delivery**  
While expanding our virtual and digital service offerings, we also adjusted many existing services so members can safely access programs like Chemo@home, dialysis, rehab and birthing classes from home.
- **Dynamic & thriving culture**  
In March, we rapidly moved to a 100% work-from-home model in response to COVID-19 and have since seen improvements on all employee engagement metrics. Our employees are thriving due to the increased health and wellbeing that comes from a better work-life balance. Happy people equal happy members.
- **Diverse distribution**  
Commonwealth Bank Australia (CBA) has seen considerable change within its walls. We continue to be engaged at the highest levels, supporting CBA's many programs and initiatives for staff, customers and the broader community. Earlier this year we launched a state-of-the-art interactive Health Hub in CBA's Axle building in Sydney, became the exclusive health and wellbeing sponsor of CBA's Can4Cancer initiative and continued our association with CBA Retired Officer Associations.

## Financial results

This year's financial results were dominated by unprecedented events. Despite the grim news surrounding us, total memberships increased by 9.5% from 105,000 in June 2019 to 115,000 in June 2020, resulting in an increase in premium revenue of 4.8% to \$462m. We now have more than 245,000 people insured.

Net claims incurred increased to \$431m resulting in a claims payout ratio of 93.4%.

We recorded a loss of \$19.3m in FY20. This loss was underpinned by financial assistance provided to members during COVID-19. Financial assistance provided included deferring the 1 April 2020 premium rate increase to 1 October 2020, providing up to six months premium relief for members experiencing financial hardship due to COVID-19 and a refund of 30% on Extras premiums paid for the month of May.

The FY20 results also include an allowance for Deferred Claims which reflects unutilised Hospital and Extras services as a result of restrictions imposed by both Federal and State Governments during COVID-19.

These tough and unprecedented economic times saw the need to utilise some of our surplus capital to support our members. This surplus capital has been designed to be utilised for exactly such an event like COVID-19, which has been considered a one in 100-year event. Despite this, the fund remains in a strong financial capital position supported by a diverse investment strategy.

We expect that next year, as COVID-19 restrictions hopefully ease, members will recommence utilising Hospital and Extras services. We've worked closely with our industry regulators and Appointed Actuary to make sure we've provided appropriately for the cost of delivering benefits to all our valued members.

One of the reasons we've been so successful over time, is the conservative stance we have taken toward investing in our reserves. This turbulent year has truly reinforced and validated our approach.

## Looking to the future

We are committed to investing for our future — always with an eye towards shifting regulatory settings and our rapidly changing world. Our investment in Whitecoat continues, helping members become better informed healthcare consumers and provide access to one-step claim and pay. We'll keep investing in mobile apps and digital platforms, making it easier for members to interact with us. And our subsidiary fund, CBHS Corporate Health, continues to contribute to the success of the CBHS Group having now grown to over 12,500 members.

## Thank you

I would like to take the opportunity to thank our wonderful staff for their commitment and flexibility in continuing to service members during these unusual times. Staff have reacted with great diligence and innovation rising to many challenges. Our engagement with regulators and industry bodies has increased in recent years and I would like to thank our senior leadership team for enabling this progress.

I'd also like to thank my fellow Board members, Board members of CBHS Corporate Health, our Executive Team for their dedication and strategic direction and our members for their continued loyalty and support.

My special thanks go to our Deputy Chairman, John Matthews, for his insight and dedication to our members. John retired from the Board in August after almost 12 years of service and his presence and guidance will be missed.

I would like to take the opportunity to thank you. As always, we are committed to being beside you, all the way, in your individual journeys to health and happiness.



**Peter MacCuspie**

Chairman

28 August 2020

# Message from the Group CEO



We're more than great health insurance.

At CBHS we take our members' health very seriously, putting their needs at the heart of everything we do. As a not-for-profit and member-owned fund, we're different to the large for-profit health funds. We aim to be more than great health insurance by placing our members' interests first, and remain committed to their health and wellbeing throughout their lives' journey, utilising our embedded CARE Values:

- **Customers:** We value members over profit
- **Active:** We walk the health talk
- **Respect:** We respect everyone
- **Excellence:** We strive for excellence

Throughout FY20, we continued to significantly improve member services by evolving programs like Active Living and Better Living and partnering with organisations such as Chemo@home, Australia's leading provider of home-based infusion services, Dialysis Australia's home services and online antenatal and postnatal classes with Birth Beat. This continued commitment to the health and happiness of our growing member community was also reflected by:

- Expanding our CBHS Choice Network
- Improving quality of care for members
- Reducing out-of-pocket expenses for members

## Our swift and compassionate response to COVID-19

During the unprecedented and uncertain environment presented by COVID-19, we ensured any significant major decisions drew upon our embedded CARE Values and focused on building healthier, happier communities.

Our COVID-19 Health and Financial Assistance Program included:

- Paying ex-gratia benefits towards chest, heart, lung and kidney related hospital admissions regardless of a member's level of Hospital cover
- Physical and mental health initiatives covering home-based chemotherapy, dialysis and various telehealth and virtual services
- An Extras cover refund of 30% for the month of May
- Deferring our 1 April 2020 rate increase to 1 October 2020, and
- Providing members facing COVID-19 related financial difficulties up to six months' free cover on a Hospital or a combined Hospital and Extras product.

I'm also immensely proud of our team's work and commitment which is aptly captured in these emails from two of our members.

“ When I found out CBHS had approved three months of premium relief... I turned to my partner and just burst into tears. It was such a massive relief and the only thing that had gone right that week. ”

– Danielle

“ Thank you for your prompt reply and some really good news for our family during this time. It's great to see CBHS looking after its members and makes me proud to be part of an organisation that will help other members in a similar situation. Hoping I will have found work within the three months, so your program can help someone else. ”

– Vajira ”

## Outstanding member satisfaction

Determined to keep our people safe, we moved 100% of our employees to remote working in March. Throughout this time our staff have continued to deliver exceptional member service and solutions. Our annual member satisfaction survey revealed:

- Our customer satisfaction score — 91%
- Our customer experience score — 88%
- Average speed to answer members from our Parramatta call centre of 162 seconds (many call centres nationally take up to an hour in a COVID-19 environment).

## Employee engagement

The annual CBHS Employee Engagement Survey measures how staff feel about a range of issues including leadership, wellbeing, communication, health and morale. These results are important because engaged staff provide superior services to members. The survey found:

- Improvements across all staff engagement indicators and drivers
- An overall appreciation for living our CARE Values
- A rising citizenship metric indicating staff feel safe and that we've 'done the right thing by them'
- Staff felt very well supported during COVID-19
- The new work from home environment has improved overall productivity, with many teams thriving and enjoying better health and wellbeing outcomes.

## Our ongoing connection to CBA

Since launching in September 2016, CBA employees have accessed our Health Hubs more than 217,000 times. There's been over 39,000 individual assessments on our SiSU machine for lifestyle-related diseases, resulting in 5,245 GP referrals for blood pressure and/or body mass index issues.

In 2020, the need for social distancing saw us take the Health Hub concept online. We used this as an opportunity to extend our support of CBA's remote working teams to both regional and international branches and offices with virtual services like:

- Webinars
- Fitness sessions
- Virtual cooking classes
- Fitness and health challenges
- A virtual network for 1:1 consultations

For the CBA's Staff Foundation charity fundraising initiative Can4Cancer events in 2019, 70 CBHS walkers, one rider and several CBHS volunteers (plus CBHS gift matching) helped raise vital funds and we contributed over \$100,000 to this very worthy cause. Despite no physical event in 2020 due to COVID-19, CBHS is the lead partner for a virtual health and wellness challenge in October. We also remain the event's exclusive health and wellbeing sponsor for the physical events scheduled for April/May 2021.

## Brand refresh and digital transformation

This year we began a refresh of our visual identity with a rebrand and digital transformation to bring more consistency to communicating our brand. 2020 saw much effort go into this with the launch scheduled for September 2020.

The brand refresh is centred around our enduring values and driven by our new tag line 'Belong to More' which represents our commitment to more care, value, flexibility and support. It's also a reminder that as a not-for-profit fund, we reinvest all our profits back into guiding our members towards healthier and happier lives. The refresh will continue reflecting our pride in our 70-year history and a long tradition of providing the highest quality health care. As a not-for-profit, we keep a close eye on how we spend members' premiums and were able to complete much of this project to a very high standard using our talented in-house teams.

Our digital transformation will also introduce new website functionality, making it easier for members to easily find what they need, when they need it.

## Update on CBHS Corporate Health

Our CBHS Corporate Health subsidiary was established in July 2017 to provide the CBHS Group with more growth opportunities. Overseas Students Health Cover (OSHC) was launched in 2019 to cater for international students — a complement to our overseas visitors health insurance business. There is now a seamless health insurance transition as many students and visitors become Australian residents. Despite the uncertainty and challenges presented by the Australian Government closing international borders, we have continued to perform well and remain focused on CBHS Corporate's long-term success.

I'd like to thank my fellow Directors, our Executive leaders and all staff for their contribution in what has been an exceptionally challenging year. Their collective skills and experience see CBHS in a strong position to deliver high-quality health care for members. We strive every day to offer more than great health insurance and look forward to continuing to build healthier and happier communities, for you, our loyal members.



**Andrew Smith**  
Group Chief Executive Officer

28 August 2020

# Corporate Governance Statement

This statement outlines the key aspects of the corporate governance framework of CBHS Health Fund Limited and its wholly owned subsidiary for the year ended 30 June 2020.

For the purposes of the Corporate Governance Statement, a reference to a Prudential Standard is a reference to an Australian Prudential Regulation Authority (APRA) Prudential Standard.

The Governance Standard is a Prudential Standard and was developed to ensure that Private Health Insurers are managed prudently, that boards have access to appropriate independent expertise and that the Board includes Directors who have suitable competencies and experience to understand the relevant business issues and risks they are likely to encounter.

The Board endeavours to adopt the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council as far as they are relevant and applicable to an unlisted, not-for-profit company limited by guarantee.

This statement is current as at 28 August 2020 and has been approved by the Board of CBHS.

## Lay solid foundations for management and oversight

### The Board and Management

The Board is accountable to its members for the performance and governance of CBHS. Management is responsible for implementing the Board approved strategy and objectives and for carrying out the day-to-day management of CBHS.

### Board Charter

The roles and responsibilities of the Board are set out in the Board Charter. The Board Charter was last reviewed in December 2019. The Board Charter is reviewed no less than annually.

The Charter outlines the responsibilities of the Board. These include, but are not limited to:

- Overseeing and monitoring performance against CBHS' corporate strategy
- Oversight of the Executive Management team
- Oversight of financial and capital management and reporting requirements
- The establishment of a Risk Management Framework which assesses, monitors and manages CBHS' key risks
- Ensuring effective communication with members and other key stakeholders.

### Delegation of authority

The Board has delegated to the Group CEO and his Senior Management team the responsibility for running the day-to-day business of CBHS. For the purposes of this report "Group" refers to CBHS Health Fund Limited and CBHS Corporate Health Pty Ltd.

The Group CEO may authorise his Senior Management team to further delegate to their direct reports in accordance with the Group Delegations of Authority Policy. The Group CEO remains accountable for all delegated authorities.





*“ I really enjoy the articles in the emails you send out, particularly those on personal health and wellbeing, e.g. the article about asking for a mental health day at work and foods to fuel you more at work. It's great to have these little reminders every so often!*

*– Stephanie I*



### Fit and proper reviews

CBHS has developed and implemented a Group Fit & Proper Policy to ensure that CBHS complies with the requirements of APRA's Prudential Standard CPS 520 and which sets out the minimum requirements for CBHS in determining the fitness and propriety of individuals to hold positions of responsibility, both prior to appointment and on an ongoing annual basis.

### Directors and Senior Management fit and proper reviews

CBHS conducts a Fit & Proper assessment on Directors and Senior Management in accordance with the CBHS Group Fit & Proper Policy and in line with APRA's Fit and Proper Prudential Standard.

Additionally, CBHS conducts full Fit & Proper assessment on nominating Director candidates.

The full Fit & Proper checks include:

- Review of current qualifications, skills, knowledge and experience
- Australian Federal Police check
- Australian Securities & Investments Commission banned and disqualified persons check
- APRA's Disqualifications Register check
- APRA's Enforceable Undertakings Register check
- ACCC's Undertakings Register check
- ACCC's Infringement Notices Register
- AUSTRAC's Enforceable Undertakings Register
- AUSTRAC's Infringement Notices Register
- AUSTRAC's Remedial Directions Register
- AUSTRAC's Written Notices Register
- General internet searches
- Bankruptcy check

### Directors and Senior Management agreements

Written agreements set out the terms of employment that are in place for each Director and Senior Management.

### Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Ms Nicole Nott was appointed to the role of Company Secretary of CBHS on 23 August 2018. Ms Nott holds the dual role of Group General Counsel and Company Secretary and is a qualified lawyer with experience in-house and in private practice. Ms Nott has been admitted as a solicitor of the Supreme Court of NSW and High Court of Australia and is responsible for managing the legal and governance

functions across the CBHS Group. Ms Nott is a member of the Law Society of NSW and was admitted as a Fellow of the Governance Institute of Australia.

### Diversity

CBHS has a Group Fair Workplace Policy, which states that CBHS is committed to ensuring that all employees enjoy equal employment opportunities.

During hiring and promotion processes we aim to have equal representation of males and females in the selection process.

CBHS has completed the Workplace General Agency (WGEA) report during this reporting period. A copy of the Public WGEA Report 2020 is available on the CBHS website.

### Performance of the Board, its Committees and individual Directors

In accordance with the Governance Standard, a Board Renewal & Performance Assessment Policy (Policy) has been developed to assist the Board in discharging its responsibilities to ensure the sound and prudential management of CBHS. The Board performance evaluation is an annual process which provides for an assessment of individual Directors, Committees and the Board collectively against a pre-agreed set of objectives.

This Policy is reviewed no less than annually and was last reviewed by the Board in February 2020.

A performance evaluation was undertaken in June 2020 to assist with identifying any potential skill gaps and to review the existing Directors who, having retired and being eligible for re-election, submitted a nomination to the Board as part of the 2020 Board election process.

### Performance of Senior Management

The performance of Senior Management is reviewed on a half yearly and yearly basis by the Group CEO.

During the yearly review, the Group CEO presents the performance results of his Senior Management team to the People & Remuneration Committee.

### Deed of Access, insurance and indemnity for Directors and Officers (Senior Management)

The Deed of Access, Insurance & Indemnity (Deed) provides indemnity for each Director and Officer and clarifies their rights and obligations as a Director with respect to access to documents and records, confidentiality, notification and conduct claims, advances of legal costs until the finalisation of a claim and insurance against claims.

## Structure the Board to add value

### Composition of the Board

The CBHS Constitution provides that there must be a minimum of five (5) Directors and no more than seven (7) Directors, excluding the Group Chief Executive Officer. The Board may have a maximum of two (2) Directors who are not members of CBHS.

The Board may appoint the Group Chief Executive Officer as an Executive Director either for a specified term (but not for life) or without specifying a term. An Executive Director is not counted for the purposes of determining the minimum or maximum number of Directors under rule 5.1 (a) or 5.1 (b) of the CBHS Constitution. The current Group CEO was appointed as an Executive Director on 3 November 2016. The Executive Director is not subject to the requirement to automatically retire nor is he required to retire and participate in a Director election at an annual general meeting.

In addition to the Group CEO as an Executive Director, the Board comprised seven (7) Independent Non-Executive Directors in FY20 all of whom are CBHS members.

The respective roles of the Chairman and the CEO are not exercised by the same individual.

Details of the number of times the Board and its Committees met throughout FY20 and the individual attendances of the Directors at those meetings is provided in the Director's Meeting section of the **Directors' Report on page 26** of the 2020 Annual Report.

The Board has not established a Nomination Committee, preferring that this function be performed by the whole Board. The People & Remuneration Committee assists in the provision of recommendations, advice and research as instructed by the Board.

### Tenure and retirement of Directors

The CBHS Constitution specifies that a Director must retire from office at the third annual general meeting after the Director was elected or last re-elected. If no election of Directors is scheduled to occur at an annual general meeting, then at least two (2) Directors must retire from office at the annual general meeting.

Details of the period of office held by each current Director and the year of their last election are as follows:

DIRECTOR	APPOINTED	LAST ELECTED AT AN AGM
Peter Andrew MacCuspie (Chairman)	2015	2018
John Eric Matthews (Deputy Chairman)	2008	2017
Adrian James Hondros	2017	2019
Marielle Desiree Latour	2010	2019
Andrew Robin Smith	2016	N/A
(Malcolm) Jay MacGregor	2017	2017
Nicolette Liesbeth Rubinsztein	2018	2018
Fintan Benedict Thornton	2012	2018

\*Mr John Matthews retired from the Board on 28 August 2020.

The current Directors who nominated to be re-elected at the 2020 Annual General Meeting (AGM) are:

- Mr Jay MacGregor having reached his maximum tenure of three years
- Ms Nicolette Rubinsztein who elected to retire at the 2020 AGM

Having received no other nominations and given that the number of candidates for election as a Director are less than the number of vacancies on the Board, the current Directors seeking re-election will be declared elected at the 2020 Annual General Meeting by the Returning Officer, Nicole Nott.

Each of the above Directors seeking re-election have the Board's endorsement.

### Board skills matrix

The Board has developed a skills matrix which sets out the collective skills and experience that the Board is seeking. The skills matrix is closely linked to the achievement of CBHS' long term strategies.

The skills matrix is reviewed at least annually and is used when reviewing Director candidates, including those Directors who have retired and are eligible for re-election.

### Director induction and education

Newly appointed Directors participate in an induction program which involves sessions with Senior Management, the Appointed Actuary, other Directors and key stakeholders to assist in understanding the business.

The Board have scheduled education sessions specific to the health insurance industry and other topics which may affect CBHS and its members.

In addition, the Board encourages individual Directors to complete training outside of CBHS which is relevant to their role as a Director.

The Company Secretary maintains a register of all training completed by Directors.

## Act ethically and responsibly

### Conflict of interests

Directors are required to comply with the requirements of section 191 of the *Corporations Act 2001 (the Act)* concerning the disclosure and appropriate management of transactions which involve their interest.

To ensure compliance and continuous disclosure, Directors consider the Standing Notice of Interest Register at each Board meeting. Directors also consider if there is an interest to declare at the beginning of each Committee meeting.

### Code of conduct

CBHS has a Group Ethics Policy which establishes a culture of openness, trust and integrity in business practices. This policy outlines acceptable principles to be applied to CBHS' Directors, Senior Management and other employees.

CBHS is committed to the prevention and early identification of breaches of law, regulations, codes or standards relevant to the Fund. For this purpose, CBHS has a Group Whistleblower Protection Policy which supports the operation of the Group Ethics Policy. The Whistleblower Policy encourages and provides a framework for all CBHS employees (and others) to report any corrupt or improper conduct or genuine matters of behaviours that they have reasonable grounds to believe contravene CBHS' policies or the law.

## Safeguard integrity in corporate reporting and recognise and manage risk

### Committees

To assist the Board in carrying out its responsibilities, the Board has established four (4) Committees, being the Audit Committee, Risk Committee, Asset & Liability Committee and People & Remuneration Committee.

Each Committee operates under a Charter, which is reviewed and approved by the Board no less than annually. The Charter sets out the Committee's responsibilities and the delegated authorities.

The Chair of each Committee provides a report to the Board at the following board meeting and the minutes of the meeting are provided to all Directors.

### Audit Committee

The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The reporting of group financial information
- The effectiveness of CBHS' internal control, financial reporting environment and risk management framework
- The independence and effectiveness of the external and internal audit functions

The Audit Committee has three (3) Non-Executive Directors and between its members have accounting and financial expertise and a sufficient understanding of the health insurance industry.

The Chair of the Committee is an independent Director and is not the Chairman of the Board.

A copy of the Audit Committee Charter is available on the CBHS website.

The Committee's members are:

Marielle Latour (Chair)
Jay MacGregor
Fintan Thornton

Details of the number of times the Audit Committee met throughout FY20 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the **Directors' Report on page 26** of the 2020 Annual Report.



**Internal audit**

CBHS has an in-house Internal Auditor.

The Responsibility of the Head of Internal Audit is to provide independent assurance on the performance of management in maintaining the strategic direction of CBHS, achieving its operational objectives in line with organisational and legislative requirements, and ensuring the highest standards of probity and accountability are met. In doing so, the Internal Audit function forms part of the organisation’s governance framework – providing an integral contribution to governance, risk management and control within the Group.

The Internal Auditor utilises co-sourcing arrangements with the private sector for the provision of specialised internal audit services.

The Internal Auditor meets with the Audit Committee on a regular basis without Senior Management.

**External audit**

PricewaterhouseCoopers (PwC) is the current external auditor for CBHS.

In November 2016, Ms Renae Cooper was appointed as the lead partner. In line with current legislation, CBHS requires that the partner be changed after five (5) years of being appointed.

The external auditor meets with the Audit Committee on a regular basis without Senior Management.

**Risk Committee**

The Risk Committee assists the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The implementation and operation of CBHS’ risk management framework
- Compliance with the Risk Management Prudential Standard
- To ensure that financial and non-financial risks are clearly identified and well managed.

The Risk Committee has three (3) members who are Non-Executive Directors.

The Chair of the Committee is an independent Director and is not the Chairman of the Board.

A copy of the Risk Committee Charter is available on the CBHS website.

The Committee’s members are:

Jay MacGregor (Chairman)
Marielle Latour
Fintan Thornton

Details of the number of times the Risk Committee met throughout FY20 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the **Directors’ Report on page 26** of the 2020 Annual Report.

**Asset and Liability Committee**

The Asset & Liability Committee is responsible for assisting the Board with:

- Developing, reviewing and monitoring the strategy and policies for:
  - Capital
  - Liquidity
  - Investment activities
- Recommending appropriate investments
- Monitoring the performance of CBHS’ investment advisors.

The Asset & Liability Committee has three (3) members. Two (2) are Non-Executive Directors and one (1) is a Non-Director Committee member.

A copy of the Asset & Liability Committee Charter is available on the CBHS website.

The Committee’s members are:

Fintan Thornton (Chairman)
Jay MacGregor
Gerard Parlevliet (Non-Director Committee member)

Details of the number of times the Asset & Liability Committee met throughout FY20 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the **Directors’ Report on page 26** of the 2020 Annual Report.



## People and Remuneration Committee

The People & Remuneration Committee is responsible for assisting the Board with:

- Reviewing remuneration arrangements for senior executives and non-executive directors
- Reviewing CBHS' remuneration policy
- Reviewing matters relating to CBHS' key incentive plans
- Ensuring that CBHS' remuneration policies and practices are consistent with its remuneration strategy objectives, risk management framework, aligns with prudent risk taking and supports the long-term financial soundness and business strategies of CBHS
- Monitoring the effectiveness of CBHS' strategies for executive succession planning, training and talent management
- Reviewing CBHS' people and organisational culture strategies, including employee engagement, values and behaviours
- Monitoring CBHS' Health, Safety and Wellbeing strategy and performance.

The People & Remuneration Committee has three (3) members who are Non-Executive Directors.

A copy of the People & Remuneration Committee Charter is available on the CBHS website.

The Committee's members are:

John Matthews (Chairman)
Adrian Hondros
Nicolette Rubinsztein

Details of the number of times the People & Remuneration Committee met throughout FY20 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the [Directors' Report on page 26](#) of the 2020 Annual Report.

Additional information on the Director's qualifications and experience can be found on [page 24 of the Directors' Report](#) section in the 2020 Annual Report.

## Safeguard the integrity of corporate reports

### Annual financial accounts

Prior to the Financial Accounts being approved by the Board, Senior Management provides Certifications and Representations regarding the internal control framework that ensures the accuracy of financial and operational reporting to the Board.

Additionally, the Board receives a joint declaration made by the Group CEO & Executive Director and Chief Financial Officer stating that in their opinion the financial records of the Group have been properly maintained and that the Group financial statements comply with appropriate Accounting Standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### Annual General Meeting

The External Auditor attends each Annual General Meeting and is available to answer and questions from members in relation to the Group financial statements and the audit.

## Respect the rights of members

### CBHS information and governance

The Corporate Governance section is available on the CBHS website. This provides members with easily accessible information on CBHS and how it is governed.

### Corporate Governance communication

Members have the option to send and receive communications in relation to Corporate Governance matters electronically.

## Recognise and manage risk

### Risk Management Strategy

CBHS has an effective risk management program that not only protects CBHS from unnecessary risks or losses but also assists the Board to take appropriate levels of risk in order to achieve the objectives.

The purpose of this Risk Management Strategy (RMS) is to enable the Board and Executives to manage risks relating to the operations of CBHS, in the interests of all members and to meet the business objectives.

The RMS documents the structures, processes and systems to assist the Board and Executives to manage the business and its risks and comply with the requirements in APRA's Prudential Standard CPS 220: Risk Management.

# Remunerate fairly and responsibly

## People and Remuneration Committee

The People & Remuneration Committee supports the Board on all remuneration matters.

## Non-Executive Director remuneration

The aggregate remuneration of independent Non-Executive Directors is determined by the members at a general meeting, as specified in the Constitution. The Board's aim when recommending an aggregate amount to members, is to recommend an amount which provides CBHS with the necessary degree of flexibility to enable it to retain the services of Directors of the highest calibre.

Member approval was last received at the Annual General Meeting held on 7 November 2019, where members approved an aggregate maximum remuneration of \$500,000 per annum.

Details of Directors' remuneration are set out in [note 24 a\)](#).

## Group Chief Executive Officer remuneration

The Board, pursuant to the Constitution, fixes the remuneration of the Group CEO as part of the terms and conditions of appointment. Remuneration is reviewed on an annual basis by the Board.

The Group CEO's remuneration includes an appropriate level of "at risk" remuneration in the form of a performance payment. The payment, where it is payable, relates to CBHS' performance across a range of key result areas and to the Group CEO's individual contribution with respect to a range of performance targets and includes a deferred component.

## Senior Management remuneration

CBHS' policy in respect of Senior Management incorporates remuneration that is competitively set so that CBHS can attract, motivate and retain high calibre Senior Managers and promote a high performing culture.

The policy contains variable pay for performance elements which link reward with the strategic goals and performance of CBHS as well as individual performance. The People & Remuneration Committee reviews remuneration annually through a process that also considers relevant comparative remuneration in the market.

## Private Health Insurance Code of Conduct

CBHS operates and is accredited under the Private Health Insurance Code of Conduct ("Code"). The Code is designed to help consumers by providing clear information and transparency and extends to staff training, product information / documentation, notifications to members, dispute resolution processes, and privacy obligations.

The Code is based on a voluntary accreditation that is administered by Private Healthcare Australia (PHA). The Code forms the basis for the manner in which the people of CBHS perform their work by requiring CBHS to operate its business in an open and honest manner with members, employees, providers, the regulator and the health insurance industry.

Each year CBHS undertakes an internal review to ensure it remains compliant with the Code, and on a triennial basis conducts a more thorough internal self-audit process.

The results are then presented to the Board for annual certification which is required to be completed by the Group CEO and the Chairman and is then lodged with the PHA Code Compliance Committee.

**||** *I would like to thank you for your support during my last stay in hospital for a total hip replacement. Your Wellness team had been in touch to see how I was. My husband rang them back and explained what was happening and they arranged home nursing. The physio and nurse have been coming and I have recovered far better at home than in hospital. The surgeon was no gap, in fact all his team were, and I did not receive any bills at all.*

**||**  
– Keryl and Richard D



# Directors' Report

The Directors submit their report together on the consolidated entity consisting of CBHS Health Fund Limited ('parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report the consolidated entity is referred to as CBHS.

## Board of Directors

The following persons held office as Directors during or since the end of the financial year:

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Peter Andrew MacCuspie (Chairman)

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John Eric Matthews (Deputy Chairman) – retired on 28 August 2020

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Adrian James Hondros

---

Marielle Desiree Latour

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Andrew Robin Smith (Group Chief Executive Officer & Executive Director)

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Malcolm 'Jay' MacGregor

---

Nicolette Liesbeth Rubinsztein

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Fintan Benedict Thornton

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# Information on Directors

## Peter Andrew MacCuspie

Mr MacCuspie has been a Director of CBHS since November 2015 and was elected as Board Chairman on 22 March 2018.

Mr MacCuspie is a professional Non-Executive Director. He has over twenty years of experience in a variety of roles. He was a Director of Big Sky Credit Union / Building Society for twelve years that saw the business through mergers and targeted growth, expand member capital over 15 times and an open source business Strategic Data. He has experience in a wide range of governance settings including charities through the MedicAlert Foundation and Agribusiness, for over seven years with Dodgshun Medlin. His current role encompasses automotive services with his role as Chair of Club Assist owned by the Australian automotive clubs.

Mr MacCuspie has a Bachelor of Science (Hons), a Graduate Diploma of Management and is a Fellow of the Australian Institute of Company Directors.

## John Eric Matthews (Retired 28 August 2020)

Mr Matthews has been a member of CBHS since 1964. He has been a Director since September 2008, was elected Deputy Chairman on 5 November 2015 and was Chairman of the People & Remuneration Committee.

Mr Matthews retired from CBA in 2004 after a career of 40 years, during which time he held senior executive positions in Australia and overseas. He has extensive experience in treasury management and human resources.

Mr Matthews is a Director, Chair of the Investment Committee and member of the Nominations and HR Committee of The Frank Whiddon Masonic Homes of New South Wales, Director of Frank Whiddon Nominees Pty Ltd and Director & Treasurer of the Frank Whiddon Masonic Homes Foundation Ltd.

He is also a member of the Finance Committee for the United Grand Lodge of NSW & ACT. Mr Matthews has a Bachelor of Economics degree, is a graduate of the International Advanced Management Programme (IMI Geneva), is a Senior Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

## Adrian James Hondros

Mr Hondros was appointed to the Board in June 2017 and is a member of the People & Remuneration Committee.

Mr Hondros has over 30 years' experience in the financial services industry. Mr Hondros is currently the Chief Executive Officer of Porter Davis, a volume builder of homes in Victoria and Queensland.

Previously Mr Hondros was the Executive General Manager

of Commonwealth Private Bank, CEO of St Andrew's Australia and Executive General Manager of NAB Private Bank.

Mr Hondros has been a Director of several financial services organisations, including Director of Commonwealth Private Limited, Chairman of Commonwealth Private Limited and Trustee Director of Commonwealth Bank's Group Super Board (and Chair of its Investment Committee).

Mr Hondros holds a Bachelor of Commerce, Graduate Diploma in Professional Accounting, Graduate Diploma in Applied Finance, Diploma in Life Insurance and is an alumnus of INSEAD's Advanced Management Program.

## Marielle Desiree Latour

Ms Latour has been a Director since May 2010 and is Chair of the Audit Committee and is a member of the Risk Committee. Ms Latour is also a Director of CBHS' subsidiary company, CBHS Corporate Health Pty Ltd.

With over 30 years' experience in financial services Ms Latour's professional experience is in consulting, marketing and distribution, strategy, stakeholder management and managing businesses. She has held senior executive positions at Colonial Group, Commonwealth Bank, TAL, a start-up business and numerous consulting assignments.

Ms Latour has strong governance experience with a portfolio of non-executive director roles that include Autism Spectrum Australia Ltd, Australian Sports Technologies Network (ASTN) and has also included a credit union that through a merger, increased member value and provided enhanced products and services.

Ms Latour holds an Executive MBA, a Bachelor of Economics and is a Graduate of the Australian Institute of Company Directors.

## Malcolm 'Jay' MacGregor

Mr MacGregor was appointed to the Board in May 2017 and is Chairman of the Risk Committee and is a member of the Audit Committee and Asset & Liability Committee.

Mr MacGregor has over 20 years' experience in financial markets in Australia and London. Most recently, he was Managing Director, Institutional Equities for the Institutional Banking & Markets division of the Commonwealth Bank where he was responsible for the Bank's Equity Capital Markets, wholesale equities and equity trading activities.

Prior to this, Mr MacGregor held senior roles at UBS Investment Bank in equity distribution where he advised some of Australia's and Europe's leading fund managers and hedge funds, and in Citi Global Markets Australia's Capital Markets Origination team where he led equity capital raising transactions for some of Australia's leading companies. Mr MacGregor is currently a Director of Renew Power Group Pty Ltd and Whitecoat Holdings Pty Ltd.

Mr MacGregor holds Bachelor Degrees in Law and Commerce and a Masters degree in Finance from the University of NSW.

### **Nicolette Liesbeth Rubinsztein**

Ms Rubinsztein was appointed to the Board in March 2018 and is a member of the People & Remuneration Committee.

Ms Rubinsztein is currently a non-executive director at Zurich/One Path Insurance, SuperEd, UniSuper, Class Ltd and was President of the Actuaries Institute in 2019. She has previously held senior positions at Colonial First State, BT Funds Management and Towers Perrin.

Ms Rubinsztein is a UNSW Alumni Leader and a member of Macquarie University's Faculty of Business and Economics Industry Advisory Board.

Ms Rubinsztein is a qualified actuary and holds an executive MBA from the Australian Graduate School of Management and is a Graduate of the Australian Institute of Company Directors.

### **Fintan Benedict Thornton**

Mr Thornton was appointed to the Board in November 2012 and is the Chairman of the Asset & Liability Committee and a member of the Audit Committee and Risk Committee.

Mr Thornton has over 20 years' financial services experience. Mr Thornton's current role is Head of Institutional Solutions at Allianz Retire+. Mr Thornton has previously been Head of Superannuation at Colonial First State and Head of Employee Superannuation at Commonwealth Bank. Prior to CBA, Mr Thornton worked as a consulting actuary for Willis Towers Watson and Russell Investments.

Mr Thornton's consulting experience is predominantly in superannuation (including complex defined benefit arrangements) where he advised companies and superannuation funds on asset/liability matters (i.e. investments), risk management, communications, governance and strategy development. Amongst other appointments, Mr Thornton was actuary to Qantas Airways, the Reserve Bank of Australia and the NZ Government.

Mr Thornton holds a Bachelor of Actuarial Mathematics and Statistics degree, is a Fellow of the Australian Actuaries Institute and is a Graduate of the Australian Institute of Company Directors.

### **Andrew Robin Smith**

Mr Smith commenced with CBHS in March 2016 as the Group Chief Executive Officer and was appointed as an Executive Director in November 2016. Mr Smith is also a Director of CBHS' subsidiary company, CBHS Corporate Health Pty Ltd.

Previously, Mr Smith worked at InvoCare Limited for almost ten years and was the CEO and Managing Director for 6 years. Prior to InvoCare, he held a number of senior executive positions for over 10 years in retail and FMCG industries.

Mr Smith is a Non-Executive Director of Members Health Fund Alliance Limited, the organisation representing the not-for-profit, member owned, regional and community-based health fund sector. He was a Non-Executive Director of Private Healthcare Australia Limited (PHA) in 2016 and 2017 and is the current Chair of PHA's Audit Committee. Mr Smith is also a Non-Executive Advisory Board member of AFEA Pty Limited, a provider of compassionate, experienced and qualified care staff specialising in responsive home care services.

Mr Smith holds a Bachelor of Commerce and a Master of Business Administration. He is a member of the Chartered Accountants Australia and New Zealand and is a Fellow of the Australian Institute of Company Directors.

## **Information on Non-Director Committee Members**

### **Gerard Parlevliet**

Mr Parlevliet was appointed to the Asset and Liability Committee in December 2015.

Mr Parlevliet was the Chief Investment Officer of Commonwealth Bank Group Super, the \$10 billion staff fund for employees of the Commonwealth Bank, before he retired in April 2017. He was also a Company Secretary of the Trustee Company for Group Super and a Responsible Officer for the purposes of the Trustee's AFS license and APRA license.

Mr Parlevliet has been involved in the Australian superannuation industry for over 28 years, including 23 years in senior executive management roles within Group Super. In 2013, Mr Parlevliet was awarded a National Achievement Award as Chief Investment Officer of the Year.

Since his retirement, Mr Parlevliet has become an independent Director on the Board of Prime Super and La Trobe Financial respectively.

Mr Parlevliet holds a Bachelor of Business, Diploma of Superannuation Management and Diploma of Financial Planning and is a Certified Practicing Accountant and a Trustee Fellow of the Association of Superannuation Funds of Australia (ASFA).

## Directors Meetings

The number of Directors meetings (including Committee meetings) and the number of meetings attended by each of the Directors of CBHS and CBHS Corporate during the financial year were:

BOARD – CBHS		
Directors	No. of meetings eligible to attend	No. of meetings attended
AJ Hondros	10	8
MD Latour	10	10
PA MacCuspie	10	10
MJ MacGregor	10	10
JE Matthews	10	10
NL Rubinsztein	10	10
AR Smith	10	10
FB Thornton	10	9

Directors	AUDIT COMMITTEE – CBHS		PEOPLE & REMUNERATION COMMITTEE – CBHS	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
AJ Hondros	-	-	4	3
MD Latour	4	4	-	-
PA MacCuspie	-	-	-	-
MJ MacGregor	4	4	-	-
JE Matthews	-	-	4	4
NL Rubinsztein	-	-	4	4
AR Smith	-	4*	-	4*
FB Thornton	4	4	-	-

Directors/Committee Members	ASSET & LIABILITY COMMITTEE – CBHS		RISK COMMITTEE – CBHS	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
AJ Hondros	-	-	-	-
MD Latour	-	-	4	4
PA MacCuspie	-	-	-	-
MJ MacGregor	5	5	4	4
JE Matthews	-	-	-	-
GN Parlevliet	5	5	-	-
NL Rubinsztein	-	-	-	-
AR Smith	-	5*	-	4*
FB Thornton	5	5	4	4

\*Attended Committee meetings as an observer.

Directors	BOARD - CBHS CORPORATE		AUDIT COMMITTEE - CBHS CORPORATE		RISK COMMITTEE - CBHS CORPORATE		REMUNERATION COMMITTEE - CBHS CORPORATE	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
HP Capra	13	13	1	1	1	1	1	1
MD Latour	13	13	4	4	4	4	1	1
CJ Bels	13	13	4	4	4	4	1	1
D Molina	13	13	-	4*	-	4*	-	-
AR Smith	13	13	-	4*	-	4*	-	1*
VJ Drinkwater	13	12	-	-	-	-	1	1
HW Podmore	13	12	-	-	3	4*	1	1

\*Attended Committee meetings as an observer.

All Board and Committee meetings since March 2020 were held via video conference due to COVID-19 restrictions.

### Insurance of Officers

During the financial year, CBHS paid a premium in respect of a contract insuring past and present Directors, Company Secretaries and Executive Officers of CBHS against any liability incurred as Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. In accordance with commercial practice the contract of insurance prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

CBHS has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of CBHS or any related body corporate against a liability incurred as an Officer or Auditor.

### Principal activities

The principal activity of the Group during the financial year was the provision of health insurance and related wellbeing services to its members, their dependants and immediate family members, corporate, retail, overseas working visa and overseas student customers.

### Dividends

The Constitution of the parent entity, CBHS Health Fund Limited, prohibits the payment of dividends. Subject to the *Corporations Act 2001* and the *Private Health Insurance (PS) Act 1995*, the Directors of CBHS Corporate Health Pty Ltd may:

- Declare or determine that a dividend is payable
- Fix a record date for the dividend, and the amount and time for payment
- Authorise the payment to, or at the direction of, each Shareholder entitled to the dividend.

During the financial year 2020, CBHS Corporate did not declare a dividend and no dividends were paid.

### Review of operations

The loss after tax for the financial year was \$19.3m (2019: Profit \$4.9m). CBHS is exempt under section 50-30 of the *Income Tax Assessment Act 1997* from paying income tax. The subsidiary, CBHS Corporate Health Pty Ltd (CBHS Corporate), is a tax paying entity.

Income tax has been recognised based on the Group Income Tax Policy as set out in Note 7. A review of operations and the results for the financial year are set out in the Chairman and CEO's message.

### Changes in state of affairs

During the financial year there was no significant change in the affairs of CBHS.

### Subsequent events

There have been no events post end of financial year which have significantly affected, or may significantly affect, the Group, the results of those operations or the state of affairs of the Group.

### Environmental regulation

The company has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

### Non-audit services

CBHS may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with CBHS, are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are provided in note 23 to the accounts.

The Board has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independences as set out in APES 110 *Code of Ethics for Professional Accountants*.

### Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29 of the Annual Report.

### Future developments

Disclosure of information regarding likely developments in the operations of CBHS in future financial years and the expected results of those operations would result in unreasonable prejudice to CBHS. Accordingly, this information has not been disclosed in this report.



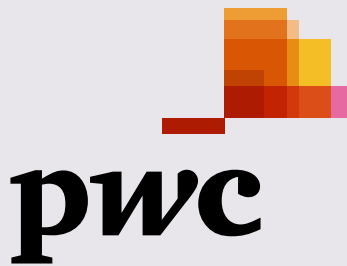
Signed in accordance with a resolution of the Directors made pursuant to section 298 (2) of the *Corporations Act 2001*.

On behalf of the Directors.

**P A MacCuspie**  
Chairman

**A R Smith**  
Group Chief Executive Officer & Executive Director

Dated 28 August 2020



## ***Auditor's Independence Declaration***

As lead auditor for the audit of CBHS Health Fund Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of CBHS Health Fund Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R Cooper', is written over a light grey horizontal line.

**R Cooper**

Partner  
PricewaterhouseCoopers

Sydney  
28 August 2020

**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Consolidated Statement of Comprehensive Income

	Notes	2020 \$'000	2019 \$'000
<b>Direct premium revenue</b>	(3)	<b>461,486</b>	<b>440,506</b>
Direct claims expense		(391,199)	(360,812)
Net movement in outstanding claims liability ( claims & other component)		5,501	(2,301)
Net movement in outstanding claims liability (risk equalisation component)		837	435
Health benefits risk equalisation trust fund		(40,111)	(40,987)
Government levies	(5)	(5,847)	(5,508)
<b>Net claims incurred</b>	(2)	<b>(430,819)</b>	<b>(409,173)</b>
Net movement in unexpired risk liability	(19b)	(10,820)	(2,711)
Salaries and employee benefit expense	(6)	(28,216)	(24,750)
Other underwriting expenses	(6)	(13,954)	(14,270)
<b>Underwriting result</b>		<b>(22,323)</b>	<b>(10,398)</b>
Investment income	(3)	7,454	11,122
Fair value (losses)/gains on financial assets at fair value through profit or loss	(4)	(1,545)	4,472
Other income	(3)	648	1,392
Depreciation and amortisation expense	(6)	(3,460)	(1,660)
<b>Profit / (loss) before interest and income tax</b>		<b>(19,226)</b>	<b>4,928</b>
Income tax benefit / (expense)	(7)	67	(34)
Interest on lease payments	(14c)	(128)	-
<b>Profit / (loss) after interest and income tax</b>		<b>(19,287)</b>	<b>4,894</b>
Other comprehensive income		-	-
Profit / (loss) for the period		(19,287)	4,894
<b>Total comprehensive income for the year</b>		<b>(19,287)</b>	<b>4,894</b>



# Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	(8)	18,510	12,638
Trade and other receivables	(9)	13,796	14,962
Deferred acquisition costs	(10)	1,084	87
Financial assets at fair value through profit or loss	(11)	101,200	63,300
<b>Total current assets</b>		<b>134,590</b>	<b>90,987</b>
<b>Non-current assets</b>			
Deferred acquisition costs	(10)	740	99
Financial assets at fair value through profit or loss	(11)	183,612	214,260
Fixture, fittings and equipment	(12)	965	1,118
Intangible assets	(13)	15,079	8,888
Right-of-use assets	(14a)	1,751	-
Deferred tax assets	(7)	355	288
<b>Total non-current assets</b>		<b>202,502</b>	<b>224,653</b>
<b>Total assets</b>		<b>337,092</b>	<b>315,640</b>
<b>Current liabilities</b>			
Trade and other payables	(15)	11,103	13,616
Claims liability	(17)	69,779	46,553
Unearned premium liability	(18)	41,653	34,875
Unexpired risk liability	(19a)	13,531	2,711
Lease liabilities	(14b)	979	-
Provisions	(16)	4,769	4,411
<b>Total current liabilities</b>		<b>141,814</b>	<b>102,166</b>
<b>Non-current liabilities</b>			
Provisions	(16)	2,166	1,768
Lease liabilities	(14b)	1,206	-
<b>Total current liabilities</b>		<b>3,372</b>	<b>1,768</b>
<b>Total liabilities</b>		<b>145,186</b>	<b>103,934</b>
<b>Net assets</b>		<b>191,906</b>	<b>211,706</b>
<b>Reserves</b>			
Retained earnings		191,906	211,706
<b>Total reserves</b>	<b>(20)</b>	<b>191,906</b>	<b>211,706</b>

# Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2020

	Notes	Accumulated Profits \$'000	Contributed Capital \$'000	Total \$'000
<b>Balance at 1 July 2018</b>		206,812	-	206,812
Profit / (loss) for the year		4,894	-	4,894
<b>Balance at 30 June 2019</b>		211,706	-	211,706
<b>Balance at 1 July 2019</b>		211,706	-	211,706
Adjustment from the adoption of AASB 16 Leases	(14)	(513)	-	(513)
<b>Adjusted balance at 1 July 2019</b>		211,193	-	211,193
Profit / (loss) for the year		(19,287)	-	(19,287)
<b>Balance at 30 June 2020</b>		191,906	-	191,906

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2020

	Notes	2020 \$'000 Inflows (Outflows)	2019 \$'000 Inflows (Outflows)
<b>Cash flows from operating activities</b>			
Receipts from members		468,879	442,851
Payments to members, employees and suppliers		(452,387)	(444,064)
<b>Net cash flow provided by operating activities</b>	(8b)	16,492	(1,213)
<b>Cash flows from investing activities</b>			
Payments for fixture, fittings, equipment and intangibles		(8,749)	(7,067)
Interest and investment income received		7,915	11,380
Payments for fair value financial assets		(42,929)	(6,738)
Redemption from managed funds		34,133	3,800
<b>Net cash flow used in investing activities</b>		(9,630)	1,375
<b>Cash flows from financing activities</b>			
Repayment of leasing liabilities		(862)	-
Interest paid on leasing liabilities		(128)	-
<b>Net cash flow provided by financing activities</b>		(990)	-
Increase / (decrease) in cash and cash equivalents		5,872	162
Cash and cash equivalents at the beginning of financial year		12,638	12,476
<b>Cash and cash equivalents at the end of financial year</b>	(8a)	18,510	12,638

# Notes to the Financial Statements

## 1) Summary of significant accounting policies

CBHS Health Fund Limited is a public company, limited by guarantee, incorporated and domiciled in Australia. The nature of the operations and principal activity of CBHS is to provide health insurance services and related wellbeing services to current and former employees of the Commonwealth Bank of Australia Group, their partners, family members and employees of current and former CBA subsidiaries.

CBHS Corporate Health Pty Ltd (CBHS Corporate), a wholly-owned subsidiary, is a private company, limited by shares, incorporated and domiciled in Australia.

The nature of the operations and principal activity of CBHS Corporate is to provide health insurance services to corporate clients and overseas visitors and students.

### Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements.

Amounts have been rounded off in the Financial Report to the nearest thousand dollars or, in certain circumstances, to the nearest dollar in accordance with that instrument. All amounts are presented in Australian Dollars being the functional and presentation currency.

The financial statements were authorised for issue by the Directors on 28 August 2020. The Directors have the power to amend and reissue the financial statements.

### Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

### Statement of compliance

The financial statements of CBHS also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

### Historical cost convention

The financial report has been prepared on the basis of historical cost, as modified by certain exceptions, the most significant of which is the measurement of financial assets at fair value and the measurement of the insurance liabilities at present value.

### Going concern

As at 30 June 2020, the Group had a net current asset deficiency of \$7,224,000 (2019: \$11,179,000) and generated a net loss after tax of \$19,287,000 (2019: profit after tax \$4,894,000). The net current asset deficiency is primarily a result of COVID-19 related measures and in particular the recognition of the deferred claims liability due to the suspension of elective surgery. This liability is however expected to unwind by June 2021. The Directors are therefore of the view the Group will be able to realise sufficient cash flows over the next 12 months and beyond, and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### New and amended standards adopted

CBHS has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

#### i. AASB 16 Leases

CBHS has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for FY19, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 July 2019.

The accounting policy and impact on the consolidated financial performance and position of CBHS from the adoption of AASB 16 is detailed in [note 14](#).

CBHS has also adopted the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 2018-1 Amendments to Australian Accounting Standards — Annual Improvements Cycle 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards — Plan Amendment, Curtailment or Settlement [AASB 119]

The adoption of these standards did not have any material impact on the current period or any prior period and is not likely to affect future periods.

## New standards and interpretations not yet adopted by CBHS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been adopted early by CBHS. CBHS' assessment of the impact of these new standards and interpretations is set out below:

### i. AASB 17 Insurance Contracts

On 19 July 2017, Australian Accounting Standard Board issued AASB 17 *Insurance Contracts*, incorporating the recently issued IFRS 17 *Insurance Contracts*. This will replace AASB 1023 *General Insurance Contracts* and AASB 4 *Insurance Contracts*.

The standard introduces three new measurement approaches for accounting for insurance contracts, including General Model, the Premium Allocation Approach and Variable Fee Approach.

CBHS has formed a project team to assess the impact of this change on the operations and financial statements of the Group. Changes in disclosure requirements and possible impacts on the consolidated statement of comprehensive income are expected. The standard has a current effective date of 1 January 2023. The current expected effective date for CBHS is for the annual period beginning 1 July 2023.

### ii. AASB 9 Financial Instruments

AASB 9 was issued during 2014 and replaces existing accounting requirements for financial instruments. Accounting standards currently permit deferral of adoption of AASB 9 to 1 January 2023. CBHS has elected to apply this exemption as it meets the relevant criteria, including that the Company does not engage in any significant activity unconnected with insurance, and the carrying amount of the insurance liabilities within the scope of AASB 1023 (being claims liability, unearned premium liability and unexpired risk liability) exceed 80% of the carrying amount of CBHS' total liabilities.

The following information is provided to assist users in comparing CBHS' financial statements with entities which have adopted AASB 9:

#### • Impact on financial assets

CBHS's investments are currently designated as fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date, reflecting the business model for managing and evaluating the investment portfolio. Adoption of AASB 9 does not result in any changes to accounting for these investments. Financial assets within the scope of AASB 1023, such as premiums receivable, are outside the scope of AASB 9 and are unaffected by the new requirements. Trade and

other receivables also includes other financial assets with a relatively small carrying value which are measured at amortised cost, the majority of which are receivable within 12 months. The application of AASB 9 is not expected to materially impact these balances.

#### • Impact on financial liabilities

Financial liabilities within the scope of AASB 1023, such as claims liability and other insurance liabilities, are outside the scope of AASB 9 and are therefore unaffected by the new requirements. Trade and other payables also include other financial liabilities measured at amortised cost arising from CBHS's activities, the accounting for which is materially unchanged by AASB 9.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CBHS Health Fund Limited ("parent entity") as at 30 June 2020 and the profit and loss of all subsidiaries for the year ended. CBHS Health Fund Limited and its subsidiaries together are referred to in this financial report as CBHS. Subsidiaries are all entities over which CBHS has control.

Intercompany transactions, balances and unrealised gains on transactions between CBHS companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by CBHS.

## Material subsidiaries

CBHS' principal subsidiaries as at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by CBHS, and the proportion of ownership interests held equals the voting rights held by CBHS. The country of incorporation or registration is also their principal place of business.

Name of Entity	CBHS Corporate Health Pty Ltd	
Place of Business / country of incorporation	Australia	
Ownership interest held by CBHS (%)	2020 100%	2019 100%
Principal Activities	Private Health Insurance	

The following significant policies have been adopted in the preparation and presentation of the financial report.

## Significant accounting policies

### Insurance policies

#### a. Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

CBHS has determined that all current contracts with members are insurance contracts.

#### b. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amounts of GST incurred are not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expenses; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows. Under the *Goods and Services Tax Act 1999* subsection 38-55, the majority of CBHS income is GST free.

#### c. Critical accounting judgements and estimates

In the application of CBHS' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on

historical experience and other factors that are considered to be relevant, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that management has made in the process of applying CBHS' accounting policies and that have the most significant effect on the amounts recognised in the financial statements are found in the following notes:

Note Number	Description	Page number
17	Claims liability	50
19	Unexpired risk liability	52
30 i)	Investment in other entities	64

#### d. Other accounting policies

Significant and other accounting policies that summarise the measurement bases used and that are relevant to an understanding of the financial statements are provided in the notes to the financial statements.

## 2) Net claims incurred

	2020 Current Year		2019 Prior Years		2020 Total	
	Provision Movement	Profit and Loss	Provision Movement	Profit and Loss	Provision Movement	Profit and Loss
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims expense	-	325,762	35,873	-	35,873	325,762
Claims provided for	(64,457)	64,457	4,522	(4,522)	(59,935)	59,935
Risk equalisation and gov't levies paid	-	40,489	5,469	-	5,469	40,489
Risk equalisation and gov't levies provided for	(5,322)	5,322	689	(689)	(4,633)	4,633
<b>Net claims incurred</b>	<b>(69,779)</b>	<b>436,030</b>	<b>46,553</b>	<b>(5,211)</b>	<b>(23,226)</b>	<b>430,819</b>

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

	2019 Current Year		2018 Prior Years		2019 Total	
	Provision Movement	Profit and Loss	Provision Movement	Profit and Loss	Provision Movement	Profit and Loss
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims expense	-	328,031	32,781	-	32,781	328,031
Claims provided for	(40,394)	40,394	5,311	(5,311)	(35,083)	35,083
Risk equalisation and gov't levies paid	-	40,820	5,675	-	5,675	40,820
Risk equalisation and gov't levies provided for	(6,159)	6,159	920	(920)	(5,239)	5,239
<b>Net claims incurred</b>	<b>(46,553)</b>	<b>415,404</b>	<b>44,687</b>	<b>(6,231)</b>	<b>(1,866)</b>	<b>409,173</b>

Claims liability movements are as follows:

	2020 \$'000	2019 \$'000
Opening balance	(46,553)	(44,687)
Prior year claims, risk equalisation and levies paid	41,341	38,456
Write back to profit and loss	(5,211)	(6,231)
Provision established for claims, risk equalisation and levies paid	(69,779)	(46,553)
<b>Closing balance</b>	<b>(69,779)</b>	<b>(46,553)</b>
<b>Net movement</b>	<b>(23,226)</b>	<b>(1,866)</b>

See [note 17](#) for claims liability detail.

## Recognition and measurement

### Claims

Health insurance claims incurred include all claim losses during the year, whether reported or not, including the related handling costs and any adjustments to claims from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

## 3) Revenue

	2020 \$'000	2019 \$'000
<b>Direct premium revenue</b>	<b>461,486</b>	<b>440,506</b>
<b>Investment income</b>		
Interest income:		
Cash and cash equivalents	118	494
Term deposits	2,224	2,577
Distributions	5,112	8,051
Realised gain on disposal of investments	-	-
<b>Total investment income</b>	<b>7,454</b>	<b>11,122</b>
<b>Other income</b>		
License fee and other revenue	25	719
Cost recovery – (Health Hubs)	623	673
<b>Total other income</b>	<b>648</b>	<b>1,392</b>

## Recognition and measurement

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to CBHS and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

#### Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policy holders. Premium revenue comprises contributions received from members, inclusive of the Government rebate. The rebate is recognised in the consolidated statement of comprehensive income as premium revenue. Rebates due from the Government but not received at balance date are recognised as receivables.

Premium revenue is recognised in the consolidated statement of comprehensive income from the attachment date under the insurance contract to the date the premium has been paid up to. Premium revenue relating to future financial periods is classified as unearned premium. Revenue includes the movement in contributions in arrears which is assessed based on the likelihood of collection established from past experience.

#### Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Net fair value gains or losses are recognised in the period for all financial assets classified as at fair value through profit or loss.

#### 4) Fair value (losses) / gains on financial assets

	2020 \$'000	2019 \$'000
Managed share funds gains (a)	50	2,281
Managed bond fund gains (a)	(165)	1,229
Managed multi assets fund gains (a)	(387)	628
Managed property fund gains (a)	(1,043)	334
<b>Net (losses)/gains</b>	<b>(1,545)</b>	<b>4,472</b>

a. Fair value of managed funds is based on unit prices provided by external fund managers at 30 June 2020.

#### Recognition and measurement

Refer to the [note 11](#) for details on fair value gains/losses on financial assets.

#### 5) Government levies

	2020 \$'000	2019 \$'000
NSW, ACT ambulance levies	5,847	5,508
<b>Total Government levies</b>	<b>5,847</b>	<b>5,508</b>

#### 6) Expenses

	Notes	2020 \$'000	2019 \$'000
<b>Salaries and employee benefit expenses</b>			
Salaries, bonuses and other costs		26,142	22,672
Superannuation expense		2,074	2,078
<b>Total salaries and employee benefit expenses</b>		<b>28,216</b>	<b>24,750</b>
<b>Other underwriting expenses</b>			
Information technology		2,836	2,703
Consultant, actuarial, audit and legal fees		1,964	1,822
Research, advertising and publicity		1,668	1,974
Electronic claims processing fees		1,364	1,307
Other expenses		1,238	1,346
Subscriptions for industry and purchasing associations		1,005	1,000
Aggregator commissions		857	149
Property expense		748	1,574
Staff recruitment and wellness costs		727	917
Mailing and communication costs		658	534
Financial charges and taxes		601	571
Printing and stationery		288	373
<b>Total other underwriting expenses</b>		<b>13,954</b>	<b>14,270</b>



## 6) Expenses (continued)

	Notes	2020 \$'000	2019 \$'000
<b>Depreciation and amortisation expenses</b>			
<b>Depreciation expense</b>			
Fixtures, fittings and equipment		612	745
Right-of-use assets	(14c)	783	-
<b>Total depreciation expenses</b>		<b>1,395</b>	<b>745</b>
<b>Amortisation expense</b>			
Software		2,065	915
<b>Total amortisation expense</b>		<b>2,065</b>	<b>915</b>
<b>Total Depreciation and amortisation expense</b>		<b>3,460</b>	<b>1,660</b>
<b>Interest expense</b>			
Interest on lease liabilities	(14c)	128	-
<b>Total interest expense</b>		<b>128</b>	<b>-</b>

### Recognition and measurement

#### Employee benefits expense

The accounting policy for liabilities associated with employee benefits is set out in note 16.

#### Other underwriting expenses

With the exception of expenses related to salaries and employee benefit expenses, all other expenses are classified as underwriting expenses.

#### Acquisition cost for health insurance contracts

Refer to note 10 for details on deferred acquisitions costs.

#### Depreciation and amortisation

Refer to the note 12 for details on depreciation of plant and equipment, note 13 for details on software amortisation and note 14 for depreciation of right-of-use assets.

## 7) Income tax expense

	2020 \$'000	2019 \$'000
<b>(a) Income tax expense</b>		
<b>Current tax</b>		
Current tax losses for the year	-	-
Adjustments for current tax of prior years	-	-
<b>Current tax recovery</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax</b>		
(Decrease) / Increase in deferred tax assets	67	(34)
Decrease / (Increase) in deferred tax liabilities	-	-
<b>Total deferred tax (expense) / benefit</b>	<b>67</b>	<b>(34)</b>
<b>Income tax (expense) / benefit</b>	<b>67</b>	<b>(34)</b>
Income tax (expense) / benefit is attributable to:		
Loss from continuing operations	67	(34)
Profit from discontinued operations	-	-
	<b>67</b>	<b>(34)</b>

## 7) Income tax expense (continued)

	2020 \$'000	2019 \$'000
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax	(2,746)	(3,471)
Profit from discontinuing operation before income tax expense	-	-
	<b>(2,746)</b>	<b>(3,471)</b>
Tax at the Australian tax rate of 30% (2019: 30%)	(824)	(1,041)
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>		
Prior year adjustment	1	-
Unused tax losses	758	1,075
<b>Income tax (expense) / benefit</b>	<b>67</b>	<b>(34)</b>
<b>(c) Deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Unexpired risk liability	1	48
Deferred acquisition costs	202	69
Indirect settlement costs	4	2
Sundry items	70	140
Accrued audit fees	6	12
Accrued expenses	55	11
Amortisation of software	17	6
<b>Total</b>	<b>355</b>	<b>288</b>
	\$'000	
<b>Movements</b>		
<b>Balance at 30 June 2019</b>	<b>288</b>	
- to profit or loss	67	
- to other comprehensive income	-	
<b>Balance at 30 June 2020</b>	<b>355</b>	
<b>(d) Unused tax losses for which no deferred tax asset has been recognised</b>		
Tax losses from prior year	2,771	
Tax losses from current year	758	
<b>Cumulative unused tax losses</b>	<b>3,529</b>	

### Recognition and measurement

CBHS Health Fund Limited is a Private Health Insurer registered under the *Private Health Insurance Act 2007* and is exempt from income tax and capital gains tax under section 50-30 of the *Income Tax Assessment Act 1997*.

CBHS Corporate Health Pty Ltd is a tax paying entity and will be required to pay tax when it starts generating profits. The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary unused tax losses. Deferred tax assets are recognised if it is probable that future taxable amounts will be available to utilise these temporary differences and losses. No deferred tax assets for unused tax losses were recognised this financial year.

## 8) Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank	4,166	5,633
Cash deposits – "24 hour At-Call"	14,343	7,004
Cash on hand	1	1
<b>Total</b>	<b>18,510</b>	<b>12,638</b>

### a. Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in the bank net of un-presented cheques and outstanding remittances from 30 June 2020. Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	18,510	12,638
<b>Total cash and cash equivalents</b>	<b>18,510</b>	<b>12,638</b>

### b. Reconciliation of operating profit to net cash flows from operating activities

	2020 \$'000	2019 \$'000
Operating profit	(19,287)	4,894
Interest and investment income received & receivable	(7,454)	(11,122)
Interest paid and payable	128	-
Depreciation and amortisation	3,460	1,660
Net decrement/(increment) arising from the revaluation of current and non-current financial assets	1,545	(4,472)
Loss on sale of assets	34	-
Decrease / (increase) in current receivables	705	(896)
Increase in deferred acquisition costs	(1,637)	(186)
(Decrease) / increase in amount payable for HBREE*	(2,250)	188
(Increase) / decrease in deferred tax asset	(67)	34
(Decrease) / increase in accounts payable and accruals	(263)	332
Increase in unearned premium liability	6,778	2,980
Increase in claims liability	23,226	1,866
Increase in unexpired risk liability	10,820	2,711
Increase in current provisions	357	683
Increase in non-current provisions	398	115
<b>Net cash flow from operating activities</b>	<b>16,492</b>	<b>(1,213)</b>

\* HBREE - Health Benefits Risk Equalisation Expense

## Recognition and measurement

### Cash and cash equivalents

Cash comprises cash on hand; cash in bank and "24 hour At-Call" cash deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value.

## 9) Trade and other receivables

	2020 \$'000	2019 \$'000
Premium receivable (a)	11,226	11,841
Investment income receivable	970	1,431
Prepayments	1,102	1,017
GST recoverable	235	169
Sundry debtors	263	504
<b>Total</b>	<b>13,796</b>	<b>14,962</b>

- a. Premium receivable comprises two components, the Federal Government's Private Health Insurance Rebate Scheme (PHI Rebate Scheme) \$8,651,970 (2019: \$8,963,028) and members who pay for their contributions in arrears or who are non-financial \$2,573,867 (2019: \$2,877,929).
- The rebate is accrued on a monthly basis and payment is due and payable within 30 days in the following month. Payment is normally received by the 15th day of the following month.
  - The credit period for members who pay their contributions in arrears is 14 days. 7.8% of CBHS' members pay for their contributions in arrears while the other 92.2% pay their contributions in advance. Members who fall into arrears by more than 14 days are not charged interest however they are classified as "non-financial" and no benefit will be paid.

Premium receivable for members in arrears at year end is made up of approximately 8,976 (2019: 9,766) members.

Medicare Australia is the only significant counterparty as at reporting date. Medicare Australia is the arm of the Federal Government that manages the PHI Rebate Scheme. As at 30 June 2020 the amount owing to CBHS from Medicare Australia was \$8,651,970. This amount is guaranteed by the Federal Government.

### Recognition and measurement

#### Financial Assets – trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

#### Impairment of financial assets – trade and other receivables

Trade and other receivables are assessed for indicators of impairment at each balance sheet date. Such financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost (such as receivables), the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the consolidated statement of comprehensive income.

## 10) Deferred acquisition costs

	2020 \$'000	2019 \$'000
Current	1,084	87
Non-current	740	99
<b>Total current assets</b>	<b>1,824</b>	<b>186</b>
<b>Movements in deferred acquisition costs are as follows:</b>		
Opening balance	186	-
Acquisition costs deferred during the year	2,413	197
Amortisation expense	(775)	(11)
<b>Balance at end of financial year</b>	<b>1,824</b>	<b>186</b>

### Recognition and measurement

Commissions and merchant fees incurred in obtaining overseas students health insurance contracts are deferred and recognised as assets over the life of the contract where:

- they can be reliably measured
- it is probable that they will give rise to premium revenue that will be recognised in the consolidated statement of comprehensive income in subsequent reporting periods. All other acquisition costs incurred in obtaining insurance contracts are expensed and not deferred.

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

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Term deposits (a)	101,200	63,300
<b>Total current assets</b>	<b>101,200</b>	<b>63,300</b>
<b>Non-current assets</b>		
Term deposits (b)	28,000	28,000
Managed multi assets fund at market value (c)	55,515	54,820
Managed bond funds at market value (d)	30,084	42,888
Managed share funds at market value (e)	44,716	62,790
Managed property funds at market value (f)	20,409	20,874
Investment in Whitecoat (g)	4,888	4,888
<b>Total non-current assets</b>	<b>183,612</b>	<b>214,260</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>284,812</b>	<b>277,560</b>

- a. These term deposits have maturity dates ranging from 24 July 2020 to 17 May 2021. The weighted average interest rate on these term deposits is 1.12% (2019: 2.68%).
- b. These term deposits have maturity dates ranging from 28 October 2021 to 21 December 2021. The weighted average interest rate on these term deposits is 3.42% (2019: 3.42%).
- c. As at 30 June 2020 CBHS had \$55,515,252 (2019: \$54,819,914) invested in two externally managed multi asset funds. The funds are managed by an external fund manager.
- d. As at 30 June 2020 CBHS had \$30,084,395 (2019: \$42,889,212) invested in three externally managed bond funds. The funds are managed by an external fund managers.
- e. As at 30 June 2020 CBHS had \$44,715,819 (2019: \$62,789,688) invested in externally managed share funds. This balance is comprised of one managed Australian share fund \$10,905,419 (2019: \$21,207,731) and three managed international share funds \$33,810,399 (2019: \$41,581,957). The funds are managed by an external fund managers.
- f. As at 30 June 2020 CBHS had \$20,408,489 (2019: \$20,874,086) invested in an externally managed property fund. This fund is managed by an external fund manager.
- g. As at 30 June 2020 CBHS had \$4,887,500 (2019: \$4,887,500) invested in Whitecoat Holdings Pty Ltd, a search and comparison website to help consumers find healthcare providers.

### Classification

Financial assets are classified into 'trade and other receivables' and 'financial assets at fair value through profit or loss'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

CBHS has classified its investments as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income.

### Recognition and measurement

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

In estimating the fair value of financial assets CBHS has adopted the following approach:

- Where financial instruments are traded in active markets and valuations are determined with reference to unadjusted quoted prices for identical assets, CBHS has utilised the market value of these instruments as advised by relevant financial institutions.
- Where financial instruments are traded in a non-active market CBHS has based the valuation on forecast price earnings multiples for similar type start up growth businesses.

### Assets backing general insurance liabilities

All investments held by CBHS have been determined to be assets backing general insurance liabilities, and accordingly are designated as "at fair value through profit or loss". These are initially recorded at cost and subsequently re-measured at fair value. Interest earned or dividends/distributions received are included in interest income or fair value gains/(losses).

## 12) Fixture, fittings and equipment

	2020 \$'000	2019 \$'000
<b>Gross carrying amount</b>		
Balance as at 1 July	4,878	3,987
Additions	493	937
Disposals	(34)	(46)
Transfers / adjustments	-	-
<b>Balance as at 30 June</b>	<b>5,337</b>	<b>4,878</b>
<b>Accumulated depreciation</b>		
Balance as at 1 July	3,760	3,061
Disposals	-	(46)
Depreciation expense	612	745
Transfer / adjustments	-	-
<b>Balance as at 30 June</b>	<b>4,372</b>	<b>3,760</b>
<b>Net book value</b>		
<b>Balance as at 30 June</b>	<b>965</b>	<b>1,118</b>

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 6 to the financial statements.

### Recognition and measurement

#### Fixture, fittings and equipment

Fixture, fittings and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on fixtures, fittings and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value being zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

Fixture, fittings and equipment are assessed for indicators of impairment at each balance sheet date. Such assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the assets. Fixture, fittings and equipment are carried at depreciated cost, the amount of the impairment is the difference between the asset's carrying amount and the current market value. The loss is recognised in the consolidated statement of comprehensive income.

The following estimated useful lives are used in the calculation of depreciation:

Description	Useful Life
Computer equipment	3 Years
Furniture and fittings	7 Years
Office equipment	4 Years

### 13) Intangible assets

Software	2020 \$'000	2019 \$'000
<b>Gross carrying amount</b>		
Balance as at 1 July	9,652	4,173
Additions	8,256	6,129
Disposals	-	(650)
Transfers / adjustments	-	-
Net adjustment from revaluation increment	-	-
<b>Balance as at 30 June</b>	<b>17,908</b>	<b>9,652</b>
<b>Accumulated amortisation</b>		
Balance as at 1 July	764	499
Disposals	-	(650)
Amortisation expense	2,065	915
Transfer / adjustments	-	-
Net adjustment from revaluation increment	-	-
<b>Balance as at 30 June</b>	<b>2,829</b>	<b>764</b>
<b>Net book value</b>		
<b>Closing balance as at 30 June</b>	<b>15,079</b>	<b>8,888</b>

#### Intangible assets

Costs incurred in developing products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the projects.

Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in the accounting estimate being accounted for on a prospective basis.

Intangible assets are assessed for indicators of impairment at each balance sheet date. Such intangibles are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the intangible asset the estimated future cash flows of the investment have been impacted.

For intangible assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the consolidated statement of comprehensive income.

Description	Useful Life
Software	3 - 5 Years

## 14) Right-of-use assets and lease liabilities

	2020			2019		
	Properties \$'000	Office equipment \$'000	Total right of use assets \$'000	Properties \$'000	Office equipment \$'000	Total right of use assets \$'000
<b>a. Right-of-use assets</b>						
Right-of-use asset	2,409	124	2,533	-	-	-
Accumulated depreciation	774	8	782	-	-	-
<b>Balance as at 30 June</b>	<b>1,635</b>	<b>116</b>	<b>1,751</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>b. Lease Liabilities</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Current	979	-
Non-current	1,206	-
<b>Total current assets</b>	<b>2,185</b>	<b>-</b>

### c. Amounts recognised in the statements of profit or loss

The consolidated income statement shows the following amounts related to leases:

	<b>Notes</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Depreciation charges of right-of-use assets	6	782	-
Interest lease liabilities	6	128	-

### d. Adoption of AASB 16 Leases

#### i. Adjustments recognised on adoption of AASB 16

Prior to the adoption of AASB 16, leases were previously classified as operating leases with payments charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. On adoption of AASB 16, CBHS has recognised lease liabilities and corresponding right-of-use assets in the consolidated statement of financial position under the modified

retrospective approach. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.0%.



	\$'000
Operating lease commitment at 30 June 2019	3,228
Effect of discounting those lease commitments at an annual rate of 5.0%	(306)
<b>Lease liability recognised as at 1 July 2019</b>	<b>2,922</b>
Of which are:	
Current lease liabilities	854
Non-current lease liabilities	2,068
<b>Total</b>	<b>2,922</b>

The change in accounting policy resulted in the recognition of right-of-use assets and lease liabilities. The net impact on retained earnings on 1 July 2019 was a decrease of \$513,000.

## ii. Practical expedients applied

In applying AASB 16 for the first time, CBHS has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

CBHS has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

## e. Accounting policy

CBHS leases various offices and the rental contracts are for fixed periods of 2 to 4 years but may have extension options.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by CBHS. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- any restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

## 15) Trade and other payables

	2020 \$'000	2019 \$'000
Amounts due to the Health Benefits Risk Equalisation Trust Fund (a)	8,169	10,419
Accruals (b)	1,740	1,539
Trade payables (b)	1,194	1,658
<b>Total</b>	<b>11,103</b>	<b>13,616</b>

- a. The credit period provided to CBHS by APRA for amounts due to the Health Benefits Risk Equalisation Trust Fund is 14 days from the date of invoice paid quarterly. Thereafter, interest is charged at 15% on the outstanding balance. CBHS has procedures in place to ensure this payment is made by the due date.
- b. For other payables balances, the credit period on purchases of goods and services can vary between 7 and 30 days. No interest is charged on late payments. CBHS has procedures in place to ensure all payments are made by the due date.

### Recognition and measurement

#### Trade and other payable

Trade payables and other accounts payable are recognised when CBHS becomes obliged to make future payments resulting from the purchase of goods and services.

#### Health Benefits Risk Equalisation Trust Fund

Under the provisions of the *Private Health Insurance Act 2007*, all health insurers must participate in the Risk Equalisation Trust Fund (RETF).

The RETF is an estimated provision calculated based on the proportion of hospital and medical claims of all persons aged 55 years and older as well as any person with high cost claims.

The final amount payable to the RETF are determined by APRA after the end of each calendar quarter. Estimated provisions for amounts payable are recognised on an accruals basis.

## 16) Provisions

	2020 \$'000	2019 \$'000
<b>Current provision</b>		
Employee benefits (a)	1,772	1,358
Provision for employee performance payments (b)	2,045	1,876
Unallocated premiums (c)	748	1,018
Doubtful debts (d)	204	159
<b>Total current provision</b>	<b>4,769</b>	<b>4,411</b>
<b>Non-current provision</b>		
Employee benefits (e)	1,209	1,068
Makegood (f)	700	700
Provision for employee performance payments (g)	257	-
<b>Total non-current provision</b>	<b>2,166</b>	<b>1,768</b>
<b>Total provisions</b>	<b>6,935</b>	<b>6,179</b>

- a. The current provision for employee benefits is annual leave accrued and is expected to be paid within 12 months.
- b. The provision for employee performance payments is expected to be paid within 12 months.
- c. CBHS systems do not currently allow the allocation of member premiums to their account for any part day payments. The provision balance represents the accumulation of unallocated members' premiums over a period of more than 10 years when the current systems were introduced. Corrective actions to ensure affected members' premiums are allocated have been taken.
- d. The provision for doubtful debts is related to a group of members who are in arrears and the likelihood they will not pay.
- e. The non-current provision for employee benefits is long service leave accrued and expected to be paid after 12 months.
- f. The non-current provision for makegood is expected to be paid when the rental lease is terminated and the premises vacated.
- g. The provision for employee performance payments is expected to be paid within 2 years, subject to continuing improved performance being met and continued employment.

	Annual leave provision	Performance payments provision	Unallocated premiums	Doubtful debts provision	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Movement in current provisions					
<b>Balance at 30 June 19</b>	<b>1,358</b>	<b>1,876</b>	<b>1,018</b>	<b>159</b>	<b>4,411</b>
Used during the year	(1,392)	(1,945)	(487)	-	(3,824)
Unused amounts reversed	-	-	-	-	-
Additional provisions recognised	1,806	2,114	217	45	4,182
<b>Balance at 30 June 20</b>	<b>1,772</b>	<b>2,045</b>	<b>748</b>	<b>204</b>	<b>4,769</b>

	Long service leave provision	Performance payments provision	Makegood provision	Total
	\$'000	\$'000	\$'000	\$'000
Movement in non-current provisions				
<b>Balance at 30 June 19</b>	<b>1,068</b>	<b>-</b>	<b>700</b>	<b>1,768</b>
Used during the year	(88)	-	-	(88)
Unused amounts reversed	-	-	-	-
Additional provisions recognised	229	257	-	486
<b>Balance at 30 June 20</b>	<b>1,209</b>	<b>257</b>	<b>700</b>	<b>2,166</b>

## Recognition and measurement

### Provisions

Provisions are recognised when CBHS has a present obligation (legal or constructive) as a result of a past event, it is probable that CBHS will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from members, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits cover performance payments, annual leave and long service leave. Sick leave is non-vesting and is accounted for as incurred.

The liability for performance payments, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date, is calculated at current remuneration rates which are expected to be paid when the liability is settled.

The liability for long service leave entitlements represents the present value of the estimated future cash outflows to be made.

In determining future cash outflows, consideration has been given to future increases in wage and salary rates, and the probability that employees will remain with CBHS for the period of time necessary to qualify for long service leave.

The calculation includes related on-costs. In calculating the present value, the estimates of future cash outflows are discounted using the rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability.

Employee entitlement expenses and contributions made to superannuation funds by CBHS are recognised against profit when due.

## 17) Claims liability

a. Claims liability	2020 \$'000	2019 \$'000
Outstanding claims – central estimate of the expected future payments for claims incurred (i)	31,606	36,823
Claims handling costs	941	1,103
Risk margin (ii)	2,345	2,471
Deferred claims liability	29,565	-
Risk equalisation	5,322	6,156
<b>Total claims liability</b>	<b>69,779</b>	<b>46,553</b>

i. The expected future payments are not discounted due to the short tail nature of health insurance, as claims are generally settled within twelve months.

ii. The risk margin of:

- CBHS Health Fund 6.10% (2019: 5.50%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2019: 75%).
- CBHS Corporate Health Fund 11.3% (2019: 14.6%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2019: 75%).
- These risk margins do not apply to deferred claims.

### b. Risk margin

#### Process for determining risk margin

The outstanding claims risk margin was determined allowing for the relative uncertainty of the outstanding claims central estimates for health insurance contracts issued by CBHS. Uncertainty was analysed by comparing the initial outstanding claims central estimates of past months with that provision again determined after a further period of processing allowing for more accurate estimates of the outstanding claims. The relative differences between the initial central estimate of the provision and the later central estimate of the provision are then analysed to provide a basis from which to set the risk margin.

Although there are some claims paid for health insurance services that have been incurred for more than 12 months, these claims are small in number. Most activity in hospital and medical benefits after more than 12 months of the date of service are reversals due to compensation settlements. This activity is usually around 1.5% of total incurred claims in a month. (CBHS pays claims that are likely to be subject to compensation when the claimant gives an undertaking that the benefits will be repaid to CBHS upon compensation settlement). Also around 0.2% of ancillary benefit services for which benefits are payable are claimed (and paid) more than 12 months after the date of service. These very small changes in the total incurred claims in any month are reasonably predictable and included in the estimated provision that is determined 12 months after the initial provision date.

The overall provision is intended to have a 75% probability of adequacy.

	2020	2019
Risk margin (CBHS Health Fund)	6.10%	5.50%
Risk Margin (CBHS Corporate)	11.3%	14.6%

### c. Reconciliation of movement

	2020 \$'000	2019 \$'000
<b>Changes in the gross outstanding claims liabilities can be analysed as follows:</b>		
As at 1 July	46,553	44,687
Claims incurred during the year	430,819	409,173
Claims paid during the year	(407,593)	(407,307)
<b>As at 30 June</b>	<b>69,779</b>	<b>46,553</b>

### Recognition and measurement

#### Outstanding claim liabilities

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under health insurance contracts issued by CBHS, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported, anticipated claims handling costs and the expected payment to the Health Benefits Risk Equalisation Trust Fund.

Claims handling costs include administration costs regarding the processing of these claims.

In assessing the outstanding claims liability, CBHS seeks advice from its Appointed Actuary.

Provision is made during the year for the estimated cost of claims incurred but not settled at balance date, including the cost of claims incurred but not yet reported to CBHS.

The estimated cost of claims includes direct expenses to be incurred in settling claims and any risk equalisation related to the hospital and medical portion of claims. CBHS takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, a risk margin is added to determine the liability balance.

The risk margin is based on analysis of the volatility of historical claims experience. This past experience is assumed to be representative of future experience.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to CBHS, where more information about the claim event is generally available.

IBNR claims may often not be apparent to CBHS until several months later. In calculating the estimated cost of unpaid claims CBHS uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however for changes or uncertainties which may create distortions in the underlying assumptions or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in internal or external processes which might accelerate or slow down the payment of claims, compared with the information from previous periods
- the effects of inflation

- medical and technological developments
- increase in membership
- increase in utilisation
- seasonal changes in utilisation.

Details of specific assumptions used in deriving the outstanding claims liability during the year are detailed in note 27(a).

#### Deferred claims liability

The liability for deferred claims is measured by estimating the proportion of claims that have not occurred in FY20 due to the suspension of elective surgery and general providers closing down during the isolation period as a result of COVID-19. The approach has been developed in line with APRA and ASIC guidelines issued in June 2020.

If cover remains in place, a responsibility exists to provide for these claims that have been deferred and CBHS members with continuing cover would have had an expectation to use and therefore claim on hospital, surgical and ancillary services had the pandemic not arisen. The provision is management's estimate of the percentage of claims which did not occur in FY20 that are anticipated to be deferred to FY21.

The following details the changes in key estimate on the COVID-19 claims liability.

- A 4% increase/decrease in the expected claims level would result in the following decrease/increase to the loss after income tax (2019: not applicable).

Sensitivity 1	Claims +4%	\$1.183m
	Claims -4%	(\$1.183m)

- An increase of 10 percentage points in the adopted savings for COVID-19 hospital claims would result in the following decrease to the loss after income tax (2019: not applicable).

Sensitivity 2	Hospital Savings +10%	\$1.951m
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- An increase/decrease of 10 percentage points in the adopted savings for COVID-19 ancillary claims would result in the following decrease/increase to the loss after income tax (2019: not applicable).

Sensitivity 3	Extras Savings +10%	\$1.183m
	Extras Savings -10%	(\$1.183m)

## 18) Unearned premium liability

	2020 \$'000	2019 \$'000
Unearned premium liability as at 1 July	34,875	31,895
Deferral of premiums on contracts written in the period	41,653	34,875
Earning of premiums written in previous periods	(34,875)	(31,895)
<b>Unearned premium liability as at 30 June</b>	<b>41,653</b>	<b>34,875</b>

## 19) Unexpired risk liability

CBHS performed the liability adequacy test as at 30 June 2020 and it was determined that there is a deficiency to recognise (2019: \$2,711).

a. Unexpired risk liability	2020 \$'000	2019 \$'000
Unexpired risk liability as at 1 July	2,711	-
Increase recognition of additional risk liability in the period	10,820	2,711
<b>Unexpired risk liability as at 30 June</b>	<b>13,531</b>	<b>2,711</b>

b. Movement recognised in the statement of comprehensive income	2020 \$'000	2019 \$'000
Gross movement in unexpired risk liability	10,820	2,711
Net movement in unexpired risk liability	10,820	2,711
<b>Total movement recognised in the income statement</b>	<b>10,820</b>	<b>2,711</b>

### c. Calculation of deficiency

The liability adequacy test is performed at a portfolio level. The calculations are shown below:

#### i. CBHS Health Fund

	2020 \$'000	2019 \$'000
<b>(i) Unearned premium liability component</b>		
Unearned premium liability (A)	29,804	32,131
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	30,003	31,498
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	866	849
<b>Net deficiency (B+C-A)</b>	<b>(1,065)</b>	<b>(216)</b>
<b>(ii) Unclosed business liability component</b>		
Unclosed business liability (A)	841	1,046
Central estimate of expected future cash flows arising from future claims on unclosed business (B)	847	1,025
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	24	28
<b>Net deficiency (B+C-A)</b>	<b>(30)</b>	<b>(7)</b>

	2020 \$'000	2019 \$'000
<b>(iii) Insurance contracts renewable before the next pricing review</b>		
Insurance contracts renewable before the next pricing review (A)	347,876	346,377
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	350,202	339,550
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	10,105	9,155
<b>Net deficiency (B+C-A)</b>	<b>(12,431)</b>	<b>(2,328)</b>
<b>Total deficiency (i)+(ii)+(iii)</b>	<b>(13,526)</b>	<b>(2,551)</b>

\* Probability of Adequacy

## ii. CBHS Corporate

	2020 \$'000	2019 \$'000
<b>(i) Unearned premium liability component</b>		
Unearned premium liability (A)	10,980	1,648
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	5,884	1,339
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	175	67
<b>Net deficiency (B+C-A)</b>	<b>-</b>	<b>-</b>
<b>(ii) Unclosed business liability component</b>		
Unclosed business liability (A)	60	16
Central estimate of expected future cash flows arising from future claims on unclosed business (B)	40	16
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	2	1
<b>Net deficiency (B+C-A)</b>	<b>-</b>	<b>(1)</b>
<b>(iii) Insurance contracts renewable before the next pricing review</b>		
Insurance contracts renewable before the next pricing review (A)	3,348	3,929
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	3,203	3,874
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	150	214
<b>Net deficiency (B+C-A)</b>	<b>(5)</b>	<b>(159)</b>
<b>Total deficiency (i)+(ii)+(iii)</b>	<b>(5)</b>	<b>(160)</b>

\* Probability of Adequacy

	2020	2019
Risk margin (CBHS Health Fund)	2.95%	2.75%
Risk Margin (CBHS Corporate)	5.0%	6.0%

## Recognition and measurement

### Liability adequacy test and unexpired risk liability

The liability adequacy test is required to be performed to determine whether the unearned premium liability is adequate to cover the present value of expected cash flows relating to future claims arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. In estimating the unexpired risk liability, CBHS uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience. Allowance is made, however for changes or uncertainties which may create distortions in the underlying assumptions, or which might cause the cost of future claims to increase or reduce in a similar manner with the outstanding claim liability.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the

inherent uncertainty in the central estimate exceeds the insurance liability, then the insurance liability is deemed to be deficient. CBHS applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of outstanding claims liability. The entire deficiency is recognised immediately in the consolidated statement of comprehensive income. The deficiency is recognised in the consolidated statement of financial position as the "Unexpired Risk Liability".

If the liability adequacy test identifies that the insurance liability exceeds the expected future cash flows relating to future claims taking into account the additional risk margin then no recognition occurs in the consolidated statement of comprehensive income and consolidated statement of financial position.

In assessing the unexpired risk liability, CBHS seeks advice from its Appointed Actuary. Details of specific assumptions used in deriving the unexpired risk liability during the year are detailed in note 27(b).

## 20) Total reserves

	2020 \$'000	2019 \$'000
<b>Retained earnings</b>		
Balance at beginning of financial year	211,706	206,812
Profit/surplus after tax	(19,287)	4,894
AASB 16 adoption adjustment	(513)	-
<b>Total retained earnings end of financial year</b>	<b>191,906</b>	<b>211,706</b>
<b>Balance at end of financial year</b>	<b>191,906</b>	<b>211,706</b>

## 21) Parent entity financial information

### a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance sheet	2020 \$'000	2019 \$'000
<b>Assets</b>		
Current assets	117,354	85,022
<b>Total assets</b>	<b>337,241</b>	<b>322,723</b>
<b>Liabilities</b>		
Current Liabilities	128,386	99,332
<b>Total liabilities</b>	<b>132,737</b>	<b>101,100</b>



	2020 \$'000	2019 \$'000
<b>Net assets</b>	<b>204,504</b>	<b>221,623</b>
<b>Equity</b>		
Retained Profits	204,504	221,623
<b>Total Equity</b>	<b>204,504</b>	<b>221,623</b>
<b>Profit or loss for the year</b>	<b>(16,605)</b>	<b>8,405</b>
<b>Total comprehensive income for the year</b>	<b>(16,605)</b>	<b>8,405</b>

**b. Guarantees entered into by the parent entity**

The parent entity did not provide any guarantees during the financial years 2020 or 2019.

**c. Contingent liabilities of parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

**d) Contractual commitments for the acquisition of property, plant or equipment**

As at 30 June 2020, the parent entity did not have any commitments for the acquisition of property, plant or equipment.

**e. Determining the parent entity financial information**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

**i) Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost in the financial statements of CBHS Health Fund Limited. No dividends were received during the financial year 2020.

## 22) Related Parties

During the year seven Directors of CBHS were members of the fund. Membership was on terms and conditions no more favourable than those adopted when dealing with an unrelated individual in an arm's length transaction.

### Related Party Transactions

During the financial year 2020, CBHS Health Fund provided management services to CBHS Corporate as set out in a Managed Service Agreement. The value of services provided to CBHS Corporate for the financial year 2020 was \$3,413,451 (2019: \$2,595,321).

In 2019 CBHS acquired shares in Whitecoat Holdings Pty Ltd. CBHS pays a monthly license fee and a management services fee to Whitecoat Operating Pty Ltd. The value of these services for the financial year 2020 was \$315,000 (2019: \$183,750). CBHS' has nominated for Malcolm 'Jay' MacGregor to be a Director of Whitecoat Holdings Pty Ltd and Whitecoat Operating Pty Ltd and Mr MacGregor receives fees from Whitecoat Operating Pty Ltd.

## 23) Remuneration of auditors

	2020 \$'000	2019 \$'000
Audit of financial statements	226,456	150,260
Audit and review of regulatory returns	78,915	43,634
<b>Total remuneration for audit and assurance services</b>	<b>305,371</b>	<b>193,894</b>
Taxation services	22,195	33,150
<b>Total remuneration for taxation services</b>	<b>22,195</b>	<b>33,150</b>
Assisting with AASB 7 disclosures	4,000	4,000
Agreed upon procedures	4,000	4,000
<b>Total remuneration for other services</b>	<b>8,000</b>	<b>8,000</b>
<b>Total remuneration of PricewaterhouseCoopers Australia</b>	<b>335,566</b>	<b>235,044</b>

The auditor of CBHS is PricewaterhouseCoopers.

## 24) Remuneration of directors and other key management personnel

	2020 \$'000	2019 \$'000
<b>a. Directors remuneration</b>		
Short-term employment benefits	392,638	360,882
Post-employment benefits (9.50% statutory superannuation guarantee)	31,418	28,789
<b>Total directors' remuneration</b>	<b>424,056</b>	<b>389,671</b>
<b>b. Other key management personnel remuneration</b>		
Short-term employment benefits	2,821,513	2,456,340
Post-employment benefits (9.50% statutory superannuation guarantee)	166,314	150,451
<b>Total key management personnel remuneration</b>	<b>2,987,827</b>	<b>2,606,791</b>
<b>Total directors and other key management personnel remuneration</b>	<b>3,411,883</b>	<b>2,996,462</b>

## 25) Liability of members

CBHS is a company limited by guarantee, incorporated and operating in Australia. The liability of the members is limited. Every voting member of CBHS undertakes to contribute to the assets of CBHS, in the event of CBHS being wound up while still a voting member, or within one year after ceasing to be a voting member, for payment of the debts and liabilities of CBHS (contracted before ceasing to be a voting member) and of the costs, charges and expenses of winding up for members, shall not exceed ten dollars (\$10.00).

## 26) Contingent liability

There are no contingent liabilities that we are aware of that may affect the financial position of CBHS in the future.

## 27) Actuarial assumptions and methods

### a) Claims liability

#### Hospital, medical, ambulance and ancillary cover

With the insured services of these products there can be some months delay between the incurred service and the service being paid by CBHS. The ultimate expected cost for these claims is determined by projecting the known claims reported and paid using historic patterns of claim development.

#### Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities for CBHS Health Fund.

Estimate	Key Variable	Key Variable
	2020 \$'000	2019 \$'000
Estimated medical and ancillary incurred claims cost	\$13,495	\$12,852
Estimated Hospital incurred claims cost	\$17,385	\$16,827

The following assumptions have been made in determining the outstanding claims liabilities for CBHS Corporate.

Estimate	Key Variable	Key Variable
	2020 \$'000	2019 \$'000
Estimated Hospital and medical incurred claims cost	\$366	\$116
Estimated ancillary incurred claims cost	\$148	\$192

Estimate (%)	CBHS Health Fund		CBHS Corporate	
	Key Variable	Key Variable	Key Variable	Key Variable
	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Claims handling expense – Hospital	2.5%	2.5%	2.5%	2.5%
Claims handling expense – Medical	5.0%	5.0%	2.5%	2.5%
Claims handling expense – Ancillary	5.0%	5.0%	5.0%	5.0%
Risk equalisation (outstanding claims component)	18.0%	18.0%	85%	109.0%
Risk margin	6.1%	5.5%	11.3%	14.6%

#### Process used to determine assumptions

##### Hospital and medical incurred claims cost

This is determined by projecting the total paid claims for each month incurred at the balance date using seasonal factors and historic reporting patterns.

##### Ancillary incurred claims cost

This is determined by projecting the total paid claims for each month incurred at the balance date using historic patterns.

##### Claims handling expense rate

Claims handling expenses were calculated by reference to past experience of claims handling costs as a percentage of past claims.

##### Risk equalisation (Outstanding Claims Component)

This is determined by applying the projected relationship between net risk equalisation claims and paid claims to the hospital and medical outstanding claims.

#### Sensitivity analysis

##### Summary

CBHS conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed.

Impact of changes in key variables CBHS Health Fund	Key Variable Change	Changes in Outstanding Claims Component*	Key Variable Change	Changes in Outstanding Claims Component*
	2020 (%)	2020 \$'000	2019 (%)	2019 \$'000
	Incurring claims	+10	3,570	+10
	-10	(3,570)	-10	(3,398)
Expense rate	+10	93	+10	109
	-10	(93)	-10	(109)
Risk equalisation (OSC Component)	+10	516	+10	599
	-10	(516)	-10	(599)

\*Excludes risk margin

Impact of changes in key variables CBHS Corporate Health Fund	Key Variable Change	Changes in Outstanding Claims Component*	Key Variable Change	Changes in Outstanding Claims Component*
	2020 (%)	2020 \$'000	2019 (%)	2019 \$'000
	Incurring claims	+10	53	+10
	-10	(53)	-10	(32)
Expense rate	+10	1	+10	1
	-10	(1)	-10	(1)
Risk equalisation (OSC Component)	+10	16	+10	16
	-10	(16)	-10	(16)

\*Excludes risk margin

## b) Unexpired risk liability

### Actuarial assumptions

The following assumptions have been made in determining the unexpired risk liabilities. The table below is a combination of the unexpired risk liabilities from 1) unearned premium liability and 2) insurance contracts to be renewed before the next pricing review.

Estimate	Key Variable	Key Variable
	2020 \$'000	2019 \$'000
Estimated Claims Cost	\$333,717	\$320,525

Estimate (%)	CBHS Health Fund		CBHS Corporate	
	Key Variable	Key Variable	Key Variable	Key Variable
	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Risk equalisation (relating to above estimated claim)	7.5%	9.3%	24.6%	34.0%
Risk margin	2.95%	2.75%	5.0%	6.0%

### Process used to determine assumptions

#### Estimated claims cost

This is determined by projecting the claims from (1) unearned premium liabilities and (2) renewable contracts to the next pricing review, based on historic reporting patterns.

The relative differences between the central estimate of the budget forecasts and the actual benefits are then examined on an empirical basis, providing the basis for the selected risk margin. The liability is intended to have a 75% probability of adequacy.

#### Risk equalisation (relating to above estimated claim)

The proportion of claims for each product that are claimed under the risk equalisation arrangements is kept constant. The net deficit per single equivalent unit is projected based on using CBHS experience of the average change from quarter to quarter.

	2020	2019
Risk margin (CBHS Health Fund)	2.95%	2.75%
Risk Margin (CBHS Corporate)	5.0%	6.0%

#### Process for determining the risk margin

The risk margin was determined allowing for the relative uncertainty of the budget projection central estimates of benefits. The budget projection is used to determine the likely future claims experience of the unearned premiums and contractual obligations. Uncertainty was analysed by comparing the nine-month rolling central estimates of budgeted benefits with those actually incurred.

### Sensitivity analysis

#### Summary

CBHS conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed.

#### Impact of changes in key variables CBHS Health Fund

	Key Variable Change	Changes in unexpired Risk Component*	Key Variable Change	Changes in unexpired Risk Component*
	2020 (%)	2020 \$'000	2019 (%)	2019 \$'000
Estimated Claims Cost	+10	34,206	+10	32,766
	-10	(13,526)	-10	(2,551)
Risk equalisation (relating to above estimated claim)	+10	2,803	+10	3,335
	-10	(2,803)	-10	(2,551)

\*Excludes risk margin

Impact of changes in key variables CBHS  
Corporate

	Key Variable Change	Changes in unexpired Risk Component*	Key Variable Change	Changes in unexpired Risk Component*
	2020 (%)	2020 \$'000	2019 (%)	2019 \$'000
Estimated Claims Cost	+10	178	+10	267
	-10	(5)	-10	(160)
Risk equalisation (relating to above estimated claim)	+10	10	+10	91
	-10	(5)	-10	(91)

\*Excludes risk margin

## 28) Insurance contracts – risk management policies and procedures

The financial condition and operation of CBHS is affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, compliance risk, fiscal risk and operational risk.

The Board of Directors of CBHS determines the entity's risk appetite and approves the risk management strategies, policies and practices to ensure that risks are identified and managed within the context of this appetite.

Some of the key features of CBHS' risk management framework includes the:

- Audit Committee and the Risk Committee's responsibility is to assist the Board fulfil its statutory and fiduciary duties relating to the financial reports, the risk management framework, the independence of the auditors and regulatory compliance
- Asset & Liability Committee's responsibility to monitor investment-related activities
- annual endorsement of a) Risk Management Strategy and b) Risk Appetite Statement which sets out the ways in which CBHS will mitigate strategic and operational risks
- management of risk and compliance through the utilisation of risk management software
- various internal policies, procedures and information systems including:
  - i. CBHS Management's regular assessment and reporting on key risks. Risk profiles are reviewed regularly and where necessary policies and procedures are implemented to mitigate the risk
  - ii. the specific identification and addressing of insurance risk within CBHS risk profile
  - iii. the Internal Audit function which provides management and the Board independent assurance of the internal control environment
  - iv. the annual Management Certification and Representation Questionnaire provides the Board certifications from management about the accuracy of the representation of financial data and the effectiveness of internal controls
  - v. annual Risk Management Declaration, attested by the Chief Risk Officer for the Chairs of the Risk Committee and Board to sign and submit to APRA

- vi. an investment strategy weighted to defensive investment assets and capital preservation
- vii. the monitoring and review of compliance with Solvency and Capital Adequacy standards as required by the *Private Health Insurance (Prudential Supervision) Act 2015*, and the strategic benchmarks set by the Board
- viii. the setting of key performance indicators under the annual Business Plan together with the monitoring and re-forecasting of targets throughout the course of the year
- ix. a product design and approval process that includes sign-off by business units (Marketing, Finance and Operations), the Appointed Actuary, Compliance and Legal prior to Board approval
- x. a rigorous pricing review
- xi. review and approval of the budget and forecast/s compiled by management
- xii. continuous monitoring of performance against budget and forecast/s.

### Insurance risk

The provision of Private Health Insurance in Australia is governed by the *Private Health Insurance Act 2007*. The regulatory factors which impact CBHS insurance risk include the:

- principle of community rating which precludes health insurers from discriminating against people based on factors which include medical condition, gender, race, religious belief or age
- risk Equalisation scheme which, in effect, re-allocates some of the risk of private health insurers which relates to the age profiles of their health benefits funds
- review and approval by the Federal Minister for Health and Ageing of all Health Insurance premium increases

### Concentration risk

CBHS Health Fund Limited is a not-for-profit private health insurer, exclusively for current and former employees of the CBA, divested CBA businesses as well as their family members.

This exclusive market base is key to the diversified CBHS Health Fund Limited policyholder membership base.

### Credit risk

Credit Risk is the potential of loss arising from failure of a debtor or counterparty (in relation to loans to counterparty), to meet their contractual obligations.

CBHS is exposed to credit risk through the operation of its Private Health Insurance business and management of its financial assets (credit risk of financial assets is addressed in note 30 (f)).

In terms of non-financial assets, credit risk relates to Medicare Australia rebate receivable (a government organisation administering the Private Health Insurance Government rebate scheme) and premium receivable from policyholders. Premiums in arrears are continuously monitored. No claims are paid on policies with contributions in arrears.

### Interest rate risk

CBHS' interest rate risk is limited to those of its financial assets in note 30 (d).

All other receivables are non-interest bearing.

### Compliance risk

In operating a health benefits fund, CBHS is required to comply with the requirements set out in the *Private Health Insurance Act 2007*.

CBHS has established internal controls to ensure that it meets its compliance requirements under the Act. These measures include:

- external legal input in relation to the drafting of its health benefits fund rules
- monitoring and management of compliance obligations through the utilisation of risk management software
- implementation of a compliance framework including dedicated compliance reviews of operational practices to ensure CBHS complies with all legislative and regulatory requirements and conduct
- regular documented internal control reviews of changes to regulations
- completion of the annual Management Certification and Representation process by senior managers
- internal audit assessments of compliance arrangements.

### Other

Market Risk and Liquidity Risk are addressed at note 30 (g).

## 29) Segment information

CBHS operates only in one business and geographical segment, which is providing private health insurance and related wellbeing services in Australia.

## 30) Financial instruments

### a. Capital risk management

Capital adequacy and solvency standards are established by APRA and are an integral component of the regulatory reporting framework. APRA issues Solvency and Capital Adequacy Standards (Prudential Standard HPS 100 Solvency Standard (HPS 100) and Prudential Standard HPS 110 Capital Adequacy (HPS 110)), which are designed to ensure that health funds adhere to prudent capital and investment policies.

Capital is managed in accordance with CBHS' Capital Management Policy. It provides a framework for the management and monitoring of capital in line with the Board's risk appetite. This document is underpinned by;

- a Risk Appetite Statement which articulates the risk capacity of CBHS as a whole, appetite for different types of risk and expresses the risk tolerance for each material risk
- an Investment Policy Statement which defines the Board's investment beliefs, a strategic asset allocation and specific rules around investments
- a Liquidity Management Plan which defines targets and responsibilities of tasks in the management of liquid assets.

The Board can confirm that it was in full compliance with the requirements of the capital standards.

### b. Significant accounting policies

Significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which revenue and expense are recognised in respect of each class of financial asset and liability are disclosed in notes to the financial statements.

### c. Financial risk management objective

CBHS' principal financial instruments comprise receivables, payables, short and long-term deposits and units in managed funds. CBHS manages its exposure to key financial risks in accordance with the Group's risk management framework. The objective of the risk management framework is to protect the future financial assets of CBHS.

The main risks arising from CBHS' financial instruments are market risk (including interest rate and price risk), credit risk and liquidity risk. CBHS uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risks and assessments of market forecasts for interest rates. Ageing analyses are monitored to manage credit risk and liquidity risk is monitored through the development of rolling cash flow forecasts.

The primary responsibility for identification and control of financial risks rests with CBHS Group Chief Executive Officer, Chief Risk Officer and Chief Financial Officer.

#### d. Interest rate risk management

CBHS is exposed to interest rate risk on its cash deposits and term deposits. The investment portfolio comprises both fixed and variable interest rate investments. The risk is managed by maintaining a high proportion in fixed interest rate investments. As at 30 June 2020 the fair value of investments with a fixed interest rate was \$129,200,000 (2019: \$91,300,000).

CBHS' exposures to interest rates on financial assets are detailed below:

	Weighted average effective interest rate(%)	2020 \$'000	2019 \$'000
Cash deposits – "24 hour at call"	0.27	14,343	7,004
Term deposits designated at fair value through profit or loss	1.62	129,200	91,300

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rate movements on the investment portfolio at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 25 basis point increase or decrease is used when reporting interest risk internally and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit would have been affected as follows:

	Profit - Higher/(Lower)	
	2020 \$'000	2019 \$'000
+0.25% (25 basis points) per annum	323	228
-0.25% (25 basis points) per annum	(323)	(228)

*This is mainly attributable to CBHS' exposure to variable interest rates on its investments.*

#### e. Price risks

CBHS is exposed to price risks arising from its investments in cash, share, bond and multi asset managed funds. These investments are held for strategic, rather than trading purposes. CBHS mitigates its price risk with an investment policy weighted to defensive natured assets.

#### Price risk sensitivity - managed funds

The sensitivity analyses below have been determined based on the exposure to unit price risks at the reporting date. If the unit prices of the managed funds had moved as illustrated in the table below, with all other variables held constant, net profit would have been affected as follows:

	Profit - Higher/(Lower)	
	2020 \$'000	2019 \$'000
+5% per annum	14,308	14,327
-5% per annum	(14,308)	(14,327)



## f. Credit risk management

Credit risk is the potential for loss arising from the failure of a debtor or counterparty (in relation to loans to that counterparty), to meet their contractual obligations

CBHS' investments are with Board approved financial institutions and managed investment schemes. For investments held directly, these instruments are subject to Board approved counterparty limits.

Credit exposure by credit rating:

	2020 \$'000	2019 \$'000
<b>Cash and cash equivalents</b>		
A series rating	14,343	7,004
B series rating	-	-
Unrated	-	-
<b>Total</b>	<b>14,343</b>	<b>7,004</b>
<b>Financial assets at fair value through the profit or loss</b>		
A series rating	104,200	66,300
B series rating	25,000	25,000
Unrated	155,612	186,260
<b>Total</b>	<b>284,812</b>	<b>277,560</b>

\* Note the funds invested are not rated however the fund invests in entities that may be rated

Financial instruments designated as at "fair value through profit or loss"	2020 \$'000	2019 \$'000
Carrying amount of financial instruments designated as at "fair value through profit or loss"	129,200	91,300
Principal amount of financial instruments designated as at "fair value through profit or loss"	129,200	91,300
Cumulative changes in fair value attributed to changes in credit risk	(386)	(786)
Changes in fair value attributable to changes in credit risk recognised during the period	400	374

At reporting date, there are no significant concentrations of credit risk relating to financial instruments designated at fair value through profit or loss. The carrying amount reflected above represents CBHS maximum exposure to credit risk.

## g. Liquidity risk management

Liquidity risk arises from the possibility that CBHS may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Group Chief Executive Officer and Chief Financial Officer. CBHS manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial

assets and liabilities. CBHS continues to review its Capital Management Plan to assist in managing the company's medium and long-term funding and liquidity requirements.

### Liquidity and interest risk tables

The following table details CBHS' remaining contractual maturity for its non-derivative financial liabilities. The table outlines the undiscounted cash flows of financial liabilities based on the earliest date on which CBHS can be required to pay. The table only includes principal cash flows arising from trade and other payables that are non-interest bearing.

	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>2020</b>					
Trade and other payables	1,194	8,169	1,740	-	-
Lease liabilities	88	265	713	1,252	-
<b>2019</b>					
Trade and other payables	1,658	10,419	1,539	-	-
Lease liabilities	73	219	585	2,351	-

#### h. Fair value control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. The ultimate responsibility for the determination of fair values lies with the Chief Financial Officer who establishes the accounting policies and procedures governing valuation and is responsible for ensuring that these comply with relevant accounting standards. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised. At 30 June 2020, with the exception of Investment in other entities, all financial instruments held by CBHS were traded in active markets.

The fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

#### i. Fair value of financial instruments

As at 30 June 2020, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

	Level 1: quoted prices in active markets (i) \$'000	Level 2: valuation techniques based on observable market data (ii) \$'000	Level 3: valuation techniques incorporating information other than observable market data (iii) \$'000	Total \$'000
<b>2020</b>				
<b>Assets</b>				
<i>Fair value through profit or loss</i>				
Term deposits	129,200	-	-	129,200
Managed multi asset fund	55,515	-	-	55,515
Managed share funds	44,716	-	-	44,716
Managed bond funds	30,084	-	-	30,084
Managed property funds	-	20,409	-	20,409
Investment in other entities	-	-	4,888	4,888
<b>Total</b>	<b>259,515</b>	<b>20,409</b>	<b>4,888</b>	<b>284,812</b>

The managed property fund has been re-classified from Level 1 in FY19 to Level 2 in FY20. This has come about as a result of the impact COVID-19 has had on commercial property market valuations. While the valuation as at 30 June is based on the unit price provided by the fund manager, taking into consideration market uncertainty and volatility we have exercised a higher degree of caution when considering the unit price and have classified the managed property fund as Level 2 in FY20.

As at 30 June 2019, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

2019	Level 1: quoted prices in active markets (i) \$'000	Level 2: valuation techniques based on observable market data (ii) \$'000	Level 3: valuation techniques incorporating information other than observable market data (iii) \$'000	Total \$'000
<b>Assets</b>				
<i>Fair value through profit or loss</i>				
Term deposits	91,300	-	-	91,300
Managed multi asset fund	54,820	-	-	54,820
Managed share funds	62,790	-	-	62,790
Managed bond funds	42,888	-	-	42,888
Managed property funds	20,874	-	-	20,874
Investment in other entities	-	-	4,888	4,888
<b>Total</b>	<b>272,672</b>	<b>-</b>	<b>4,888</b>	<b>277,560</b>

At 30 June 2020, with the exception of investment in other entities and managed property fund, all financial instruments held by CBHS are traded in active markets, hence categorisation Level 1 financial assets are valued using unadjusted quoted prices in active markets for identical assets. Financial assets in this category are managed funds.

Fair value at Level 2 are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Fair value at Level 3 is reliant on external valuation and the finance department assessment of business performance against the original strategic objective, whom report directly to the group chief executive officer (GCEO). These investments are classified as level 3 as they are not based on observable market inputs and are complex and judgmental to value. In determining the fair value, the valuations have taken into consideration historical performance compared against original forecasts, future projected revenue and comparable trading companies and market transactions. The valuations have been reviewed by CBHS and considered appropriate to value the investments at the balance date.

### 31) Additional company information

The registered office and principal place of business of CBHS is:

Level 5, 79 George Street  
Parramatta NSW 2150  
Tel: (02) 9843-7603

## Directors' Declaration

### In the Directors' opinion:

- a. the financial statements and notes set out between pages 30 and 65 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of CBHS' financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- b. there are reasonable grounds to believe that CBHS will be able to pay its debts as when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**P A MacCuspie**

Chairman



**A R Smith**

Group Chief Executive Officer  
& Executive Director

Dated 28 August 2020



## *Independent auditor's report*

To the members of CBHS Health Fund Limited.

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### *Our Opinion*

In our opinion:

The accompanying financial report of CBHS Health Fund Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **What we have audited**

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
  - the consolidated statement of comprehensive income for the year then ended
  - the consolidated statement of changes in equity for the year then ended
  - the consolidated statement of cash flows for the year then ended
  - the notes to the consolidated financial statements, which include a summary of significant accounting policies
  - the directors' declaration.
- 

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

### **Independence**

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.

### **PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000,  
F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)



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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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### *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 *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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

*Price Waterhouse Coopers*  
PricewaterhouseCoopers

*R Cooper*

R Cooper

Partner

Sydney, 28 August 2020

**PricewaterhouseCoopers, ABN 52 780 433 757**

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*“ My father recently finished chemotherapy treatment through RPA, and had one of the best brain surgeons in the country perform the surgery with no gap. Through all our interactions, CBHS has been the pinnacle of compassion and professionalism. 10 out of 10 would recommend. ”*

– Adam S

