

# UniMed Annual Report 2022

[UNIMED.CO.NZ](https://unimed.co.nz)



# Purpose, vision and values.

## Our core purpose

To keep working New Zealanders and their whānau in lifelong good health. To achieve this, we partner with people and leading organisations throughout New Zealand.

## Our vision

To enable healthier, happier people, for a thriving nation.

## Our values

Our values define our organisation and underpin everything we do.



### ASPIRE

We love what we do, and set the standard for personal service across our industry, all while delivering exceptional value for money. We're inquisitive and ready to learn, always eager to understand, innovate and implement better services and practices. Because by doing so, we can help people achieve better health and wellbeing outcomes.



### CARE

We genuinely care about our Members, our colleagues and our business partners. We are responsive, but take time to fully understand people's different needs and tailor our interactions, products and services to meet those needs.

Commitment to maintaining a strong financial foundation, and to Aotearoa's environmental sustainability, mean that we are resilient and responsible, all to ensure we will be here for our Members, now and in the future.



### TRUST

We're judged by the way we act. At UniMed, that means we treat everyone with respect, equity and integrity, always seeking to do what's right.

Our processes are transparent, we manage funds prudently, and understand that trust is something we strive to earn, every day.



UniMed has been great.  
They've saved me from living  
with a lot of pain.

I've been a Member of UniMed  
since 2005 and have a Plan  
covering Major Surgical procedures.  
During that time, I've had multiple  
surgeries including having two  
cysts removed from my ovaries, a  
total hysterectomy, a gallbladder  
removed, a parathyroid removed,  
and a bone fused in my foot.  
UniMed also made a generous  
contribution to my weight loss  
surgery.

They have been fantastic  
throughout the years. The really  
cool thing is that they are always  
really responsive. I always hear from  
them within 24 hours of sending  
my pre-approval form in and they  
provide clear feedback on any areas  
that my Plan doesn't cover.

They are lovely to speak with on  
the phone and email responses  
are always fast. I'd definitely  
recommend UniMed for the  
customer service alone.

I would never consider going to  
another health insurance provider.

**Karmyn**

UniMed Member

*Te Aroha*

# Contents

Mission and Values .....	3
Company Directory .....	6
Notice of Meeting .....	7
Letter from the Chair .....	8
Chief Executive Report .....	9
Board of Directors .....	10
Senior Leadership Team .....	12
2022 Highlights .....	15
Statement of Corporate Governance .....	16
Appointed Actuary's Report .....	19
Auditor's Report .....	20
Financial Statements .....	25

# Company Directory

As at 30 June 2022

## **Nature of Business**

Medical health insurers  
Commercial property owners

## **Registered Office**

165 Gloucester Street  
Christchurch 8011

## **Incorporation**

Industrial and Provident  
Societies Act 1908

## **Board**

Chris Flatt  
Jane Huria (Chair)  
Ben Kepes  
Angus McConnell  
Tim McGuinness  
Peter Tynan

## **Bankers**

Bank of New Zealand  
81 Riccarton Road  
Christchurch 8011

## **Auditor**

BDO Wellington Audit Limited  
Wellington  
New Zealand

## **Solicitors**

Lane Neave Lawyers  
141 Cambridge Terrace  
Christchurch 8013

Simpson Grierson  
Level 1, 151 Cambridge Terrace  
Christchurch 8013

## **Actuary**

Peter Davies B.Bus Sc, FIA  
Davies Financial and  
Actuarial Limited  
Level 1, Building 1,  
61 Constellation Drive,  
Mairangi Bay, Auckland

# Notice of Annual General Meeting

The Annual General Meeting of Members of the Union Medical Benefits Society Limited will be held at the Distinction Christchurch Hotel, 14 Cathedral Square, Christchurch 8011 on Thursday 3 November at 6.00 pm.

## Business

1. Apologies.
2. To confirm the minutes of the 2021 Annual General Meeting.
3. To receive and consider the annual financial statements and Auditor's report for the year ended 30 June 2022.
4. To appoint an auditor for the ensuing year.
5. To record the re-election of Chris Flatt and Peter Tynan to the Board.  
In accordance with the Society's Rules, Chris Flatt (Cambridge) and Peter Tynan (Auckland) retire by rotation and being eligible; have offered themselves for re-election to the Board. Nominations were called for members of the Board on 3 September 2022. No other candidates were validly nominated, so Chris Flatt and Peter Tynan will be deemed to be re-elected at the Annual General Meeting.
6. To fix the remuneration for the Board.

## Background, resolutions and voting

The full notice of meeting, including background to and text of resolutions to be put to the meeting can be found at <http://www.unimed.co.nz/about-unimed/governance-and-management/>

Any Member entitled to attend and vote at the meeting may vote either by being present in person or by proxy. A proxy must be appointed by a signed and written notice. A proxy form is available from the Society or on the Society's website: [www.unimed.co.nz](http://www.unimed.co.nz). To be effective the proxy must be deposited at the Society's office (165 Gloucester Street, Christchurch 8011) by 6.00 pm on 2 November 2022.



E Richardson  
Administration Secretary  
PO Box 1721  
Christchurch 8140

1 October 2022

# Letter from the Chair



On behalf of the Board of Directors, it is my pleasure to present UniMed's 2022 Annual Report.

As I reflect on what has been another unusual year, I want to start my message with a sincere thanks to you, our Members, for your continued support throughout this period. The past 12 months have been challenging in many areas due to the ongoing implications of Covid, inflation, labour shortages, and the political uncertainty in Europe. Increased cost pressures and commodity prices all culminate in New Zealanders having less disposable income, so thank you for choosing UniMed to look after your health and wellbeing.

UniMed has paid and provided for \$67 million in claims meaning that from every premium dollar received, approximately 84 cents was returned to Members by way of claim payments. The insurance division returned an operating surplus of \$2.8 million; however, net investments for the year returned a loss of \$10.3 million, meaning that UniMed is reporting a net loss of \$7.6 million for the first time in many years. We cannot of course control what happens to global financial markets; however, it is important to take a long-term view of investments and not measure performance over a single year.

As reported previously, prior years' surplus funds retained within the Society have ensured that the inevitable ebb and flow of any investment activity, such as we are experiencing today, can be accommodated.

These reserves should continue to give Members confidence in the Society's performance and our ability to pay future claims. This is proven further by UniMed receiving confirmation of its 'A' financial strength rating from AM Best in September.

1 July 2022 saw New Zealand move to a new national health system instead of District Health Boards as demand for health services keeps growing due to an ageing population and advances in health care. The new system looks to address this increased demand and surgical waiting lists; however, it can sometimes take time to see the effectiveness of these changes. When it comes to our health and wellbeing, time is precious, and if needed, the benefits provided by your UniMed Plan can quickly offer some peace of mind.

We have learnt in recent years that we can't predict what the future holds. While our 2022 numbers represent the current operating environment and investment market, combined with the work undertaken for forward planning, the Society remains committed to improving products and services for Members, so that we remain viable and relevant for the future. We remain confident in our growth plans and future opportunities.

In closing, thank you to the Board, the Chief Executive, the senior leadership team, and all our valuable staff for their high level of care and service to you – our Members.

**Jane Huria**  
*Chair, CNZM*

# Letter from the Chief Executive



My first full year as UniMed's Chief Executive has been both challenging and rewarding as we have responded to the impact of successive Covid waves and begun to chart our direction for the future.

Like many organisations and households throughout the country, the virus hit a significant proportion of our team. As a result, our service levels were impacted. However, through extra effort from the team, we ensured that Members continued to receive prompt prior approvals for treatments. Processing some routine claims was slower than usual, and we again apologise to any Members who were inconvenienced.

Following the shutdown in Auckland in 2021, Member demand for surgery rebounded, and we experienced record prior approval levels. Well-publicised challenges facing the public health sector have also reinforced the value of private cover for our Members and employer partners.

As a result of the surge in demand for private hospital treatment, we have noticed that it has taken longer than usual for Members to access pre-approved treatment. This is why we have set aside an additional amount in our annual accounts to cover surgeries that were pre-approved but have not yet occurred or have been deferred.

At the same time as addressing these operational demands, your Board and senior leadership team have been working together to better support Members and

put the building blocks in place for the future. This has included a review of all Member feedback and suggestions and specific research to understand what services you would like us to deliver in the future.

In response to this, we are expanding the mental health support services we provide, improving our technology to make it easier for you to lodge claims and access information, and looking at additional Member services that help you stay well and support you when you have a health event. We are also mindful that affordability remains a significant concern for Members, particularly in the current economic environment.

As noted by our Board Chairperson, Jane Huria, investment volatility has resulted in UniMed experiencing its first loss for many years. While this situation is not ideal, Members can be confident that UniMed has the financial strength to weather the storm.

UniMed's roots are in the workplace. We value our relationships with the many employers, unions and other business partners we work with to support working New Zealanders and their whānau.

Today, as in the past, most of our Members are associated with a workplace health insurance scheme. We remain committed to helping everyday Kiwi workers access the health and wellbeing services and support they need, so they can stay in lifelong good health and contribute positively to their communities and workplaces.

**Louise Zacest**  
*Chief Executive*

# Board of Directors



**Jane Huria**, *Chair, CNZM*

Jane was appointed as a Director in June 2013 and is a Chartered Fellow of the Institute of Directors. In 2012 she was awarded the CNZM for services to corporate governance.

Jane has had 25 years' experience as a company director and trustee. She serves on the boards of Naylor Love, Nurse Maude, Pegasus Health (Charitable) Ltd, Canterbury Cricket Trust, and Paenga Kupenga. She is also a Ngāi Tahu appointed member of the Greater Christchurch Partnership Committee. Jane resides in Christchurch and affiliates to Ngāi Tūāhuriri.



**Chris Flatt**, *Director, BSocSc (Hons), LLB (Hons), ACIS, MInstD*

Chris was elected as a Director in October 2019. He has been the National Secretary of the NZ Dairy Workers' Union Inc – Te Runanga Wai U (DWU) since August 2012.

Chris is currently a director on several other boards including the Muka Tangata – People, Food, & Fibre Workforce Development Council (WDC), Norman Kirk House Ltd, and the Waikato Trade Union Centre Ltd. He has previously served as a director of the Primary Industry Training Organisation (Primary ITO), the Primary Industries Workforce Development Council (WDC) Interim Establishment Board, and the NZITO prior to its merger with Primary ITO. Chris is also a current trustee of the Workers' Education Trust (Charitable Trust) and Co-Deputy Chair of the Waikato Community Trust (Trust Waikato).

Chris is a member of the New Zealand Institute of Directors as well as an Associate Member of Governance New Zealand (formerly NZ Chartered Company Secretaries) and was the General Secretary of the NZ Labour Party from 2009 to 2012. He has also worked as a private practice employment lawyer in law firms in both Auckland and Sydney and holds a Bachelor of Social Sciences (Hons) and Bachelor of Laws (Hons) from the University of Waikato. Chris resides in Cambridge.



**Angus McConnell**, *Director*

Angus was elected as a Director in October 2017. He has recently retired from his role as Assistant Secretary of the NZ Dairy Workers' Union (DWU), a position he held since 2000. He has held governance roles with the Lottery Grants Board and Trust Waikato. Angus resides in Karangahake.



**Ben Kepes, Director**

Ben was appointed as a Director in September 2018.

He is a co-founder of a successful workwear and outdoor equipment brand and undertakes significant work in the community, emergency, and not-for-profit sectors.

Ben is a technology analyst, commentator, and consultant and has built up a significant following as a globally-recognised subject matter expert in the technology sector. He has consulted extensively in the USA including for companies such as Microsoft and Amazon.

Ben has served on the advisory boards of a number of technology startups in New Zealand, Australia, Europe and the US, and the UK and is an experienced board member currently sitting on the boards of a number of non-profit, member-owned and privately held companies in New Zealand and overseas. He has won a number of accolades including being a recipient of the Sir Peter Blake Leadership Award in 2016. Ben resides in Canterbury.



**Tim McGuinness, Director, BCA**

Tim was appointed as a Director in June 2013. He is currently Chairman of the Trustee of the Dairy Industry Superannuation Scheme, Chairman of the Trustee of the NZAS Retirement Fund, a trust director of the Westpac New Zealand Staff Superannuation Scheme, and the NZAS Retirement Fund. He was previously on the Board of the Government Superannuation Fund, the Earthquake Commission, Whai Rawa Fund Limited, a trustee director of the Police Superannuation Scheme, and the New Zealand Fire Service Superannuation Scheme.

These positions followed senior executive and funds management positions with Royal & Sun Alliance and Norwich Union / State Insurance for over 15 years. Tim is a member of the New Zealand Institute of Directors and a licensed independent trustee. Tim resides in Wellington.



**Peter Tynan, Director**

Peter was elected as a Director in October 2019. He currently holds the position of CE at Foundation North, the Community Trust serving Northland and Auckland. He was most recently Interim CE at the Royal College of General Practitioners, and prior to that, CE at the Kaipara District Council based in Northland.

Peter was CE at Southern Cross Health Society from 2012 to 2017, and has held a number of senior executive positions in various organisations, including American Express and the Mount Cook Group. He is a former Board member of the Health Funds NZ and the International Federation of Health Plans (IFHP), and has spent time on the Auckland Hockey Association Board. Peter resides in Auckland.

# Senior Leadership Team

As at July 2022



## **Barry Donaldson**

*Chief Financial Officer*

Barry is accountable for UniMed's financial and risk management operations, the development of financial strategies to meet capital and operating requirements and the ongoing monitoring of metrics and control systems designed to mitigate risk, preserve UniMed's assets, and report accurate financial results.

Prior to joining UniMed in 2015, Barry was Group Financial Controller of Craigmore Group and previously held a number of senior accounting positions at Synlait Milk Limited, Animates NZ Ltd and Jade Software Corporation Ltd.



## **Toni Twells**

*General Manager Membership Services*

Toni champions delivery of exceptional customer experience which builds strong Member loyalty and retention. This includes ensuring that our products and services evolve to remain relevant to changing Member and market needs and can be delivered sustainably. Her role also has accountability for the ongoing growth, retention and performance of UniMed's direct and retail portfolios.

Toni started at UniMed as Membership Services Team Leader in 2016 and has a strong insurance background having worked at NZI and IAG for over 25 years.



## **Brad Meek**

*General Manager Provider Partnerships & Health Services*

Brad leads UniMed's strategic relationship development with health and wellbeing providers to ensure Members can access high quality services that reflect recognised good practice. He has accountability for ensuring that expenditure on health services is applied in the best way to deliver overall value to Members and that they receive appropriate, personalised services.

Prior to his current appointment at UniMed in 2016, Brad was the Claims Manager and came to us after holding a number of positions at ACC from Case Manager to Executive Officer.

**Dean Munt***General Manager Business Partnerships*

Dean leads UniMed's strategic relationship development with Business Partners including corporate clients, unions, brokers and affinity groups. His role drives business-to-business sales and distribution activity and performance, including business retention and expansion, and has accountability for achieving sustainable group market revenue growth and retention.

Dean was appointed as UniMed's General Manager – Business Partnerships in 2016 after holding various insurance management roles at IAG and AMI for over 15 years.

---

**Emma Richardson***Executive Office Manager & Board Secretary*

Emma is responsible for the functioning of UniMed's governance and executive processes and overall office administration which includes accountability for HR operations and health, safety, and wellbeing programme implementation.

Emma joined UniMed in 2001 as Personal Assistant to the Chief Executive after ten years working at Christchurch Polytechnic.

---

**Abby Shaw***Head of Marketing and Communications*

Abby is responsible for the development and execution of UniMed's new brand strategy, encompassing marketing, external and internal communications and public relations. Her role is to increase the profile of UniMed, build brand loyalty and protect UniMed's reputation, whilst also driving exceptional engagement through all of the organisation's channels.

Before joining UniMed in late 2021, Abby held a number of senior communication and marketing leadership roles across the infrastructure and non-profit sectors.

---

**Claire Gibbons***Programme Director*

Claire is accountable for the initialisation, strategic planning, delivery and operationalisation of the UniMed Beyond 2022 Programme. This integrated programme will deliver new ways of working, new products and services and new ways of engaging with our customers.

Prior to joining UniMed in 2022, Claire successfully developed and delivered multi-year, complex programmes of work across various industries, including Health, Smart Transport and the public sector. Claire has held Senior positions with NEC, Fronde and Orion Health.



I've been a Member of UniMed for about nine years and really like that they have a selection of Plans that allow me to choose what suits the needs of my family and me at different stages of our lives.

What really stands out for me is the ease of making a claim. It's very straightforward and all my claims and pre-approvals have been sorted within 24 hours. They've really exceeded my expectations.

It's a stressful time when you need surgery but the fact that the pre-approval process had been so easy made life much easier.

I feel confident and secure knowing that UniMed has my day to day and unexpected health and medical expenses covered for me and my family.

**Colin Warner**

Senior Production Manager

*West Coast*

# 2022 Highlights

## Performance



	2021	2022
Premium income	\$74.86 million	\$79.41 million
Claims paid	\$62.68 million	\$66.84 million
Average claims per day	\$251,000	\$257,000

**6.1%**

Premiums  
received

**+ 6.6%**

Claims paid

## Security



	2021	2022
Solvency margin	\$124.10 million	\$117.13 million
Investment value	\$160.34 million	\$150.54 million
Investment return	\$6.50 million	(\$9.77) million

**- 6.11%**

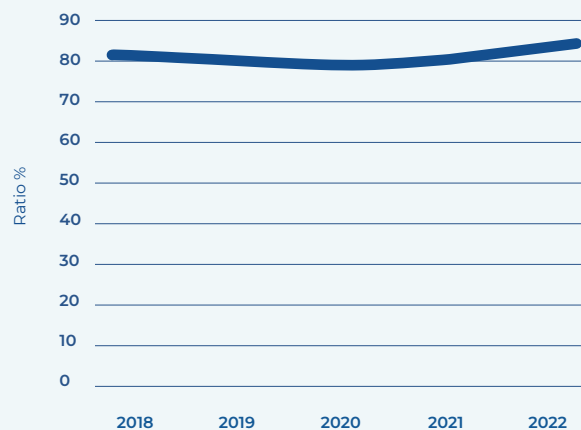
Investment  
value

**- 6.10%**

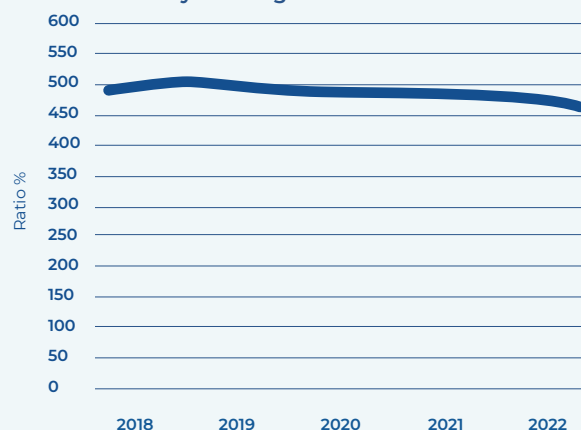
ROI

**A**  
Financial  
Strength  
Rating  
(Excellent)

Annual claims loss ratio



Solvency coverage ratio



## Membership



	2021	2022
Members' funds	\$153.08 million	\$145.47 million

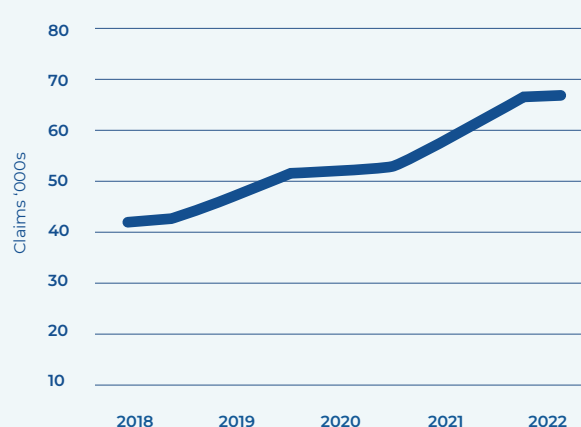
**- 5.7%**

Members' funds

**+ 2.2%**

Policies

Annual number of claims paid



# Statement of Corporate Governance

UniMed adheres to principles designed to ensure sound governance of its affairs, including, most recently but not limited to, the provisions of the Insurance (Prudential Supervision) Act 2010, and the specific Reserve Bank of New Zealand Governance Guidelines for Licensed Insurers under that Act.

## Board of Directors

UniMed is governed by a Board of Directors which has been elected by Members of the Society. From 27 October 2015 the Rules of the Society were changed to allow the appointment of three directors in addition to elected Members. The maximum number of directors elected and appointed is eight. The control, management and administration of the Society are vested in the Board.

The Board is the Society's overall and final decision-making authority.

All current Directors have been assessed by the Board in accordance with the Society's Fit and Proper Person Policy and have been certified as meeting the Reserve Bank of New Zealand's Fit and Proper Standard for Directors of Licensed Insurers.

All current Directors consider and declare themselves to be independent, in that they are free from any associations that could materially interfere with the exercise of independent judgement.

At 30 June 2022 –

The elected Directors are: Chris Flatt, Angus McConnell, Peter Tynan.

The appointed Directors are: Jane Huria (Chair), Ben Kepes, Tim McGuinness.

## Board role and charter

The Board operates in accordance with the Industrial and Provident Societies Act 1908 and all relevant legislation, but more specifically the Insurance (Prudential Supervision) Act 2010, the Society's Rules, and the Board Charter which details the Board's role, procedures, areas of focus, and relationship to management.

In order to provide additional governance transparency to its processes the Board has adopted its own Code of Conduct.

The role of the Board is to effectively represent and promote the interests of Members by continually evaluating and ensuring the ongoing appropriateness of the Society's mission and purpose. Means by which the Board seeks to achieve this include:

- o Ensuring the Society's goals are clearly established, and that appropriate strategies and business plans are in place for achieving them.
- o Establishing policies for enhancing the performance of the Society.
- o Identifying and taking all actions to protect and strengthen the Society's financial position.
- o Ensuring the Society has appropriate risk management and regulatory compliance policies and procedures in place.
- o Monitoring the performance of the Society.
- o Appointing the Chief Executive.
- o Acting as the Society's investment committee, and ensuring the ongoing appropriateness of the Society's Statement of Investment Policy and Objectives (SIPO).

- o Ensuring the Society's financial statements are a true and fair representation and conform to all legal requirements.

- o Ensuring that the Board and management adhere to, and demonstrate, high ethical standards.

As part of its ongoing governance role the Board regularly evaluates the wider economic, political, social and legal issues, and any other relevant external matters that may influence or affect the development of the Society or the interests of its Members.

Together with management, the Board undertakes an annual review of the Society's strategy.

As an external measure of establishing good governance practices, the Board endorses the principles as set out in the Code of Practice for Directors as approved by the Institute of Directors in New Zealand Inc.

Included in those principles is the requirement that:

- o All directors operate in a transparent and openly compliant manner.
- o All directors compile and regularly update a Statement of Business Interests. This is used to ensure that any actual or potential conflicts of interest are disclosed and steps taken to avoid such conflicts by excusing themselves from debate and where appropriate, being denied access to the relevant Board papers.

### **Delegation framework**

Responsibility for the day-to-day operation and administration of the Society is delegated by the Board to the Chief Executive (CE) and senior management. The CE is authorised to make decisions in accordance with the strategy plans, budgets and the specific delegation framework approved by the Board.

### **Board Committees**

The Board currently has two standing committees: Audit and Risk, and People and Culture which has assumed the responsibilities formerly held by the Nominations, and Employment and Remuneration committees.

### **Audit and Risk Committee**

The Audit and Risk Committee operates under its own Charter approved by the Board.

The Audit and Risk Committee's objectives are to assist the Board in discharging its responsibilities in relation to oversight of financial and risk assurance matters including internal and external audit and compliance functions.

Specific responsibilities include reviewing the content and disclosure of the Annual Report's financial statements including accounting policies and practices, recommending the appointment of external auditors, reviewing the annual external audit plans, ensuring that adequate internal control systems are in place, and ensuring that management has established a risk management framework to effectively identify, treat, monitor, and report key business risks.

The Audit & Risk Committee comprises Tim McGuinness (Chair), Chris Flatt, and Peter Tynan.

### **People and Culture Committee**

The People and Culture Committee operates under its own Charter approved by the Board and replaces the Nominations and Employment and Remuneration Committees.

The People and Culture Committee's objectives are to assist the Board in discharging its responsibilities by providing objective review, oversight and recommendations to people and remuneration related matters.

Specific responsibilities include reviewing UniMed's people strategy and related policies, procedures, and initiatives the appointment and remuneration of the Chief Executive, oversee and recommend the remuneration framework for Directors, the Chief Executive and senior leaders, oversee a transparent and systematic process to appoint, reappoint and remove Directors, and plan the Board composition by examining the skills and attributes required to enable the Board to function effectively.

The People and Culture Committee comprises Angus McConnell (Chair), Jane Huria, and Ben Kepes.

**External Audit Independence**

The Board is responsible for appointing the external Auditor subject to Members' approval at the AGM. The Audit and Risk Committee is responsible for making recommendations to the Board concerning their appointment and the terms of their engagement.

**Appointed Actuary Independence**

The Board is responsible for the appointment of the independent Appointed Actuary. The Audit and Risk Committee is responsible for making recommendations to the Board concerning the Actuary's appointment and the terms of their engagement.

**Director meeting attendance for the year ended 30 June 2022**

	Board (8)	AGM	Audit & Risk (4)	Employment & Remuneration <sup>1</sup>	People and Culture (2)
Jane Huria	8	1	–	1	2
Chris Flatt	7	1	3	–	–
Ben Kepes	8	1 <sup>2</sup>	–	–	2
Angus McConnell	8	1	–	1	2
Tim McGuinness	8	1	4	–	–
Peter Tynan	8	1	4	–	–

<sup>1</sup> The Employment & Remuneration Committee has been superseded by the People & Culture Committee

<sup>2</sup> B Kepes had a pre-existing commitment and joined the meeting at 7.00pm however the meeting finished at 6.45 pm.

# Appointed Actuary's Report

14th September 2022

To: The Directors  
Union Medical Benefits Society Limited

From: Peter Davies  
Appointed Actuary

Re: **Union Medical Benefits Society Limited: Report as at 30th June 2022 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010**

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for Union Medical Benefits Society Limited as at 30th June 2022. "Actuarial information" includes the following:
  - o claim provisions and unexpired risk / unearned premium provisions;
  - o solvency calculations in terms of the RBNZ Solvency Standard;
  - o balance sheet and other information allowed for in the calculation of the company's solvency position; and
  - o disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.
2. No limitations have been placed on my work.
3. I am independent with respect to Union Medical Benefits Society Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.
5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. Union Medical Benefits Society Limited exceeded the minimum solvency requirements of the RBNZ solvency standard for non-life insurers as at 30th June 2022 by a substantial margin. The Society is projected to exceed the minimum requirement at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely



**Peter Davies B.Bus.Sc., FIA, FNZSA**  
Appointed Actuary

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632  
Telephone: (09) 489-3551 | E-mail: pdavies@actuary.co.nz

www.actuary.co.nz  
P.O. Box 35-258, Browns Bay, Auckland 0753

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Union Medical Benefits Society Limited ("the Society"), which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Subject to certain restrictions, partners and employees of our firm may also deal with the Society within the ordinary course of trading activities of the business of the Society. These matters have not impaired our independence as auditor of the Society. The firm has no other relationship with, or interest in, the Society.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## Unreported Claims Provision

As at 30 June 2022, there is an unreported claims provision of \$10,220,647 (2021: \$11,207,697).

We considered the valuation of the Unreported Claims Provision as a key audit matter because of the significant judgement required by management and the directors in determining the balance as at 30 June 2022.

The valuation of the provision relies on the quality of the underlying data. It involves subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate.

In particular, judgement arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the entity, as there is generally less information available in relation to these claims, and uncertainty over the amount which will be settled.

The provision includes a risk margin that allows for the inherent uncertainty in the central estimate of the future claim payments. In determining the risk margin, the entity make a judgement about the volatility of the claims pattern.

Refer to note 16 to the financial statements, which also describe the elements that make up the balance.

## How the matter was addressed in our audit

Our audit procedures included obtaining an understanding of key controls, including key data reconciliations and management review of the estimates.

Historical claims data is a key input to the actuarial estimates. Accordingly, we:

- o Gained an understanding of the design and implementation of the control environment in regard to claims processing;
- o Assessed the reliability of the data used by management's expert by testing to ensure the data is consistent with the data used to derive the financial statements;
- o Inspected a sample of claims paid during the year to confirm that they were supported by appropriate documentation and approved appropriately;

We engaged an independent actuary to perform the following:

- o Evaluate the actuarial models and methodologies used by the management's expert in determining the unreported claims provision.
- o Assess key actuarial judgements and assumptions and challenged them by comparing expectations based on the expert's experience, sector knowledge and independently observable industry trends.
- o Recalculate the provision based on the claims data in the financial statements.
- o Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

# Independent Auditor's Report

## Premium Obligations Provision

As at 30 June 2022, there is a premium obligations provision of \$13,342,724 (2021: \$12,501,575, which includes a \$2,900,989 (2021: \$2,447,271) provision for level premiums above age 60.

This provision is an important estimate as the provision for level premiums above age 60 requires the board to exercise significant judgement in estimating future commitments based on the expected number of terminations due to cancellations or death.

## How the matter was addressed in our audit

Our procedures included but were not limited to:

- o Engaged an independent actuary to peer view the actuarial report obtained by the Society;
- o Assessed key assumptions for reasonableness used by the Society's actuary;
- o Ensured the recommended provision is appropriately reflected in the financial statements;
- o Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

## Other Information

The directors are responsible for the other information. The other information comprises the information on pages 3 to 19, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with PBE Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Society for assessing the Society's ability 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 Society or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) 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 decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>.

This description forms part of our auditor's report.

## Who we Report to

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bewley.

*BDO Wellington Audit Limited*

## BDO Wellington Audit Limited

Wellington  
New Zealand  
7th October 2022



My wife and I and our two children are all covered by the UniMed Plan I signed up to through my work.

It's been great, especially with the kids. Our daughter has had grommets three times, together with having her tonsils and adenoids removed. Our health insurance meant we were able to act quickly so that no time was wasted in getting these procedures done for her, and also when the rest of us have needed attention.

Being able to act quickly was a big thing for us, especially with the grommets, as it's easy for kids to fall behind at school if they can't hear properly. It can affect their learning ability for a long time. When you can get action so quickly, you don't have to worry about your child missing out.

UniMed has been absolutely fantastic – I would recommend them without a doubt.

**Courtney Morrison**

Process Operator  
*Invercargill*

# Financial Statements

Union Medical Benefits Society Limited

**Statement of Comprehensive Income** | For the year ended 30 June 2022

	Note	2022 \$	2021* \$
<b>Insurance</b>			
Members' premiums		79,410,380	74,859,640
Claims paid and provided for	2	(66,838,324)	(62,678,104)
Insurance surplus		12,572,056	12,181,536
Insurance operating expenses	3	(9,784,140)	(8,072,912)
<b>Insurance operating surplus</b>		<b>2,787,916</b>	<b>4,108,624</b>
<b>Building</b>			
Rental		225,003	191,297
Net building operating expenses	4	(332,558)	(334,527)
<b>Building operating surplus/(deficit)</b>		<b>(107,555)</b>	<b>(143,230)</b>
<b>Investments</b>			
Net investment surplus	5	(10,291,153)	6,048,743
<b>Operating (deficit)/surplus</b>		<b>(7,610,792)</b>	<b>10,014,136</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(7,610,792)</b>	<b>10,014,136</b>

These financial statements are to be read in conjunction with the notes to the financial statements.

\*The comparative figure for 2021 net building operating expenses has been restated, refer note 10.

# Financial Statements

Union Medical Benefits Society Limited

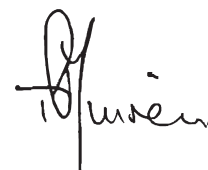
**Statement of Financial Position** | As at 30 June 2022

	Note	2022 \$	2021* \$
<b>Current assets</b>			
Cash and cash equivalents	6	8,152,906	3,103,762
Premiums and other receivables	7	6,492,566	5,077,998
Taxation	8	659,792	466,953
Investments	9	150,544,953	160,337,687
<b>Total current assets</b>		<b>165,850,217</b>	<b>168,986,400</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	9,979,176	10,250,409
Intangible assets	11	74,703	349,440
<b>Total non-current assets</b>		<b>10,053,879</b>	<b>10,599,849</b>
<b>Total assets</b>		<b>175,904,096</b>	<b>179,586,249</b>
<b>Current liabilities</b>			
Trade and other payables	12	2,763,720	2,288,430
Employee benefits	13	553,760	504,510
Deferred Claims (Covid-19)	14	2,600,000	-
Legacy product provision	15	950,000	-
Premium obligations provision	16	13,342,724	12,501,575
Unreported claims provision	16	10,220,647	11,207,697
<b>Total current liabilities</b>		<b>30,430,851</b>	<b>26,502,212</b>
<b>Net assets</b>		<b>145,473,245</b>	<b>153,084,037</b>
<b>Members' funds</b>			
Members' capital	17	-	-
Accumulated funds	18	145,473,245	153,084,037
<b>Total members' funds</b>		<b>145,473,245</b>	<b>153,084,037</b>

**J Huria**  
Board Chair  
7 October 2022



**T McGuinness**  
Audit & Risk Committee Chair  
7 October 2022



*These financial statements are to be read in conjunction with the notes to the financial statements.*

*\*The comparative figures for 2021 property, plant and equipment and accumulated funds have been restated, refer note 10.*

# Financial Statements

Union Medical Benefits Society Limited

**Statement of Changes in Equity** | For the year ended 30 June 2022

	Note	Members' capital \$	Accumulated funds \$	Total \$
<b>2022</b>				
Opening balance at 30 June		-	153,084,037	153,084,037
Total comprehensive income		-	(7,610,792)	(7,610,792)
Members' contribution	17	-	-	-
<b>Closing balance at 30 June</b>		<b>-</b>	<b>145,473,245</b>	<b>145,473,245</b>
<b>2021*</b>				
Opening balance at 1 July		-	143,069,901	143,069,901
Total comprehensive income		-	10,014,136	10,014,136
Members' contribution		-	-	-
<b>Closing balance at 30 June</b>		<b>-</b>	<b>153,084,037</b>	<b>153,084,037</b>

These financial statements are to be read in conjunction with the notes to the financial statements.

\*The comparative figure for 2021 accumulated funds has been restated, refer note 10.

# Financial Statements

Union Medical Benefits Society Limited

**Statement of Cash Flows** | For the year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Members' contributions		78,836,961	73,333,399
Building rental		225,003	191,297
Investment income		2,245,759	1,714,121
		<b>81,307,723</b>	<b>75,238,817</b>
<b>Cash was applied to:</b>			
Payments for claims		64,275,375	64,993,763
Payments to suppliers for goods and services		5,526,563	3,417,863
Payments to employees		4,020,075	3,404,156
		<b>73,822,013</b>	<b>71,815,782</b>
<b>Net cash flows from operating activities</b>	<b>19</b>	<b>7,485,710</b>	<b>3,423,035</b>
<b>Net cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Sale of fixed assets		-	-
Sale of investments		-	-
		<b>-</b>	<b>-</b>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment		158,513	51,982
Purchase of intangibles		54,355	28,765
Net payments for investments		2,223,698	4,714,456
		<b>2,436,566</b>	<b>4,795,203</b>
<b>Net cash flows from investing activities</b>		<b>(2,436,566)</b>	<b>(4,795,203)</b>
Net increase/(decrease) in cash held		5,049,144	(1,372,168)
Plus opening cash brought forward		3,103,762	4,475,930
<b>Closing cash</b>		<b>8,152,906</b>	<b>3,103,762</b>

These financial statements are to be read in conjunction with the notes to the financial statements.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 1. Statement of accounting policies

### Reporting entity

Union Medical Benefits Society Limited (the Society) is an Incorporated Society registered under the Industrial and Provident Societies Act 1908. Its principal products and services are health insurance and commercial building ownership. The Society is domiciled and incorporated in New Zealand and is a Public Benefit Entity.

The Society was granted a licence by the Reserve Bank of New Zealand (RBNZ) on 23 May 2013 to operate as an insurer subject to the Insurance (Prudential Supervision) Act 2010 (IPS Act). As a consequence of being a licensed insurer, the Society is deemed to be a financial markets conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013 (FMC Act).

On 15 March 2021 the Society was issued a Financial Advice Transitional Licence by the Financial Markets Authority which expires in March 2023. The Society has completed its application for a full Class 3 Financial Licence which was approved on 21 July 2022 and will be effective from 1 January 2023.

These financial statements were approved by the Board of Directors on 7 October 2022.

### Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the Public Benefit Entities (PBE Standards) as appropriate for Tier 1 not-for-profit public benefit entities and the requirements of the IPS Act.

The financial statements have been prepared in accordance with Tier 1 PBE Standards.

### Basis of measurement

The financial statements have been prepared on the basis of historical cost, except the following that are stated at their fair value:

- investments (see note 9)
- actuarial quantification of insurance liabilities (see note 16)
- certain financial instruments (see note 25)

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other events is reported.

The functional and presentational currency is New Zealand Dollars (\$), rounded to the closest dollar.

### Critical estimates and accounting

In the process of applying the Society's accounting policies, management is required to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The results of these actions form the basis of making the judgements about the carrying value of assets and liabilities of the Society. Actual results may differ from these estimates under different assumptions and conditions.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 14 Deferred claims (Covid-19)
- Note 16 Actuarial information
- Note 15 Legacy Product Provision
- Note 21 Solvency and capital adequacy
- Note 25 Risk management

## Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

### Revenue recognition

Premium revenue represents those Members' contributions relating to the year under review. A significant number of our Members pay on a weekly to monthly in advance basis. Premiums billed but unearned are recorded as an unearned premium liability.

### Investment income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest rate method. Premiums and discounts that are an integral part of the effective yield of the investment are recognised as an adjustment to the effective interest rate of the instrument.

Realised and unrealised gains and losses on investments, recorded in determining the surplus in the statement of comprehensive income, include gains and losses on financial assets classified as financial assets at fair value through surplus and deficit.

### Repairs and maintenance

Repairs and maintenance costs are accounted for in the period in which they are incurred.

### Insurance claims

Claims paid and provided for represent payments made on claims and the movements in the outstanding claims and unexpired risk provisions.

### Adoption of new and revised standards and interpretations

The Society adopted all mandatory new and amended standards and their interpretations in the current year. No new or amended standard or their interpretation had a material impact on the Society's assets and liabilities.

### Standards issued but not yet effective and not early adopted

The Society expects to adopt these when they become due for adoption. The impact of the following reporting standards on the Society are still to be determined:

PBE FRS 48 – Service Performance Reporting – Effective for annual report periods beginning on or after 1 January 2022 will result in the disclosure of service performance information.

PBE IFRS 17 - Insurance Contracts - Issued in July 2019 and is effective for annual reporting periods on or after 1 January 2023. This replaces PBE IFRS 4 Insurance Contracts. The Society has not yet assessed the effects of the new standard.

PBE IPSAS 41 - Financial Instruments -The XRB issued this standard in March 2019. This standard supersedes most of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 also supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Society has not assessed the effect of the new standard, it does not expect any significant changes as requirements are similar to PBE IFRS 9.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and on demand deposits, and other short-term highly liquid investments with an original maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

## Premium and other receivables

Premium and other receivables are recognised initially at fair value less any allowance for impairment. Given the short term nature of most receivables the recoverable amount approximates the fair value

## Premiums outstanding

Many policyholders elect to spread premium payments over the term of cover. Accordingly, this can result in a large balance of premiums which is outstanding but not overdue. Under the PBE IPAS 29 definition of financial assets, the Society's outstanding premiums and other receivables meet the classification of "loans and receivables". Premium and other receivables are stated at their cost less any impairment losses. Impairment losses for uncollectible premiums are written off against premium revenue in the year in which they are incurred.

## Investments

All purchases of investments are recognised on the date at which they are originated. Transaction costs are recognised as an expense when determining the surplus or deficit in the statement of comprehensive income on transaction date. Investments are derecognised on the date of maturity or sale of an investment.

The Society designates its investments as financial assets at fair value through surplus and deficit at inception. That is, changes in fair value are recognised in determining the surplus or deficit in the statement of comprehensive income.

Financial assets at fair value through the statement of comprehensive income are stated at fair value with any resultant gain or loss recognised in the statement of comprehensive income. Fair value is determined in the manner described in note 25.

As the intention is for investments to be held until maturity and then reinvested, only the net purchased or matured amount is disclosed in the statement of cash flows.

## Property, plant & equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation rates vary according to the nature of the asset and its economic life and are as follows:

Land	0.0% SL
Buildings	2.0% SL
Building fit-out	8.3% - 12.5% SL
Motor vehicles	25.0% - 31.2% DV
Fixtures and fittings	7.5% - 60.0% DV
Office furniture and equipment	14.4% - 50.0% DV
Computer equipment	14.4% - 67.0% DV

The assets' useful life and amortisation methods are reviewed annually and adjusted, if appropriate, at each financial year end. An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from use. Any gains or losses on disposal are determined by comparing proceeds with the carrying amount. These are then taken to the statement of comprehensive income.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## Intangible assets

Intangible assets represent software. Software development expenditure that meets the criteria for recognition as an intangible asset is capitalised over its expected future life, subject to annual impairment testing.

Additions are initially measured at cost, and thereafter are carried at cost less accumulated amortisation and any accumulated impairment losses. Other development expenditures that do not meet the criteria are recognised as expenses as incurred. Intangible assets with finite lives will be amortised over their estimated useful lives. All intangible assets are tested at least annually for impairment or whenever there are indications that an asset may be impaired. Amortisation is recognised in the statement of comprehensive income on a straight line basis over the estimated useful life of the intangible asset, from the date it is available for use (July 2015). The estimated useful life for software is considered to be 7 years.

An impairment loss is recognised whenever the carrying value exceeds the recoverable amount. Impairment losses are recognised in determining the surplus or deficit in the statement of comprehensive income and may be reversed where there has been a change in the estimates used to determine the recoverable amount.

## Impairment of assets

At each reporting date the Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Any impairment loss is immediately recognised in the statement of comprehensive income.

## Foreign currency

All foreign currency transactions during the year are recognised using the exchange rate ruling at the date of the transaction. Monetary assets denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date.

## Liabilities and provisions

### Trade and other payables

Trade and other payables are categorised as other financial liabilities. Trade and other payables are recognised initially at fair value net of any directly attributable transaction costs. Subsequently, trade and other payables are measured at amortised cost, using the effective interest rate method. All liabilities are paid on or before the due date.

### Employee benefits

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave is accrued and recognised in the statement of financial position when it is probable that settlement will be required and they can be measured reliably. Accruals made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Contributions to defined superannuation plans are expensed when incurred.

### Post employment benefits

The Society's obligation for post employment entitlements comprises post retirement health insurance benefits. The financial value of the obligation is calculated as the present value of estimated future cash flows. In determining future cash flows, consideration is given to future increases in health insurance premiums and historical data with respect to employee departures, periods of service, and mortality rates. The discount rate is the market yield rate on relevant New Zealand Government stock at the end of the reporting period.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | *For the year ended 30 June 2022*

## **Deferred claim provision (Covid-19)**

Ongoing disruption due to Covid-19 has significantly reduced access to elective surgery and primary health providers which has resulted in some events being deferred past balance date. The financial impact for the Society is a significant reduction in claims since October 2021. It was recognised that these claims have only been deferred until capacity is available in the health sector and they will eventuate at a later date. This provision includes expected claim payments plus associated claim handling costs.

This provision is similar in nature and effect to the provision made in 2020, which was released in its entirety during 2021 as elective surgery delays were reduced.

## **Unearned premium provision**

At balance date, an adjustment has been made for that portion of premium revenue received which has not been earned. That is, recognising that in general, the term of the policy will extend into the following financial year. This premium which will be earned in subsequent reporting periods is recognised in the statement of financial position as an unearned premium provision.

## **Unreported claims provision**

This provision represents the estimated amount of benefits unclaimed as at balance date for accounts incurred but not settled. A provision is made of claims reported but not paid, claims incurred but not reported, and claims incurred but not adequately reported. This provision includes expected claim payments plus associated claim handling costs. A risk margin is added to reflect the inherent uncertainty in the estimates of claims.

## **Goods and services tax**

The financial statements have been prepared on a GST exclusive basis, except where a claim for recovery of the GST is not allowed by the Inland Revenue Department. In these cases and in respect of receivables and payables, the amounts are shown inclusive of GST.

## **Leased assets**

Leases are defined as an operating lease where they do not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. All the Society's operating leases are held on a month to month basis.

## **Taxation**

The Society is exempt from income tax due to its status under section CZ 18 of the Income Tax Act. The Society met all of its taxation obligations during the financial year.

## **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year.

## **Comparatives**

The comparative information presented is for the period ended 30 June 2021.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 2. Claims paid and provided for

	2022	2021
	\$	\$
Claims incurred relating to risks borne in current and previous years	67,825,374	61,037,185
Movement in provision for unreported claims	(987,050)	1,640,919
<b>Total claims paid and provided for</b>	<b>66,838,324</b>	<b>62,678,104</b>

## 3. Insurance operating expenses

	2022	2021
	\$	\$
Employee benefit expenses	3,918,852	3,316,133
Contributions to kiwisaver	101,223	88,023
Auditor's fees - audit of financial statements	57,000	35,400
Auditor's fees - other	5,000	3,600
Directors' fees	314,781	295,707
Depreciation	236,338	207,653
Amortisation of intangible assets	329,092	308,177
Rental of external premises	8,230	60,150
Selling expenses	1,758,476	1,929,105
Marketing expenses	727,869	242,426
Office expenses	324,693	365,638
Consultancy expenses	223,876	291,108
Technology enhancements	367,116	-
Regulatory licensing applications	63,064	-
Other expenses	1,348,530	929,792
<b>Total insurance operating expenses</b>	<b>9,784,140</b>	<b>8,072,912</b>

Auditor's remuneration for other services disclosed above consists of reviewing solvency returns.  
Some prior year groupings have been reclassified for consistency with current year.

## 4. Building operating expenses

	2022	2021*
	\$	\$
Property management	7,500	15,664
Building operating expenses	75,488	72,792
Rates	65,720	66,697
Insurance	41,924	43,829
Building depreciation	193,408	193,408
Operating expenses recovered	(51,482)	(57,863)
<b>Total building operating expenses</b>	<b>332,558</b>	<b>334,527</b>

\*The comparative figure for 2021 building depreciation has been restated, refer note 10.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 5. Investment surplus

	2022	2021
	\$	\$
Interest and dividend income on financial assets at fair value through surplus and deficit	2,245,760	1,714,121
Realised gains/(losses) at fair value through surplus and deficit	-	-
Unrealised gains/(losses) at fair value through surplus and deficit	(12,016,433)	4,834,241
Portfolio management fees	(520,480)	(499,619)
<b>Total investment surplus</b>	<b>(10,291,153)</b>	<b>6,048,743</b>

## 6. Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank and on hand	5,714,005	1,886,536
Cash on call	2,438,901	1,217,226
<b>Total cash and cash equivalents</b>	<b>8,152,906</b>	<b>3,103,762</b>

Cash at bank earns interest at floating rates based on daily deposit rates. The carrying amounts of cash and cash equivalents represent fair value. There are no restrictions on cash and cash equivalents.

## 7. Premium and other receivables

	2022	2021
	\$	\$
Premiums receivable	5,161,265	4,819,633
Interest receivable	1,220	1,220
Prepayments	1,031,224	195,044
Other receivables	238,803	62,101
Lease trust account	60,054	-
<b>Total premium and other receivables</b>	<b>6,492,566</b>	<b>5,077,998</b>

During 2022 there were no bad debts (2021: \$Nil) however a provision has been made for bad debts of \$200,000 in 2022 (2021: \$200,000).

## 8. Taxation

	2022	2021
	\$	\$
GST receivable	659,792	466,953
<b>Total taxation</b>	<b>659,792</b>	<b>466,953</b>

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 9. Investments

	2022	2021
	\$	\$
Cash	55,727,831	55,062,560
Fixed interest	66,840,424	73,914,154
NZ equities	12,905,230	14,582,250
International equities	15,071,468	16,778,723
<b>Total investments</b>	<b>150,544,953</b>	<b>160,337,687</b>

Funds are managed primarily by Nikko Asset Management New Zealand Limited. The Society's investment securities are all financial assets classified at fair value through surplus and deficit. Any changes in the fair value are recognised immediately.

Investments held by Nikko Asset Management Limited are available on demand and have been classified as current assets.

## 10. Property, plant & equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

	Freehold land	Buildings	Fixtures fittings & equipment	Motor vehicles	Total
2022	\$	\$	\$	\$	\$
Cost	1,869,095	9,141,742	1,606,840	111,334	12,729,012
Accumulated depreciation	-	(1,515,440)	(1,178,745)	(55,651)	(2,749,836)
<b>Closing book value</b>	<b>1,869,095</b>	<b>7,626,303</b>	<b>428,095</b>	<b>55,683</b>	<b>9,979,176</b>
Opening balance	1,869,095	7,808,963	497,104	75,247	10,250,410
Additions	-	10,748	147,765	-	158,513
Depreciation	-	(193,408)	(216,774)	(19,564)	(429,747)
<b>Closing book value</b>	<b>1,869,095</b>	<b>7,626,303</b>	<b>428,095</b>	<b>55,683</b>	<b>9,979,176</b>

	Freehold land	Buildings	Fixtures fittings & equipment	Motor vehicles	Total
2021	\$	\$	\$	\$	\$
Cost	1,869,095	9,130,994	1,459,076	111,334	12,570,499
Accumulated depreciation	-	(1,322,031)	(961,972)	(36,087)	(2,320,090)
<b>Closing book value</b>	<b>1,869,095</b>	<b>7,808,963</b>	<b>497,104</b>	<b>75,247</b>	<b>10,250,409</b>
Opening balance	1,869,095	8,001,675	627,034	104,907	10,602,711
Additions	-	-	51,982	-	51,982
Disposals	-	-	-	(3,222)	(3,222)
Depreciation	-	(192,712)	(181,912)	(26,438)	(401,062)
<b>Closing book value</b>	<b>1,869,095</b>	<b>7,808,963</b>	<b>497,104</b>	<b>75,247</b>	<b>10,250,409</b>

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 10. Property, plant & equipment continued

### Prior period adjustment

During 2022, the Society identified that the building asset was not being depreciated as per PBE IPSAS 17 Property, Plant and Equipment. The building, while held as a fixed asset was viewed as an investment property held at cost. This has resulted in the over statement of the book value of the building asset. As such the depreciation and resulting accumulated depreciation were understated in the financial years of 2015 through 2021.

The errors have been corrected by restating each of the affected financial statements line items for prior periods. The following tables summarise the impacts on the Society's financial statements.

	Impact on items in the statement of financial position		Impact on items in the statement of comprehensive income
	Buildings cost	Buildings accumulated depreciation	Depreciation expense
	\$	\$	\$
Balance reported at July 2020	9,130,994	(52,732)	144,146,487
Effect of prior period adjustment	-	(1,076,587)	(1,076,593)
<b>Restated balance at July 2020</b>	<b>9,130,994</b>	<b>(1,129,319)</b>	<b>143,069,894</b>
Balance reported at June 2021	9,130,994	(66,013)	154,340,055
Effect of the prior period	-	(1,076,587)	(1,076,593)
Effect of the prior period	-	(179,431)	(179,431)
<b>Restated balance at June 2021</b>	<b>9,130,994</b>	<b>(1,322,031)</b>	<b>153,084,031</b>

The Society commissioned Ford Baker Valuation Limited, Registered Valuers, to undertake a desktop valuation of the land and building occupying 165 Gloucester Street dated 07 May 2021. The basis of the report is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date and the report valued the land and building at \$11,550,000.

The Society continues to value the land and buildings in the financial statement at historical cost.

## 11. Intangible assets

Computer software	2022	2021
	\$	\$
Opening cost at 1 July	2,049,808	2,021,043
Additions	54,355	28,765
	<b>2,104,163</b>	<b>2,049,808</b>
Opening accumulated amortisation & impairment	1,700,368	1,392,191
Amortisation for the year	329,092	308,177
	<b>2,029,460</b>	<b>1,700,368</b>
<b>Closing carrying amount at 30 June</b>	<b>74,703</b>	<b>349,440</b>

Intangible assets is a non-current asset made up of computer software. There are no restrictions over the title of intangible assets, nor are any intangible assets pledged as security for liabilities.

# Financial Statements

Union Medical Benefits Society Limited

Notes to the Financial Statements | For the year ended 30 June 2022

## 12. Trade and other payables

	2022	2021
	\$	\$
Accounts payable	2,763,720	2,288,430
<b>Total trade and other payables</b>	<b>2,763,720</b>	<b>2,288,430</b>

## 13. Employee benefits

**Employee entitlements:** Employee entitlements represent the current obligations to employees in respect of outstanding salaries, leave entitlements, and other short term benefits.

**Post employment benefits:** The Society's obligation for post employment entitlements comprises post retirement health insurance benefits. The financial value of the obligation is calculated as the present value of estimated future cash flows. In determining future cash flows, consideration is given to future increases in health insurance premiums and historical data with respect to employee departures, periods of service, and mortality rates. The discount rate is the market yield rate on relevant New Zealand Government stock at the end of the reporting period of 3.88% (2021: 1.77%).

In the current year the Society has current employment benefits of \$43,288 (2021: \$30,523) and post employment benefits liability for the current year is \$168,979 (2021: \$172,281).

## 14. Deferred claims (Covid-19)

	2022	2021
	\$	\$
<b>Provision for deferred claims due to Covid-19</b>	<b>2,600,000</b>	<b>-</b>

The Covid-19 pandemic which began in 2020 saw the New Zealand Government initiate a series of alert levels to control the spread of the virus. New Zealanders have continued to experience restricted access to medical facilities for procedures due to ongoing impacts from reduced capacity caused by increased protective measures and staffing shortages due to illness and a lack of available staff. The impact of this on UniMed was a reduction in the number and value of claims received.

As the medical conditions giving rise to these claims were not treated, it was the Society's expectation that these claims would still occur, as they were only delayed due to a lack of available resources. The Board considered it appropriate to create a provision in the 2020 financial accounts to acknowledge this. It was forecast that the delayed claims would be received during the 2020/2021 financial year. The Board assessed this at 30 June 2021 and considered there had been sufficient capacity in the private healthcare providers to undertake all elective surgery that was delayed due to the initial Covid-19 outbreak, so the full provision held at that time was released in the financial 2021 results.

When further Covid-19 restrictions were imposed in late 2021 for Auckland, which were subsequently extended to all of New Zealand, the Board monitored the impact on elective surgery capability. Due to the increased delays being experienced, similar to 2020, it was considered appropriate to create a provision in the 2022 financial accounts to acknowledge this. The provision is estimated from the increase in the value of prior approved surgeries that occurred from October 2021 through to the end of the financial year.

It is forecast that the delayed claims will be completed during the 2022/2023 financial year and the provision will be released.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 15. Legacy product provision

	2022	2021
	\$	\$
<b>Provision for legacy products</b>	<b>950,000</b>	<b>-</b>

During the current financial year, the Society has undertaken a review of its older "legacy products" against the current product range. The Society found that while Members were utilising these benefits within normal claim volumes, some product benefits were not providing adequate cover for Members.

After a review by the Appointed Actuary, the Board agreed to lift the limits of certain benefits. The Board acknowledged that premium increase required to lift benefits would impose a significant financial impact on the affected Members, therefore it was agreed to spread the premium increase for Members over a period of time creating a shortfall in premium which has been provided for in the current year.

## 16. Actuarial information

	2022	2021
	\$	\$
Premium obligations provision		
Premium obligations provision opening	12,501,575	12,225,690
Premiums written during the period	80,210,511	75,155,747
Less premiums earned during the period	(79,779,805)	(74,843,105)
Additional level premium rates	453,718	8,781
Reduced HCI portfolio obligations	(43,275)	(45,538)
<b>Premium obligations provision</b>	<b>13,342,724</b>	<b>12,501,575</b>

Premium obligations provision		
Unearned premium reserve	9,827,885	9,397,179
Level premium rates	2,900,989	2,447,271
HCI portfolio obligation	613,850	657,125
<b>Premium obligations provision</b>	<b>13,342,724</b>	<b>12,501,575</b>

In addition to the unearned premium reserve, the Society holds two further reserves relating to future premium obligations, HCI portfolio obligations and level premium rates.

The level premium rates reserve was established in 2001 to recognise the difference in future premiums receivable on policies calculated with an age level premium as opposed to those calculated with the standard stepped premium scale.

Provision for unreported claims opening	11,207,697	9,566,778
Amounts utilised during the period	(8,605,410)	(9,522,258)
Additional provision/(reversal) of unused provision	(916,847)	1,394,153
Amounts provided during the period	8,605,410	9,522,258
Movement in risk margin	(6,024)	149,175
Movement in claims handling costs	(64,179)	97,591
<b>Provision for unreported claims</b>	<b>10,220,647</b>	<b>11,207,697</b>

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 16. Actuarial information continued

	2022	2021
	\$	\$
Central Claims estimate	8,605,410	9,522,258
Claim handling margin	602,379	666,558
Risk margin	1,012,857	1,018,881
<b>Provision for unreported claims</b>	<b>10,220,645</b>	<b>11,207,697</b>

Estimates of the outstanding claims as at 30 June 2022 have been carried out by Peter Davies B.Bus.Sc., a Fellow of the New Zealand Society of Actuaries. The calculation of the provision for outstanding claims complies with NZ IFRS 4 (PBE) 'Insurance Contracts' and Professional Standard No. 4 of the New Zealand Society of Actuaries.

The Actuary is satisfied as to the nature, sufficiency, and accuracy of the data used to determine these provisions.

The Society holds a cash fund investment at Nikko Asset Management as security over the insurance contract liabilities. The carrying value of investments that back insurance contracts liabilities approximates the fair value of those assets. Assets backing insurance liabilities have been determined to be cash fund in nature due to the similar nature of their contractual maturities.

The provisions were determined based on past patterns of claim payments using a chain-ladder method, and include a volatility allowance and a provision for future claim processing.

The provision for unreported claims has not been discounted due to the short-term nature of the claims experienced by the Society. A risk margin has been added to reflect the inherent uncertainty in the estimate. An analysis of the volatility of the historical experience has been used in determining the risk margin. Future volatility is assumed to be consistent with historical volatility. This provision includes a 7.0% (2021: 7.0%) allowance for claim management expenses and a 11% risk margin (2021: 10%), which provides a 90% likelihood of sufficiency (2021: 90%).

The Society and the Education Benevolent Society Incorporated (EBS) have entered into a profit sharing arrangement with respect to the HealthCare Plus products, whereby after appropriate operating costs, solvency charge, and recovery of transition costs, a maximum of 1.5% of premium is payable each financial year. A payment of \$87,444 will be made for the financial year ending 30 June 2022 (2021: \$16,978).

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 16. Actuarial information continued

### Provision for unexpired risk and liability adequacy test

A liability adequacy test was performed to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims-handling costs and other administration costs relating to the business.

If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, the unearned premium liability is deemed to be deficient.

An unexpired risk liability is calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 1 July 2022. There is no unexpired risk liability for the year ended 30 June 2022 (2021: nil). As at 30 June 2022, the liability adequacy test identified a surplus, therefore no deficiency in the unearned premium liability has been recognised.

The calculation of the risk margin has been based on an analysis of the volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 11% of the present value of expected future cash flows has been applied at 30 June 2022 (30 June 2021: 10%). The risk margin was determined with the objective of achieving 90% probability of sufficiency of the unexpired risk liability.

## 17. Members' capital

	2022	2021
	\$	\$
This represents the capital paid up by current Members of the Society	-	-
Opening balance 1 July	-	-
Add additions (repayments) during the year	-	-
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>

	Shares	Shares
This represents the shares held by current members of the Society		
Opening balance 1 July	50,152	49,568
Add additions (repayments) during the year	1,089	584
<b>Closing balance at 30 June</b>	<b>51,241</b>	<b>50,152</b>

The Society's rules require that each policyholder also be a shareholder in Union Medical Benefits Society Limited. This is achieved by issuing each new Member one (1) share when a new policy is underwritten. The issued shares have no nominal value.

## 18. Accumulated funds

	2022	2021
	\$	\$
Opening balance 1 July	153,084,037	143,069,901
Total comprehensive (loss)/income	(7,610,792)	10,014,136
<b>Closing balance at 30 June</b>	<b>145,473,245</b>	<b>153,084,037</b>

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 19. Cash flow reconciliation

	2022	2021
	\$	\$
Total comprehensive (loss)/income	(7,610,792)	10,014,136
Plus (less) non cash items:		
Net (gains)/losses on investments at fair value through the statement of comprehensive income	12,016,432	(4,834,240)
Amortisation of intangibles	329,092	308,177
Depreciation	429,747	401,061
Add items classified as investing activities:		
(Gain)/loss on disposal of property, plant and equipment	-	3,222
	<b>5,164,479</b>	<b>5,892,356</b>
Plus (less) movements in working capital:		
Increase/(decrease) in trade and other payables	475,291	1,345,979
(Increase)/decrease in accounts receivable	(1,414,569)	(1,788,055)
(Increase)/decrease in taxation	(192,839)	149,703
Increase/(decrease) in employee benefits	49,249	(137,174)
Increase/(decrease) in deferred claims (Covid-19)	2,600,000	(3,956,578)
Increase/(decrease) in legacy product provision	950,000	-
Increase/(decrease) in premium obligations provision	841,149	275,885
Increase/(decrease) in unreported claims provision	(987,050)	1,640,919
<b>Total movements in working capital</b>	<b>2,321,231</b>	<b>(2,469,321)</b>
<b>Net cash flows from operating activities</b>	<b>7,485,710</b>	<b>3,423,035</b>

## 20. Credit rating

On 2 September 2022 AM Best Company confirmed the Society's Insurer Financial Strength Rating of A (Excellent) and Issuer Credit Ratings a (Excellent).

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 21. Solvency and capital adequacy

The Society is a not-for-profit organisation. As a consequence of its legal structure, the Society has no recourse to external capital and therefore internally generated capital is of high importance. At 30 June 2022 the Society's capital of \$145,473,245 (2021: \$153,084,037) is equal to the Members' funds as disclosed in the financial statements.

The Insurance (Prudential Supervision) Act 2010 was enacted in September 2010 from which the Society was granted a full licence by the Reserve Bank of New Zealand (RBNZ) on 23 May 2013. The Society is subject to solvency requirements detailed in the Solvency Standard for Non-life Insurance Business issued by the RBNZ. This standard requires the Society to retain a solvency margin of greater than zero meaning that the actual solvency capital position exceeds the minimum required under the solvency standard. During the period ending 30 June 2022 the Society complied with all externally imposed capital requirements.

The Directors' policy for managing capital is to have a strong capital base to establish security to Members and enable the Society to conduct its business as a going concern. This policy is regularly reviewed by Directors in line with the guidelines issued by the RBNZ.

	2022	2021
	\$	\$
Actual solvency capital	145,398,542	153,899,670
Minimum solvency capital	28,268,508	29,795,744
Solvency margin	117,130,034	124,103,926
Solvency coverage ratio	514%	517%

There have been no material changes to the Society's policy for management of capital during the financial year.

## 22. Contingent liabilities

There are no contingent liabilities at balance date. (2021: \$Nil).

## 23. Lease and capital commitments

### Lease commitments

Leases are defined as an operating lease where they do not transfer substantially all the risks and rewards incidental to ownership. The Society has no lease commitments as at 30 June 2022, (2021: \$Nil)

### Leases as Lessor

The Society leases out unused space within its building.

#### Future minimum lease payment

At 30 June, the future minimum lease payments are under non-cancellable leases are receivable as follow.

	2022	2021
	\$	\$
Less than one year	214,639	214,639
Between one and five years	1,073,195	1,073,195
More than five years	143,093	357,732

### Capital commitments

There are capital commitments as at 30 June 2022 of \$Nil, (2021: \$Nil).

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 24. Significant events after balance date

There are no significant events after balance date. As a result of the Covid-19 outbreak, global and local financial markets have become more volatile however nothing has happened post year end that affects the statements shown here. It is expected that this event will have an ongoing impact on the market value of the portfolio.

## 25. Risk management

The Society is exposed to a number of risks in the normal course of business. There are risks associated with underwriting an insurance business (insurance risk), as well as financial risk (credit and liquidity risk), market risks (foreign currency and interest rate risk), and non-financial risk (compliance and operational risk). The Directors and management of the Society understand and recognise the importance of having a strong risk management policy in place. The Insurance (Prudential Supervision) Act 2010 requires insurers to manage its risk management policy which the RBNZ monitors.

The risks and any objectives, policies, and processes to manage these insurance and financial risks are described below:

### Insurance risks

The Society assumes insurance risk through its health insurance activities. The key risk arises in respect of claims costs and, in particular, those costs varying from what was assumed in the setting of premium rates.

#### ***Risk management objectives, policies and processes for mitigating risk***

The primary objective in managing risk is, as far as possible, to reduce the magnitude and volatility of claims costs. A secondary objective is to ensure funds are available to pay claims and maintain the solvency of the business if there is adverse deviation in experience. Key policies and methods for mitigating risk include:

- Underwriting policies and processes which evaluate new risks and offer terms that do not endanger the portfolio.
- Strict claims management procedures to ensure the payment of claims is in accordance with policy conditions.
- A long-term pricing strategy adopted by the Board which supports pricing based on underlying risk.
- Regular monitoring of financial and operating results and detailed investigations into the morbidity and persistency experience of the portfolio.
- Maintaining a target solvency margin in excess of the minimum required by the standard established by the Reserve Bank of New Zealand. The solvency margin ensures the Society is able to withstand a period of adverse insurance or investment experience and still maintain a satisfactory financial position.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 25. Risk management continued

### ***Sensitivity to insurance risk***

The financial results of the Society are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision and the liability adequacy test directly affect the level of estimated claims incurred. The key assumptions used are detailed in note 16.

The scope of insurance risk is managed by the terms and conditions of the policy. The main insurance benefit involves the reimbursement of medical and surgical expenses depending upon the plan option. The level of benefits specified in the contract is a key determinant of the amount of future claims although the exact level of claims is uncertain.

Other variables affecting the level of claims include the underlying morbidity of the lives insured, the nature of treatment given, and the costs of treatment.

### ***Concentration of insurance risk***

Management defines concentration of risk by type of insurance business and geographic region. The Society transacts health insurance business in New Zealand and therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. Insurance risks are well diversified within the health insurance portfolio with claims costs spread across many different types of surgical and medical events. There is no significant exposure to individual large claims.

## **Financial risks**

### ***Credit risk management***

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's premium receivables and investments.

The Society does not enter into any off balance sheet debt financial instruments. All financial instruments are recognised in the financial statements. The Society classifies its financial instruments into the following categories at initial recognition:

- Premium receivable from individual policyholders.
- Concentrations of credit risk are considered low due to the large number of customers comprising the customer base.
- Other.

With respect to credit risk arising from the other financial assets of the Society which comprises cash, cash equivalents, and financial assets, the Directors consider the exposure to any concentration of credit risk to be minimal given that the largest financial assets are the Nikko Asset Management NZ Limited investment portfolio and the bank term deposits, which are placed with high credit quality financial institutions.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 25. Risk management continued

The following table summarises the underlying investments' credit quality held by the unit trust manager and registered banks.

	2022	2021
	\$	\$
Corporate rated		
AAA	40,148,140	38,348,457
AA	34,387,634	33,227,584
A	41,057,371	44,518,115
BBB	8,697,738	10,985,471
Non-rated	26,254,070	33,258,060
	<b>150,544,953</b>	<b>160,337,687</b>

### Liquidity risk management

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation. The Society manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the contractual maturities of financial assets and liabilities at balance date on an undiscounted basis. Actual maturities are expected to be the same as contractual maturities.

### 2022

	0-6 months	7-12 months	1-2 years	over 2 years
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	8,152,906	-	-	-
Premium and other receivables	6,492,566	-	-	-
Taxation	659,792	-	-	-
Investments	150,544,953	-	-	-
<b>Total financial assets</b>	<b>165,850,217</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities				
Trade, other payables and employee benefits	3,317,480	-	-	-
<b>Total financial liabilities</b>	<b>3,317,480</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 25. Risk management continued

**2021**

	0-6 months	7-12 months	1-2 years	over 2 years
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,103,762	-	-	-
Premium and other receivables	5,077,998	-	-	-
Taxation	466,953	-	-	-
Investments	160,337,687	-	-	-
<b>Total financial assets</b>	<b>168,986,400</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities				
Trade, other payables and employee benefits	2,792,940	-	-	-
<b>Total financial liabilities</b>	<b>2,792,940</b>	<b>-</b>	<b>-</b>	<b>-</b>

The cash and cash equivalents are available on call. All trade, other payables and employee benefits are due within one month of the end of the reporting period.

Financial liabilities are all short term or payable on demand. Investments could be liquidated at any time to settle liabilities.

### **Fair value hierarchy**

The Cash and cash equivalents values above is Level 1, and the Premium and other receivables and Investments are Level 2. The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

There were no transfers between Level 1 and Level 2 during the year. The Society's policy is to recognise transfers into the transfers out of the fair value hierarchy levels as at the end of the reporting period.

**2022**

	Carrying amount			Fair value	
	Held to maturity investment	Loans and receivables	Other financial liabilities	Level 1	Level 2
	\$	\$	\$	\$	\$
Financial assets measured at fair value					
Cash and cash equivalents	-	8,152,906	-	8,152,906	-
Premium and other receivables	-	6,492,566	-	-	6,492,566
Taxation	-	659,792	-	-	659,792
Investments	-	150,544,953	-	-	150,544,953
<b>Total financial assets</b>	<b>-</b>	<b>165,850,217</b>	<b>-</b>	<b>8,152,906</b>	<b>157,697,311</b>
Financial liabilities measured at fair value					
Trade, other payables and employee benefits	-	-	3,317,480	-	3,317,480
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>3,317,480</b>	<b>-</b>	<b>3,317,480</b>

# Financial Statements

Union Medical Benefits Society Limited

Notes to the Financial Statements | For the year ended 30 June 2022

## 25. Risk management continued

2021	Carrying amount			Fair value	
	Held to maturity investment	Loans and receivables	Other financial liabilities	Level 1	Level 2
	\$	\$	\$	\$	\$
Financial assets measured at fair value					
Cash and cash equivalents	-	3,103,762	-	3,103,762	-
Premium and other receivables	-	5,077,998	-	-	5,077,998
Taxation	-	466,953	-	-	466,953
Investments	-	160,337,687	-	-	160,337,687
<b>Total financial assets</b>	<b>-</b>	<b>168,986,400</b>	<b>-</b>	<b>3,103,762</b>	<b>165,882,638</b>
Financial liabilities measured at fair value					
Trade, other payables and employee benefits	-	-	2,792,940	-	2,792,940
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,792,940</b>	<b>-</b>	<b>2,792,940</b>

Level 1: The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date.

Level 2: The fair value of financial instruments that are not traded in active markets (for example some interest bearing securities) is determined using valuation techniques. The Society uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The techniques applied are determined by the Society's external asset managers based on various methods applicable to the instruments.

Level 3: One or more of the significant inputs is not based on observable market data.

### Market risk

#### Foreign currency risk management

The Society does not have any direct investments held in foreign currencies, but the Society does hold managed fund units within the investment portfolio managed by Nikko Asset Management. The value of the exposure and the currency held at any time as determined by Nikko Asset Management and this is reflected in the reported value of the funds' units.

Exchange differences will be recognised in the statement of comprehensive income in the period in which they arise.

A sensitivity analysis has been performed on the impact of a 10% appreciation/depreciation of the NZ dollar relative to unhedged foreign currency financial instruments.

	Net Surplus		Equity	
	Increase 10%	(Decrease) (10%)	Increase 10%	(Decrease) (10%)
<b>2022</b>	(1,370,133)	1,674,608	(1,370,133)	1,674,608
<b>2021</b>	(1,525,338)	1,864,303	(1,525,338)	1,864,303

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 25. Risk management continued

### **Interest rate risk**

The Society invests in both fixed and variable rate financial instruments. There is a risk that any movement in interest rates can have an effect on the profitability and cash flows of the Society. The Society maintains a spread of investment types to mitigate this risk. The Society's revenue from investments in the short term is susceptible to changes in interest rates.

However, as the majority of investments are fixed rate term deposits, bonds and capital notes and these investments are generally held until maturity, this exposure is mitigated.

At reporting date, if interest rates had been 100 basis points higher or lower with all other variables held constant, net surplus and equity would have been affected as follows:

	Net surplus		Equity	
	Increase	(Decrease)	Increase	(Decrease)
	1%	(1%)	1%	(1%)
2022	(4,004,794)	4,004,794	(4,004,794)	4,004,794
2021	(4,839,227)	4,839,227	(4,839,227)	4,839,227

### **Capital risk management**

The Society's policy is to maintain a strong equity base to maintain Members', creditor and market confidence. The solvency capital that the Society is required to maintain is the minimum solvency capital amount calculated, in accordance with the solvency standard. The Directors believe that this requirement has been met. The Society's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Society manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching maturity profiles of financial assets and liabilities. The Society also regularly reviews insurance premiums to ensure they are set at an appropriate level to cover insurance claims.

There have been no material changes in the Society's management of capital during the period.

# Financial Statements

Union Medical Benefits Society Limited

**Notes to the Financial Statements** | For the year ended 30 June 2022

## 26. Key management personnel compensation

Key management personnel of the Society include the Board of Directors and the senior managers of the Society. The total remuneration of key management personnel from the Society are:

	2022	2021	2022	2021
	Number	Number	\$	\$
Compensation				
Salaries and other short-term benefits	8	6	1,325,340	1,515,342
Directors fees paid	6	6	314,781	295,707
Post employment benefits	2	2	168,979	172,281

Total remuneration of key personnel includes salaries and benefits for both current employees and those that started or ceased employment during the year.

Transactions between related parties are on normal commercial terms and conditions and there were no loans payable or receivable from related parties at year end (2021: \$Nil).

## 27. Segment information

The Society operates three segments within New Zealand as follows:

2022	Health insurance	Building	Investments	Total
Segment assets	15,863,745	9,495,398	150,544,953	175,904,096
Segment liabilities	30,430,851	-	-	30,430,851
Revenue	79,410,380	225,003	(9,770,673)	69,864,709
Expenses	(76,622,464)	(332,558)	(520,480)	(77,475,501)
<b>Net earnings</b>	<b>2,787,916</b>	<b>(107,555)</b>	<b>(10,291,153)</b>	<b>(7,610,792)</b>

2021*	Health insurance	Building	Investments	Total
Segment assets	9,570,504	9,678,058	160,337,687	179,586,249
Segment liabilities	26,502,212	-	-	26,502,212
Revenue	74,859,640	191,297	6,548,362	81,599,298
Expenses	(70,751,016)	(334,527)	(499,619)	(71,585,162)
<b>Net earnings</b>	<b>4,108,624</b>	<b>(143,230)</b>	<b>6,048,743</b>	<b>10,014,136</b>

\*The comparative figure for 2021 Buildings have been restated, refer note 10.

## Head Office

Union Medical Benefits Society Limited  
165 Gloucester Street, Christchurch  
PO Box 1721, Christchurch 8140

Phone: (03) 365 4048  
Freephone: 0800 600 666

[claims@unimed.co.nz](mailto:claims@unimed.co.nz)  
[members@unimed.co.nz](mailto:members@unimed.co.nz)  
[sales@unimed.co.nz](mailto:sales@unimed.co.nz)  
[accounts@unimed.co.nz](mailto:accounts@unimed.co.nz)



UniMed is proud to be a participant of the Insurance & Financial Services Ombudsman Scheme and a member of the Financial Services Council of New Zealand Incorporated.

[www.unimed.co.nz](http://www.unimed.co.nz)

