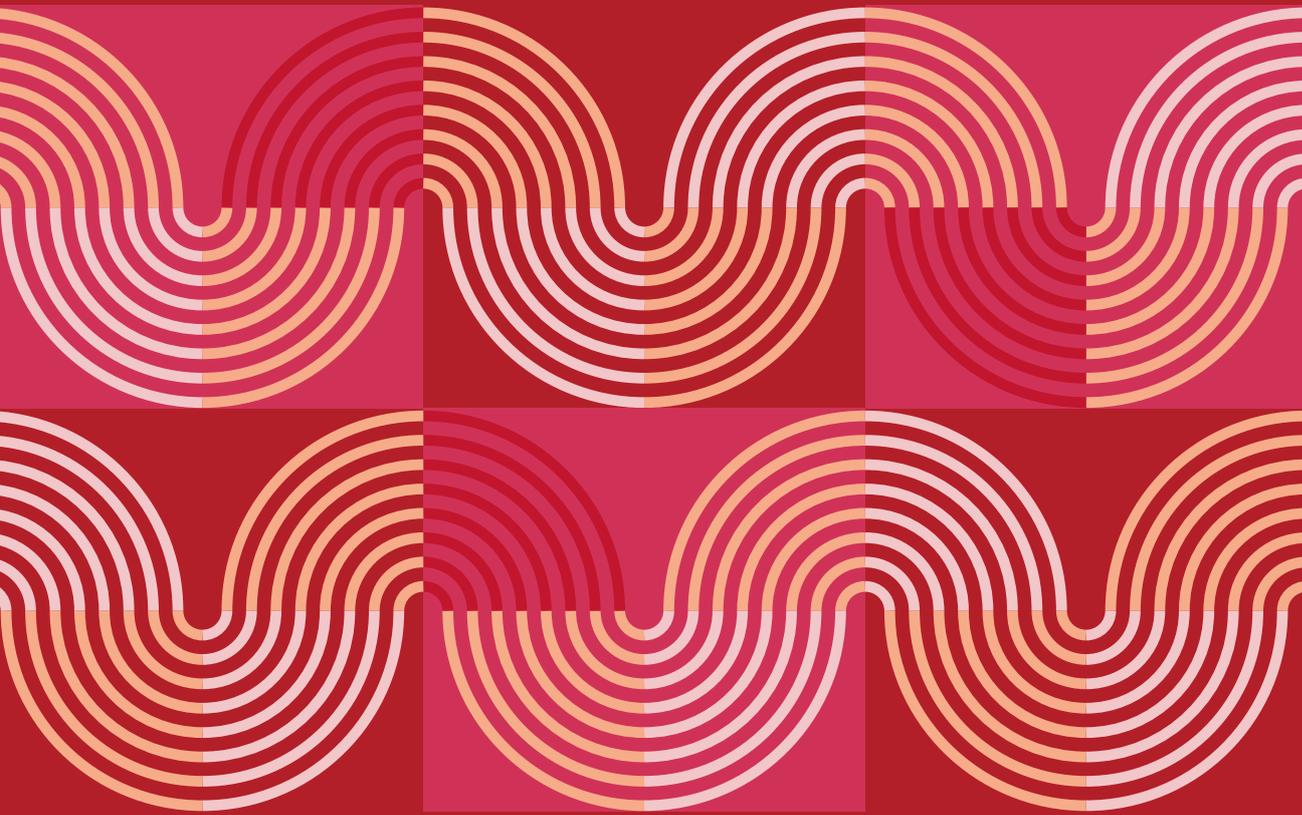


UniMed Annual Report 2021



Our purpose, vision and values

Our purpose is to keep working New Zealanders and their whānau in life-long good health.

Our vision is that more New Zealanders have better access to better health and wellbeing.

Our values define our organisation.



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 practices.



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, absolute fairness and integrity, always seeking to do what's right. Our processes are transparent and we understand that trust is something we strive to earn, every day.





Over the years, I've had cause to seek medical assistance either through illness or accidents so I never thought I would be eligible for health insurance. It wasn't until my 20s, when I started working for my current employer who offered health insurance, that I found out I was eligible to join UniMed.

It changed my life. From that day onwards my medical journey has been so much easier; from instant appointments and diagnosis with specialists instead of long and painful wait lists through the public system, to corrective surgeries completed within only weeks of the initial diagnosis. UniMed have been there for me throughout the past 17 years. Even when the public system has let me down, UniMed have stepped in and helped me through. I am grateful that UniMed are in my life and I highly recommend them to anyone thinking of getting health insurance.

Rachel Ellis

UniMed Member

Te Aroha

Contents

Mission and Values 2

Company Directory 6

Notice of Meeting 7

Board Chair Report 9

Chief Executive Report 10

Profiles of Board of Directors 12

Senior Leadership Team 14

2021 Highlights 17

Statement of Corporate Governance 18

Appointed Actuary’s Report 21

Auditor’s Report 22

Financial Statements 28

Company directory as at 30 June 2021

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

PKF Goldsmith Fox Audit
100 Moorhouse Avenue
Christchurch 8011

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 Novotel Hotel, 52 Cathedral Square, Christchurch 8011 on Thursday 4 November at 6:30pm.

Business

1. Apologies.
2. To confirm the minutes of the 2020 Annual General Meeting.
3. To receive and consider the annual financial statements and Auditor's report for the year ended 30 June 2021.
4. To appoint an auditor for the ensuing year.
5. To consider and (if thought fit) to pass, with or without modification, amendments to the Rules of the Society.
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 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. To be effective the proxy must be deposited at the Society's office (165 Gloucester Street, Christchurch 8011) by 6:00pm on 3 November 2021.



E Richardson
Board Secretary
PO Box 1721
Christchurch 8140

02 October 2021

He aha te mea
nui o te ao?
He tāngata,
he tāngata,
he tāngata.



*What is the most important thing in the world?
It is the people, it is the people, it is the people.*

Māori proverb

Letter from the Chair



After a rollercoaster twelve months, some things do not change and one that stands fast is that UniMed is here for you.

UniMed's focus is always to look after our Members' best interests and ensure that this care flows through to our service and delivery.

UniMed has paid and provided for \$63 million in claims meaning that from every premium dollar received, approximately 84 cents was returned to Members by way of claim payments. Our strong underwriting performance coupled with prudent financial oversight of the Society's investments has resulted in a surplus of \$10 million which is retained within the Society and ensures that the inevitable ebb and flow of any insurance activity can be accommodated. These reserves should give members confidence in the Society's performance and our ability to pay future claims, even in adverse circumstances. Reflecting the Society's financial soundness, UniMed received confirmation of its 'A' financial strength rating from AM Best in July.

We formally bid farewell to our longstanding Chief Executive Dermot Martin at the end of 2020 and welcomed Louise Zacest to the UniMed whānau at the beginning of 2021. The Board again thanks Dermot for his membership focus and significant contribution to making UniMed the successful Society it

is today. Louise has seamlessly blended into the Chief Executive role and is applying her many skills to good effect. We look forward to her positive impact on the Society.

Our aim at the outset of the first lock down was to support our Members and staff. The options that were introduced and premium credit were very well received and I am pleased to advise that the flu vaccination and counselling session benefits were extended to the end of the financial year. I would personally like to thank the calm and competent way in which both Chief Executives, the senior leadership team and staff have worked through and continue to work through the challenges presented by Covid-19.

I am sure that the year ahead will present more unexpected challenges and our focus will be on growth and innovation, our conduct and culture, commitment to regulatory compliance, and continuous improvement to our members' journey and service. We are excited for UniMed's future.

Thank you to the Board, the senior leadership team, and UniMed staff for all of your work over this extraordinary year. And as always, thank you to all our Members for your continued support.

Jane Huria
Chair

Letter from the Chief Executive

It has been a privilege to take on the mantle of UniMed's CE. Dermot Martin has done a fantastic job for UniMed over the past 33 years to build a society that delivers exceptional service and value to members, and is financially strong.

As I said to Dermot when we worked together in December 2020 to ensure a smooth handover, I am committed to protecting his legacy and ensuring that UniMed continues to meet the needs of our Members.

At the same time, I have a responsibility to ensure we are well-positioned to respond to a changing world. This includes looking at the products, services, partnerships and technology we will need in the future.

The first thing that struck me when I joined UniMed was the 'heart' of the organisation, the way each and every employee is genuinely focussed on helping people access the healthcare and support they need. I also know from reading your feedback that you value the care provided by the UniMed team when you are facing health issues and need to claim. This is reflected in our Net Promoter Score of over 60; this is a measure of how likely our Members are to recommend us. Any score over 30 is considered 'great'.

However, I also acknowledge that there are times where we can fall short, and want to assure you that where this happens we use your feedback to identify improvements required to our communication and services.

Before joining UniMed in January, I spent over 10 years working in health service delivery in both the private and public sectors. This has given me a good understanding of the practical realities of providing health services and the factors that impact patients and families. My earlier career was in financial services and insurance. As UniMed's CE, I am able to draw on this diverse experience to help chart the road ahead.

At a personal level, like so many of you I have experienced the difference that health insurance can make when my family has needed to access health services. My husband Juri and I have two daughters aged 19 and 23, who are both at university, one in Dunedin and the other in the USA. Covid-19 has made the distance especially hard. This Christmas it will be two years since we last saw our eldest daughter.

Covid-19 has also made us realise how important our health and wellbeing are. I am really pleased that UniMed has been able to provide additional support to our Members and Business Partners during these challenging times, especially the fully funded mental health support available until 31 March 2022.

Louise Zacest
Chief Executive

“The first thing that struck me when I joined was the ‘heart’ of the organisation, the way each and every employee is genuinely focussed on helping people access the healthcare and support they need.”



Board of Directors



Jane Huria, *Chair, LLB*

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, Fortuna Group Ltd, 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*

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.

He 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.

He 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, 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. He 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.

He 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

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

GM 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

GM 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

GM 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 – Customer 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.

As at October 2021.



I've been a member of UniMed since 2007. They've always been really good value for money and covered any major illnesses my partner and I have had.

The claims process is simple and straightforward and the Customer Service team is always polite and helpful.

Rajendran Rajagopa
UniMed Member
Hamilton

2021 highlights

Performance

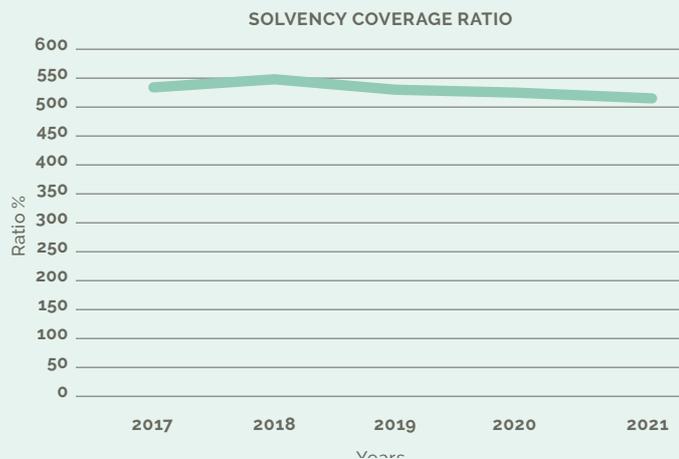
	2020	2021
Premium income	\$70.26 million	\$74.86 million
Claims paid	\$56.01 million	\$62.68 million
Average claims per day	\$224,000	\$251,000

+6.5%
Premiums received

+11.9%
Claims paid



Security



	2020	2021
Solvency margin	\$116.06 million	\$124.10 million
Investment value	\$150.79 million	\$160.34 million
Investment return (\$)	\$8.09 million	\$6.50 million

+7.20%
Investment value

4.46%
ROI

A
Financial Strength Rating (excellent)

Membership

	2020	2021
Members' funds	\$144.15 million	\$154.34 million

+7.07%
Members' funds

+1.2%
Policies



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 2021, 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 CE and senior leadership. 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 has three standing committees: Audit and Risk, Nominations, and an Employment and Remuneration committee.

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.

Nominations Committee

The Nominations Committee operates under its own Charter approved by the Board.

The Nominations Committee's objectives are to assist the Board in planning the Board's composition, evaluating the capabilities required of prospective directors, assessing directors and relevant officers in accordance with the Society's Fit and Proper Person Policy, establishing the degree of independence, and making recommendations to the Board accordingly. The Committee will consult with external advisors including executive search consultants and other independent sources of information and advice as it considers necessary for carrying out its responsibilities.

The Nominations Committee currently comprises Jane Huria (Chair), and Ben Kepes, and Angus McConnell.

Employment and Remuneration Committee

The Employment and Remuneration Committee operates under its own Charter approved by the Board.

The Employment and Remuneration Committee's objectives are to assist the Board in the establishment of remuneration policies and practices for remuneration setting of the Society's CE and Directors.

The Employment & Remuneration Committee currently comprises Jane Huria (Chair), and Angus McConnell.

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 2021

	Board (8)	AGM	Audit & Risk (3)	Employment & Remuneration	Nominations
Jane Huria	8	1	–	1	1
Chris Flatt	7	1	2	–	–
Ben Kepes	8	1	–	–	1
Angus McConnell	7	1	1	1	*
Tim McGuinness	8	1	3	–	–
Peter Tynan	8	1	3	–	–

* Did not attend due to conflict of interest

Appointed Actuary report

30 August 2021

To: The Directors
Union Medical Benefits Society Limited

From: Peter Davies
Appointed Actuary

Re: Union Medical Benefits Society Limited: Report as at 30 June 2021 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 30 June 2021. "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 30 June 2021 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

To the Members of Union Medical Benefits Society Limited

Opinion

We have audited the financial statements of Union Medical Benefits Society Limited (the Society), on pages 28 to 45, which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2021, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Public Benefit Entity Accounting Standards (Not for Profit).

This report is made solely to the Society's Members, as a body. Our audit work has been undertaken so that we might state to the Society's Members those matters which we are required to state to them in the 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's Members, as a body, for our audit work, for this report or for the opinion we have formed.

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 (Revised) *Code of Ethics for Assurance Practitioners* 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.

Other than in our capacity as Auditor we have no relationship with, or interests in, the Society

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements in the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed each matter is provided in that context.

Why Significant	How our audit addressed the key audit matter
<p>Investments</p> <p>As at 30 June 2021, the carrying value of investments was \$160,337,687. This is a significant balance as it forms 89% of total assets and accordingly, we considered it a Key Audit Matter. The most significant component of the above balance is \$156,387,168 of managed investments, treated as liquid and plays an important role in maintaining solvency margins required by the RBNZ.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Verification of existence and ownership of recorded investments with investment managers; • Confirmed market value movements to external sources; • Ensured investment income is appropriately reported in the financial statements; • Obtained the type 2 report for the investment managers noting any key findings relating to the service organisation's effectiveness of controls.

Why Significant	How our audit addressed the key audit matter
<p>Unearned Premium Provision As at 30 June 2021, there is an unearned provision of \$12,501,575, being 47% of total current liabilities, which comprises of a number of items with the most significant being \$9,397,179 unearned billings, and a \$2,447,271 provision for level premiums above age 60.</p> <p>The unearned premiums provision is an important estimate as the premiums are billed in advance for the period of cover and accordingly, we considered the provision a Key Audit Matter.</p> <p>Additionally, 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.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Tested the financial reporting system to gain confidence that it was operating effectively; • Performed an ageing analysis for unearned premiums; • Engaged an independent actuary to peer view the actuarial report obtained by the Society; • Assessed key assumptions for reasonableness used by the Society's actuary; • Ensured the recommended provision is appropriately reflected in the financial statements.
<p>Unreported Claims Provision As at 30 June 2021 there is a provision of \$11,207,697 to provide for unreported claims being 42% of total current liabilities. The provision is considered a key matter as it requires the board to exercise significant judgement in estimating the provision.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Engaged an independent Actuary to peer view the actuarial report obtained by the Society; • Assessed key assumptions for reasonableness used by the Society's actuary; • Ensured the recommended provision is appropriately reflected in the financial statements.

Information Other than the Financial Statements and Auditor’s Report

The Board is responsible for the Annual Report, which includes information other than the financial statements and Auditor’s report, The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Boards’ Responsibilities for the Financial Statements

The Board is responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with New Zealand Public Benefit Entity Accounting Standards (Not for Profit), and for such internal control as the Board determines 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 Board is 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 Board either intends to liquidate the Society or cease operations, or have no realistic alternative but to do so.

The Board is responsible for overseeing the Society’s financial reporting process.

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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



PKF Goldsmith Fox Audit Limited

Christchurch, New Zealand

16 September 2021



I belong to UniMed through Fulton Hogan's subsidised scheme for staff but before that I was also a member. To be honest, I can't fault their service. They're an absolute pleasure to deal with. The speediness of replying to queries, whether big or small, makes you feel that the person you're dealing with there really cares about you and your whānau's health.

With all the uncertainty at the moment, UniMed's continuity is very comforting. I've needed to have some specialist treatment recently and UniMed was only too happy to pre-approve my treatment, saving me and my family stress about costs. It means I can just concentrate on my health. I think that's a big thing for families. I've belonged to other health insurers previously, but I got sick of being interrogated and felt like to wasn't worth the hassle at times. Thanks to the UniMed team for all you do; it says a lot about your culture and values. It makes sense to have health insurance with people who care.

Willie Popata

Surfacing Development Manager
Fulton Hogan



The ease and speed with which UniMed looks after our claims is what really stands out for our members. The NZ Dairy Workers Union has about 8,500 members in total, 7,000 of whom have access to our subsidised scheme.

If anyone is ever reluctant, I always tell them about one of our site delegates who rang me one day and told me he'd been diagnosed with cancer. Within less than two weeks, he was in hospital having the necessary surgery, all paid for by UniMed. Three months later, on his first day back at work, he rang me again saying he's just received a letter from the public health system advising of his first appointment.

Daniel Needham

Upper South Island Regional Organiser
NZ Dairy Workers Union



Financial statements

Union Medical Benefits Society Limited Statement of comprehensive income For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Insurance			
Members' premiums		74,859,640	70,261,780
Claims paid and provided for	2	62,678,104	56,007,417
Insurance surplus		12,181,536	14,254,363
Insurance operating expenses	3	8,072,818	6,870,257
Gross insurance operating surplus		4,108,718	7,384,106
Covid-19 expenses			
Covid-19 related expenses	4	14,071	2,771,221
Net insurance operating surplus		4,073,935	4,612,885
Building			
Rental		191,297	200,549
Net building operating expenses	5	141,119	137,504
Building operating surplus/(deficit)		50,178	63,045
Investments			
Net investment surplus	6	6,048,743	8,087,086
Operating surplus		10,193,568	12,763,016
Total comprehensive income for the year		10,193,568	12,763,016

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

Financial statements

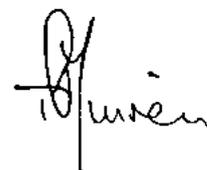
Union Medical Benefits Society Limited Statement of financial position As at 30 June 2021

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	7	3,103,762	4,475,930
Premiums and other receivables	8	5,077,998	3,289,943
Taxation	9	466,953	616,656
Investments	10	160,337,687	150,788,991
Total current assets		168,986,400	159,171,520
Non-current assets			
Property, plant and equipment	11	11,506,427	11,679,297
Intangible assets	12	349,440	628,852
Total non-current assets		11,855,867	12,308,149
Total assets		180,842,267	171,479,669
Current liabilities			
Trade and other payables	13	2,288,430	942,451
Employee benefits	14	504,510	641,685
Deferred Claims (Covid-19)	15	-	3,956,578
Unearned premium provision	16	12,501,575	12,225,690
Unreported claims provision	16	11,207,697	9,566,778
Total current liabilities		26,502,212	27,333,182
Net assets		154,340,055	144,146,487
Members' funds			
Members' capital	17	-	-
Accumulated funds	18	154,340,055	144,146,487
Total members' funds		154,340,055	144,146,487

J Huria
Board Chair
16 September 2021



T McGuinness
Audit & Risk Committee Chair
16 September 2021



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

Financial statements

Union Medical Benefits Society Limited Statement of changes in equity For the year ended 30 June 2021

	Note	Members' capital \$	Accumulated funds \$	Total \$
2021				
Opening balance at 30 June		-	144,146,487	144,146,487
Total comprehensive income		-	10,193,568	10,193,568
Members' contribution	17	-	-	-
Closing balance at 30 June		-	154,340,055	154,340,055
2020				
Opening balance at 1 July		-	131,383,471	131,383,471
Total comprehensive income		-	12,763,016	12,763,016
Members' contribution		-	-	-
Closing balance at 30 June		-	144,146,487	144,146,487

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

Financial statements

Union Medical Benefits Society Limited Statement of cash flows For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash was provided from:			
Members' contributions		73,333,399	70,731,982
Building rental		191,297	200,549
Investment income		1,714,121	2,532,395
		75,238,817	73,464,926
Cash was applied to:			
Payments for claims		64,993,763	52,922,711
Payments to suppliers for goods and services		3,417,863	3,580,028
Payments to employees		3,404,156	3,298,357
		71,815,782	59,801,096
Net cash flows from operating activities	19	3,423,035	13,663,830
Cash flows from investing activities			
Cash was provided from:			
Sale of fixed assets		-	-
Sale of investments		-	-
		-	-
Cash was applied to:			
Purchase of property, plant and equipment		51,982	114,666
Purchase of intangibles		28,765	-
Net payments for investments		4,714,456	11,503,385
		4,795,203	11,618,051
Net cash flows from investing activities		(4,795,203)	(11,618,051)
Net increase/(decrease) in cash held		(1,372,168)	2,045,779
Plus opening cash brought forward		4,475,930	2,430,151
Closing cash		3,103,762	4,475,930

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 2021

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).

These financial statements were approved by the Board of Directors on 16 September 2021.

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 New Zealand equivalents to International Reporting Standards for Public Benefit Entities (PBE Standards) as appropriate for Tier 1 not-for-profit public benefit entities and the requirements of the IPS Act.

The PBE Standards are based on International Public Sector Accounting Standards, which are themselves based on IFRS.

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 10)
- 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 (\$).

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.

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 15 Deferred claims (Covid-19)
- Note 16 Actuarial information
- 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 comprehensive income.

Repairs and maintenance

Repairs and maintenance costs are accounted for in the period that 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.

Financial statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of accounting policies (continued)

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 its interpretation had a material impact on the Society's assets and liabilities.

Standards issued but not yet effective and not early adopted

The impact of the following reporting standards on the Society is still to be determined.

PBE FRS 48 – Service Performance Reporting – Effective for annual report periods beginning on or after 1 January 2022

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.

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.

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 3 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 in 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 comprehensive income' 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 and buildings	0.0%
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.

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.

Financial statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

1. Statement of accounting policies (continued)

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 recognised in the statement of comprehensive income immediately.

Foreign currency

All foreign currency transactions during the year are brought into account 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

Current liabilities and provisions are stated at the expected amounts payable and include the following:

Trade and other payables

Trade and other payables are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services. Given their short term nature, balances are not discounted as cost approximates amortised costs.

Employee benefits

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, long service 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.

Deferred claim provision (Covid-19)

During New Zealand's government mandated lock down period covering March to May 2020 there was reduced access to elective surgery and primary health providers which resulted in some events being deferred past balance date. The financial impact for the Society was a significant reduction in claims during March, April, and May 2020. 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 claims handling costs and a risk margin.

UniMed has assessed that as at 30 June 2021 there has been sufficient capacity in the private healthcare sector for providers to undertake all elective surgery that was delayed due to Covid-19. As a result the full provision has been released in the 2021 results.

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 claims 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 the Income Tax Act 2007.

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 2020.

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

2. Claims paid and provided for

	2021	2020
	\$	\$
Claims incurred relating to risks borne in current and previous years	61,037,185	56,879,290
Movement in provision for unreported claims	1,640,919	(871,873)
Total claims paid and provided for	62,678,104	56,007,417

3. Insurance operating expenses

	2021	2020
	\$	\$
Employee benefit expenses	3,404,156	3,298,357
Auditor's fees - Audit of financial statements	35,400	39,720
Auditor's fees - Other	3,600	3,500
Directors' fees	295,707	297,168
Depreciation	221,630	197,860
Amortisation of intangible assets	308,177	306,930
Rental of external premises	60,150	10,077
Selling expenses	1,978,570	1,228,390
Marketing expenses	192,962	-
Office expenses	319,630	376,007
Consultancy expenses	291,107	176,629
Other expenses	961,729	935,619
Total insurance operating expenses	8,072,818	6,870,257

Auditor's remuneration for other services disclosed above consists of reviewing solvency returns

4 Covid-19 expenses

	2021	2020
	\$	\$
Covid-19 premium credit	-	2,764,977
Extra Covid-19 benefits reimbursed to groups	14,071	6,244
Total Covid-19 expenses	14,071	2,771,221

In response to the Covid-19 pandemic during 2020, the New Zealand Government initiated a countrywide system of alert levels. At Alert Levels 3 & 4 public and private hospitals were ordered to restrict surgical admissions to only critical admissions as they were to be on call in the event of a widespread outbreak of Covid-19.

Due to these restrictions and the general request that those in New Zealand remain in self-imposed isolation, UniMed experienced an unprecedented drop in claims during this time. The Appointed Actuary provided the Board with advice that while the majority of the claims have only been delayed until full services resume, a portion of these claims will never eventuate. In recognition of this, the Board approved a Premium Credit equal to two weeks of premium in June 2020.

The Board also approved a number of one-off Covid-19 benefits to all policyholders and Groups. While those made to individual policyholders were recorded as normal claims, claim payments made to Groups are not able to be allocated to a policy and are recorded as extra Covid-19 benefits.

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

5. Building operating expenses

	2021	2020
	\$	\$
Property management	15,664	15,514
Building operating expenses	72,792	49,905
Rates	66,697	77,093
Insurance	43,829	44,076
Operating expenses recovered	(57,863)	(49,084)
Total building operating expenses	141,119	137,504

6. Investment surplus

	2021	2020
	\$	\$
Interest and dividend income	1,714,121	2,532,395
Realised gains/(losses) on fair value investment	-	-
Unrealised gains/(losses) on investments fair value through statement of comprehensive income	4,834,241	5,992,149
Portfolio management fees	(499,619)	(437,458)
Total investment surplus	6,048,743	8,087,086

7. Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	1,886,536	1,964,610
Cash on call	1,217,226	2,511,320
Total cash and cash equivalents	3,103,762	4,475,930

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.

8. Premium and other receivables

	2021	2020
	\$	\$
Premiums receivable	4,819,633	3,074,213
Interest receivable	1,220	7,685
Prepayments	195,044	121,758
Other receivables	62,101	62,100
Colliers trust account	-	24,187
Total premium and other receivables	5,077,998	3,289,943

During 2021 there were no bad debts (2020: \$Nil) however a provision has been made for bad debts of \$200,000 in 2021 (2020: \$200,000).

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

9. Taxation

	2021	2020
	\$	\$
GST receivable	466,953	616,656
Total taxation	466,953	616,656

10. Investments

	2021	2020
	\$	\$
Cash	55,062,560	55,447,301
Fixed interest	73,914,154	70,589,470
NZ equities	14,582,250	12,499,648
International equities	16,778,723	12,252,572
Total investments	160,337,687	150,788,991

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 the comprehensive income. Any changes in the fair value are recognised immediately.

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

11. Property, plant & equipment

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

2021	Freehold land	Buildings	Fixtures fittings & equipment	Motor vehicles	Total
	at cost	at cost	at cost	at cost	
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance 1 July	1,869,095	9,130,994	1,407,093	130,397	12,537,579
Additions	-	-	51,982	-	51,982
Disposals at cost	-	-	-	(19,062)	(19,062)
Balance 30 June	1,869,095	9,130,994	1,459,075	111,334	12,570,499
Accumulated depreciation					
Balance 1 July	-	52,732	780,060	25,490	858,282
Current year depreciation	-	13,281	181,912	26,438	221,630
Depreciation on disposals	-	-	-	(15,840)	(15,840)
Balance 30 June	-	66,013	961,971	36,087	1,064,072
Total book value	1,869,095	9,064,981	497,104	75,247	11,506,427

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

11. Property, plant & equipment (continued)

2020	Freehold land	Buildings	Fixtures fittings & equipment	Motor vehicles	Total
	at cost	at cost	at cost	at cost	
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance 1 July	1,869,095	9,130,994	1,403,762	95,310	12,499,161
Additions	-	-	3,331	111,335	114,666
Disposals at cost	-	-	-	(76,248)	(76,248)
Balance 30 June	1,869,095	9,130,994	1,407,093	130,397	12,537,579
Accumulated depreciation					
Balance 1 July	-	39,451	606,357	73,541	719,349
Current year depreciation	-	13,281	173,703	10,876	197,860
Depreciation on disposals	-	-	-	(58,927)	(58,927)
Balance 30 June	-	52,732	780,060	25,490	858,282
Total book value	1,869,095	9,078,262	627,033	104,907	11,679,297

The Society commissioned Ford Baker Valuation Limited, Registered Valuers, to undertake a market valuation of the land and building occupying 165 Gloucester Street dated 7 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.

12. Intangible assets

	2021	2020
	\$	\$
Computer software		
Opening cost at 1 July	2,021,043	2,021,043
Additions	28,765	-
	2,049,808	2,021,043
Opening accumulated amortisation & impairment	1,392,191	1,085,261
Amortisation for the year	308,177	306,930
	1,700,368	1,392,191
Closing carrying amount at 30 June	349,440	628,852

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 2021

13. Trade and other payables

	2021	2020
	\$	\$
Accounts payable	2,288,430	942,451
Total trade and other payables	2,288,430	942,451

14. 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.

In the current year the Society has current employment benefits of \$30,523 (2020: \$8,182) and post employment benefits liability for the current year is \$172,281 (2020: \$187,987).

15. Deferred claims (Covid-19)

	2021	2020
	\$	\$
Total deferred claims (Covid-19)	-	3,956,578

The Covid-19 pandemic saw the New Zealand Government initiate a series of Alert Levels to control the spread of the virus. While New Zealand was at Levels 3 and 4 the movements of the population were significantly restricted and medical facilities were reduced to only undertaking urgent medical procedures in the event they were required to deal with a spike in Covid-19 related medical conditions. 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 liability. It was forecast that the delayed claims would be received during the 2020/2021 financial year. UniMed has assessed that as at 30 June 2021 there had been sufficient capacity in the private healthcare sector for providers to undertake all elective surgery that was delayed due to Covid-19, so the full provision has been released in the 2021 results.

16. Actuarial information

	2021	2020
	\$	\$
Provision for unearned premium	12,501,575	12,225,690
Provision for unreported claims excluding HCP policies	9,338,048	7,941,683
Provision for unreported claims on HCP policies	1,869,649	1,625,095
Provision for unreported claims	11,207,697	9,566,778

Financial statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

16. Actuarial information (continued)

Estimates of the outstanding claims as at 30 June 2021 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 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% (2020: 7.0%) allowance for claim management expenses, and a 10% risk margin (2020: 10%), which provides a 90% likelihood of sufficiency (2020: 90%).

UniMed and Education Benevolent Society Incorporated (EBS) have entered into a surplus 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. An accrual of \$16,978 has been made for the financial year ending 30 June 2021 (2020: \$Nil).

17. Members' capital

	2021	2020
This represents the capital paid up by current Members of the Society	\$	\$
Opening balance 1 July	-	-
Add additions (repayments) during the year	-	-
Closing balance at 30 June	-	-
This represents the shares held by current Members of the Society	Shares	Shares
Opening balance 1 July	49,568	48,889
Add additions (repayments) during the year	584	679
Closing balance at 30 June	50,152	49,568

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

	2021	2020
	\$	\$
Opening balance 1 July	144,146,487	131,383,471
Total comprehensive income	10,193,568	12,763,016
Closing balance at 30 June	154,340,055	144,146,487

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

19. Cash flow reconciliation

	2021	2020
	\$	\$
Total comprehensive income	10,193,568	12,763,016
Plus (less) non cash items:		
Net (gains)/losses on investments at fair value through the statement of comprehensive income	(4,834,241)	(5,992,149)
Amortisation of intangibles	308,177	306,930
Depreciation	221,630	197,860
Add items classified as investing activities:		
(Gain)/loss on disposal of property, plant and equipment	3,222	17,320
	5,892,356	7,292,977
Plus (less) movements in working capital:		
Increase/(decrease) in trade and other payables	1,345,979	361,734
(Increase)/decrease in premiums and other receivables	(1,788,055)	2,282,561
(Increase)/decrease in taxation	149,703	(360,036)
Increase/(decrease) in employee benefits	(137,176)	43,026
Increase/(decrease) in deferred claims (Covid-19)	(3,956,578)	3,956,578
Increase/(decrease) in unearned premium provision	275,886	958,863
Increase/(decrease) in unreported claims provision	1,640,919	(871,873)
Total movements in working capital	(2,469,321)	6,370,853
Net cash flows from operating activities	3,423,035	13,663,830

20. Credit rating

On 29 July 2021 AM Best Company confirmed the Society's Insurer Financial Strength Rating of A (Excellent) and Issuer Credit Ratings a (Excellent).

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 2021 the Society's capital of \$154,340,055 (2020: \$144,146,487) 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 2021 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.

	2021	2020
	\$	\$
Actual solvency capital	153,899,670	143,517,635
Minimum solvency capital	29,795,744	27,460,953
Solvency margin	124,103,926	116,056,682
Solvency coverage ratio	517%	523%

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

Financial statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

22. Contingent liabilities

There are no contingent liabilities at balance date. (2020: \$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 2021, (2020: \$Nil).

Capital commitments

There are capital commitments as at 30 June 2021 of \$Nil, (2020: \$Nil).

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.

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 statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

25. Risk management (continued)

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.

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

	2021	2020
	\$	\$
Corporate rated		
AAA	38,348,457	14,699,365
AA	33,227,584	58,168,313
A	44,518,115	41,780,943
BBB	10,985,471	10,413,463
Non-rated	33,258,060	25,726,907
	160,337,687	150,788,991

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.

2021	0-6 months	7-12 months	1-2 years	over 2 years
Financial assets	\$	\$	\$	\$
Cash and cash equivalents	3,103,762	-	-	-
Premiums and other receivables	5,077,998	-	-	-
Taxation	466,953	-	-	-
Investments	160,337,687	-	-	-
Total financial assets	168,986,400	-	-	-
Financial liabilities				
Trade, other payables and employee benefits	2,792,940	-	-	-
Total financial liabilities	2,792,940	-	-	-

Financial statements

Union Medical Benefits Society Limited Notes to the financial statements For the year ended 30 June 2021

25. Risk management (continued)

2020	0-6 months	7-12 months	1-2 years	over 2 years
Financial assets	\$	\$	\$	\$
Cash and cash equivalents	4,475,930	-	-	-
Premiums and other receivables	3,289,943	-	-	-
Taxation	616,656	-	-	-
Investments	150,788,991	-	-	-
Total financial assets	159,171,520	-	-	-
Financial liabilities				
Trade, other payables and employee benefits	1,584,136	-	-	-
Total financial liabilities	1,584,136	-	-	-

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 and Investments values above are Level 1, and the Premium and other receivables are Level 2.

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.

Market risk

Foreign currency risk management

The Society does have investments in international companies within its investment portfolio and is subject to foreign exchange risk. Through its Portfolio Manager the Society has entered into hedging contracts to reduce the impact of changes in foreign currencies.

Exchange differences are 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	(Decrease)	Increase	(Decrease)
	10%	(10%)	10%	(10%)
2021	(1,525,338)	1,864,303	(1,525,338)	1,864,303
2020	(1,113,870)	1,361,397	(1,113,870)	1,361,397

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%)
2021	(4,839,227)	4,839,227	(4,839,227)	4,839,227
2020	(4,493,418)	4,493,418	(4,493,418)	4,493,418

Financial statements

Union Medical Benefits Society Limited

Notes to the financial statements

For the year ended 30 June 2021

25. Risk management (continued)

Fair values

The estimated fair values of the Society's financial instruments are considered to be materially the same as their carrying amounts as disclosed in the statement of financial position.

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 by 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.

26. Key management personnel compensation

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

	2021	2020
Compensation	\$	\$
Salaries and other short-term benefits	1,515,342	1,131,646
Directors fees paid	295,707	297,168
Post employment benefits	172,281	187,987

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 (2020: \$Nil).

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

27. Segment information

The Society operates three segments within New Zealand as follows:

2021	Health insurance	Building	Investments	Total
Segment assets	9,570,504	10,934,076	160,337,687	180,842,267
Segment liabilities	26,502,212	-	-	81,599,299
Revenue	74,859,640	191,297	6,548,362	81,585,228
Expenses	(70,764,993)	(141,119)	(499,619)	(71,405,731)
Net earnings	4,094,647	50,178	6,048,743	10,193,568
2020	Health insurance	Building	Investments	Total
Segment assets	9,743,322	10,947,357	150,788,991	171,479,669
Segment liabilities	27,333,182	-	-	27,333,182
Revenue	67,490,559	200,549	8,524,544	76,215,652
Expenses	(62,877,674)	(137,504)	(437,458)	(63,452,636)
Net earnings	4,612,885	63,045	8,087,086	12,763,016



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
members@unimed.co.nz
sales@unimed.co.nz
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



INSURANCE & FINANCIAL SERVICES
OMBUDSMAN
