Annual Report 2024

UNION MEDICAL BENEFITS SOCIETY LIMITED

UniMed

Kia atawhai ki te Iwi – Cherish and care for the people.

Pita te Hori, Ūpoko/Head
Ngāi Tūāhuriri, Ngāi Tahu, 1860s

Purpose, vision and values.

Our core purpose

To help working New Zealanders and their whānau to stay in life-long good health. To achieve this, we partner with people and leading organisations throughout New Zealand.

Our vision

Healthier, happier people so our nation can thrive.

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 needs and do our best to tailor our interactions to suit. We strive to support our business customers to take care of their employees, tailoring our services where we can to suit specific organisational needs.

Our commitment to maintaining a strong financial foundation, and to New Zealand's environmental sustainability, means that we are resilient and responsible, all to ensure we will be here for our Members, now and in the future.

TRUST

We are judged by the way we act. At UniMed, this 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.

“

I’ve been with UniMed for many years and have been consistently impressed with their excellent service.

Their member portal is user-friendly and allows me to make claims quickly and easily, with prompt feedback and updates on the status of my claims. This efficiency has made managing my healthcare expenses hassle-free.

While the fees do increase significantly as I get older, the overall quality of service and support from UniMed has remained top-notch, making them a reliable choice for health insurance.

Gary
UniMed Member

Contents

Company Directory

As at 30 June 2024

Nature of Business
Health insurance and wellbeing
Commercial property ownership

Registered Office
165 Gloucester Street
Christchurch 8011

Incorporation
Incorporated under the
Industrial and Provident
Societies Act since
1st November 1979

Board
Angela Dixon
Chris Flatt
Justine Gilliland
Ben Kepes
Erin Polaczuk
Peter Tynan (Chair)

Bankers
Bank of New Zealand
81 Riccarton Road
Christchurch 8011

Auditor
Ernst & Young
40 Bowen Street,
Wellington 6011

Solicitors
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 (AGM) of the Union Medical Benefits Society Limited (UniMed) will be held on Friday 22 November 2024 at UniMed's offices, 165 Gloucester Street, Christchurch and virtually at 12pm.

Business

1. Apologies
2. To confirm the minutes of the 2023 Annual General Meeting
3. To receive and consider the financial statements and Auditor's Report for the year ended 30 June 2024
4. To appoint an auditor for the ensuing year
5. 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 https://unimed.co.nz/news-and-updates/annual-reportagm/

Any Member is entitled to attend and vote at the meeting and may vote by being present in person, by proxy, or prior to the AGM via post or email. To be effective, all votes sent prior to the AGM via email or post must be received no later than 6pm on Friday 15th November 2024. 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 form must be received by 5pm Thursday 21 November 2024.

EHay

Emma Hay
Governance Administrator
Emma.Hay@unimed.co.nz

31 October 2024

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.

Maori Proverb

Letter from the Board Chair

Dear Members,

Forty-five years ago, UniMed's founders created a Member-based non-profit organisation to help Kiwi workers access and fund needed healthcare. Since then we have helped thousands of Members and families, and have also seen many changes in New Zealand's health landscape.

As we reflect on the past year, it is clear that the New Zealand healthcare sector is undergoing a significant rebuilding phase. The rising demand for healthcare services has highlighted the critical role of the private sector in both delivery and funding.

This increased demand has placed immense pressure on health insurers, with a notable rise in the number of claims. While it is reassuring to see that insurance is fulfilling its purpose during these times of need, it also means that we are faced with the challenge of rising premiums to cover these costs.

As a Board, we agreed to moderate these changes to premium by using our reserves and hence the deficit being reported has been required to assist with affordability.

Amidst these industry-wide challenges, UniMed has experienced an historic year of growth and transformation. Our membership base has expanded notably, both organically and through the integration of Accuro Members into the UniMed family. We extend a warm welcome to the Accuro Members and express our deep appreciation to all those who worked diligently to integrate these two organisations seamlessly.

In addition to our growth in membership, we have ventured beyond traditional health insurance by acquiring a stake in 3 Big Things and securing a shareholding in Impac. While these moves mark the early stages of our diversification efforts, they reflect our commitment to making a positive impact on the lives of working New Zealanders. We are optimistic that these new ventures will contribute meaningfully to our mission.

Our commitment to enhancing service efficiency has led us to invest in greater automation, and we are pleased to report improvements in our claims processing times. This is a crucial step in ensuring that we continue to provide timely and effective support to our Members.

As we navigate the challenges ahead, I want to extend my sincere gratitude to the Board and Management for their unwavering dedication to UniMed and its Members. The coming years will undoubtedly present their own set of challenges, but we are prepared to meet them head-on, guided by our core values of Aspire, Care, and Trust.

Thank you for your continued support and confidence in UniMed. Together, we will work steadfastly towards our purpose, striving to make a difference in the lives of New Zealanders.

Ngā mihi,

Peter Tynan
Board Chair

Report from the Chief Executive

UniMed's heritage is in the workplace and we remain focused on helping to keep working New Zealanders and their families in lifelong good health. This means partnering with employers to help their employees to stay healthy, well and safe, and continuing to provide services to people after they retire.

Over the past year, we have been strengthening our health insurance services and also expanding our service footprint to better support workplace health and individual wellbeing.

As our business partners and Members are well aware, economic conditions in New Zealand have been tough. The public health system in New Zealand is also under severe strain.

Insurance

We have seen unprecedented demand for private health services over the past year which has put operational and financial pressure on your Society. During 2023/24 we received more than 128,400 claims from Members, an increase of 36% on the previous year. Key areas of demand include gastroenterology, orthopaedic surgery and gynaecology. We have also seen growth in demand for cancer care.

This demand, combined with rising health costs, mean that for every $1 in premium received UniMed paid out 94 cents in claims, resulting in an operating loss in 2023/24 after the costs of providing services to Members.

Within this environment, to ensure the ongoing sustainability of your Society, we have needed to increase premiums significantly. We are conscious that this will impact both our business clients and our Members, particularly older Members, at a time when the general cost of living has also increased. As noted in the Chair's report, UniMed has made a decision to use our reserves to smooth the increases and reduce the effect on Members.

We have responded to increased demand by combining our personal service with the introduction of smart automation and an improved digital experience for Members. As a result, our net promoter score for claims and care services (which represents how likely Members are to recommend our services) ranged between 57 and 69 during the year. Scores over 50 are considered excellent and above 80 is world class.

Increased claim volumes also reflect our growth. Since 2021, membership has increased from 92,297 to 138,462 including the recent transfer of the 30,000 strong Accuro membership. Following the transfer, we have rationalised technology systems, as reflected in the financial statements. We continue to see significant growth opportunities in the market reflecting increased awareness of the need for private insurance given the pressures facing the public health system.

Strategic Investments

As part of our strategic plan, we invested via our subsidiary companies in two businesses in 2023/24 – Impac Services and 3 Big Things. Impac is a leading health and safety business with a focus on high-risk industries such as infrastructure, transport & logistics, electricity, primary industry and aged care. Keeping people safe at work helps them stay in lifelong good health, so there is strong strategic alignment with UniMed. Like other businesses, Impac has been affected by the current economic downturn, which is reflected in a reduction in the value of this investment in this year's accounts. We expect value to increase in future years as the economy rebounds and Impac's earnings performance returns to normal levels.

We know from feedback and research that mental wellbeing is an area of need for our Members and business clients. 3 Big Things is a mental wellbeing company offering a range of services to businesses and individuals. They specialise in positive psychology and preventative support as well as responsive counselling services.

New Accounting Standards

The financial statements in this annual report have a different format from previous reports to reflect new international financial reporting standards. We have included a summary of these changes to assist with understanding of the accounts.

Summary

2023/24 has been a year of change and development for UniMed. From a membership perspective, we are now the third largest health insurer in New Zealand. We are investing in people, systems and services to better support and add value to Members and business partners, aligned with our purpose of keeping working New Zealanders and their whānau in lifelong good health.

I would like to thank our dedicated team of people who have continued to deliver fantastic care and support to our Members – and our Members and business partners for continuing to trust and support UniMed.

Louise Zacest
Chief Executive

Board of Directors

As at 30 June 2024

Peter Tynan, *Chair*

Peter became a Director in October 2019 and has been Chair since 2023.

He is Chief Executive at Foundation North, the community trust serving Northland and Auckland.

Peter was Chief Executive at Southern Cross Health Society from 2012 to 2017 and has held a number of senior executive positions including Interim Chief Executive at the Royal College of General Practitioners and Chief Executive at the Kaipara District Council based in Northland. He is a former Board member of Health Funds NZ and the International Federation of Health Plans (IFHP). Peter resides in Hawke's Bay.

Ben Kepes, *Deputy Chair*

Ben was appointed as a Director in September 2018 and took on the Deputy Chair role in 2023.

He is a co-founder of a successful workwear and outdoor equipment brand, and as a technology commentator, analyst and consultant has consulted extensively in the USA including for Microsoft and Amazon.

Ben has served on the advisory boards of several technology startups in New Zealand, Australia, Europe, 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. Accolades include being a recipient of the Sir Peter Blake Leadership Award in 2016. Ben resides in Canterbury.

Justine Gilliland, *Director*

Justine was appointed as a Director in August 2023, and subsequently elected in November 2023. She chairs UniMed's People and Culture Committee.

Justine is an independent director and strategy consultant, currently serving on the boards of ESR, Manaaki Whenua-Landcare Research, the Agricultural and Marketing Research and Development Trust (AGMARDT), Toitū Envirocare, and Taranaki health provider Tui Ora.

She is the former Chief Executive of regional development agency Venture Taranaki and previously held a number of senior roles across a range of government agencies. Justine resides in Taranaki.

Angela Dixon, *Director*

Angela was appointed as a Director in December 2022 and is the Chair of the Audit and Risk Commitee.

She has held senior finance and executive positions at RSA UK, IAG NZ, Public Trust and Synlait Milk Limited.

Angela is currently an independent director of a number of boards, including Centrix Group and AIG NZ Ltd, and is a Commissioner on the NZ Lotteries Board. She is a current member of Chartered Accountants Australia and NZ and Chartered Member of NZ Institute of Directors. Angela resides in Auckland.

Chris Flatt, *Director*

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.

He was the General Secretary of the NZ Labour Party from 2009 to 2012 and has worked as an employment lawyer in both Auckland and Sydney.

Chris is currently a director on several boards including the Muka Tangata – People, Food, and Fibre Workforce Development Council (WDC) 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 WDC Interim Establishment Board, and the NZITO. Chris is also Co-Deputy Chair of the Waikato Community Trust (Trust Waikato). Chris resides in Cambridge.

Erin Polaczuk, *Director*

Erin was elected as a Director in 2023.

She is the managing director of Lewa Consulting, providing strategic, governance and operational alignment advice to 'for purpose' organisations.

Erin is Acting Secretary of NZCTU Te Kauae Kaimahi. She chairs Birthright Kāpiti and is on the Greenpeace voting assembly. She became a leader of the largest union in Aotearoa (PSA) at age 33 where she worked for 8 years.

Previous board roles include HealthcarePlus, the Worker Education Trust and the National Advisory Council on the Employment of Women. She completed leadership training through the ACTU and Harvard University. Erin resides in Kāpiti.

Executive Leadership Team

As at June 2024

Louise Zacest
Chief Executive

Louise is accountable for UniMed's overall performance and supports the work of the wider UniMed team to drive excellent service for our Members and business partners. She joined UniMed in 2021 and has more than 25 years of experience in the health and insurance sectors.

Prior to joining UniMed, Louise held senior executive positions within the private and public sectors including acting Chief Executive at Healthcare New Zealand, the country's largest home and community service provider. She has also held senior roles with Southern Cross, Tower Financial Services Group and Counties Manukau District Health Board.

Renée Walker
Chief Operating Officer

Renée is accountable for leading the operations team and for the operational delivery of all insurance services including membership, customer onboarding, underwriting and claims, and care services. She is also responsible for intermediary business growth results as part of UniMed's overall growth strategy.

Prior to joining UniMed, Renée was heavily involved in the insurance response to the Christchurch and Kaikoura earthquakes for more than a decade, in roles including Deputy Chief Executive and acting Chief Executive at the Earthquake Commission (EQC) and General Manager, Customer Solutions at IAG.

James Brownell
Chief Risk Officer

James is accountable for leading and implementing enterprise risk management, regulatory compliance and internal audit strategies that support organisational performance and enable successful and sustainable strategic change and business growth. He is also accountable for company secretarial support and facilitating effective board level governance.

Prior to joining UniMed, James was acting Chief Risk Officer at Tower Insurance and has held various financial services leadership roles over the last 10 years including at KPMG NZ and Willis Towers Watson in London.

Kirsty Phillips
Chief Marketing and Product Officer

Kirsty is accountable for the development and delivery of brand, marketing and Member product strategies in order to build brand equity, customer preference and loyalty. She is also responsible for achievement of targeted direct retail (consumer) business growth and Member retention as part of UniMed's overall growth strategy.

Prior to joining UniMed Kirsty held a number of senior marketing roles including, Chief Marketing Officer at Be Intelligent, General Manager, Marketing, Communications and Customer Experience at Ngāi Tahu Tourism and Head of Brand and Marketing at Lotto NZ.

Kirsten Ferguson
Acting Chief Corporate Services Officer

Kirsten is accountable for leading and implementing strategies that support organisational performance, deliver successful strategic change, and provide value-adding corporate services. Corporate Services at UniMed encompasses functions of People & Capability, Finance, Information Technology, Business Intelligence and Programme delivery.

Prior to joining UniMed Kirsten has worked for over 10 years in contract/consulting roles delivering project and programme management for organisations including Kāinga Ora, Tait and Solid Energy. She has a background in programme and project leadership, change management, planning and accounting developed through various project, programme, planning and accounting roles at Solid Energy, Auckland Regional Council and The Radio Network.

Jay Harrison
Chief Wellness Officer

Jay is accountable for the development and growth of UniMed's health, wellness and safety (i.e. non-insurance) services offered to our business customers and Members. He also is responsible for our Direct Group insurance relationships, growth and revenue.

Prior to joining UniMed Jay was CEO of Edison Health and has worked in the health and wellbeing industry for more than 20 years. He hails from Northland and affiliates with Ngāpuhi, Te Rarawa and Te Aupōuri.

Statement of Corporate Governance

UniMed adheres to principles designed to ensure sound governance of its affairs, including 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 who are either appointed by the Board or 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 2024 – The elected Directors are: Chris Flatt, Erin Polaczuk, Justine Gilliland

The appointed Directors are: Peter Tynan (Chair), Ben Kepes (Deputy Chair), Angela Dixon

Board role and charter

The Board operates in accordance with relevant legislation (including but not limited to the Industrial and Provident Societies Act 1908 and 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 seek to achieve this include:

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

- All directors operate in a transparent and openly compliant manner.
- 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 (CEO).
The CEO is authorised to sub delegate authority to management and 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.

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 and Risk Committee comprises Angela Dixon (Chair), Chris Flatt and Peter Tynan.

People and Culture Committee

The People and Culture Committee operates under its own Charter approved by the Board.

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, overseeing and recommending the remuneration framework for Directors, Chief Executive and senior leaders, overseeing a transparent and systematic process to appoint, reappoint and remove Directors, and planning the Board composition by examining the skills and attributes required to enable the Board to function effectively.

The People and Culture Committee comprises Justine Gilliland (Chair), Erin Polaczuk 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 2024

	Board (9)	AGM (1)	Audit and Risk (4)	People and Culture (3)
Peter Tynan	9	1	4	–
Angela Dixon	9	1	4	1
Chris Flatt	9	1	4	–
Ben Kepes	9	1	1	3
Justine Gilliland	9	1	–	3
Erin Polaczuk*	5	1	–	2
Angus McConnell*	1	–	–	–

* Erin Polaczuk was appointed to the Board in November 2023, replacing Angus McConnell.

2024 Highlights

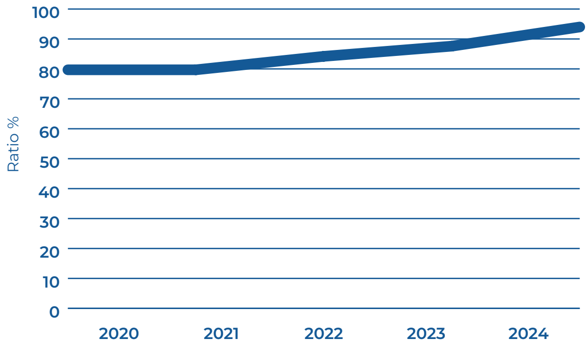
Performance

	2023	2024
Premium income	$92.96m	$108.57m
Claims paid	$83.91m	$102.53m
Average claims per day	$315,000	$394,357

+16.8%
Premiums received

+22.2%
Claims paid

Annual claims loss ratio



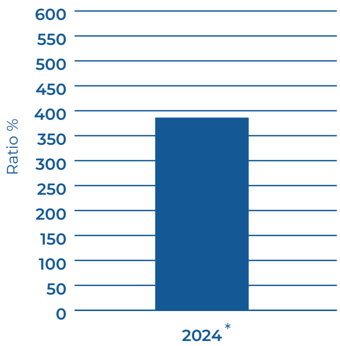
Security

	2023	2024
Investment value	$157.43m	$149.55m
Investment return ($)	$6.28m	$9.69m

+6.48%
ROI

A
Financial Strength Rating (Excellent) as at 3 October 2024*

Solvency ratio



* Calculated under the RBNZ's Interim Sovlency Standard (October 2022), which became effective 1 July 2023. The solvency ratio calculated under this standard is not directly comparable with prior year ratios calculated under the previous standard.

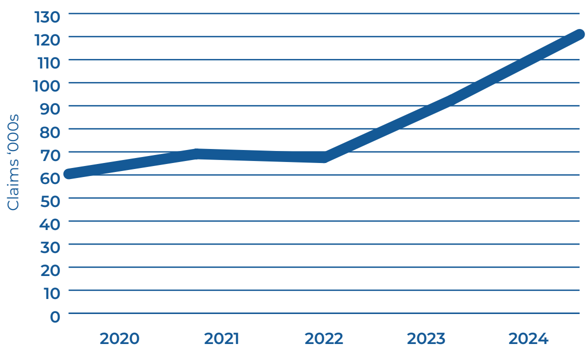
Membership

	2023	2024
Members' funds	$156.32m	$142.44m
Members	104,940	138,462

-8.9%
Members' funds

+31.9%
Membership

Annual number of claims paid



***Assessed by AM Best**

AM Best's financial strength rating scale is: A++, A+ (Superior), A, A- (Excellent), B++, B+ (Good), B, B- (Fair), C++, C + (Marginal), C, C- (Weak)

Statement of Service Performance

To help us achieve our purpose of keeping working New Zealanders and their whānau in life-long good health, we will focus on key strategic goals to increase the positive contribution we make to the health and hauora* of New Zealanders.

*Hauora is a Māori philosophy of health and wellbeing that is unique to Aotearoa. It is an all-encompassing concept that includes not only physical health but also mental, social and spiritual health.

Our strategic goals

Enabling better health outcomes and helping our Members and health community access health and wellness services.

Growing our impact

Building a strong membership and health community through our partnerships and engagement.

Delivering exceptional service

Offering a tailored suite of contemporary products and services to support workplace and employee wellbeing, and delivering personalised interactions seamlessly across multiple touchpoints with people front and centre where it matters.

Delivery of our objectives will be underpinned by our values of Aspire, Care and Trust and our efforts will be focused under the following strategic pillars:

Thriving people

Staff wellbeing is a key focus for us as we build a strong culture which reflects our values and enables our team Members to be their best. We will invest and develop opportunities for our team Members to grow professionally and to explore new opportunities as our business and services expand.

Strong communities

We work together for positive health and social impact. We believe we are stronger and can achieve better outcomes by working with others who share our focus on improving the hauora of the people of Aotearoa. We will foster mutually beneficial commercial partnerships to grow our membership and health community; and increase the positive impact we can collectively have on the nation's wellbeing.

Organisational excellence and sustainability

As a sustainable organisation, we seek to create long-term value for our Membership and business partners, and the nation, while minimising negative impacts on the planet. We will balance our business portfolio to ensure that UniMed is financially resilient and able to manage financial shocks/world events. An ongoing focus on service quality, continuous improvement of processes and systems, and prudent financial practices will stand us in good stead for the future. Our brand is both the promise we make to our customers and how we deliver services. Historically, we have not invested in branding; going forward we intend to build a strong brand and be recognised as a leading organisation that works in partnership to deliver positive health outcomes for businesses, communities and people.

Performance and accountability framework

Our success will be measured initially using the Performance Accountability Framework summarised below. Due to absence of available data, the focus will be on the performance of services and where possible the baselining of health and wellbeing measures.

Critical reporting judgements, estimates and assumptions

In preparing the Statement of Service Performance, the Society has made judgements on the application of reporting standards and has made estimates and assumptions. Measures based on service and organisational metrics are predominantly based on data extracted from internal systems based on finalised year-end figures. Where a metric is not possible to be measured internally an independent third party has been commissioned to provide the measurement.

Our services

- Access provided to services (number of visits/treatments/services funded).
- Customer engagement with services and support to stay well (number of users and frequency of use).
- Membership reported experience measures.
- Environmental footprint.
- Cost to serve customers.

Our service metrics	2023	2024
GP visits	102,165	112,541
Surgeries	5,500	8,752
Imaging and tests	21,134	24,614
Dental visits	15,023	19,620
Medical specialist consultations	19,211	21,317
Mental Health Consultations	3,590	3,621
Flu injections	1,833	2,460
Annual health check	-	Baseline
Member NPS (claims)	-	65 (Excellent)
Employer NPS	-	14 (Good)
Healthy life years	-	Baseline

Our organisation

- Staff engagement and wellbeing measures.
- Size of membership.
- Strategic commercial partnerships.
- Financial reserves and solvency ratio.
- Comprehensive income
- Brand strength

Our organisation metrics	2023	2024
Staff engagement	-	Baseline
Number of Members	104,940	138,462
Solvency ratio	483%	385%*
Financial reserves	$142,444,078	$156,321,820
Comprehensive surplus/(loss)	$5,204,380	($13,871,741)
Brand awareness	16%	17%

* Calculated under the RBNZ's Interim Sovlency Standard (October 2022), which became effective 1 July 2023. The solvency ratio calculated under this standard is not directly comparable with the 2023 ratio calculated under the previous standard.

Measurement Framework

As we look to the future, we will be able to measure our impacts and the below provides an overview of how we will look to do this:

	Performance of our services	Health and wellbeing of our Membership and health community
Physical wellbeing	Delivery of services and programmes focused on keeping people well and helping them manage long-term health conditions.	Membership and community morbidity and premature mortality rates from long-term health conditions.
		Health Life Years gained by Membership.
		Membership and community improvement in reproductive health.
Mental wellbeing	Delivery of services and programmes focused on improving mental wellbeing programmes.	Membership and community improvements in mental wellbeing.
		Reduction in mental wellbeing related injuries and deaths in the workplaces we partner with.
Environmental wellbeing	Delivery of initiatives to reduce the environmental impact of services we deliver and fund. Advocacy activity re the link between the health of the environment and the health of people.	Reduction in worker exposure to chemicals and pollution in the workplace we partner with.
		Reduction in the environmental impact of health services used by the Membership and community.

"

What sets UniMed apart is not just their extensive coverage options, but also their commitment to customer service.

Whenever I've had questions or needed assistance, their team has been prompt, knowledgeable, and compassionate in addressing my concerns.

Their comprehensive coverage and efficient claims process have provided me with the reassurance I need.
I highly recommend UniMed to anyone looking for reliable and affordable health insurance coverage.

Anette
UniMed Member

Appointed Actuary's Report

11th October 2024

To: The Directors
Union Medical Benefits Society Limited

From: Peter Davies
Appointed Actuary

Re: Union Medical Benefits Society Limited: Report as at 30th June 2024 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 2024. "Actuarial information" includes the following:
    - o claim provisions and onerous contract provisions;
    - o solvency calculations in terms of the RBNZ Interim 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, onerous contract 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 requirement of the RBNZ Interim Solvency Standard as at 30th June 2024 by a substantial margin. The Society is projected to exceed the minimum requirement of this Standard at all times over the next four years.

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

Yours sincerely

Pete

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

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632
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Davies Financial and Actuarial Limited

Taking care of the people who take care of the country.

Independent Auditor’s Report

Independent auditor’s report to the members of Union Medical Benefits Society Limited

Opinion

We have audited the general purpose financial report (the “performance report”) of Union Medical Benefits Society Limited (the “Entity”) and its subsidiaries (together the “Group”) for the year ended 30 June 2024, which comprises the consolidated financial statements on pages 35 to 76, and the service performance information on pages 20 to 23. The complete set of consolidated financial statements comprise the consolidated statement of financial position of the Group as at 30 June 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the performance report presents fairly, in all material respects;

- the consolidated financial position of the Group as at 30 June 2024 and its consolidated financial performance and cash flows for the year then ended; and
- the service performance information for the year ended 30 June 2024 in accordance with the Group’s service performance criteria,

in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

This report is made solely to the Entity’s members, as a body. Our audit has been undertaken so that we might state to the Entity’s members those matters 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 Entity and the Entity’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (New Zealand) and the audit of the service performance information in accordance with NZ AS 1 *The Audit of Service Performance Information (“NZ AS 1”)*. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the performance report* section of our report.

We are independent of the Group 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.

In addition to the audit, Ernst & Young provides assurance services to the Entity in relation to its solvency return. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

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 of the current year. These matters were addressed in the context of our audit of the performance report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the performance report* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the performance report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying performance report.

Independent Auditor's Report

Impairment of Impac Services Ltd

Why significant

During the year ended 30 June 2024, UniMed acquired a 59% interest in Impac Services Limited ("Impac"). The Group accounts for Impac as an associate under *PBE ISPAS 36 Investments in Associations and Joint Ventures* ("PBE IPSAS 36") and therefore has applied equity accounting.

After application of the equity method, PBE IPSAS 36 requires the Group to determine whether there is any objective evidence that its net investment in the associate is impaired. Management considered there to be evidence of impairment as Impac had underperformed against the targets set at the time of acquisition.

In considering impairment, the Group estimated the recoverable amount based on its fair value less costs to sell. The Group adopted the earnings multiple valuation approach. This resulted in an impairment of $7.2m. The earnings multiple valuation approach requires significant judgement in assessing the appropriate inputs.

Disclosures relating to impairment, including key assumptions used in the assessment, are included in Note 10 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- Obtaining the earnings multiple valuation model and assessing the two key inputs relating to the multiple and EBITDA.
- Using our valuation specialists to consider the appropriateness of the multiple used in the impairment model in relation to observed multiples for other businesses considered comparable.
- Considering the EBITDA used in the multiple calculation in the context of actual EBITDA for the FY24 year and forecast EBITDA for FY25.
- Performing sensitivity analysis for key drivers of the impairment model, including the sensitivity of the results to changes in the multiple and EBITDA figures.
- Assessing the adequacy of the disclosures in the consolidated financial statements particularly focussing on the disclosure of the impairment assessment and where the impairment assessment is sensitive to reasonable possible changes in assumptions.

Independent Auditor's Report

Valuation of Insurance Contract Liabilities and application of PBE IFRS 17

Why significant

As at 30 June 2024, Insurance Contract Liabilities (which consist of two components) total $39.2m as disclosed in note 14 to the consolidated financial statements.

The Group applied PBE IFRS 17 Insurance Contracts ("PBE IFRS 17") for the first time from 1 July 2023. This standard brought changes to the accounting and financial statement disclosures for the Group's insurance contracts issued. On transition, net assets as at 1 July 2022 increased by $5.6m. Details on the transition approach are disclosed within the changes in accounting policies and disclosures (Note 1).

The first component of the Insurance Contract Liability relates to the liability for remaining coverage (LRC) which comprises cash flows related to future services to be provided under groups of insurance contracts and a loss component on onerous contracts.

The second component relates to the liability for incurred claims (LIC) and comprises cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported. The LIC balance is also inclusive of a risk adjustment.

The Group's third party Appointed Actuary calculated the Insurance Contract Liability by considering relevant models, inputs and assumptions applicable to the Group taking account of the requirements of PBE IFRS 17.

We considered Insurance Contract Liabilities to be a key audit matter because of the:

- financial significance of the account
- degree of judgement in developing assumptions and the complexity of valuation models. The key inputs and judgements involved in estimating the Insurance Contract Liabilities include:
  - assumptions in relation to future claim handling expenses
  - assumptions as to the timing and amount of reported claim payments
  - assumptions in relation to the number and size of claims incurred but not reported
  - allowance for risk in estimating future cash flows through the inclusion of a risk adjustment
- The change in disclosures relating to the introduction and application of PBE IFRS 17.

How our audit addressed the key audit matter

Our audit procedures over the valuation of the Insurance Contract Liability included:

- Understanding the processes for writing policies, settling claims, processing costs and those related to the relevant IT systems.
- Comparing the claims data used by the appointed actuary to the Company's claims system on a sample basis.
- Evaluating the objectivity, capabilities, and competence of the Appointed Actuary.
- Utilising our actuarial specialists to review the Insurance Contract Liability valuation report prepared by the Appointed Actuary and to evaluate the reasonableness and the appropriateness of the methodologies and assumptions used in the valuation against the requirements of PBE IFRS 17.
- Evaluating the onerous contract assessment based on profitability of the group of contracts, including the significant assumptions against relevant supporting information.
- Assessed the results of the experienced investigations carried out by the company's Appointed Actuary, to determine how they inform the key assumptions adopted.
- Analysing the Group's accounting policies to evaluate their compliance with the requirements of PBE IFRS 17.
- Assessing the adequacy of the Insurance Contract Liability disclosures, including new disclosures required by PBE IFRS 17, within the notes to the consolidated financial statements.

Independent Auditor's Report

Other matter

The performance report of the Group for the year ended 30 June 2023 was audited by another auditor who expressed an unmodified opinion on the report on 22 September 2023.

Information other than the performance report and auditor's report

The directors of the Entity are responsible for the annual report, which includes information other than the consolidated financial statements, service performance information and auditor's report.

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

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

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

Director's responsibilities for the performance report

The directors are responsible, on behalf of the Entity, for;

- the preparation and fair presentation of the performance report in accordance Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board;
- service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board; and
- such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements and service performance information that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, the directors are responsible for assessing on behalf of the entity the Group'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 Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the performance report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, and service performance information 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 International Standards on Auditing (New Zealand) and NZ AS 1 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

A further description of our responsibilities for the audit of the performance report is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-9/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Wellington
31 October 2024

UniMed have been providing medical insurance to the company I worked for, for several years.

They have always been fair with their claims and have been there when the need for surgeries has arisen. How we would have managed without their cover I do not know.

Since leaving my previous employer I have continued my insurance cover, I could not see a safe future without them. Already we are being supported by UniMed. It's great to know they are there.

Paul
UniMed Member

New insurance accounting standards explained

PBE IFRS 17 Insurance Contracts (IFRS 17) is a new accounting standard applicable to all insurers.

IFRS 17 is intended to create a more standardised and transparent framework for health, life, and general insurers to report their financial operations. By requiring consistent measurement, profit recognition, and enhanced disclosures in financial statements, it is intended to improve comparability and understanding for stakeholders.

UniMed is required to comply with IFRS 17 from 1 July 2023. Consequently, UniMed's FY24 results are the first set of results presented under this new standard. Although UniMed's financial statements look quite different to how they have in the past, IFRS 17 does not have a significant effect on UniMed's day to day operations or our focus as a purpose-driven, member-focused organisation.

In this section, we explain how UniMed's financial statements have changed under IFRS 17.

Key changes

Risk adjustment replaces risk margin

Under the previous financial reporting standard (IFRS 4), we added a risk margin to our provision for outstanding claims (being claims that have been reported but not yet processed, and unreported claims). IFRS 4 allowed insurers considerable flexibility in setting their risk margin. UniMed's 30 June 2022 risk margin was 11%, and was 12% as at June 2023, providing a 90% probability that the provisions would be sufficient to cover all outstanding payments relating to past claims.

IFRS 17 provides insurers less flexibility in setting their risk margin ('risk adjustment' under IFRS 17). UniMed is required to consider the compensation needed for bearing uncertainty related to the timing and amount of cash flows arising from non-financial risks.

In this context, a 'financial' risk relates to factors affected by interest rates, investment performance, and variations in asset values. A 'non-financial' risk is any other risk, including the frequency, size and timing of claims, management expenses, and Member cancellation rates. The main non-financial risks for claim reserves arise from the amounts incurred on unpaid claims, and the number of late-reported claims, either being higher or lower than expected.

In applying the criteria required by the new Standard, UniMed has determined that it should hold claim provisions that have a 75% probability of being sufficient. A 7% risk adjustment is applied to claim provisions to account for uncertainty related to the timing and amount of cash flows arising from non-financial risks.

The effect of this change on transition for UniMed's reserves is a:

- o $0.4m increase to 30 June 2022 retained earnings (due to the risk margin of 11% being replaced by a risk adjustment of 7%)
- o $0.6m increase to 30 June 2023 retained earnings (due to the risk margin of 12% being replaced by a risk adjustment of 7%).

Discounting

Some insurers discount their reserves under IFRS 17, reflecting that a dollar today is worth more than a dollar in the future. As UniMed's insurance obligations and liabilities are all short term, we have not discounted any of them. This is the same approach that UniMed took under IFRS 4.

Onerous contracts

IFRS 17 requires insurers to test groups of insurance contracts for 'facts and circumstances' that indicate they may result in losses for UniMed. If a group is considered onerous then a loss is recognised against insurance expenses in the Statement of Comprehensive Income, and against the Liability for Remaining Coverage in UniMed's Statement of Financial Position.

UniMed writes only medical indemnity business, reimbursing its Members for surgical treatment and offering reimbursement of specialist visits and primary care such as GP visits and prescriptions. UniMed sees the portfolio as a single combined group of contracts and there are no facts and circumstances that would indicate that the portfolio is onerous.

Despite this, UniMed has considered its portfolio at a more granular, product level and calculated an onerous contract loss at 30 June 2024 on its individual book of business.

This reflects the fact that some products have higher claim ratios than others. With the addition of a risk adjustment applied to future expected claims, UniMed is expected to pay more in claims and administration costs on these products over the next twelve months than it expects to receive in premiums. The resulting shortfall is recognised as an onerous contract loss amount. It is normal for a health insurer to have products with higher claim ratios than others, but to be performing reasonably overall. Under IFRS 4, we viewed the portfolio as one but under IFRS 17 we have applied a more granular view, resulting in this new balance sheet item.

A separate set of onerous contract calculations has been performed in respect of the transferred Accuro portfolio, which also has some individual products that have higher claim ratios than others, but which is performing reasonably well overall.

Onerous contracts do not change UniMed's ultimate performance, but do affect when UniMed recognises revenue, with future losses recognised immediately.

Presentation and disclosure

The liability for remaining coverage (LRC) represents the net liability to customers on insurance contracts, previously held in receivables and unearned premiums under IFRS 4. The liability for incurred claims (LIC) is consistent with outstanding claims under IFRS 4.

Further detail on the effect of IFRS 17 on UniMed's financial statements is available in note 1 to the Financial Statements in this Annual Report.

People first, always.

Financial Statements

Union Medical Benefits Society Limited

Consolidated Statement of Comprehensive Income | *For the year ended 30 June 2024*

	Note	2024 $	2023 (Restated) $
Insurance service result			
Insurance revenue	2	108,567,742	92,955,013
Insurance service expense	3	(120,209,400)	(98,037,855)
Total Insurance service result		**(11,641,658)**	**(5,082,842)**
Non-insurance income and expenses			
Net investment surplus	5	9,691,039	6,284,821
Building rental income		299,290	256,850
Other expenses	4	(6,156,376)	(952,957)
Impairment of Investment in Associates	10	(7,176,044)	-
Transfer gain	11	1,660,402	-
Share of (loss) / profit of associates accounted for using the equity method	10	(904,394)	-
Operating (loss) / surplus		**(14,227,741)**	**505,872**
Other comprehensive income			
Items that will not be reclassified to surplus (deficit)			
Revaluation of land and buildings	12	350,000	4,698,508
Total comprehensive (loss) / income for the year		**(13,877,741)**	**5,204,380**

Prior period comparatives have been restated on transition to PBE IFRS 17 Insurance Contracts (see note 1 for further details).
These consolidated financial statements are to be read in conjunction with the notes to the consolidated financial statements.

Financial Statements

Union Medical Benefits Society Limited

Consolidated Statement of Financial Position | *For the year ended 30 June 2024*

	Note	2024 $	2023 (Restated) $	As at 01 July 2022 (Restated) $
Current assets				
Cash and cash equivalents	6	3,641,272	2,520,183	8,212,960
Other receivables	7	909,571	90,302	62,101
Prepayments	8	349,080	3,686,623	1,031,224
Managed investments	9	149,553,814	157,427,211	150,544,953
Total current assets		**154,453,737**	**163,724,319**	**159,851,238**
Non-current assets				
Property, plant and equipment	12	14,843,238	14,402,036	9,979,176
Intangible assets	13	5,606,510	101,550	74,703
Investments in associates	10	6,965,998	-	-
Total non-current assets		**27,415,746**	**14,503,586**	**10,053,879**
Total assets		**181,869,483**	**178,227,905**	**169,905,117**
Current liabilities				
Other payables		842	40,000	63,345
Employee benefits		178,174	167,156	168,979
Insurance contract liabilities	14	39,246,389	21,698,929	18,555,353
Total current liabilities		**39,425,405**	**21,906,085**	**18,787,677**
Net assets		**142,444,078**	**156,321,820**	**151,117,440**
Members' funds				
Members' capital	15	-	-	-
Revaluation reserve	16	5,048,508	4,698,508	-
Accumulated funds	17	137,395,571	151,623,312	151,117,440
Total members' funds		**142,444,078**	**156,321,820**	**151,117,440**

Prior period comparatives have been restated on transition to PBE IFRS 17 Insurance Contracts (see note 1 for further details).
These consolidated financial statements are to be read in conjunction with the notes to the consolidated financial statements.

P Tynan
Board Chair
31 October 2024

A Dixon
Audit & Risk Committee Chair
31 October 2024

Financial Statements

Union Medical Benefits Society Limited

Consolidated Statement of Cash Flows | *For the year ended 30 June 2024*

	Note	2024 $	2023 (Restated) $
Cash flows from operating activities			
Cash was provided from:			
Premium received		109,794,713	92,194,984
Building rental		299,290	256,850
Interest received		130,234	193,782
		110,224,237	**92,645,616**
Cash was applied to:			
Payments of claims and other insurance service expenses		115,559,097	94,134,250
Other operating payments		3,753,227	3,832,599
		119,312,324	**97,966,849**
Net cash flows from operating activities	**18**	**(9,088,087)**	**(5,321,233)**

	Note	2024 $	2023 (Restated) $
Cash flows from investing activities			
Cash was provided from:			
Withdrawal from managed investments		27,607,951	-
Business combination cash transfer	11	130,682	-
		27,738,633	**-**
Cash was applied to:			
Loan advances to an associate	26	800,000	-
Purchase of property, plant and equipment	12	362,736	185,427
Purchase of intangibles	13	1,320,285	58,696
Contributions to managed investments		-	127,421
Acquisition of interests in associates	10	15,046,435	-
		17,529,456	**371,544**
Net cash flows from investing activities		**10,209,177**	**(371,544)**
Net increase/(decrease) in cash held		1,121,089	(5,692,777)
Plus opening cash brought forward		2,520,183	8,212,960
Closing cash and cash equivalents at 30 June		**3,641,272**	**2,520,183**

Prior period comparatives have been restated on transition to PBE IFRS 17 Insurance Contracts (see note 1 for further details).
These consolidated financial statements are to be read in conjunction with the notes to the consolidated financial statements.

Financial Statements

Union Medical Benefits Society Limited

Consolidated Statement of Changes in Equity | *For the year ended 30 June 2024*

	Note	Members' Capital $	Revaluation Reserve $	Accumulated Funds $	Total $
2024					
Opening balance at 1 July		-	4,698,508	151,623,312	156,321,820
Fair value gain (loss) recognised in other comprehensive income	12, 16	-	350,000	-	350,000
Operating surplus		-	-	(14,227,741)	(14,227,741)
Members' contribution	15	-	-	-	-
Closing balance at 30 June		**-**	**5,048,508**	**137,395,571**	**142,444,079**
2023					
Opening balance at 1 July as reported		-	-	145,473,245	145,473,245
Impact of initial adoption of PBE IFRS 17		-	-	5,644,195	5,644,195
Restated opening balance at 1 July		**-**	**-**	**151,117,440**	**151,117,440**
Fair value gain (loss) recognised in other comprehensive income	12, 16	-	4,698,508	-	4,698,508
Operating surplus		-	-	505,872	505,872
Members' contribution	15	-	-	-	-
Restated closing balance at 30 June		**-**	**4,698,508**	**151,623,312**	**156,321,820**

Prior period comparatives have been restated on transition to PBE IFRS 17 Insurance Contracts (see note 1 for further details).

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

Financial Statements

Union Medical Benefits Society Limited

Notes to the Consolidated Financial Statements | *For the year ended 30 June 2024*

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 property ownership. The Society is domiciled and incorporated in New Zealand and is a Public Benefit Entity for financial reporting purposes.

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 (IPSA). As a licensed insurer, the Society is deemed to be a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Statement of compliance

The consolidated 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 IPSA.

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Society and its subsidiaries (together referred to as 'the Group') as at 30 June 2024 (see note 25).

During the financial year ended 30 June 2024, the Society made strategic investments through two of these subsidiaries, and the other two remained non-trading with no transactions. Subsidiaries are fully consolidated from the date on which the Society obtains control, and continue to be consolidated until the date that such control ceases. The Society has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on the following alternative basis on each reporting date:

- managed investments (see note 9)
- assets acquired and liabilities assumed in a business combination (see note 11)
- revalued land and buildings (see note 12)
- actuarial quantification of insurance liabilities (see note 14)
- certain financial instruments (see note 23)

Accounting policies are selected and applied in a manner that ensures 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.

These consolidated financial statements are presented in New Zealand Dollars ($), which is the Society's functional currency, rounded to the nearest dollar.

Business combination

The Society accounts for business combinations using the acquisition method when control is transferred to the Society. In determining whether an acquired set of activities and assets is a business, the Society assesses whether the acquired set includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on transfer is recognised in profit or loss immediately. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in surplus or deficit. Transaction costs are expensed as they are incurred, unless they are related to the issue of debt or equity securities. Any contingent consideration is measured at fair value at the date of acquisition.

Critical accounting estimates and assumptions

In the process of applying the Society's accounting policies, management is required to make judgements, estimates, and assumptions that affect the application of accounting 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 consolidated financial statements are described in the following notes:

- Note 10 Investments in Associates
- Note 11 Fair value of assets acquired, and liabilities assumed in a business combination
- Note 12 Property, plant & equipment
- Note 14 Insurance contract liabilities
- Note 20 Solvency and capital adequacy
- Note 23 Risk management

Standards issued but not yet effective and not early adopted

Amendments to PBE IPSAS 1- Disclosure of Fees for Audit Firms' Services

The amending Standard has a mandatory date of 1 July 2024, meaning it must be applied by Tier 1 public benefit entities (PBEs) for accounting periods that begin on or after this date. The amendments require that an entity discloses information about the fees incurred in the reporting period for:

i) The audit or review of the entity's financial report; and

ii) Each other type of service provided by the entity's audit or review firm

The distinction is important as it provides information that will assist users of general purpose financial reports to assess the extent to which non-audit services have been provided by the entity's audit or review firm in the reporting period.

The Society expects the impact of other standards, interpretations or amendments issued but not yet effective to be immaterial.

Other changes in accounting policies

Except for the changes below and the material accounting policies adopted for the insurance contract liabilities, the Society has consistently applied the accounting policies as were followed for the audited financial statements for the year ended 30 June 2023.The nature and effects of the key changes in the Society's accounting policies resulting from its adoption of PBE IFRS 17 are summarised below.

Adoption of new and revised standards and interpretations

PBE IFRS 17 Insurance Contracts

The Society has initially applied PBE IFRS 17 (Insurance Contracts), including any consequential amendments to other standards, from 1 July 2023. This standard has brought significant changes to the accounting for insurance contracts. As a result, the Society has restated certain comparative amounts and presented a third consolidated statement of financial position as at 1 July 2022.

a) Recognition, measurement and presentation of insurance contracts

PBE IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. As permitted under PBE IFRS 17, the Society's insurance contracts are eligible to be measured by applying the Premium Allocation Approach (PAA). This simplifies the recognition and measurement of the Society's non-onerous insurance contracts.

Premium Allocation Approach (PPA)

The Society applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues (both UniMed and Accuro) as the coverage period of each contract is one year or less, including coverage arising for all premiums within the contract boundary.

The following elections have been made given the adoption of the PAA:

i) Acquisition cash flows are expensed as incurred.

ii) No adjustment for financial risk or time value of money is made in determining the liability for remaining coverage as all premiums in the Society's portfolio are due within one year.

iii) No adjustment for financial risk or time value of money is made in determining the liability for incurred claims as all incurred claims are expected to be paid in less than one year.

The measurement principles of the PAA differ from the Earned Premium Approach previously applied by the Society under PBE IFRS 4 in the following areas:

i) Recognition of the loss component in the liability for remaining coverage (LRC).

ii) Measurement of insurance contract liabilities includes a risk adjustment which replaces the risk margin under PBE IFRS 4.

In addition to the above PBE IFRS 17 has impacted how insurance contract-related balances are presented in the statement of consolidated financial position. The insurance-related receivables and payables are now part of insurance contract liabilities and are no longer presented separately. In the consolidated statement of comprehensive income, the insurance service result consists of insurance revenue and insurance service expenses.

b) Transition approach

The Society has applied PBE IFRS 17 to its health insurance portfolio, as if it always existed, under the full retrospective approach. Under the full retrospective approach, at 1 July 2022, the Society:

i) identified, recognised and measured each contract of insurance as if PBE IFRS 17 had always been applied;

ii) derecognised previously reported balances that would not have existed if PBE IFRS 17 had always been applied. These include:

	$
Provisions reversed previously recognised*	(7,064,839)
Introduction of loss component	1,988,956
Risk adjustment change	(368,311)
Reversal of allowance for credit losses	(200,000)
Impact on Net Assets / Accumulated Funds	**(5,644,194)**

*Provisions reversed no longer required under PBE IFRS 17 include:

- Legacy product provision
- Deferred claims (COVID -19)
- Premium obligation provision - comprises the level premium rates and the HCI portfolio obligation

iii) recognised any resulting net difference in equity.

Specific accounting policies

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

Insurance contracts definition

The Society issues health insurance contracts in the normal course of business, that are accounted for in accordance with PBE IFRS 17, under which it accepts significant insurance risk from its policyholders. The Society determines whether it has significant insurance risk, by assessing the benefits payable after an insured event. Insurance contracts also expose the Society to financial risk.

Separating components from insurance contracts

The Society assessed its health insurance products to determine whether they contain distinct components that must be accounted for under another PBE IFRS instead of under PBE IFRS 17. These insurance products in the Society do not include any distinct components that require separation.

Insurance revenue

The Society measures its insurance revenue at the amount allocated from the expected premium receipts. The allocation is based on the passage of time, where a uniform pattern of risk release is expected over the coverage period. Seasonality experienced in the January and December period is deemed insignificant to warrant adjustment in the risk release pattern and revenue recognised over the coverage period.

The insurance revenue depicts the provision of coverage and other services arising from a portfolio of insurance contracts at an amount that reflects the consideration to which the Society expects to be entitled in exchange for those services. Insurance revenue from a portfolio of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts (i.e. the amount of premiums paid to the Society). The total consideration for a portfolio of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage; and
- A risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in the consolidated statement of comprehensive income as they are incurred. This comprises incurred claims and other incurred insurance service expenses that relate directly to the fulfilment of contracts, losses on onerous contracts and reversals of such losses, as well as any actuarial adjustment to the liability for incurred claims.

Insurance Contract Liabilities

On initial recognition, the Liability for Remaining Coverage (LRC) is measured as the premiums received in the period minus the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.

The carrying amount of the group of insurance contracts (insurance contract liabilities) at each reporting period is the sum of:

i) the Liability for Remaining Coverage (LRC); and
ii) the Liability for Incurred Claims (LIC), comprising the future cashflows related to past service at the reporting date

For insurance contracts issued, at each reporting date, the LRC is comprised:

i) increased for contributions received in the period;
ii) decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued, at each of the subsequent reporting dates, the LIC is:

i) the probability-weighted estimate of fulfilment cash flows; and
ii) the risk adjustment

UniMed elected to include premium debtors in the LIC. Refer to note 14 for methods used to measure of FCF and insurance contract liabilities.

Discounting of future cashflows

i) LRC

UniMed does not adjust the carrying amount of the LRC to reflect the time value of money. At initial recognition, UniMed expects that the time between providing coverage for insured events and the related premium due date is no more than a year.

ii) LIC

PBE IFRS 17.59(b) allows a policy choice whether to adjust the measurement for the impact of the time value of money and other financial risks if the settlement of the claims is expected within 12 months.

UniMed has made the choice not to discount the group of contracts.

Level of aggregation

The Society only offers health insurance contracts. All health insurance contracts are subject to similar risks and are managed together and, form the Society's first portfolio of contracts. Following the transfer of Accuro, a second portfolio was established, which is managed separately and carrying different risks.

At a portfolio level , the Society determines whether the insurance contracts are expected to be profitable or onerous. This is performed by actuarial valuation models that take into consideration existing and new business, expected claims loss ratios, claims handling costs ratios and risk adjustments.

An insurance contract issued by the Society is recognised from the earliest of its anniversary date (i.e. the beginning of its coverage period) and when facts and circumstances indicate that the contract is onerous..

Contract boundary

The measurement of the Society's contracts includes all the expected future cash flows within the boundary of each insurance contract. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Society can compel the policyholder to pay premiums or has a substantive obligation to provide insurance services. A substantial obligation to provide services ends when the Society has the practical ability to reassess the risks of the portfolio that contains the contract and re-price accordingly.

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Society's substantive rights and obligations under the contract.

The society has assessed the contract boundary for its insurance contracts to be 12 months or less.

Investment income

Interest income for financial assets measured at amortised cost is recognised in the consolidated 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 financial assets are recognised as an adjustment to the effective interest rate of the instrument. Interest income on financial assets measured at fair value through surplus and deficit (FVTSD) is calculated using the contractual interest rate.

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 FVTSD.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks 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. Although cash and cash equivalents at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is immaterial.

Financial assets

Financial assets (other than shares in subsidiaries and associates) are initially recognised at fair value. They are then classified as; and subsequently measured under, the following categories:

- Amortised cost;
- Fair value through other comprehensive revenue and expense (FVTOCRE); and
- Fair value through surplus and deficit (FVTSD)

Transaction costs are included in the value of the financial asset at initial recognition unless it has been measured at FVTSD, in which case it is recognised in surplus or deficit.

The classification and subsequent measurement of financial assets depends on:

- The Group's model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent 'solely payments of principal and interest').

Managed investments

The Society's investments are managed by Nikko Asset Management New Zealand Limited (Nikko). These are investments in mutual funds, split into units owned by fund participants. The managed fund is a portfolio of financial assets that are actively traded with the intention of making capital gains and profits.

The portfolio is internally managed, with performance evaluated at fair value, and is therefore classified as held for trading.

Managed investments are recognised on the statement of financial position on the date on which are acquired. 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 investments are subsequently measured at fair through surplus and deficit. That is, changes in fair value are recognised through surplus and deficit in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 23.

Investment in subsidiaries

Subsidiaries are entities controlled by the Society. Control is achieved when the Society is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Society controls an investee if, and only if, the Society has:

- Power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Society has less than a majority of the voting or similar rights of an investee, the Society considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Society's voting rights and potential voting rights

The Society re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Society obtains control over the subsidiary and ceases when the Society loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Society gains control until the date the Society ceases to control the subsidiary.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of another entity, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, an investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The Group's share of an associate's surplus or deficit is recognised in the statement of comprehensive income. Any change in the associate's other comprehensive income is presented as part of the Group's other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment. In addition, when there has been a change recognised directly in the net assets/equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in net assets/equity. Unrealised gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. The Group's share of an associate's surplus or deficit is recognised in the statement of financial performance.

Impairment of investments in associates

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of financial performance.

Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value, and accounts for the remaining investments in accordance with PBE IPSAS 29. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in surplus or deficit.

Property, plant & equipment

Property, plant and equipment is initially measured at cost. As well as the purchase price, cost includes directly attributable costs.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in surplus or deficit.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment according to the nature of the asset so as to write off their carrying value over their expected useful economic lives and are as follows:

Land	0.0%
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

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

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

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Internally generated intangible assets (development costs)

Expenditure on internally developed software assets is capitalised if it can be demonstrated that:

- technical feasibility of completion of intangible asset
- adequate technical, financial and other resources are available to complete the development
- there is an intention to complete the software
- the Society is able to use the software
- the software will generate future economic benefits, and
- expenditure can be measured reliably.

Capitalised development costs are amortised over the periods the Society expects to benefit from the software developed. The amortisation expense is included within insurance service expenses in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in insurance service expense if directly attributable to insurance contracts or other expenses if not attributable to insurance contracts.

Software as a service (SaaS)

Configurations and customisation costs in SaaS arrangements

Expenditure on customisation and configuration in a SaaS arrangement are capitalised as an intangible asset if it results in development of an intangible asset(s) i.e. code, bridging modules or (Application Programming Interfaces) API's. Judgement is applied in determining whether the expenditure meet the definition of an intangible asset.

Customisation and configuration costs that do not meet the recognition criteria for an intangible asset are recognised as expenses when the services are received.

The key intangible assets recognised by the Society, and their useful economic lives are as follows:

Intangible asset	Useful economic life
Acquired through business combination:	
Health Policy Administration System	7 years
Internally generated / Acquired :	
Software	7 years

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 to determine the extent of the impairment loss (if any).

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

Liabilities

Goods and services tax

Changes in cash flows from GST are excluded from insurance revenue and adjusted in LRC.

Operating lease

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.

Taxation

The Society is exempt from income tax due to its status under section CZ 18 of the Income Tax Act.

Comparatives

Comparative information presented at and for the year ended 30 June 2023 within these consolidated financial statements is consistent with the Society's audited consolidated financial statements for the year ended 30 June 2023, unless otherwise restated as indicated.

PBE IFRS 17 is effective for annual reporting periods starting 1 July 2023 and has been adopted by the Society.

2. Insurance revenue

	Note	2024 $	2023 $
Contracts measured under PAA		108,567,742	92,955,013
Total Insurance Revenue		**108,567,742**	**92,955,013**

3. Insurance service expenses

	Note	2024 $	2023 $
Claims and benefits incurred		(102,532,750)	(83,909,661)
Changes to liabilities for incurred claims		2,214,234	1,229,455
Losses on onerous contracts and reversal of those losses		(4,505,324)	(3,351,575)
Directly attributable expenses	4	(15,385,560)	(12,006,074)
Insurance service expenses		**(120,209,400)**	**(98,037,855)**

Insurance service expenses include outflows such as claims, insurance acquisition, claims handling, policy administration and maintenance costs and an allocation for fixed and variable overheads.

4. Total expenses

	Note	2024 $	2023 $
Employee benefit expenses		7,278,677	5,037,546
Auditor's fees - audit of consolidated financial statements		245,000	121,543
Auditor's fees - audit of annual insurer solvency return		8,000	5,000
Directors' fees		343,725	330,446
Depreciation and amortisation		349,154	313,492
Selling expenses		2,670,093	1,655,808
Marketing expenses		1,165,783	1,319,343
Office expenses		976,237	665,386
Consultancy expenses		682,974	476,928
Technology and strategic projects		2,637,470	1,887,018
Portfolio acquisition costs	11	1,191,766	-
Projects costs expense*		3,111,584	-
Other expenses		532,024	790,126
		21,192,487	**12,602,636**
Building operating expenses:			
Rates and operating expenses		230,208	228,302
Building depreciation		200,004	179,431
Operating expenses recovered		(80,763)	(51,338)
Total building operating expenses		**349,449**	**356,395**
Total operating costs		**21,541,936**	**12,959,031**
Operating expenses split :			
Directly attributable expenses under IFRS 17		15,385,560	12,006,074
Non attributable expenses under IFRS 17**		6,156,376	952,957
Total operating expenses		**21,541,936**	**12,959,031**

* During the year, the Group made the decision to cancel a key SaaS application development project. All expenditure related to the project has been expensed in the current year.

** Includes Accuro portfolio acquistion costs and projects costs expense

5. Net investment surplus

	2024 $	2023 $
Interest and dividend income on financial assets at fair value through surplus and deficit	5,843,699	4,504,842
Effective interest income from financial assets measured at amortised cost	130,234	193,782
Gains/(losses) at fair value through surplus and deficit	4,324,506	2,249,997
Investment consultancy and advice	(121,332)	(170,100)
Portfolio management fees	(486,068)	(493,700)
Total investment surplus	**9,691,039**	**6,284,821**

6. Cash and cash equivalents

	2024 $	2023 $
Cash at bank	3,632,472	1,519,673
Cash on call	8,800	1,000,510
Total cash and cash equivalents	**3,641,272**	**2,520,183**

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. Other receivables

	2024 $	2023 $
Other receivables	49,057	49,059
Lease trust account	60,514	41,243
	109,571	90,302
Amount owing by associates	800,000	-
Total receivables	**909,571**	**90,302**

8. Prepayments

	2024 $	2023 $
Prepayments - other	349,080	201,543
Prepayments - software development costs	-	3,485,080
Total prepayments	**349,080**	**3,686,623**

9. Managed investments - unit trusts

	2024 $	2023 $
Cash fund	58,839,418	58,269,875
Fixed interest	70,153,069	68,092,003
NZ equities	-	14,410,623
International equities	20,561,326	16,654,710
Total investments	**149,553,813**	**157,427,211**

Funds are managed primarily by Nikko. The Society's managed funds are all financial assets classified at fair value through surplus and deficit. Any changes in the fair value are recognised immediately.

10. Investments in associates

The Society's interest in associates is reflected in the financial statements on an equity accounting basis, which shows the share of surplus/deficits in the statement of comprehensive income and the share of post-acquisition increases/ decreases in net assets in the statement of financial position.

Impac Services Limited (+IMPAC)

Through its subsidiary Helix Safety Limited, on 13 November 2023 the Society acquired 48% of the shares in +IMPAC. +IMPAC is a profit orientated company incorporated and domiciled in New Zealand specialising in providing health and safety solutions. On 2 February 2024, the Society acquired a further 11% interest, taking its total ownership to 59%.

Despite its majority shareholding, the Society does not control +IMPAC as it does not have the right to appoint a majority of +IMPAC Directors under the terms of the +IMPAC Shareholders' Agreement. Consequently, the Society's +IMPAC investment is accounted for as an associate and the Society applies equity accounting to its 59% interest.

Fair value of contingent consideration

As part of the purchase agreement, an earnout was agreed whereby UniMed initially paid 85% of the agreed value of the shares with the remainder to be paid on a sliding scale based on achieved EBITDA as at 31 March 2024. The actual performance for the year ended 31 March 2024 was below set target and therefore no earnout or additional payment was made.

There were no contingent liabilities relating to the Society's interest in +IMPAC as at 30 June 2024.

The following table summarises +IMPAC's financial information for the period 13 November 2023, the date on which it became an associate, to 30 June 2024:

	2024 **$**
Current assets	6,624,080
Non-current assets	7,186,159
Current liabilities	(8,240,607)
Non-current liabilities	(2,733,669)
Equity	**2,835,963**
Group's share in equity - 58.97%	1,672,367
Goodwill	5,008,493
Carrying amount	**6,680,860**
Revenue	15,976,780
Total comprehensive revenue and expense	(2,149,838)
Tax expense	507,625
Total comprehensive income for the year	**(1,642,213)**
Society's share of loss	(884,672)
Society's share of total comprehensive loss	**(884,672)**

10. Investments in associates continued

Impairment of investment in associates

A 30 June 2024 impairment assessment has been completed for the Society's investment in +IMPAC, as per PBE IPSAS 26 Impairment of Cash-Generating Units. +IMPAC underperformed against the targets set at the time of acquisition, primarily due to the unexpected loss of revenue from a key customer and the economic climate slowing demand more generally. This provided objective evidence for possible impairment and necessitated the need to re-evaluate the investment's carrying amount.

PBE IPSAS 26 provides that an impairment loss is recognised when an asset's carrying amount (in this instance, the cost of the Society's +IMPAC investment) exceeds its recoverable amount. Recoverable amount has been assessed based on fair value less costs to sell (FVLCTS). In determining the FVLCTS, the Group adopted the earnings multiple valuation approach where a 4.9× multiple (derived from an analysis of the risks associated with the business, anticipated future growth prospects, and the availability of alternative investment opportunities) was applied to normalised earnings before interest, tax, depreciation, and amortisation (EBITDA), with adjustments for net debt and estimated disposal costs, to derive the FVLCTS. An impairment loss of $7,176,044 was recognised for the Society's +IMPAC investment.

+IMPAC Impairment sensitivity analysis

Assuming all other variables remain constant, a 5% increase/(decrease) in the earnings multiple or 10% increase/(decrease) in EBITDA has a $523,365/($523,365) or $1,046,731/($1,046,731) effect on net assets and operating surplus, respectively.

3 Big Things Limited (3BT)

Through its subsidiary Helix Wellness Limited, on 2 December 2023, the Society acquired 51% of the shares in 3BT. 3BT is a profit-orientated company incorporated and domiciled in New Zealand specialising in providing health and wellbeing services.

Despite its majority shareholding, the Society does not control 3BT as Board decisions require a 75% majority of the Board. Consequently, the Society's 3BT investment is accounted for as an associate and the Society applies equity accounting to its 51% interest.

Reconciliation of carrying amounts of investments associates

	+IMPAC $	3BT $	Total $
Balance at the beginning of the year	-	-	-
Acquisitions at cost	14,741,577	304,859	15,046,436
Impairment loss recognised	(7,176,044)	-	(7,176,044)
Share of current reporting period post-tax results	(884,673)	(19,721)	(904,394)
Balance at the end of the year	**6,680,860**	**285,138**	**6,965,998**

11. Accuro Health Insurance (Accuro) portfolio transfer

On 8 August 2023, the Society's Board agreed to progress a binding Letter of Intent with Accuro Health Insurance Society Limited (Accuro) to enter into an agreement to transfer the Accuro insurance portfolio and business to UniMed. A formal agreement between the Society and Accuro for the transfer was signed on 22 December 2023, subject to certain conditions being met as well as obtaining the necessary approvals from the Reserve Bank of New Zealand through an application under section 44 of the IPSA.

On 18 March 2024, the Reserve Bank of New Zealand approved the Society's application for the Accuro transfer. On 31 May 2024 the transfer was finalised and ultimately became the effective date of the transfer or acquisition date.

The Accuro transfer aligns with the Society's strategic objectives to expand its market share in the health insurance sector and enhance its product portfolio.

Acquired assets and liabilities at fair value

The assets and liabilities recognised as a result of the acquisition are as follows:

	$
Managed funds*	9,566,347
Cash transferred*	130,682
Property, plant, and equipment	52,965
Insurance software (policy administration system)	3,580,593
Insurance contract liabilities :	
LRC non-loss component and LIC	(6,950,367)
LRC - LC	(4,719,819)
Net fair value of assets / transfer gain	**1,660,402**

* Managed funds and cash transferred relates to transferred cash reserves received from Accuro for its insurance liabilities (LIC and LRC) assumed by UniMed in the transfer plus an employee benefits liability for ex-Accuro employees transferred to UniMed as at date of acquisition.

Employee transfer

To ensure smooth transition, and no customer service interruptions during and after the transfer, some ex-Accuro employees transferred to UniMed.

Employee benefits accruing as at date of transfer relating to these employees were also transferred to UniMed and the carrying amount of these liabilities approximates the fair value.

Gain on transfer

The fair value of the assets acquired exceeds the fair value of the liabilities assumed, resulting in a gain of $1,660,402.

Consideration transferred

As per the transfer agreement, the purchase consideration for the Accuro transfer is nil. No consideration was transferred from the Society to Accuro as part of the business combination. The Society assumed the insurance portfolio obligations and selected liabilities in consideration for Accuro transferring transfer assets (including portfolio rights and transfer cash reserves). The gain on transfer represents the net of the fair value of the assets acquired over the fair value of the liabilities assumed.

11. Accuro Health Insurance (Accuro) portfolio transfer continued

Acquired insurance contracts

The Society engaged Peter Davies B.Bus.Sc., a Fellow of the New Zealand Society of Actuaries and an independent qualified actuary, to perform a valuation and determine the fair values of the insurance assets acquired and the liabilities assumed as at acquisition date in terms of PBE IFRS 17.

The contracts acquired are measured based on the PAA at the date of acquisition. The Society determined that all contracts at the acquisition date had significant insurance risk and met the definition of insurance contracts issued.

The following were the key PBE IFRS 17 assumptions , judgements and considerations for the portfolio transferred :

PBE IFRS 17 measurement approach	PAA method adopted (no change in measurement method on transfer)
Risk adjustment - LIC and LRC -LC	8.5%
Claims handling costs	6.5%
Loss component on acquired contracts	$4,719,819
Confidence level	75%
Cancellation rate	8%

Acquisition-related costs

Acquisition-related costs amounted to $1,191,766 included in other expenses in the consolidated statement of comprehensive income.

Contingent liabilities

There were no contingent liabilities were recognised at the acquisition date.

Contribution since acquisition

The following is a summary of the portfolio performance since transfer to UniMed, from 1 June to 30 June 2024.

Statement of comprehensive income (extract)	**For the period 1 June to 30 June 2024**
Insurance revenue	2,642,798
Insurance service expense	(4,070,622)
Insurance service result	**(1,427,824)**

12. Property, plant & equipment

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

2024	Freehold land (Valuation)$	Buildings (Valuation) $	Fixtures fittings & equipment (Cost) $	Motor vehicles (Cost) $	Total $
Cost or fair value	4,150,000	10,000,000	2,207,968	111,334	16,469,302
Accumulated depreciation	-	-	(1,545,219)	(80,845)	(1,626,064)
Closing book value	**4,150,000**	**10,000,000**	**662,749**	**30,489**	**14,843,238**
Opening net book value	4,000,000	10,000,000	360,830	41,206	14,402,036
Additions	-	-	362,736	-	362,736
Acquisitions through business combinations (note 11)	-	-	52,965	-	52,965
Fair value gain (loss) recognised in other comprehensive income	150,000	200,000	-	-	350,000
Depreciation	-	(200,000)	(113,782)	(10,717)	(324,499)
Closing book value	**4,150,000**	**10,000,000**	**662,749**	**30,489**	**14,843,238**

2023	Freehold land (Valuation)$	Buildings (Valuation) $	Fixtures fittings & equipment (Cost) $	Motor vehicles (Cost) $	Total $
Cost or Fair Value	4,000,000	10,000,000	1,792,267	111,334	15,903,601
Accumulated depreciation	-	-	(1,431,437)	(70,128)	(1,501,565)
Closing book value	**4,000,000**	**10,000,000**	**360,830**	**41,206**	**14,402,036**
Opening net book value	1,869,095	7,626,303	428,095	55,683	9,979,176
Additions	-	-	185,426	-	185,426
Fair value gain (loss) recognised in other comprehensive income	2,130,905	2,567,603	-	-	4,698,508
Disposals	-	-	-	-	-
Depreciation	-	(193,906)	(252,691)	(14,477)	(461,074)
Closing book value	**4,000,000**	**10,000,000**	**360,830**	**41,206**	**14,402,036**

12. Property, plant & equipment continued

Land and buildings valuation

In 2023, the Society changed its accounting policy on subsequent measurement of land and buildings from historic cost model to revaluation model. Revaluations on land and building will be carried out with sufficient regularity to ensure that the carrying values are not materially different from the market values.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

As at 30 June 2024

Valuation technique used	Discounted cashflow approach supported by the Market income capitalisation and Initial(passing) capitalisation method
Significant unobservable inputs	7.5% sales evidence discount rate 0.5% increase/decrease in the discount rate would result in a $516,785 decrease and $467,441 increase in the fair value respectively
	7.25% terminal yield / capitalisation rate 0.5% increase/decrease in the terminal yield would result a $476,099 decrease and $575,162 increase in the fair value respectively
	Income Growth: Office Central Market Rent Growth: 2% over the next 10 years Retail Market Growth (Net): 1% to 2% range over the next 10 years
Interrelationship between key unobservable inputs and fair value	Based on the current rental and occupancy levels, a discounted cash flow analysis was applied, adopting a 10-year cash flow horizon, making appropriate allowances for rental income growth, leasing up periods after expiries, and calculating a terminal value at the end of the period.

As at 30 June 2023

Valuation technique used	Market capitalisation supported by discounted cashflow approach and Initial (passing) capitalisation method
Significant unobservable inputs	Market capitalisation rate: 6.75% 0.25% increase/decrease in the discount rate would result in a $500,000 decrease and $560,000 increase in the fair value respectively
	Capital value adjustments for rental reversions, letting up and leasing costs allowances of $240,751
	Capitalisation value ($/m2): $5,769
Interrelationship between key unobservable inputs and fair value	Based on current occupancy arrangements, prevailing market conditions, and market forecasts where appropriate.

The fair value measurement is based on the above items highest and best use, which does not differ from their actual use. Had the revalued properties been measured on a historical cost basis, their cost and net book value would have been:

i) Land - Cost and NBV $1,869,095 (2023: $1,869,095)

ii) Buildings - Cost $9,141,742 and NBV $7,238,509 (2023: Cost $9,141,742 and NBV $7,432,397)

13. Intangible assets

2024	Software $	Work-in-progress $	Total $
Opening cost at 1 July	2,162,859	-	2,162,859
Additions	-	1,320,285	1,320,285
Transfers from prepayments	583,853	538,849	1,122,702
Transfers from work-in-progress	610,455	(610,455)	-
Costs written off	-	(293,961)	(293,961)
Acquisitions through business combinations (note 11)	3,580,593	-	3,580,593
	6,937,760	**954,718**	**7,892,478**
Opening accumulated amortisation & impairment	2,061,309	-	2,061,309
Amortisation for the year	224,659	-	224,659
	2,285,968	**-**	**2,285,968**
Closing carrying amount at 30 June	**4,651,792**	**954,718**	**5,606,510**

2023	Software $	Trademarks $	Total $
Opening cost at 1 July	2,104,163	-	2,104,163
Additions	58,696	-	58,696
	2,162,859	**-**	**2,162,859**
Opening accumulated amortisation & impairment	2,029,460	-	2,029,460
Amortisation for the year	31,849	-	31,849
	2,061,309	-	2,061,309
Closing carrying amount at 30 June	**101,550**	**-**	**101,550**

Intangible assets is a non-current asset made up of computer software, health policy administration systems and work in progress. There are no restrictions over the title of intangible assets, nor are any intangible assets pledged as security for liabilities.

14. Insurance contract liabilities

UniMed portfolio

	30 June 2024				
	$				
	LRC		LIC		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total insurance liabilities
Opening insurance contracts liabilities at 1 July 2023	2,868,877	3,351,575	14,654,524	823,953	21,698,929
Changes in the statement of surplus and deficit or other comprehensive income					
Insurance revenue	**(105,924,943)**				**(105,924,943)**
Insurance service expenses					
Incurred claims and other expenses	-	(3,351,575)	116,253,010	886,181	113,787,616
Changes relating to past service	-	-	(1,354,979)	(799,184)	(2,154,163)
Losses on onerous contracts and reversals of those losses	-	4,505,324	-	-	4,505,324
Total insurance services expenses	**-**	**1,153,749**	**114,898,031**	**86,997**	**116,138,777**
Insurance service result	**(105,924,943)**	**1,153,749**	**114,898,031**	**86,997**	**10,213,834**
Cash flows					
Premiums received	106,116,643	-	-	-	106,116,643
Claims and other expenses paid	-	-	(112,790,120)	-	(112,790,120)
Total cash flows	**106,116,643**	**-**	**(112,790,120)**	**-**	**(6,673,476)**
Non-cash items					
Assumed in a business combination (note 11)	-	-	-	-	-
Closing insurance contracts liabilities at 30 June 2024	**3,060,577**	**4,505,324**	**16,762,436**	**910,950**	**25,239,287**

14. Insurance contract liabilities continued

Transferred Accuro portfolio

	30 June 2024				
	$				
	LRC		LIC		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total insurance liabilities
Opening insurance contracts liabilities at 1 July 2023	-	-	-	-	-
Changes in the statement of surplus and deficit or other comprehensive income					
Insurance revenue	**(2,642,798)**				**(2,642,798)**
Insurance service expenses					
Incurred claims and other expenses	-	-	3,937,627	193,066	4,130,693
Changes relating to past service	-	-	73,379	(133,450)	(60,071)
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Total insurance services expenses	**-**	**-**	**4,011,006**	**59,616**	**4,070,622**
Insurance service result	**(2,642,798)**	**-**	**4,011,006**	**59,616**	**1,427,824**
Cash flows					
Premiums received	3,678,069	-	-	-	3,678,069
Claims and other expenses paid	-	-	(2,768,977)	-	(2,768,977)
Total cash flows	**3,678,069**	**-**	**(2,768,977)**	**-**	**909,092**
Non-cash items					
Assumed in a business combination (note 11)	2,901,780	4,719,819	3,741,654	306,933	11,670,186
Closing insurance contracts liabilities at 30 June 2024	**3,937,051**	**4,719,819**	**4,983,683**	**366,548**	**14,007,102**

14. Insurance contract liabilities continued

UniMed portfolio

	30 June 2023 (Restated) $				
	LRC		LIC		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total insurance liabilities
Opening insurance contracts liabilities at 1 July 2022	3,628,906	1,988,956	12,292,946	644,545	18,555,353
Changes in the statement of surplus and deficit or other comprehensive income					
Insurance revenue	**(92,955,013)**				**(92,955,013)**
Insurance service expenses :					**-**
Incurred claims and other expenses	-	(1,988,956)	97,099,224	805,467	95,915,735
Changes relating to past service	-	-	(603,396)	(626,059)	(1,229,455)
Losses on onerous contracts and reversals of those losses	-	3,351,575	-	-	3,351,575
Total insurance services expenses	**-**	**1,362,619**	**96,495,828**	**179,408**	**98,037,855**
Insurance service result	**(92,955,013)**	**1,362,619**	**96,495,828**	**179,408**	**5,082,842**
Cash flows					
Premiums received	92,194,984	-	-	-	92,194,984
Claims and other expenses paid	-	-	(94,134,250)	-	(94,134,250)
Total cash flows	**92,194,984**	**-**	**(94,134,250)**	**-**	**(1,939,266)**
Closing insurance contracts liabilities at 30 June 2023	**2,868,877**	**3,351,575**	**14,654,524**	**823,953**	**21,698,929**

Valuation of Insurance Liabilities

Estimates of the of the insurance liabilities, LIC and LRC - LC, as at 30 June 2024 and 30 June 2023 have been carried out by Peter Davies B.Bus.Sc., a Fellow of the New Zealand Society of Actuaries. The calculation complies with PBE IFRS 17 and Professional Standard No. 4 of the New Zealand Society of Actuaries. The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine these provisions.

14. Insurance contract liabilities continued

LIC method of valuation

UniMed estimates insurance liabilities in relation to claims incurred for its insurance contracts. Judgment is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The generally accepted actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain-ladder method.

The chain-ladder method involves an analysis of historical claims development factors, and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period (in UniMed's case, for the thirty-six months post year-end) that is not yet fully developed to produce an estimated ultimate claims cost for each year. The chain-ladder technique is the most appropriate for this claim pattern.

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was considered when estimating the LIC:

- o the homogeneity of the data;
- o changes in the composition of Members and their beneficiaries;
- o changes in benefit limits;
- o changes in Membership conditions, such as changes in claim processing fees, and claim notification time-limits;
- o claim processing times; and
- o past claim seasonality

Liability for remaining coverage

The LRC comprises of:

i) the portion of premiums received on in-force contracts that relates to unexpired risks

ii) loss component on onerous contracts

Loss component on onerous contracts

The onerous contract assessments were performed by Peter Davies, B.Bus.Sc., a Fellow of the New Zealand Society of Actuaries. UniMed determines the LRC coverage for all of its insurance contracts applying the PAA.

If facts and circumstances indicate that a group of insurance contracts is onerous, UniMed will calculate the difference between:

a) the carrying amount of the liability for remaining coverage determined applying the PAA method; and

b) the fulfilment cash flows that relate to remaining coverage of the group.

The key facts and circumstances available to UniMed in respect of its two insurance portfolios (UniMed's own portfolio, and the portfolio transferred from Accuro in 2024) are:

a) For individual Members (those administered and billed as individuals), the annual pricing review for each portfolio;

b) For group schemes (those administered and billed under a group arrangement), the annual scheme renewal for each group.

UniMed's pricing policy is that all group schemes will be reviewed each year, and will be priced at renewal to achieve a positive level of expected future fulfilment cash-flows up till the following renewal date. UniMed is not aware of any group scheme renewals over the past year that have deviated from this policy. Small scheme renewals are implemented via delegated authority; large scheme renewals require senior executive sign-off.

14. Insurance contract liabilities continued

UniMed's pricing of its individual products considers the position of each product separately. If an individual product has been experiencing an unusually high claim ratio, the required increase to achieve positive future fulfilment cash-flows may be spread over a number of years. This could lead to the product being onerous over that period.

UniMed calculates the future fulfilment cash-flows and the carrying amount determined using the Premium Allocation Approach for any products which present themselves as being onerous, as identified by the recommendation set out in each portfolio's pricing review. Future fulfilment cash-flows will be calculated for the remainder of each product's contract boundary, together with a risk adjustment. The risk adjustment will be determined separately for each product, ignoring diversification of benefits between products.

The resulting difference between the future fulfilment cash-flows, and the carrying amount determined using the Premium Allocation Approach, shall be recognised as a loss for that period (or, if the product was onerous at the start of the reporting period, the movement in the amount determined will be recorded within insurance service expense).

The table below summarises the key assumptions and judgements adopted in determining LIC and LRC loss component:

	UniMed Portfolio		Transferred Accuro portfolio
30 June 2024	**2024**	**2023**	**2024**
LIC			
Claims handling costs, as a percentage of premiums	6.5%	6.5%	6.5%
Risk adjustment	7.0%	7.0%	8.5%
Claims settlement times (months)	3.3	3.3	3.1
Loss component			
Claims loss ratio	99.4%	96.9%	83.4%
Direct management costs	6.5%	6.5%	6.5%
Risk adjustment applied to future claims	5.4%	5.3%	7%

The confidence level corresponding to the above results for both LIC and LRC loss component is 75%

Risk adjustments

The LIC includes an adjustment for non-financial risk. The risk adjustment for non-financial risk represents the compensation that the Society requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The risk adjustment reflects an amount that the Society would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Society has a strong focus on generating consistent underwriting surpluses, in order that it can build up its solvency reserves as it grows, and maintain its A (Excellent) financial strength rating from AM Best. The Society's pricing and capital management policy, taking account of the observed variability in its overall claims experience, equates to maintaining a probability of sufficiency of 75% in its pricing and reserving. The risk adjustments that have been allowed for in the Liability for Incurred claims, and in the loss component on onerous contracts, have been determined on a consistent basis, with a probability of sufficiency of 75%.

14. Insurance contract liabilities continued

The risk adjustment applied to the LIC in the UniMed portfolio, on this basis, is 7.0% for 2023 and 2024

The risk adjustment applied to the LIC in the transferred Accuro portfolio, on this basis, is 8.5% for 2024

The risk adjustments applied in determining the LC on onerous contracts were determined on the basis of the claim variability of each individual product viewed separately.

The average risk adjustments applied to the contracts in each portfolio that have been deemed to be Onerous, achieving a 75% probability of sufficiency, are:

UniMed Portfolio:	
30 June 2023	5.3%
30 June 2024	5.4%

Transferred Accuro Portfolio	
30 June 2024	7%

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2024.

15. Members' capital

	2024 $	2023 $
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	59,086	51,241
Add additions (repayments) during the year	19,101	7,845
Closing balance at 30 June	**78,187**	**59,086**

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.

16. Revaluation reserve

	2024 $	2023 $
Opening balance 1 July	4,698,508	-
Fair value gain (loss) on land & buildings	350,000	4,698,508
Closing balance at 30 June	**5,048,508**	**4,698,508**

In 2023, the Society changed its accounting policy on subsequent measurement of land and buildings from historic cost model to revaluation model.

Land and buildings classified as property, plant and equipment were valued on 30 June 2024 (2023: 30 June) using valuation techniques appropriate to the circumstances carried out by external independent qualified valuers.
The revaluation surplus totalled $350,000 (2023: $4,698,508) which comprised of $150,000 fair value gain and a further $200,000 of recovered depreciation (2023: $2,989,163 and $1,709,345 respectively).

17. Accumulated funds

	2024 $	2023 $
At 1 July, as previously reported	151,623,312	145,473,245
Impact of initial application of PBE IFRS 17	-	5,644,195
Restated opening balance, 1 July	151,623,312	151,117,440
Operating (loss) / surplus	(14,227,741)	505,872
Closing balance at 30 June	**137,395,571**	**151,623,312**

18. Cash flow reconciliation

	2024 $	2023 $
Operating (loss) / surplus	(14,227,741)	505,872
Plus (less) non cash items:		
Net (gains)/losses on investments at fair value through surplus or deficit	(10,168,205)	(6,754,838)
Amortisation of intangibles	224,659	31,849
Depreciation	324,499	461,074
Project costs expense	2,656,339	-
Add items classified as investing activities:		
Gain on transfer	(1,660,401)	-
Share of profit from associates	904,394	
Impairment loss on investments in associates	7,176,044	-
	(14,770,412)	(5,756,043)
Plus (less) movements in working capital:		
Increase/(decrease) in other payables	(39,158)	(26,991)
Increase/(decrease) in employee benefits	11,018	1,823
(Increase)/decrease in other receivable	(19,272)	(28,202)
(Increase)/decrease in prepayments	(147,537)	(2,655,398)
Increase/(decrease) in insurance contract liabilities	5,877,274	3,143,578
Total movements in working capital	5,682,325	434,810
Net cash flows from operating activities	**(9,088,087)**	**(5,321,233)**

19. Credit rating

On 3 October 2024, AM Best affirmed the Society's financial strength rating of A (Excellent) and long-term issuer credit rating of "a" (Excellent).

20. Solvency and capital adequacy

The Society is a not-for-profit organisation. Because of its legal structure, the Society has no recourse to external capital and therefore internally generated capital is of high importance. At 30 June 2024 the Society's capital of $142,444,078 (2023: $156,321,820) is equal to the Members' funds as disclosed in the consolidated financial statements.

The Society is subject to RBNZ solvency standards that require it to maintain a positive solvency margin – meaning that its solvency capital position must exceed the prescribed capital requirement. During the period ending 30 June 2024 the Society complied with all externally imposed capital requirements.

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

As at 30 June 2023, the minimum solvency capital was calculated and reported under the Non-life Insurance Business Solvency Standard. This was prior to introduction and adoption of the new Interim Solvency Standard.

Solvency	**2024 $**
Solvency capital	127,322,599
Adjusted prescribed capital requirement	33,045,617
Adjusted solvency margin	94,276,983
Adjusted solvency ratio	385%

As at 30 June 2024, the adjusted solvency calculation is based on the RBNZ Interim Solvency Standard (October 2022), which became effective on 1 July 2023.

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

21. Contingent liabilities

There are no contingent liabilities at balance date. (2023: $Nil).

22. 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.

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 follows:

	2024 $	2023 $
Less that one year	294,479	305,349
Between one and five years	842,685	1,169,761
More than five years	-	-

Leases as lessee

At 30 June, obligations payable after the reporting date on the non-cancellable operating leases are as follows:

	2024 $
Less that one year	200,710
Between one and five years	803,388
More than five years	401,419

The Society, as part of the Accuro portfolio transfer, inherited the operating lease contract for the Wellington offices (third floor of Whitmore Street).

This lease runs until August 2025, at which stage the Society has one further right of renewal until the lease expires on 31 July 2031.

Capital commitments

There are capital commitments as at 30 June 2024 of $ 43,163 (2023: $Nil)

Capital commitments represent the Society's contractual obligations for capital expenditure (capex) projects that were in-progress as at year-end. These commitments reflect the expected cash flows required to fulfil the terms of the contracts.

23. Risk management

The Society is exposed to several 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 IPSA requires insurers to maintain 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 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 liability for incurred claims directly affect the level of estimated claims incurred. The key assumptions used are detailed in note 14.

The scope of insurance risk is managed by the conditions of Membership. 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 volume 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.

The liability for incurred claims is sensitive to the key assumptions in the table below. The following sensitivity analysis shows the impact on liabilities for incurred claims and statement of comprehensive income reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

23. Risk management continued

UniMed portfolio sensitivities		2024	
Variable	**Movement**	**Impact on Net Assets $**	**Impact on Operating Surplus $**
LIC			
Claims settlement time	Increase of 1%	(3,586,073)	(3,586,073)
	Decrease of 1%	2,931,626	2,931,626
LC			
Claims loss ratio	Increase of 1%	(322,369)	(322,369)
	Decrease of 1%	322,369	322,369
Direct management expenses	Increase of 1%	(305,985)	(305,985)
	Decrease of 1%	305,985	305,985
Risk adjustment	Increase of 1%	(304,154)	(304,154)
	Decrease of 1%	304,154	304,154

Transferred Accuro portfolio sensitivities		2024	
Variable	**Movement**	**Impact on Net Assets**	**Impact on Operating Surplus**
LIC			
Claims settlement time (months)	Longer by 10%	(1,136,063)	(1,136,063)
	Shorter by 10%	1,154,419	1,154,419
LC			
Claims loss ratio	Increase of 1%	(382,843)	(382,843)
	Decrease of 1%	382,843	382,843
Direct management expenses	Increase of 1%	(785,985)	(785,985)
	Decrease of 1%	785,985	785,985
Risk adjustment	Increase of 1%	(298,533)	(298,533)
	Decrease of 1%	298,533	298,533

23. Risk management continued

UniMed portfolio sensitivities		2023	
Variable	**Movement**	**Impact on Net Assets $**	**Impact on Operating Surplus $**
LIC			
Claims settlement time (months)	Increase of 1%	(3,118,650)	(3,118,650)
	Decrease of 1%	2,553,796	2,553,796
LC			
Claims loss ratio	Increase of 5%	(279,302)	(279,302)
	Decrease of 5%	279,302	279,302
Direct management expenses	Increase of 1%	(265,280)	(265,280)
	Decrease of 1%	265,280	265,280
Risk adjustment	Increase of 1%	(256,999)	(256,999)
	Decrease of 1%	256,999	256,999

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.

The following table summarises the maturity profile of portfolio of insurance contracts liabilities held by the Society based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

2024	Up to 1 year $	1–2 years $	2-3 years $	>3 years $	Total $
LIC	21,746,119	-	-	-	21,746,119
Total insurance liabilities	**21,746,119**	**-**	**-**	**-**	**21,746,119**

2023	Up to 1 year $	1–2 years $	2-3 years $	>3 years $	Total $
LIC	14,654,524	-	-	-	14,654,524
Total insurance liabilities	**14,654,524**	**-**	**-**	**-**	**14,654,524**

23. Risk management continued

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.

2024	0-6 months $	7-12 months $	1-2 years $	over 2 years $
Financial assets				
Cash and cash equivalents	3,641,272	-	-	-
Other receivables	909,571	-	-	-
Investments	149,553,814	-	-	-
Total financial assets	**154,104,657**	**-**	**-**	**-**
Financial liabilities				
Other payables	842	-	-	-
Total financial liabilities	**842**	**-**	**-**	**-**

2023	0-6 months $	7-12 months $	1-2 years $	over 2 years $
Financial assets				
Cash and cash equivalents	2,520,183	-	-	-
Other receivables	90,302	-	-	-
Investments	157,427,211	-	-	-
Total financial assets	**160,037,696**	**-**	**-**	**-**
Financial liabilities				
Other payables	40,000	-	-	-
Total financial liabilities	**40,000**	**-**	**-**	**-**

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

23. Risk management continued

The following table show the carrying amounts of the Society's financial assets and liabilities in each of the financial instruments' categories:

2024	**Fair value through surplus and deficit $**	**Amortised cost $**
Cash and cash equivalents	-	3,641,272
Other receivables	-	909,571
Investments	149,553,814	-
Total financial assets	**149,553,814**	**4,550,843**
Other payables	-	842
Total financial liabilities	**-**	**842**

2023	**Fair value through surplus and deficit $**	**Amortised cost $**
Cash and cash equivalents	-	2,520,183
Other receivables	-	90,302
Investments	157,427,211	-
Total financial assets	**157,427,211**	**2,610,485**
Other payables	-	40,000
Total financial liabilities	**-**	**40,000**

Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are categorised within the fair value hierarchy described below:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

It is considered that only managed investments fall into the fair value hierarchy in 2024. Managed investments are categorised into Level 2 of the fair value hierarchy (valuation technique using observable inputs).

The fair value of units held in underlying funds is determined by reference to published exit prices, being the redemption price established by the underlying fund manager. There were no transfers between categories during the year.

23. Risk management continued

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Society's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Society does not issue any participating contracts. Therefore, there are no insurance contracts which are exposed to price risk.

The Society has no significant concentration of price risk.

The Society is exposed to securities price risk arising from its portfolio of investments managed by Nikko which are classified as financial assets at FVTSD. To manage price risk arising from these investments, the Group diversifies its portfolio in accordance with the limits it sets. The performance of these investments is subject to continuous monitoring, accompanied by a thorough evaluation of their composition to ensure alignment with the Society's solvency requirements.

A 5% increase/decrease in value of the equity instruments held at the reporting date would, all other variables held constant will result in the impact as shown below:

	2024		2023	
	Impact on operating surplus	**Impact of net assets for the year**	**Impact on operating surplus**	**Impact of net assets for the year**
Financial Assets at fair value through surplus or deficit :			Updated	
5% increase	7,477,691	7,477,691	7,871,361	7,871,361
5% decrease	(7,477,691)	(7,477,691)	(7,871,361)	(7,871,361)

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 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.

24. Key management personnel compensation

Key management personnel of the Society's Directors and executive managers. The total remuneration to key management personnel was:

	2024		2023	
	Number	**$**	**Number**	**$**
Salaries and other short-term benefits	8	1,425,883	8	1,390,973
Directors fees paid	7	343,725	7	330,446
Post employment benefits	2	178,174	2	167,156

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

25. Group entities

	Country of ownership	Interest %	
Subsidiaries	**Incorporation**	**2024**	**2023**
Helix Wellness Limited	New Zealand	100	100
Helix Safety Limited	New Zealand	100	100
Helix Health Limited	New Zealand	100	100
Helix Solutions Limited	New Zealand	100	100
Associates			
Impac Services Limited (Impac)	New Zealand	58.97	0
3 Big Things Limited (3BT)	New Zealand	51	0

26. Related party transactions

UniMed and Impac Services Limited	2024 $	2023 $
Loan advance to Impac	800,000	-

The loan is available on demand and convertible into equity if Impac defaults on repayment within 60 days of UniMed's demand. Interest is calculated monthly, with reference to the 90-day New Zealand bank bill reference rate, plus an agreed margin of 1.5%.

27. Events after the reporting period

The group is not aware of any other significant events between the preparation and authorisation of these financial statements on 31 October 2024.

“

Accuro’s response time has always been fast, when UniMed took over we expected to see a drop off in service standards. However, this was NOT the case.

The portal was just as easy to interface with and the response time brilliant. In a time of ill health, it is very reassuring to know, you don’t have to worry about queuing in the public heath system, knowing you have financial support, means all you have to focus on is recovery and family.

Thank you for always being there.

Vic & Carolyn
UniMed Members

Helping working New Zealanders and their whānau stay in life-long good health.

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UniMed

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

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