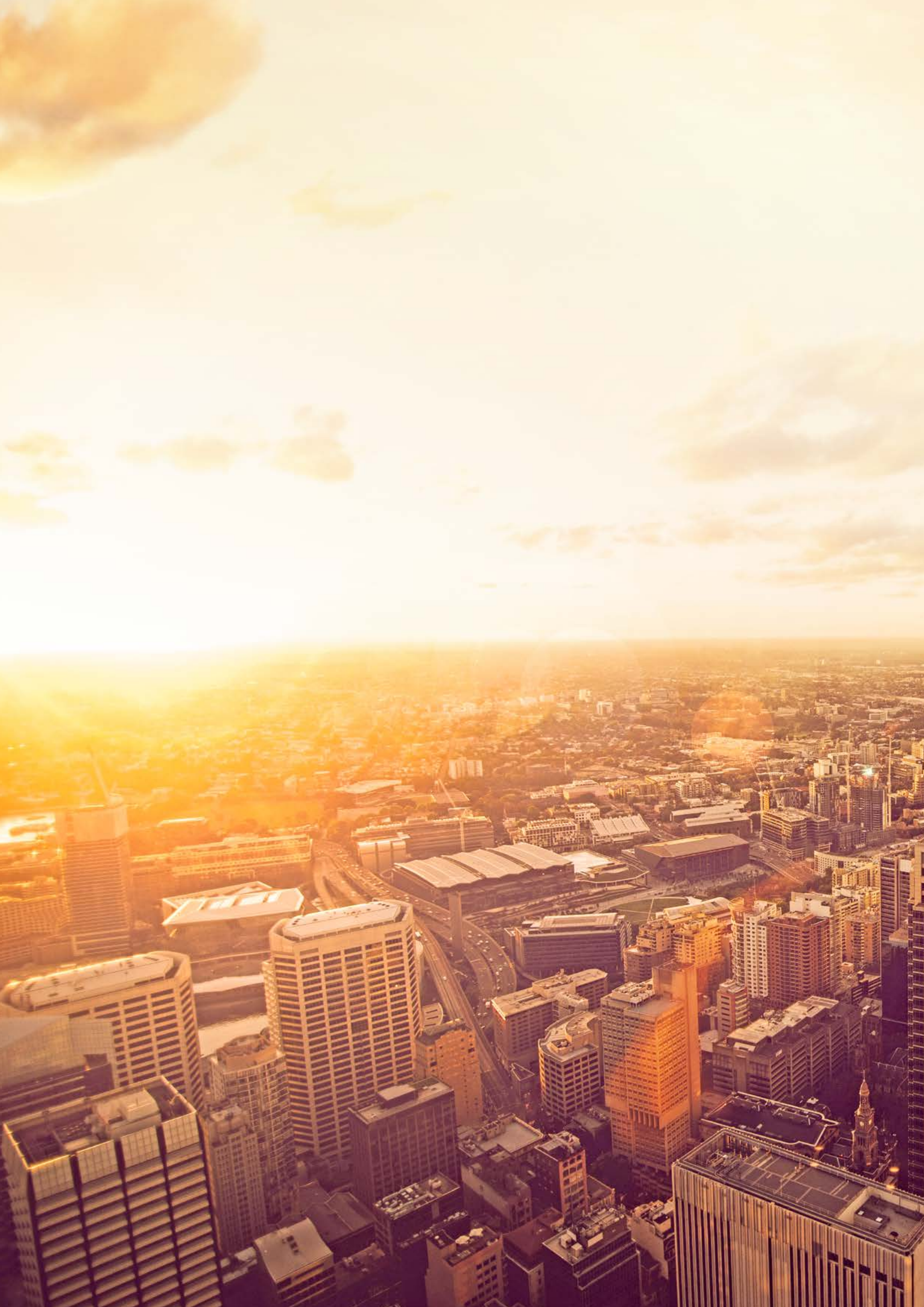
CCI
Catholic Church Insurance

Together, we're investing in a bright future

ANNUAL REPORT **2019**



Contents

CHAIRMAN'S REPORT

Today, I am confident that CCI is stronger internally as a result of our modernisation strategy. We are also positioned to provide greater support for the Catholic community well into the future. In the last year we have continued to protect our clients in all segments of the Church and beyond as they carry out their critical work of serving communities each day. Our commitment and legacy of protecting the interests of the Church has remained our significant focus.

Developing our technology and collaborating with clients to find innovative solutions that reduce risk means that we safeguard our unique role as a preferred insurance and investments partner. Our work over the last three years has been a substantial project for transformation and change, with important implications for all of our stakeholders. A key decision to make innovation central to our three strategic priorities of Enhance, Expand, and Give Back has allowed us to meet both the challenges and opportunities that emerging technologies present, while at the same time recognising their potential shadow on the global landscape. We understand the impact that cyber security, data breach risks, and reputational damage to brand can have on our clients and their businesses.

Improved internal efficiency through digitalisation, and deeper knowledge of industry-specific risks, helps us to engage closely with the issues presenting the most difficulty for the Catholic Church community. Our clients' challenges are absolutely critical to us, and we recognise this to be a financially testing time for many; indeed carrying significant financial impacts on our organisation. We are mindful of our clients' ability to meet the costs for protection. Church affordability is a conspicuous theme on our agenda, a salient conversation for the Church, and a risk we are keenly aware of. Our priority is to assist the Church in addressing affordability challenges in the years ahead, in a variety of ways. I'd therefore like to acknowledge the valuable effort of our Technical Pricing team who have worked hard this year to ensure we are 'getting it right' by pricing our insurance products appropriately. I also commend the joint efforts of both CCI and our clients who have collaborated as part of an affordability working group.

I'm very pleased that CCI's strong solvency and capital position has allowed us to make payments of Catholic Entity Distributions (CEDs) to clients once again, although due to our overall financial loss and the obligation we have to prudently manage our organisation and preserve its financial resilience for the future, we will not be paying a dividend. CCI's overall financial loss of $15.8 million was tied to the impact of prevailing professional standards liability claims, however excluding these our core operations continue to remain sound and profitable. Further uncertainty around professional standards claims will challenge our ability to pay distributions going forward, and is a matter the Board will monitor closely. Where a significant increase in claims requires additional financial provisions, we will make careful and considered decisions that respect the responsibilities we have to our company, and our relationships with clients and their mission.

Our investment strategy has once again delivered excellent results while ensuring that we remain within our risk profile. Overall, our internal team of advisors and our Board Investment Committee have contributed to delivering an outstanding return on the funds that we hold on behalf of our clients.

Our approach to regulation and compliance has given us a consistent and strong relationship with APRA to ensure that we meet compliance demands and that our prudential requirements as an insurer are fulfilled. This reflects the strong commitment to governance in our organisation.

This year there was significant change in our committees at a director level that allowed us to refresh our skill set and ensure we apply the very best of our expertise. Julie-Anne Schafer replaced Jo Dawson who retired on 22 October 2018, on our Audit and Risk committee. I'd like to thank them both for their contribution. Revising committee membership is integral to our governance work which reflects the skill base and technical application of our current Board Committees. Reporting to the Board by our committees continues to be managed with disciplined execution, and absolute commitment to the fulfilment of CCI's governance and regulatory obligations.

The Board welcomed Matthew Doquile in October 2018. He is an accomplished insurance professional with more than 20 years of industry experience in Australia and Asia Pacific. Matthew is a Non-Executive Director, Member of the Board Audit and Risk Committees and Member of the CCIAM Board and brings significant, additional insurance skills. We are very happy indeed to have him join us.

Our relationship with the Church is a legacy of trust and a partnership that we do not take for granted. Our mission is to deliver value for clients, by providing the best service we can at the best price. I believe we also have an obligation to position our organisation in a way that consistently exceeds our clients' expectations. Our values are reflected in everything we do, which is why our engagement with clients encourages open and meaningful discussion that demonstrates our willingness to work effectively together. Our decisions are based on balancing a unique alliance with our clients and the Church, with our governance obligations, APRA regulations, ACNC and ASIC requirements.

In reflecting on the year that has been, I wish to thank our CEO Roberto Scenna who has steered the Senior Leadership Team with great determination and vision, and on behalf of the Board I extend our gratitude for his ability to lead our organisation through profound change.

Thanks must also go to the entire CCI team for the significant work they do for our clients, and for their unwavering effort to deliver our strategy.

Our shared values will continue to shape our decisions, and expand our knowledge and awareness of the challenges faced by the Catholic Church. I look forward to the year ahead, and sincerely thank our client's for their role in creating a stronger CCI.

Sincerely,

Paul Gallagher
Chairman

"This year has seen the biggest transformation to CCI's operations in more than a century."

"Our internal transformation is now delivering digital service solutions, improved processes, and superior underwriting functions. With another outstanding year of investment performance, CCI's future looks bright."

CEO'S REVIEW OF OPERATIONS

Investing in a brighter future

Three years ago we executed our strategic plan to safeguard the future wellbeing and security of the next generation of Catholic and faith-based clients. It was a long-term view with a clear focus on preserving a foundation of strength while adapting to new risk challenges. Having now completed our three-year transformation program, we have reached an important strategic milestone, and I am pleased and absolutely confident in our superior client services, financial investments capability, innovation in supporting clients to mitigate risks, and our commitment to furthering our digital capabilities. All of these initiatives, and more, will ensure that CCI remains a competitive and proactive organisation that sustainably meets its business needs and helps clients meet theirs.

Enhance, Expand, Give Back becomes business as usual

Our transformation program Isidore has taken us to the next level as CCI now steps into the future as a digitally strong insurer. The program's core principles of Enhance, Expand and Give Back are now embedding operationally, company-wide. This shift reinforces a long-term alignment of the company with the key priorities of growth, client service, operational excellence, and compassion. We are a culture that is digitally driven, change-ready and skilled in identifying new and emerging risks for our clients.

Our clients will experience many benefits from the program. Key among these is our renewed focus on meeting future as well as current needs for clients in all areas of the Church, with insightful advice and exceptional service. Clients should also find advantages in having their insurance documentation available online within myCCI; a platform developed specifically for our unique client community to manage insurance administration efficiently.

We now provide more risk management support through new and improved systems and resources, with the support of insights development in areas relevant to our clients' risk profiles. The work of CCI's Focus Forum Series demonstrates the value of engaging more deeply with emerging risk topics that carry a potential claims impact in the future. Our Forums continued around the country in 2019, assisting our education clients with the subject of concussion. Not only was there a terrific response, but a range of materials is now available online to help all in education to manage this emerging risk. CCI is the first insurer in Australia to develop a formal Concussion Protocol for schools in collaboration with world-leading expert Dr John Olver and his team of professionals at Epworth Hospital Acquired Brain Injury Rehabilitation Centre, in Victoria.

CCI's annual Client Satisfaction Survey delivered encouraging news by confirming that we are on track; pinpointing the right areas for improvement and identifying where improvements will have the most positive impact for clients. We maintained our Net Promoter Score of 24 per cent and will continue to work hard in the areas of Claims specifically, our service responsiveness and our communication. We recognise these are important influencing factors on overall client satisfaction. This feedback informs our forward thinking and reinforces our investment in the replacement of core legacy systems. Our focus on delivering improved operational effectiveness and accuracy is a priority moving ahead.

Our financial performance

A strong underwriting performance was somewhat eclipsed by claims expenses in the area of professional standards liability resulting in an overall loss of $15.8 million. However, if we exclude such claims, we can be proud of having performed exceptionally well. With an overall Gross Written Premium result of $3.3 million above budget, this is a clear indication that CCI's core business is financially very sound. Pleasingly, we returned another exceptional investment result this year and on the back of a record year in 2018. CCI Asset Management has once again achieved a result well above budget, setting yet another record result in 2019. Both outcomes ensure that CCI clients will receive a Catholic Entity Distribution (CED), while CCI Asset Management clients will also benefit from the Investments Profit Sharing Program.

Strengthening our risk culture

In 2019, the financial services market encountered significant changes following the release of the Banking Royal Commission findings. CCI's origins and purpose differs from that of other financial services providers, and while our reputation as an insurer of integrity stood the test and remains firm, we determined that to maintain a leading position we should embrace recommended changes in a way that not only safeguards our own position as an insurer but also helps our clients in the future.

In addition to meeting the requirements of the Australian Financial Complaints Authority (AFCA), as the newly appointed external body replacing the Financial Ombudsman Service, we have reviewed our entire Enterprise Risk Management System (ERM) to ensure we are able to best support our underlying risk framework and policies, and manage risks, controls, and regulatory obligations. Our existing legacy applications and dated reporting methodologies are now replaced. Looking ahead, our ERM will provide comprehensive visibility of our risks and obligations, as well as a deeper understanding of how risks and compliance matters are linked. This allows risk-related decisions to be made with greater conviction.

Collaborating with clients to address affordability

If our intention is to evolve as a stronger insurance and investments partner that adheres to the mutual principles of serving people ahead of profits, then our work in church affordability initiatives must continue to play a critical role in how we serve our clients. Affordability remains a long-term challenge and will be felt more sharply in a changing risk landscape. Over the last financial year, CCI's Innovation Committee established an Affordability Initiative in collaboration with the Australian Catholic Bishops Conference (ACBC).

With a disciplined effort to explore real solutions that meet this challenge, we are working to develop a church property asset management framework, undertaking heritage research, creating a catalogue for unique heritage assets, and introducing a redefined basis of settlement for property insurance claims.

This pioneering work has only just begun, but it gives me enormous faith in what can be achieved by a working allegiance with our clients and the Church. We presented a renewed property asset valuation service this year, after an extensive review of our valuations process and appointment of new property valuations partner JLT Valuations. The partnership represents a significant advantage in risk assessment and analysis, and a national reach that involves valuing structures across metropolitan, regional, and rural Australia for the Catholic Church community. Looking ahead, we will conduct three years of inspections to some 11,000 buildings.

When CCI grows stronger, everyone benefits

CCI is continuing to grow, and that's good news for everyone including our clients, our shareholders, and our people. Our growth comes from within the Catholic Church as well as through new clients who share like-minded values and who align with our goals and mission. We also continue to grow through our expanding broker network, providing new and existing clients the option to work with us through their preferred method. Our growth underpins the future security of CCI and is the foundation of our ability to protect the interests of clients and shareholders in the future.

The more we grow the more we can give

Our growth also underpins our ability to give back to our community and nothing demonstrates this more strongly that the establishment of CCI Giving, our Charitable foundation. In total, CCI Giving has made 38 grants totalling more than $715K since inception, spread across 34 organisations nationally. Of the Impact Grants, two have totalled $440K for the 'In a Good Place' program, a five-year impact partnership with the Foundation for Rural and Regional Renewal which seeks to support community-driven initiatives that reduce social isolation, increase social participation and connectedness, and encourage people in rural, regional and remote communities who are at risk of, or are experiencing, mental health issues to seek help. In the two years since inception, 21 grassroots organisations from around the country have been supported to deliver their important mental health prevention and intervention in country areas that need it most.

CCI Giving's Small Grants program has seen 36 grants exceeding $275K distributed for activities assisting young people experiencing educational disadvantage, refugees and people seeking asylum, families affected by mental illness and those affected by domestic violence.

Internally, it's also a pleasure to reflect on the efforts of our staff Give Back Committee. They have grown from delivering annual Christmas projects to organising numerous charitable events throughout the entire year.

As always, CCI continues to support our clients through a broad range of sponsorships and grants. For the first time in eighty years, the Catholic Church in Australia will hold a Plenary Council in 2020, and I am proud of our commitment to this important event in the form of financial support as well as risk management and insurance services in kind.

The future looks bright

Looking ahead, I'm confident that our investment in our transformation program has been an investment in a brighter future for our people and the community we support. I'm grateful to the Board for supporting the program, and thank the Senior Leadership Team for their timely delivery of this critical initiative. All of the hardworking CCI staff are to be commended for their perseverance and commitment. The endorsement of our clients and shareholders is very much appreciated, and I look forward to working together with you to meet challenges and seize opportunities in the year ahead.

Sincerely,

Roberto Scenna
Chief Executive Officer


The more we
grow
the more we can give.

CORPORATE GOVERNANCE STATEMENT

This statement sets out the main corporate governance practices in operation throughout the year, unless otherwise indicated.

The Board of Directors

The Board of Directors is responsible for the corporate governance practices of CCI, including:

- the appointment and periodical review of the performance of the Chief Executive Officer,
- setting the strategic direction of CCI, reviewing and monitoring progress, and refining the direction where considered appropriate,
- establishing and monitoring the achievement of goals and targets,
- overseeing the revenue, expense and capital budgets prepared by management,
- ensuring regulatory compliance and adequate risk management processes, including internal control and external audit reports,
- nominating and appointing Directors when vacancies arise or when special skills and expertise are required, and
- reporting to shareholders.

At the date of this statement, the Board is comprised of 8 non-executive Directors, including the Chairman. CCI has no executive Directors.

The Constitution provides:

- for not less than three nor more than eight Directors,
- that one third of the Directors retire by rotation at each Annual General Meeting. Retiring Directors may be eligible for re-election, and
- that Directors who have been appointed since the last Annual General Meeting hold office only until the next Annual General Meeting, and shall then be eligible for election.

Board Committees

To assist in carrying out its responsibilities, the Board has established a number of committees of Directors and other persons co-opted for the purpose who meet regularly to consider various issues. All committees must have a quorum of a minimum of 50% of members, and they report and make recommendations to the Board.

The Board committees are Audit, Risk, Nominations & Remuneration, Investment and Reinsurance.

Audit Committee

The Chairman of the Board may be a member (but not chair) of this committee.

The members of this committee must satisfy themselves as to the adequacy and independence of the internal and external audit functions. They must have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, CCI's Appointed Auditor and Appointed Actuary at all times.

This committee must invite CCI's Appointed Auditor and Appointed Actuary to committee meetings.

This committee must establish and maintain policies and procedures that allow CCI's employees to confidentially submit information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

The role of the Audit Committee is to review:

- the Company's consolidated annual accounts and the external auditor's annual report,
- the appointment of the external auditor and the actuary,
- the scope of the external and internal audits,
- the reports of the external and internal auditors to assess internal controls and monitor for suitability, reliability and compliance,
- the external auditor's management letter and management's response,
- the Statement of Integrity of Financial Reporting from the Chief Executive Officer and the Chief Financial Officer, and
- APRA reports and management's response, and APRA mandated policies.

Risk Committee

The Chairman of the Board may be a member (but not chair) of this committee.

The members of this committee must have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, the Company's Appointed Auditor and Appointed Actuary at all times.

This committee may invite the Company's Appointed Auditor and Appointed Actuary to committee meetings.

The role of the Risk Committee is to:

- ensure effective oversight of material risks to which the Company is or may be exposed,

- oversee the risk management and control systems for adequacy and effective function,
- oversee the governance, risk management and compliance framework,
- ensure compliance with the Insurance Act, APRA guidelines and other relevant legislation,
- monitor the Company's compliance with the Risk Management Strategy, Capital Management Plan, Reinsurance, Risk Appetite Statement, Business Continuity Plan, Internal Capital Adequacy Assessment Process and other governance and risk related policies,
- review the Compliance Plan and assess reports on compliance with relevant legislation, regulations, standards and the insurance industry General Insurance Code of Practice (as amended from time to time), and
- ensure safeguards are in place for the independence of the Chief Risk Officer.

Nominations and Remuneration Committee

The role of this committee is to:

- make recommendations regarding the size and composition of the Board, the range of skills required, retirement age and maximum term of office,
- monitor Board effectiveness, plan for Directors' retirements and identify and recommend suitable candidates for appointment to the Board, and
- make recommendations on CCI's job evaluation, remuneration reward systems and policies, using the advice of external consultants as appropriate.

Key Church and professional personnel skilled in particular areas may be co-opted as appropriate to assist the committee in its deliberations.

Investment Committee

The Investment Committee is responsible for the direction and monitoring of the investment portfolio, subject to the objectives, controls and limits approved from time to time. The mandate includes specific responsibilities to:

- examine the percentages of the present asset mix in the portfolio and direct management to make any changes considered necessary, subject always to the controls and limits specified by the Board,
- engage the services of professional advisers as appropriate to assist in determining the parameters for the different sectors of the portfolio and to set those parameters in consultation with the Board,
- periodically review the appropriateness of selected parameters and recommend to the Board any adjustments considered necessary,
- be available for consultation by management in relation to any matters affecting the portfolio or in selection of any particular investment, and
- ensure that reports from management are adequate to determine compliance with policy and the performance of the investment operation.

Reinsurance Committee

The role and responsibilities of this committee are to make recommendations to the Board regarding:

- the formulation of the Reinsurance Management Strategy, including reinsurance policy and objectives and the establishment of controls, retentions and limits,
- empowering management to make reinsurance decisions consistent with policy and to take advice from external experts as appropriate,
- ensuring that reports from management are adequate to determine compliance with the policy and with statutory and regulatory requirements, and
- education programs to ensure an understanding of the level of uncertainty in catastrophe models and the approach used to manage catastrophe risk exposures.

Directors' arrangements with the Company

The Constitution provides that a Director, or a firm or company with which a Director is associated, may enter into an arrangement with CCI. Directors or their associated firms or companies may act in a professional capacity for CCI, but may not act as the Company's auditor.

These arrangements are subject to the restrictions of the Corporations Act 2001. Professional services so provided must be conducted under normal commercial terms and conditions.

Disclosure of related party transactions is set out in the notes to the consolidated financial statements.

Directors make an annual declaration as to their suitability to act as a Director in accordance with the Company's Fit and Proper policy, and confirm their status at each meeting of the Board. Any potential conflict of interest is declared and recorded in the Conflicts of Interest Register.

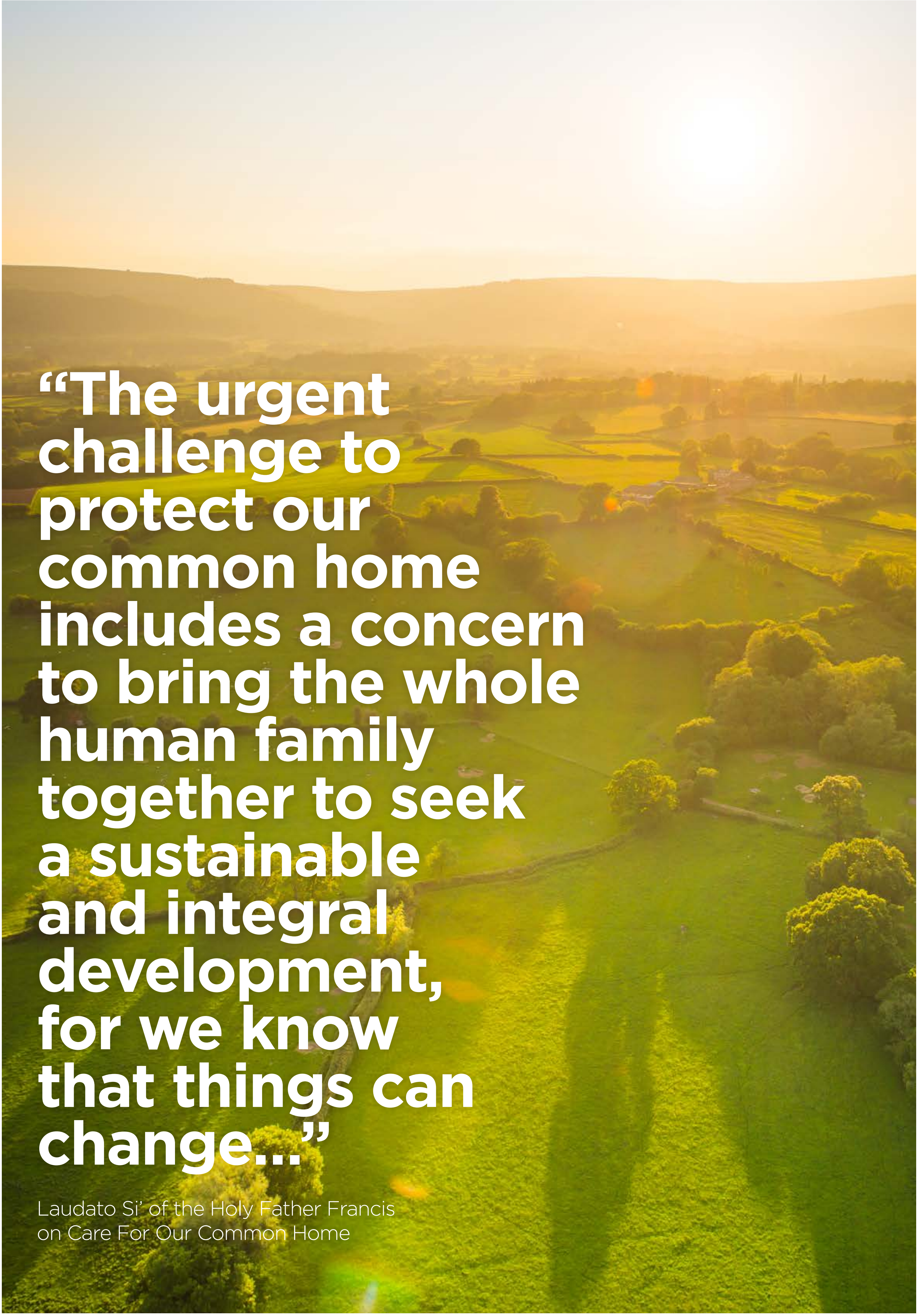
It is the practice of Directors that when a potential conflict of interest may arise, the Director concerned withdraws from the Board meeting whilst such matter is being considered and subsequently takes no part in discussions nor exercises any influence over other members of the Board.

Workplace Gender Equality Agency

Under the Workplace Gender Equality Act 2012 (WGE Act), all non-public sector employers with 100 or more employees are required to report annually.

The WGE Act aims to promote and improve gender equality outcomes for both women and men in the workplace.

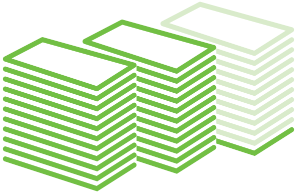
CCI adheres to the WGE Act and has lodged its annual report to the Workplace Gender Equality Agency. A copy of the report can be accessed by following a link on our website located at: www.ccinsurance.org.au/about/annual-reports.htm



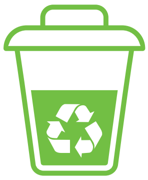
"The urgent challenge to protect our common home includes a concern to bring the whole human family together to seek a sustainable and integral development, for we know that things can change..."

Laudato Si' of the Holy Father Francis
on Care For Our Common Home

SUSTAINABILITY EFFORTS



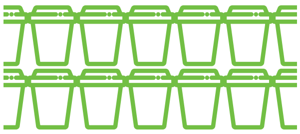
Last financial year CCI's national printing reduced by 31% as part of the printing reduction campaign.



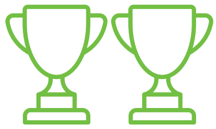
We increased our recycling rate in the Melbourne office from 44% to 63%

We reduced our landfill waste in Melbourne by 19%

In Melbourne we introduced 10 new recycling streams to help us reduce landfill, plus additional seasonal charitable collections.



We reduced our single use coffee cup consumption by almost 8,000 cups by introducing keep cups



We won 2 CitySwitch awards, Victorian Best New Signatory of the Year, and National Best New Signatory of the Year for 2018

Our environmental leadership is a commitment to business practises supporting sustainability, reducing waste, and taking strong steps to ensure a lighter carbon footprint. CCI's dedicated Sustainability Committee guides our organisation in environmentally responsible work routines.

A considered corporate sustainability framework means we can also identify opportunities for becoming more energy efficient while lowering operational costs. This commitment to innovation programs has resulted in new ways of implementing sustainable, change management initiatives.

We are committed to:

- Careful and efficient use of our planet's natural resources so that we minimise our impact on the environment caused as a result of our daily work
- Abiding by all environmental laws and the required practices that protect the earth
- Governing our people through a sustainability Green Team who guides our adoption of environmentally safe work behaviour; including recycling practises and thoughtful sourcing of products and services upon which we rely when serving our clients
- Reflecting on our performance regularly through sustainability reporting, and digitally sharing information with all of our stakeholders

During 2018, in recognition of its environmental sustainability effort, CCI received both the Victorian CitySwitch Best New Signatory of the Year Award, and the National Best New Signatory Award.

"We're delighted by this remarkable achievement considering our team only really began to formalise a sustainability program in early 2018. The Green Team's inception was fuelled by two major frustrations," explains CCI's Ellie Sunshine, who is a member of the Professional Services Team and a Green Team member. "The team identified printing and waste reduction as principal concerns and drove campaigns to tackle the issues head on. Today we have reduced our printing by 31%, increased our recycling rate by 19% and single use coffee cup usage is down by 8,000 for the year."

GIVE BACK COMMITTEE

We've given over $48K plus goods to Catholic charities!

Over $2000 from the sale of old iPads was donated

We donated to **14 different Catholic organisations**

Over $8K was donated by staff

We donated **166 new and second hand winter items** to St Vinnies

2 staff members taking part in the CEO Sleepout

Boxes of hotel toiletries were donated to those in need

Here are the wonderful donations made throughout the year!

JUL 2018	St Vincent de Paul - soup van	Large bag of hand knitted hats and scarves
AUG 2018	Edmund Rice Community & Refugee Services	$1,050
	Corpus Christi Community	$1,050
	Rosie's Oblate Youth Mission	$770
	OneVoice	$140
SEP 2018	RU OK Day	$215.50
OCT 2018	CatholicCare Tasmania Therapeutic Residential Care (TRC)	$1,160
	St Vincent de Paul 'Drive-in, Sleep-in' (homeless appeal)	$340
	Open House, Macleod	$850
	McAuley Community Services for Women	Large box of hotel toiletries
DEC 2018	CatholicCare Children's Christmas Gift Drive	63 Christmas gifts
	CatholicCare, NT	$10,075
	RUAH Community Services, WA	$11,515
	Rosie's Friends on the Street, QLD	$8,755
	St Ezekiel's Nursing Home, NSW	$9,655
MAR 2019	Hutt Street Centre	$869.35
MAY 2019	St Vincent de Paul - CEO Sleepout - Karen Thomas	$300
	St Vincent de Paul - CEO Sleepout - Peter Zollo	$300
	Friday Night School	$1,500
JUN 2019	St Vincent de Paul Winter Appeal	166 items of winter clothing
Total		**$ 48,544.85 in cash, plus goods**

DIRECTOR'S REPORT

DIRECTOR'S REPORT

The Directors of Catholic Church Insurance Limited (the "company") have pleasure in presenting their annual financial report on the company and its controlled entity for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

Directors

The names and particulars of Directors in office at any time during the year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

- Paul A Gallagher (Chairman)
- Jo Dawson *(retired 22 October 2018)*
- Joan Fitzpatrick
- Richard M Haddock
- Reverend Dr Philip Marshall
- Sister Louise Reeves
- Julie-Anne Schafer
- Jane A Tongs
- Matthew Doquile *(appointed 22 October 2018)*
- Roberto Scenna *(Alternate Director for Richard M Haddock)*

Paul A Gallagher

B.COMM, FCA, CPA, GAICD

Paul joined the Board in 2007. A partner at BDO (QLD) in the Audit and Assurance Services division, Paul has expertise in the area of statutory and special purpose audits, special investigations, due diligence and corporate governance. He is currently Chair of the Boards of the Archdiocesan Ministries and Services Council in Brisbane and the Edmund Rice Foundation Australia, having retired as Chair of the Archdiocesan Finance Council. He is also a Director on the Boards of BDO Australia and Queensland Investment Corporation.

Special responsibilities held in the company:

Chairman of the Board, and Member of the Board Audit, Risk, Nominations & Remuneration and Investment Committees

Joan Fitzpatrick

BA, LLB, ANZIIF Fellow, CIP, FAICD

Joan joined the Board in 2016 and has more than 35 years of commercial business experience. An experienced change management leader, Joan has delivered successful business results including strong engagement of people throughout her career. Qualified as a barrister, she has senior operations management experience in a range of industries, working for multinational companies in several countries including 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance Finance. She is a Fellow of ANZIIF and the Australian Institute of Company Directors. She is the Chair of the Boards of ESS Super, Sacré Cœur School Glen Iris and TCRSA Holdings Ltd (and subsidiaries), a non-executive Director of the Boards of Defence Bank, Maurice Blackburn Lawyers, AFL Players Injury and Hardship Fund and CCI Asset Management Limited, and an executive Director of Alvearium Pty Ltd.

Special responsibilities held in the company:

Chair of the CCIAM Board and Member of the Board Reinsurance and Nominations and Remunerations Committees

Richard M Haddock

BA, LLB, FAICD

Richard joined the Board in October 2010. He commenced his professional life as a lawyer and worked with an international bank for most of his career. Richard has been recognised by being appointed an Officer in the Order of Australia (AO). He is the Chair of the Boards of CatholicCare, Catholic Superannuation and Retirement Fund, St Vincents Curran Foundation, the Sisters of Charity Foundation, and a Director of CCI Asset Management Limited and the University of Notre Dame. He is a Member of the Finance Council of the Archdiocese of Sydney, as well as a Fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Special responsibilities held in the company:

Chair of the Board Investment Committee and Member of the Board Reinsurance Committee and CCIAM Board.

Julie-Anne Schafer

LLB (Hons), FAICD, ANZIIF

Julie-Anne joined the board in February 2012 and is an accomplished company director, with extensive experience in diverse and highly regulated sectors, including insurance. She is the President of the National Competition Council, and Chair of the National Injury Insurance Agency (Qld). She is a Director of Av Super, C S Energy and Queensland Urban Utilities. She is a Fellow of the Australian Institute of Company Directors and a Member of ANZIIF. She facilitates in Governance, Risk and Strategy in the AICD Company Directors Course, is a former Queensland Telstra Business Women's award winner and the recipient of an award from the Queensland Law Society for exceptional services to Australian society.

Special responsibilities held in the company:

Chair of the Board Risk and Audit Committees. Member of the Board Nominations and Remuneration Committee.

Reverend Dr Philip Marshall

Ph.D

Fr Philip joined the Board in 2015 and is currently Administrator Delegate of the Adelaide Archdiocese while the Archdiocese awaits the appointment of an Archbishop. He studied at Adelaide University and then worked in the area of community welfare before joining the St Francis Xavier Seminary at Rostrevor. Following his ordination, Fr Philip served in several parishes, including Hectorville where he played a significant role in establishing the Hectorville Catholic Community, which places a strong focus on the involvement of the whole community in the life of the Church and neighbourhood. Fr Philip was Principal of Adelaide Theological College for many years, lecturing in theology of church. He is a Doctor of Philosophy in the area of ecclesiology, and his locus of study was the nature, meaning and purpose of the local church or diocese. In Canada he studied with well-known Dominican theologian Father Jean-Marie Tillard. Fr Philip currently has oversight of the Adelaide Archdiocese "Renewing Parishes" program, which embraces ongoing Parish Visitation and the support of clergy and lay leaders in church renewal.

Special responsibilities held in the company:

Chair of the Nominations & Remuneration Committee and Member of the Board Reinsurance committee and the CCIAM Board.

Jane A Tongs

B.BUS (ACTG), EMBA, FCPA, FACA, MAICD

Jane joined the Board in February 2010. She is the Chair of the Boards of the Netwealth Group and the Australian Prime Property Investor Committees, a non-executive Director of Cromwell Property Group, Warakirri Asset Management Ltd (and subsidiaries), Brighton Grammar School (and subsidiaries) and Hollard Insurance Company Pty Ltd. Her areas of expertise include risk, financial services, general insurance, funds management and infrastructure. She is a Member of the Australian Institute of Company Directors and a Fellow of CPA Australia and the Institute of Chartered Accountants.

Special responsibilities held in the company:

Chair of the Board Reinsurance Committee and Member of the Board Investment Committee

Sister Louise Reeves

MEd, MA, LLB

Sister Louise joined the Board in February 2017. She is a Sister of St Joseph and currently a member of the Congregational Leadership Team. She has previously been a non-executive Director in the Education, NGO and Aged Care sectors, Sister Louise has a background in Education and Law, holds a Practicing Certificate with Law Society of NSW, and has worked at the Legal Aid Commission NSW and in Community Legal Centres.

Special responsibilities held in the company:

Member of the Board Audit and Risk Committees

Matthew Doquile

B.EC, MBA (exec), GAICD

Matthew joined the Board during 2018, and is a long-standing and accomplished insurance professional with more than 20 years of industry experience in Australia and Asia Pacific. Matthew has held senior executive roles at Chubb Insurance Group in Asia and Australia, including that of Chief Operating Officer and CEO of Chubb in Australia, and most recently as Director, Partnerships at Auto & General Insurance. Earlier in his career Matthew also held various roles at National Australia Bank where he developed expertise in corporate and business banking. Matthew's areas of expertise include General Insurance and Reinsurance, Distribution, Financial Services and Risk. He holds a Bachelor of Economics Degree along with an Executive MBA from the Australian Graduate School of Management, and is a Graduate Member of the Australian Institute of Company Directors.

Special responsibilities held in the company:

Member of the Board Audit and Risk Committees and Member of the CCIAM Board

Roberto Scenna

Chief Executive Officer BEC (HONS)

Roberto joined CCI as Chief Executive Officer in September 2015. He brings more than 25 years' experience in financial services, management consulting and aviation to CCI, having previously held the positions of Managing Director ANZ Private Wealth, Managing Director ANZ Trustees and Managing Director Super Concepts. His portfolio also includes a range of director roles, having served on the Boards of ANZ financial advice companies, Italian Community Services Groups and the Advisory Board to World Vision Australia. Rob is currently a Board member on McAuley Community Services and CCI Giving. Rob has a passion for developing strong relationships with customers, building energised and engaged workplaces and developing solutions to enable businesses to directly benefit communities. He is a graduate of the 2013 Leadership Victoria - Williamson Community Leadership Program.

Dominic P Chila

Company Secretary B.BUS, FCPA, AGIA

Dominic was appointed as Company Secretary in February 2008 and acts as secretary to the Board and all of the Committees to ensure proper functioning of the Board. In addition to his company secretarial duties, he is responsible for the corporate legal and procurement functions, and he administratively oversees the internal audit function. Dominic has more than 20 years' experience in the financial services industry in the areas of general insurance, superannuation and funds management. Dominic commenced his career at CCI in 1994 and has held various roles in accounting and management, including that of Chief Financial Officer and Chief Risk Officer. He is also the Company Secretary of CCI Asset Management Limited.

Dividends

In respect of the financial year ended 30 June 2019, the Directors have recommended that no dividend be paid (2018:$1.176M). No dividend has been provided for in the 30 June 2019 financial statements.

The company operates on the principle of mutuality where Catholic Church policyholders receive distributions where certain criteria is met. This is in furtherance of the company's policy of providing insurance to the Catholic Church on the most cost effective terms. The payment of a nominal dividend to shareholders is a return on their capital and not directly related to the distribution of profits.

Principal activities

The principal activities of the company during the year were to underwrite the property, workers' compensation and liability risks of entities of the Catholic Church in Australia including the investment of funds relating thereto. The company also provided some residential and personal accident insurance business to the Catholic community via an referral agreement with Allianz Australia Insurance Limited.

The entity's wholly owned subsidiary, CCI Asset Management Limited acts as Responsible Entity of the CCI Asset Management trusts and Individually Mandated Accounts.

There have been no other significant changes during the year.

Employees

The consolidated entity employed 221 employees as at 30 June 2019 (2018: 226 employees).

Review of operations

Results of Operations

	2019	2018
	$'000	$'000
Consolidated Profit/(Loss)	(15,770)	66,569

The consolidated entity is exempt from the requirements of the Income Tax Assessment Act.

Risk management

The financial condition and operation of the consolidated entity are affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the consolidated entity's policies and procedures in respect of managing these risks are set out in the notes to the financial statements.

Significant changes in the state of affairs

In the opinion of Directors, there were no significant changes in the state of affairs of the financial statements or notes thereto.

Subsequent events after the reporting date

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

Likely developments and expected results

In the opinion of Directors, the inclusion of information referring to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent years is likely to prejudice its interests. That information has therefore not been disclosed in this report.

State and federal inquiries

The Royal Commission into Institutional Responses to Child Sexual Abuse continued to investigate the many and varied aspects of this complex issue. The Royal Commission delivered its final report to the Governor General in December 2017. The Royal Commission made many recommendations and a significant one was the establishment of a National Redress Scheme. That recommendation has been adopted by the Federal Parliament and came into operation on 1 July 2018.

The Victorian Parliamentary Inquiry (2012) previously resulted in change to the legislation in Victoria regarding limitation of actions. In July 2017 the Victorian Parliament passed further changes shifting the onus of proof in sexual abuse cases so that the Institution will now be required to prove it took steps to prevent abuse occurring. Legislative change has been enacted requiring organisations to identify an entity to sue in respect of civil claims.

Western Australia and Queensland have also adopted changes to limitation periods for sexual abuse claims as well as mechanisms for the revisiting of past claims. Victoria has recently announced an intention to explore legislative change to enable revisiting past settlements, which is still under consideration.

Further civil litigation reform has also been proposed and is the subject of consultation currently in NSW.

Outcomes from these State and Federal Inquiries continue to be monitored and the extent to which recommendations from the Royal Commission will continue to be adopted by Government is unclear, and therefore the ultimate financial impact on CCI, if any, is not known at this stage.

National Redress Scheme

The National Redress Scheme commenced operations on 1 July 2018. CCI's clients, namely the Archdioceses and Dioceses and some religious Orders, have voluntarily opted into the Scheme. In relation to policy response to the Scheme, CCI has identified that its policies cannot respond to liabilities which arise solely by virtue of the Scheme. To date, clients participating in the Scheme have not sought indemnity in respect of liabilities they have incurred. CCI is continuing to monitor the position of policyholders in respect of the Scheme but currently does not anticipate the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

Capital Adequacy

	2019	2018
	$	$
Common equity Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
Reserves	546,640	563,585
Retained earnings	1,267	1,569
	556,046	573,293
Technical provisions in surplus of liability valuation:		
- Surplus from Liability Adequacy Test	16,704	22,852
- Tax effect	-	-
	16,704	22,852
Tier 1 capital		
Less: Deductions		
Intangible assets	14,174	8,443
Common Equity Tier 1 Capital	**14,174**	**8,443**
Tier 2 capital	-	-
Total capital base	**558,576**	**587,702**

Prescribed capital amount		
Insurance risk charge	105,067	93,224
Insurance concentration risk charge	10,878	11,878
Asset risk charge	164,918	173,176
Asset concentration risk charge	-	-
Operational risk charge	18,406	16,335
Less Aggregation benefit	(61,114)	(58,461)
Total PCA	**238,155**	**236,102**
PCA Multiple	**2.35**	**2.49**

Environmental regulation and performance

The operations of the company are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory. There have been no significant breaches of any other environmental requirements applicable to the company.

Directors' shareholdings

Each Director, except Ms Schafer, holds 1,250 shares in Catholic Church Insurance Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church. Ms Schafer holds 1,000 shares in trust (refer to note 31(c)).

Indemnification of officers

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company, the Company Secretary, and all executive officers of the company and of any related body corporate against a liability incurred as a Director, Company Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as an officer or auditor.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). However this indemnity does not apply to any losses which are finally determined to have resulted from Ernst & Young negligence.

No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in note 31(b)).

Directors' Meetings

The following table sets out the number of meetings of the company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2019 and the number of meetings attended by each Director.

	Directors' Meetings		Risk Management		Audit	
Number of meetings attended by:	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
P A Gallagher	9	8	4	3	4	3
J Dawson	4	3	1	1	1	1
J Fitzpatrick	9	9	-	-	-	-
R Haddock	9	8	-	-	-	-
P Marshall	9	7	-	-	-	-
L Reeves	9	9	4	4	4	4
J A Schafer	9	9	4	4	4	4
J A Tongs	9	9	-	-	-	-
M T Doquile	5	4	1	1	1	1

	Investment		Reinsurance		Nomination & Remuneration	
Number of meetings attended by:	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
P A Gallagher	2	2	-	-	2	2
J Dawson	2	2	-	-	-	-
J Fitzpatrick	3	3	3	3	1	1
R Haddock	5	5	3	3	1	1
P Marshall	1	1	3	3	2	2
L Reeves	-	-	-	-	-	-
J A Schafer	-	-	2	2	2	2
J A Tongs	5	5	3	3	1	1
M T Doquile	-	-	-	-	-	-

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 where rounding is applicable and where noted ($'000) under the option available to the company under ASIC legislative instrument 2016/191. The company is an entity to which the class order applies.

Auditor's Independence Declaration

The Directors have received a declaration from the auditor of Catholic Church Insurance Limited as attached after the Directors' Report.

Signed in accordance with a resolution of the Directors.

P A Gallagher - Director
Melbourne, 4 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Catholic Church Insurance Limited

In relation to our audit of the financial report of Catholic Church Insurance Limited for the financial year ended 30 June 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

This declaration is in respect of Catholic Church Insurance Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
4 September 2019


Together
we're investing in a bright future.

FINANCIAL REPORTS

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Premium revenue	7	242,205	223,796	242,205	223,796
Outwards reinsurance expense	7	(83,445)	(72,746)	(83,445)	(72,746)
Net premium revenue	7	158,760	151,050	158,760	151,050
Gross claims incurred	8	(253,489)	(103,425)	(253,489)	(103,425)
Reinsurance & other recoveries revenue	8	54,720	9,951	54,720	9,951
Net claims incurred	8	(198,769)	(93,474)	(198,769)	(93,474)
Gross commission expense		(913)	(368)	(913)	(368)
Reinsurance commission revenue		14,623	11,960	14,623	11,960
Other commission revenue		273	154	273	154
Net commission	13	13,983	11,746	13,983	11,746
Other underwriting expenses	9	(58,219)	(53,590)	(58,219)	(53,590)
Underwriting result		(84,245)	15,732	(84,245)	15,732
Investment income	12	91,741	80,409	91,741	80,409
General administration expenses	9	(19,995)	(15,879)	(18,540)	(14,711)
Catholic entity distributions		(7,306)	(7,095)	(7,228)	(7,046)
Donations - CCI Giving Trust	11	(253)	(10,250)	(253)	(10,250)
Other income		4,288	3,652	2,454	2,209
Profit / (Loss) for the period	13	(15,770)	66,569	(16,071)	66,343
Total comprehensive income for the period		(15,770)	66,569	(16,071)	66,343

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June

	Note	Consolidated		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets					
Cash and cash equivalents	15	155,829	179,537	155,376	179,303
Trade and other receivables	16	131,828	115,080	131,303	114,667
Reinsurance recoveries	16	101,366	81,047	101,366	81,047
Financial assets at fair value through profit and loss	19	1,006,868	946,593	1,006,868	946,593
Deferred reinsurance expense	17	34,964	29,671	34,964	29,671
Deferred acquisition costs	18	553	129	553	129
Plant and equipment	22	9,160	10,067	9,160	10,067
Other assets	21	4,839	6,895	4,840	6,895
Tax assets	20	9,553	6,996	9,553	6,996
Intangible assets	23	14,174	8,441	14,174	8,441
TOTAL ASSETS		1,469,134	1,384,456	1,468,157	1,383,809
Liabilities					
Trade and other payables	24	43,556	41,159	43,556	41,159
Other liabilities	26	607	730	607	730
Unearned premium reserve	30	157,898	154,640	157,898	154,640
Provisions	25	15,806	14,721	15,728	14,672
Outstanding claims	29	694,322	599,315	694,322	599,315
TOTAL LIABILITIES		912,189	810,565	912,111	810,516
NET ASSETS		556,945	573,891	556,046	573,293
Shareholders' Equity					
Contributed equity	27	8,139	8,139	8,139	8,139
Reserves	28	546,640	563,585	546,640	563,585
Retained profit / (loss)		2,166	2,167	1,267	1,569
TOTAL SHAREHOLDERS' EQUITY		556,945	573,891	556,046	573,293

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

	Note	Contributed Equity $'000	General Reserves $'000	Retained Earnings $'000	Total $'000
Consolidated					
At 1 July 2017		8,139	498,192	2,167	508,498
Net profit / (loss) for the period		-	-	66,569	66,569
Transfer to / (from) reserves	28	-	65,393	(65,393)	-
Dividend for 2017 ($0.40 cents per share)	14	-	-	(1,176)	(1,176)
At 30 June 2018		8,139	563,585	2,167	573,891
At 1 July 2018		8,139	563,585	2,167	573,891
Net profit / (loss) for the period		-	-	(15,770)	(15,770)
Transfer to / (from) reserves	28	-	(16,945)	16,945	-
Dividend for 2018 ($0.40 cents per share)	14	-	-	(1,176)	(1,176)
At 30 June 2019		8,139	546,640	2,166	556,945
Company					
At 1 July 2017		8,139	498,192	1,795	508,126
Net profit / (loss) for the period		-	-	66,343	66,343
Transfer to / (from) reserves	28	-	65,393	(65,393)	-
Dividend for 2017 ($0.40 cents per share)	14	-	-	(1,176)	(1,176)
At 30 June 2018		8,139	563,585	1,569	573,293
At 1 July 2018		8,139	563,585	1,569	573,293
Net profit / (loss) for the period		-	-	(16,071)	(16,071)
Transfer to / (from) reserves	28	-	(16,945)	16,945	
Dividend for 2018 ($0.40 cents per share)	14	-	-	(1,176)	(1,176)
At 30 June 2019		8,139	546,640	1,267	556,046

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the financial year ended 30 June

		Consolidated		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash flows from operating activities					
Premiums received		226,883	217,556	226,883	217,556
Outwards reinsurance paid		(82,964)	(70,865)	(82,964)	(70,865)
Claims paid		(158,394)	(134,429)	(158,394)	(134,429)
Reinsurance and other recoveries received		33,998	34,871	33,998	34,871
Acquisition costs paid		(1,336)	(497)	(1,336)	(497)
Other underwriting expenses paid		(29,988)	(27,358)	(29,988)	(27,358)
Other operating expenses paid		(19,418)	(17,761)	(17,816)	(16,324)
Other operating income received		4,280	3,532	2,442	2,089
Interest received		20,876	21,710	20,876	21,710
Dividends received		42,120	41,140	42,120	41,140
Catholic entity distributions		(7,927)	(10,938)	(7,878)	(10,938)
Donations - CCI Giving		(250)	(10,000)	(250)	(10,000)
Total cash flows from operating activities	35	27,880	46,961	27,693	46,955
Cash flows from investing activities					
Investment trading		(42,469)	(37,835)	(42,469)	(37,835)
Payments for plant and equipment		(1,701)	(3,932)	(1,701)	(3,932)
Proceeds from sale of plant and equipment		310	285	310	285
Payments for intangibles		(6,556)	(6,169)	(6,556)	(6,169)
Total cash flows (used in)/from investing activities		(50,416)	(47,651)	(50,416)	(47,651)
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Total cash flows (used in) financing activities		(1,176)	(1,176)	(1,176)	(1,176)
Net increase in cash held		(23,712)	(1,866)	(23,899)	(1,872)
Cash and cash equivalents at 1 July		179,541	181,403	179,275	181,175
Cash and cash equivalents at 30 June	15	155,829	179,537	155,376	179,303

The above Statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

1. Corporate Information

The consolidated financial report of Catholic Church Insurance Limited (the company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 4 September 2019.

Catholic Church Insurance Limited is an unlisted public company, incorporated and domiciled in Australia. The entity is also registered as a charity in accordance with the Australian Charities and Not-for-profits Commission Act 2012.

2. Statement of significant accounting policies

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Corporations Act 2001, including the application of ASIC legislative instrument 2016/191 allowing the disclosure of company financial statements due to Australian Financial Services Licensing obligations and section 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The financial statements have been prepared on a historical cost basis, except for financial assets and derivative financial liabilities which have been measured at fair value and the outstanding claims liability and related reinsurance and other recoveries which have been measured based on the central estimate of the present value of the expected future payments for claims incurred plus a risk margin to allow for the inherent uncertainty in the central estimate.

The preparation of financial statements in conformity with the Australian Accounting Standards requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in notes 3 and 4. The statement of financial position is presented on a liquidity basis. Assets and Liabilities are presented in decreasing order of liquidity. For assets and liabilities that comprise both current and non-current amounts, information regarding the non-current amount is included in the relevant note.

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest $1,000 where rounding is applicable and where noted ($'000) under the option available to the company under ASIC legislative instrument 2016/191. The company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

c) Australia Accounting Standard new and amended effective during the year

Australian Accounting Standards which have been issued or amended during the annual reporting period ending 30 June 2019 and have been applied in preparing the company's financial statements, where applicable. The nature of the impact of the application of these standards is disclosed.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to: • Choose to apply the 'overlay approach' that involves applying AASB 9 Financial Instruments and also applying AASB 139 Financial Instruments: Recognition and Measurement to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or • Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.	1-Jan-18	These amendments had no material impact.	1-Jul-18
AASB 2017-3	Amendments to Australian Accounting Standards – Clarifications to AASB 4	The amendments confirm that in Australia compliance with AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts ensures simultaneous compliance with AASB 4. The Standard also amends AASB 4 to ensure the relief available to issuers of insurance contracts set out in AASB 2016-6 can be applied by an entity applying either AASB 1023 and AASB 1038 if the entity otherwise meets the qualifying criteria.	1-Jan-18	These amendments had no material impact.	1-Jul-18

d) Australian Accounting Standards issued but not yet effective

Australian Accounting Standards which have recently been issued or amended but are not yet effective for the annual reporting period ending 30 June 2019 have not been applied in preparing the company's financial statements. The nature of the impact of the application of these standards is disclosed only. The company will apply these standards for the annual reporting periods beginning on or after the operative dates as set out on the following page.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 15	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 Leases (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: **Step 1:** Identify the contract(s) with a customer **Step 2:** Identify the performance obligations in the contract **Step 3:** Determine the transaction price **Step 4:** Allocate the transaction price to the performance obligations in the contract **Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation	1-Jan-19	Both CCI and CCIAM undertook a detailed review of the impact of AASB 15 (Revenue from Contracts with Customers). In assessing the current method of revenue recognition, the review covered the identification of contracts and performance obligations as well as a determination of the transaction price and performance obligations. The outcome of the reviews was that the current method of revenue recognition is in line with the requirements of AASB 15 and that there is no material impact on the accounting treatment.	01-Jul-19
AASB 1058 AASB 2016-8	Income of Not-for-Profit Entities Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-For-Profit Entities	AASB 1058 and AASB 2016-8 will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases. Consequently AASB 1004 Contributions is also amended, with its scope effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.	1-Jan-19	These amendments will have no material impact.	01-Jul-19

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Applica-tion date for CCI
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1-Jan-18	Management have yet to assess the impact of this new standard as we have deferred this until AASB 17 comes into effect.	01-Jul-22

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1-Jan-19	CCI have undertaken a detailed review of all contracts to identify those captured under the new standard. On adoption, the Group will recognise a right of use (ROU) asset of $21.4m and a lease liability of $22.4m. The lease provisions of $0.9m as at 30 June 2019 under AASB117 will be reversed and adjusted against the ROU asset. As a result of the new standard, the Group expects the FY20 net profit to be $0.9m lower due to the front loading of the expense. CCI intends to apply the modified retrospective approach on application.	1-Jul-19

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 17	Insurance Contracts	AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of AASB 17 is the General (building block) Model, supplemented by: • A specific adaptation for contracts with direct participation features (Variable Fee Approach) • A simplified approach mainly for short-duration contracts (Premium Allocation Approach). The main features of the new accounting model for insurance contracts are: • A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows) • A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., coverage period) • Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period • The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.	1-Jan-22	Management have yet to assess the impact of this new standard. We currently have plans in place to implement a program to assess the impact and where necessary implement changes.	1-Jul-22

e) Basis of consolidation

The financial report covers the consolidated entity of Catholic Church Insurance Limited and its controlled entity CCI Asset Management Limited.

The financial statements of its controlled entity are prepared for the same reporting period as the company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtained control and until such time as the company ceases to control such entity.

The following is a summary of the material accounting policies that have been adopted by the consolidated entity in respect of the general insurance activities. The accounting policies have been consistently applied, unless otherwise stated.

f) Premium revenue

Direct premium revenue comprises amounts charged to the policyholders, including fire/emergency services levies, but excluding taxes collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is estimated based on the pattern of processing renewals and new business.

Premium is earned from the date of attachment of risk, over the indemnity period based on the patterns of risk underwritten. Unearned premium is determined using a daily pro-rata basis.

g) Revenue recognition

Revenue is recognised to the extent it is probable that the consolidated benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
Services have been rendered to a buyer.

Interest
Control of the right to receive the interest payment.

Dividends
Control of the right to receive the dividend payment.

Other revenue
Other revenue is recognised when the entitlement is confirmed. Other revenue includes commission from Allianz Australia for our underwriting agreement and Risk Management revenue for various Risk Management services we offer.

Unexpired risk liability

At each reporting date the company assesses whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient. The company applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

The entire deficiency, gross and net of reinsurance, is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

h) Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the balance date as a prepayment.

i) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR), and the anticipated direct and indirect costs of settling claims. Outstanding claims are valued by the Appointed Actuary by reviewing individual claim files and actuarially estimating IBNRs and settlement costs based on past experiences and trends. The outstanding claims liability is recorded as the central estimate of the present value of expected future payments relating to claims incurred as at the report date. Outstanding claims are the ultimate cost of settling claims including normal and superimposed inflation, discounted to present value using risk free discount rates. A prudential margin is added to the outstanding claims provision net of reinsurance and other recoveries to allow for inherent uncertainty in the central estimate. Risk Margins applied are included in note 31.

j) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

k) Investment income

Interest income is recognised on an accruals basis. Dividends are recognised on an ex-dividend date. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets. Realised investment gains or losses do not include interest and dividend income.

l) Taxation

Income tax

The entities are not liable for income tax due to the entities being classified as a charitable institution under Subdivision 50-5 of the *Income Tax Assessment Act 1997*.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of the GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

m) Fire/Emergency service's levy and other charges

A liability for fire/emergency service's levy and other charges payable is recognised on business written to the balance date. Levies and charges payable are expensed by the company on the same basis as the recognition of premium revenue. The proportion relating to unearned premium is recorded as a prepayment on the balance sheet.

n) Unearned premium liabilities

Unearned premiums are determined using the daily pro rata method which apportions the premium written over the policy period from date of attachment of risk to the expiry of the policy term.

o) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

If the effect of the time value of money is material, provisions are discounted using interest rates on corporate bond rates which have terms to maturity that match, as closely as possible, the estimated future cash outflows.

p) Cash and cash equivalents

For the purposes of the cash flow statement, cash includes:

(i) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and
(ii) Investments in money market instruments with less than 14 days to maturity.

q) Reinsurance commission

Outward reinsurance commission is recognised as revenue in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance commission is treated at the balance date as accrued revenue.

r) Superannuation

The company's contributions to superannuation in respect of employees of the company are charged to the income statement as they fall due.

s) Financial assets and liabilities

(i) Financial assets

As part of its investment strategy the consolidated entity actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities. With the exception of intangibles, the consolidated entity has determined that all assets are held to back general insurance liabilities. All financial assets are managed and performance evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented risk management strategy.

The consolidated entity invests across a broad range of asset classes that in combination provide for capital growth and income. The diversification benefits derived from investing in both growth and defensive assets allows the consolidated entity to mitigate risk and earn long term returns when combined with a long term investment strategy. The consolidated entity has a prudent investment philosophy which is documented in a policy.

(ii) Fair value

All investments are designated as fair value through profit or loss upon initial recognition and are subsequently remeasured to fair value at each reporting date. Any gains or losses arising from changes in fair value are taken directly through profit or loss as realised or unrealised investment gains or losses. Fair value is determined by reference to the closing bid price of the instrument at the balance date. Fair value for each type of investment is determined as follows:

Listed securities – by reference to the closing bid price of the instrument at the balance date.

Unlisted securities – the fair value of investments not traded on an active market is determined using valuation techniques including reference to:

- The fair value of recent arm's length transactions involving the same instrument or similar instruments that are substantially the same
- Reference to published financial information including independent property valuation reports and audited financial statements
- For trust securities using redemption prices provided by the trustee
- Cost of acquisition where fair value cannot be measured reliably

Unlisted securities include investments in property and other unit trusts.

(iii) Hierarchy

The consolidated entity is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Note 41 sets out the consolidated entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Impairment of financial assets

Financial asset, except for those measured at fair value, will be tested for impairment when there is observable data indicating that there is a measurable decrease in the assets value. Such factors may include the financial position of the company, prevailing economic conditions or a breach of contract such as a default in payment of interest or principal. As financial assets are subject to ordinary fluctuations in fair value, management will need to exercise judgement in determining whether there is objective evidence of impairment.

When a decline in the fair value of a financial asset has been recognised and there is objective evidence that the asset is impaired, the decline in asset value will be recognised in profit or loss.

Derivative instruments

The company's primary reason for holding derivative financial instruments is to mitigate the risk of changes in equity prices. All hedges are classified as economic hedges and do not qualify for hedge accounting under the specific rules in AASB 139.

Financial Instruments: Recognition and Measurement.

The company uses derivative financial instruments, such as Options, to restrict market losses to a maximum of 10% of Shareholders funds. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Trade and other receivables

All receivables are initially recognised at fair value, being the amounts receivable. Collectability of trade receivables is reviewed on an ongoing basis and a provision for impairment of receivables is raised where some doubt as to collection exists. The impairment charge is recognised in the income statement.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment (refer to note 2(s) for methodology).

Such costs include the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Intangibles

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite and are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (refer to note 2(u) for methodology). The amortisation period, amortisation method and impairment indicators for all intangible assets with a finite life is reviewed at least at each financial year end. The amortisation expense is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

(iv) Financial liabilities

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity and company prior to the end of the financial year that are unpaid and arise when the consolidated entity or company becomes obliged to make future payments in respect of the purchase of these goods and services.

(v) Recognition and derecognition of financial assets and financial liabilities

All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation or market convention (‘regular way’ transactions) are recognised at trade date, being the date on which the company commits to buy or sell the asset. In cases where the period between trade and settlement exceeds this timeframe, the transaction is recognised at settlement date.

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the company has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

t) Depreciation

Depreciation on fixed assets, comprising motor vehicles, office equipment and fixtures, is calculated on a straight-line basis over the useful life of the asset to the consolidated entity commencing from the time the asset is held ready for use.

The following estimated useful lives are used in the calculation of depreciation for plant and equipment:

	2019	2018
Computer equipment	3 -10 years	3 -10 years
Office equipment	6 -15 years	6 -15 years
Motor vehicles	5 years	5 years
Leasehold improvements	10 years	10 years
Right of use	8 years	8 years

u) Amortisation of intangible assets

Amortisation on intangible assets, comprising computer software, is calculated on a straight-line basis over the useful life of the asset to the consolidated entity commencing from the time the asset is held ready for use.

Computer software's estimated useful life used in the calculation of amortisation is 5 years.

v) Foreign currency

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

w) Dividends and Catholic entity distributions

Dividends
Dividends are recognised when declared or determined. No provision is made for a proposed dividend.

Catholic entity distributions
A provision is made at balance date for the payment of Catholic entity and grant distributions to Catholic Church policyholders where certain criteria have been met. The amount allocated each year is approved by the Board of Directors.

x) Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

y) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern in the periods in which they are incurred.

z) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Catholic Church Insurance Limited purchases options through regulated exchanges. Options purchased by Catholic Church Insurance Limited provide Catholic Church Insurance Limited with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed–upon value either on or before the expiration of the option. Catholic Church Insurance Limited is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

3. Critical accounting estimates and judgements

Significant estimates and judgements are made by the consolidated entity in respect of certain key assets and liabilities which are disclosed in the financial statements. Such estimates are based on actuarial assessments, historical experience and expectations of future events.

The key areas in which critical estimates and judgements are applied are set out on the next page.

a) Ultimate liability arising from claims made under general insurance contracts

A provision is made at balance date for the estimated cost of claims incurred but not settled. This includes the cost of claims Incurred But Not Reported ('IBNR') and direct expenses that are expected to be incurred in settling those claims. Such estimates are determined by our appointed actuary who has the relevant qualifications and experience. Although the appointed actuary has prepared estimates in conformity with what he considers to be the likely future experience, the experience could vary considerably from the estimates. Deviations from the estimates are normal and to be expected.

The provision for outstanding claims is a highly subjective number, in particular the estimation of IBNR where information may not be apparent to the insured until many years after the events giving rise to the claims have happened. It is therefore likely that the final outcome will prove to be different from the original liability. In particular, there is considerable uncertainty regarding the professional standards claims under the public liability class. The modelling of these claims is difficult due to the relatively small number of claims and the long delay from date of incident to date of report. The professional indemnity and workers' compensation portfolios also will have variations between initial estimates and the final outcomes due to the nature of the claims where not all details are known at the date of report and it may be many years between reporting and settling of these claims. The short-tail classes do not exhibit such long delays in settlements or level of development of estimates over time. Hence the level of volatility of the estimates is generally much less than that seen for the long-tail classes.

The approach taken to estimate the outstanding liabilities for the different classes reflects the nature of the data and estimates. In general, a number of different methods are applied to the data and the selected basis allows for the particular characteristics of the class and the recent experience shown in the data against the previous year's model projections. Provisions are generally calculated at a gross of reinsurance level and an explicit allowance made for expected reinsurance recoveries based on the arrangements in place over past years.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 4.

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the same methodologies with due consideration to the uncertainty in proving for the estimated cost of claims incurred but not settled. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

4. Actuarial assumptions and methods

The company is a general insurer underwriting major classes of general insurance business. For the purpose of disclosures we have grouped the insurance classes into the following:

- Short-tail (includes fire & composite risks property insurance, motor domestic, motor commercial, householders, marine and accident)
- Public liability (includes public and product liability)
- Professional indemnity (includes directors & officers, medical malpractice and professional indemnity)
- Workers' compensation

Short-tail

The methodology applied for the short-tail classes was the Incurred Claim Development (ICD) method, since the duration of the liabilities is very short and case estimates tend to be more reliable given the nature of claims and speed of finalisation.

The ICD method estimates the liability by considering the change in the incurred cost from one development period to another. The incurred cost is the total of all past payments plus current case estimates. The ultimate expected cost of claims is projected from the current incurred cost after allowing for the assumed future change in incurred costs based on past experience.

The undiscounted value of outstanding claims is the difference between the ultimate cost and the payments made to valuation date. Due to the short-tail nature of the liabilities, we have ignored the impact of investment income on the liability.

Public Liability

Public Liability includes general liability and professional standards claims. Claims estimates for the company's general liability business are derived from analysis of the results of using different actuarial models. Ultimate numbers of claims are projected based on the past reporting patterns using the Chain Ladder (CL) method. Claims experience is analysed based on averages Paid Per Claim Incurred (PPCI) method, the Projected Case Estimate (PCE) method and the Incurred Claim Development (ICD) method. The results from these models are analysed, along with minimum loss ratios, in order to determine a final estimate of outstanding claims.

Claims inflation is incorporated into the resulting projected payments under the PPCI method, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from noneconomic factors such as developments of legal precedent. The claims inflation including superimposed is implicitly included in the ICD and PCE methods. However, under all methods the projected payments are discounted to allow for the time value of money.

The general liability class of business is also subject to the emergence of latent claims, due to the long delay from date of incident to date of reporting. A specific allowance is included for this as at the balance sheet date based on an expected number of future claims at an average claim size.

The estimates for the professional standards claims is based on CCI's current case estimates plus an allowance for IBNR claims. The current case estimates include an allowance for "notified but not reported" professional standards claims and for claims to be reopened in Queensland, WA and Victoria due to recent proposed and enacted legislative changes. The case estimates are then increased to reflect historical claims development. The IBNR allowance assumes a number of claims to be reported in the future and an average claim size. The average claim size is then inflated to allow for both general inflation and superimposed inflation.

The professional standards provision is subject to significant uncertainty arising from the publicity surrounding the Royal Commission into Institutional Responses to Child Sexual Abuse over the last 5 years and more recently the introduction of the National Redress Scheme. The National Redress Scheme was established as at 1 July 2018 and designed for minimal legal involvement. The Scheme is expected to be open for 10 years and ultimately expects 60,000 participants. While the maximum payment is capped at $150,000, based on an expected distribution of severity, the average expected payment is $65,000. It is possible that a significant proportion of claims that CCI would ordinarily have received in the future may be diverted to the Redress Scheme. While the Redress process has minimal legal involvement, claimants may seek independent legal advice. CCI has identified that its policies cannot respond to the liabilities which arise solely by virtue of the Scheme. As a result, Claimants will not be able to accept both a Redress Scheme payment and pursue CCI.

Professional Indemnity

The same methodologies applied to public liability were also used for the professional indemnity class. However, unlike the other classes that are analysed on an accident year basis, this portfolio is analysed on a report year basis as the policies are written on a claims made basis. The results from the model are analysed, along with minimum loss ratios, in order to determine a final estimate of outstanding claims. Discounting is also applied for this long tail class.

Workers' Compensation

The same methodologies applied to public liability were also used for the workers' compensation class. Analysis was undertaken at a state level and there was an explicit allowance for latent claims arising from asbestos related diseases and impact of discounting.

a) Actuarial assumptions

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

2019	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	3.3 years	3.0 years	3.4 years
Wage inflation	0.00%	2.00%	2.00%	2.00%
Superimposed inflation	0.00%	2.00%	5.00%	3.00%
Discount rate	0.00%	1.00%	1.00%	1.00%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	10.0%	18.90%*	16.00%	9.00%
2018				
Average weighted term to settlement (discounted)	Less than 1 year	3.9 years	2.3 years	3.7 years
Wage inflation	0.00%	2.75%	2.75%	2.75%
Superimposed inflation	0.00%	2.00%	5.00%	3.00%
Discount rate	0.00%	2.25%	2.25%	2.00%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	9.8%	18.50%*	16.00%	9.00%

*This is a combined risk margin for general liability of 10.5% and professional standards of 20%.

b) Processes used to determine assumptions

The valuations included in the reported results are calculated using the following assumptions:

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns and allowing for the time value of money.

Inflation

Economic inflation assumptions are set by reference to current economic indicators.

Superimposed inflation

An allowance for superimposed inflation is made for each long-tail class to account for increased costs such as claim values increasing at a faster rate than wages or CPI inflation or for those costs that cannot be directly attributed to any specific source under the PPCI method. The levels of superimposed inflation assumed for the PPCI method varies by class.

Discount rate

Discount rates derived from market yields on Commonwealth Government securities as at the balance date have been adopted.

Expense rate

Claims handling expenses were calculated by reference to past experience of the company's claims administration costs as a percentage of past gross payments.

Risk margins

Risk margins have been based on features of the company's portfolios using general industry models to measure the variability of liabilities.

Average claim size

The assumed average claim size and payment patterns are generally based upon the claims experience over the last three financial years.

Number of IBNR claims

The number of IBNR claims has been based on the reporting history of the particular classes over past financial years.

Incurred cost development

The assumed incurred cost development has generally been based on past claims experience of the particular portfolios over the last three financial years.

Minimum loss ratio

To allow for the underdevelopment of the more recent accident years minimum loss ratios have been applied based on past history of claims and premiums for the public liability and professional indemnity classes.

Number and average claim size of latent claims

The number and average claim size of latent claims has been based on the reporting history of these claims over the last 10 to 15 years.

c) Sensitivity analysis – insurance contracts

The consolidated entity conducts sensitivity analysis to quantify the exposure to the risk of changes in the underlying assumptions used in the financial statements. The movement in any key variable will impact the performance and equity of the company.

The sensitivity of the consolidated entity's profit and equity to key valuation assumptions both gross and net of reinsurance is tabulated below:

		Net profit/(loss) $'000		Equity $'000	
		Gross	Net	Gross	Net
Variable	Movement in variable	Movement in amount			
Average weighted term to settlement (years)	+0.5	(2,120)	(1,855)	(2,120)	(1,855)
	-0.5	2,135	1,869	2,135	1,869
Inflation and superimposed assumption	+1%	22,246	20,310	22,246	20,310
	-1%	(22,246)	(20,310)	(22,246)	(20,310)
Discount rate	+1%	(22,246)	(20,310)	(22,246)	(20,310)
	-1%	22,246	20,310	22,246	20,310
Expense rate	+1%	6,560	6,560	6,560	6,560
	-1%	(6,560)	(6,560)	(6,560)	(6,560)
Risk margins	+1%	5,968	5,165	5,968	5,165
	-1%	(5,968)	(5,165)	(5,968)	(5,165)
Average claim size	+10%	24,389	22,303	24,389	22,303
	-10%	(24,389)	(22,303)	(24,389)	(22,303)

5. Risk Management

The financial condition and operation of the consolidated entity are affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the consolidated entity's policies and procedures in respect of managing these risks are set out in the notes to the financial statement.

Objectives in managing risks arising from insurance contracts and policies for mitigating these risks

The company is committed to controlling insurance risk thus reducing the volatility of operating profits through identifying, monitoring and managing risks associated with its business activities. In addition to the inherent uncertainty of insurance risk which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values.

Risk management framework

The Risk Management Framework (RMF) enables the development and implementation of strategies, policies, procedures and controls to manage different types of material risks. The RMF is the totality of systems, structures, policies, processes and people within an APRA-regulated institution that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

In accordance with APRA's Prudential Standards CPS 220 Risk Management and GPS 230 Reinsurance Management, the Board and senior management of the consolidated entity have developed, implemented and maintained the following key documents:

- Risk Management Strategy (RMS): The RMS describes the strategy for managing risk and the key elements of the RMF that give effect to this strategy. The objective of the RMS is to address each material risk.
- Reinsurance Management Strategy (REMS): The REMS is part of CCI's risk management strategy and details the Reinsurance Management Framework, including the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements.
- Risk Appetite Statement (RAS): The Board and executive management develop the company's RAS and the associated tolerances, targets and limits required to achieve company objectives and to embed risk into the organisation. The RAS is approved by the Board.
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement: The ICAAP describes and summarises the capital adequacy assessment process and is approved by the Board.

The RMS, REMS, RAS and ICAAP, identify the consolidated entity's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material financial and non-financial risks, including mitigating controls. The existence and effectiveness of mitigating controls are measured to ensure that residual risks are managed within risk tolerance.

Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the consolidated entity has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the company's compliance with the RMS, REMS, RAS and ICAAP.

CCI has identified the following risks as being its material risks. This forms CCI's risk universe and is subject to formal risk assessment and management.

Material Risks	Represented by a potential failure to:
Insurance Risk	◆ Comply with underwriting authorities and limits ◆ Prevent unauthorised claims payments or leakage ◆ The terms and conditions of insurance contracts comply with the level of acceptable risk ◆ Adequately manage the insurance concentration risk
Operational risk	◆ Manage CCI's IT systems, staff and operational processes
Capital and regulatory risk	◆ Adhere to legislative and regulatory requirements or other licence conditions. ◆ Assess prudential capital requirements on a regular basis
Financial risks (note 6)	◆ Market risk ◆ Credit risk ◆ Liquidity risk

The key areas of risk exposure discussed below are:

- Insurance risk
- Reinsurance counterparty risk
- Operational risk and
- Capital and regulatory risk.

Financial risks (credit, interest and market risks) are considered in note 6.

a) Insurance risk

Insurance contracts transfer risk to the insurer by indemnifying the policyholder against adverse events. The risk inherent in the insurance contract is the uncertainty of claims and amounts paid which may exceed amounts estimated at the time the product was designed and priced.

The consolidated entity has developed its underwriting strategy to diversify the type of insurance risks accepted and within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The following protocols have been established to manage insurance risk:

Underwriting risks

The pricing and selection of risks for each class of business is controlled by underwriting authorities and limits which reflect underwriting results, expected claims and economic conditions.

Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into both short-tail and long-tail classes of business across all states in Australia. The portfolio is controlled and monitored by the Company's Risk Management Strategy and various Board Committees. To manage the risks associated with natural catastrophes (i.e. those properties concentrated in regions susceptible to earthquakes, bushfires, cyclones or hail storms), the company's underwriting strategy requires risks to be differentiated in order to reflect the higher loss frequency in these areas. The company also purchases catastrophe reinsurance protection to limit the financial impact of its exposure to any single event.

Terms and conditions of insurance contracts

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the consolidated entity. There are no special terms and conditions in any non- standard contracts that have a material impact on the financial statements.

Claims management and provisioning

The consolidated entity has established systems to capture, review and update claims estimates on a timely basis to ensure the adequacy of its outstanding claims provision. The consolidated entity's approach to valuing the outstanding claims provision and the related sensitivities are set out in note 4.

b) Reinsurance counterparty risk

The consolidated entity reinsures a portion of the risks it underwrites in order to control exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of underwriting risk. The framework for the selection of reinsurers is determined by the Board Reinsurance Committee. This decision is based on the nominated reinsurers meeting a desired credit rating, credit limits and performance criteria.

c) Operational risk

Operational risk is the risk of loss arising from inadequate systems and controls, human error or management failure. The consolidated entity controls include recruitment policies, internal audit and system reviews, compliance monitoring, delegated authorities, segregation of duties, access controls, business recovery plans and authorisation and reconciliation procedures.

d) Capital and regulatory risk

The company is subject to extensive prudential regulation and actively monitors its compliance obligations. Prudential regulation is designed to protect policyholders' interests and includes solvency, change in control and capital movement limitations. In addition, the consolidated entity aims to maintain a strong solvency ratio in order to support its business objectives and maximise shareholder wealth.

The consolidated entity manages its capital requirements by assessing capital levels on a regular basis. Its objectives are to maintain an optimal capital structure to reduce the cost of capital whilst providing security for policyholders and continuing to provide returns to shareholders and Church policyholders. Where appropriate, adjustments are made to capital levels in light of changes in economic conditions and risk characteristics of the consolidated entity's activities. In order to maintain or adjust the capital structure, the consolidated entity has the option to adjust the amount of dividends paid to shareholders or adjust the amount of distributions returned to Church policyholders.

6. Financial risk

The operating activities of the consolidated entity expose it to market, credit and liquidity financial risks.

The risk management framework aims to minimise the impact of financial risks and adverse financial market movements on the company's financial performance and position. A key objective of the risk management strategy is to ensure sufficient liquidity is maintained at all times to meet the company's insurance claims and other debt obligations while ensuring investment returns are optimised to improve the consolidated entity's capital adequacy position.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

(i) Currency risk

The consolidated entity and company have limited exposure to foreign currency risks. The entities operate solely in Australia and have no direct foreign currency holdings.

The company invests in international equities via unit trusts using Australian fund managers. The international equities comprise 19.45% (2018: 19.63%) of our total investment portfolio with currency risk managed by the fund manager. Catholic Church Insurance Limited manages foreign currency by asset allocation, diversification and fund manager selection. The selection of fund managers considers the managers' portfolio allocation and currency hedging strategy to minimise foreign currency losses and consequent impact on the unit price valuations.

The impact of foreign currency risks is not disclosed in the sensitivity analysis as the exposure is indirect and unable to be separated from other market risks which impact international trust unit price valuations.

(ii) Interest rate risk

Catholic Church Insurance Limited invests in floating rate and fixed rate financial instruments. Interest rate movements expose Catholic Church Insurance Limited to cash flow risks (income) from floating rate investments and fair value risks (capital) for fixed rate investments. Interest rate risk is managed by maintaining an appropriate mix between floating and fixed interest bearing deposits.

Catholic Church Insurance Limited has no interest bearing financial liabilities.

The maturity profile of the consolidated entity's financial assets and liabilities and effective weighted average interest rate are set out in note 38.

The potential impact of movements in interest rates on the consolidated entity's income statement and equity is shown in the sensitivity analysis.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (excluding interest rate or currency risks). Price risk may arise from factors affecting specific financial instruments, issuers, or all similar financial instruments traded on the market.

The consolidated entity is exposed to price risk on its equity investments and uses derivative instruments and industry sector diversification to manage this exposure. The potential impact of movements in the market value of listed equities on the consolidated entity's income statement and equity is shown in the sensitivity analysis.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to reduce Catholic Church Insurance Limited credit risk exposure:

- The investment policy defines net exposure limits for financial instruments and counterparties, minimum credit ratings and terms of net open derivative positions. Compliance with the policy is monitored with exposures and breaches reported to the Board Investment Committee;
- The consolidated entity does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings and therefore does not require collateral or other security to support derivatives. The consolidated entity only uses derivatives in highly liquid markets;
- Reinsurance receivables credit risk is actively monitored with strict controls maintained over counterparty exposures. Business is transacted with counterparties that have a strong credit rating and concentration of risk is avoided by adherence to counterparty limits;
- Premium receivables are principally with Catholic Church organisations. Credit risk is deemed low due to low default rates and relationships with Church leaders and organisations. Catholic Church Insurance Limited actively pursues the collection of premiums by client negotiation and use of Church resources; and
- The allowance for impairment is assessed by management monthly.

(i) Credit exposure

The following tables provide information regarding the aggregate credit risk exposure of the consolidated entity and company at the balance date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Consolidated							
Cash and cash equivalents	-	154,282	66	404	-	1,077	155,829
Interest bearing investments[1]	125,493	182,811	12,345	32,976	-	-	353,625
Reinsurance & other recoveries[2]	-	76,004	25,920	16,262	-	-	118,186
2018							
Consolidated							
Cash and cash equivalents	-	178,415	71	-	-	1,051	179,537
Interest bearing investments[1]	123,867	180,178	13,421	23,321	-	1,074	341,861
Reinsurance & other recoveries[2]	-	63,097	20,142	12,728	-	-	95,967

1 Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer note 19). Also includes parts of Investment income accrued that relates to interest bearing investments (refer note 16).

2 Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 16). The BBB and speculative credit rating's associated with reinsurance and other recoveries is based on the historic recoverability associated with reinsurers in run-off and does not reflect the actual grading of reinsurers in our reinsurance program where the majority have a security rating of A or above.

The difference between the consolidated entity and the company relates to cash and cash equivalents. The AA rating for the company reduces by $453,000 for the current year and by $234,000 for the prior year.

(ii) **Asset carrying value**

The carrying amount of the asset classes shown below represents the maximum amount of credit exposure The fair value of derivatives shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changing values.

The following tables provide information regarding the carrying value of the consolidated entity's and company's financial assets and the ageing of those that are past due.

		Past Due				
	On Demand	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Consolidated						
Premiums receivable	98,579	2,361	-	4,967	2,507	108,414
Reinsurance & other recoveries[1]	110,671	5,981	-	692	842	118,186
Other receivables[2]	24,601	-	-	-	-	24,601
2018						
Consolidated						
Premiums receivable	85,340	8,142	2,989	2,600		99,071
Reinsurance & other recoveries[1]	89,236	5,057	38	466	1,170	95,967
Other receivables[2]	16,009	-	-	-	-	16,009

1 Includes reinsurance recoveries on outstanding claims and reinsurance commission's receivable. (refer note 16).

2 Includes investment income accrued and sundry debtors (refer note 16).

The difference between the consolidated entity and the company relates to other receivables. The "On Demand" category for the company decreases by $525,000 for the current year and $413,000 for the prior year.

Catholic Church Insurance Limited has no possessed collateral, impaired or renegotiated agreements in respect of impaired financial assets.

c) Liquidity risk

Liquidity risk is the risk that Catholic Church Insurance Limited will encounter difficulties in meeting its obligations with financial liabilities.

The investment policy requires a minimum percentage of investments be held in cash and short- term deposits to ensure sufficient liquid funds are available to meet insurance and other liabilities as they fall due for payment. Catholic Church Insurance Limited has a strong liquidity position with no interest bearing debt.

Catholic Church Insurance Limited limits the risk of liquidity shortfalls resulting from mismatch in the timing of claim payments and receipt of claim recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

The following tables summarise the maturity profile of financial liabilities of the consolidated entity and the company based on the remaining undiscounted contractual obligations.

Consolidated & Company	Less than 3 months $'000	3 Months to 1 year $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
2019					
Trade and other payables	43,556	-	-	-	43,556
Financial Liabilities – Options/Futures	454	153	-	-	607
Outstanding Claims	59	60,458	633,805	-	694,322
2018					
Trade and other payables	41,159	-	-	-	41,159
Financial Liabilities – Options/Futures	-	730	-	-	730
Outstanding Claims	94	53,371	545,850	-	599,315

The consolidated entity and company have no significant concentration of liquidity risk.

d) Sensitivity

The following table outlines the net profit and equity sensitivities to changes in interest rates and investment markets. These sensitivities are indicative only as they assume that the movement in a particular variable is independent of the other variables. The percentage movement in variables has been derived by taking into consideration the likelihood of these events occurring both in the context of the company's business and the environment in which it operates. This same level of testing is used by the company in determining a targeted solvency ratio.

		Financial Impact +/-			
		2019 Net profit (loss)	2019 Equity	2018 Net profit (loss)	2018 Equity
Market risk	Movement in variable	$'000	$'000	$'000	$'000
Interest rate	2%+/-	26,562/(26,562)	26,562/(26,562)	21,837/(21,837)	21,837/(21,837)
International Equities	10%+/-	23,856/(23,856)	23,856/(23,856)	23,303/(23,303)	23,303/(23,303)
Domestic Equities	10%+/-	35,326/(35,326)	35,326/(35,326)	30,899/(30,899)	30,899/(30,899)

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

7. Net premium revenue

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Direct	233,766	216,507	233,766	216,507
Fire service levies	8,439	7,289	8,439	7,289
Premium revenue	242,205	223,796	242,205	223,796
Outwards reinsurance premiums	(83,445)	(72,746)	(83,445)	(72,746)
Net premium revenue	158,760	151,050	158,760	151,050

8. Net claims incurred

Current period claims relate to risks borne in the current reporting period. Prior period cliams relate to a reassessment of the risks borne in all previous reporting periods.

	2019			2018		
	Current Year	Prior Years	Total	Current Year	Prior Years	Total
Direct business	$'000	$'000	$'000	$'000	$'000	$'000
Gross/Net claims incurred and related expenses	130,637	96,041	226,678	107,316	(3,053)	104,263
Discount and discount movement	(9,717)	36,527	26,810	(11,955)	11,117	(838)
Gross/Net claims incurred and related expenses	120,920	132,568	253,489	95,361	8,064	103,425
Reinsurance and other recoveries	(29,637)	(24,799)	(54,436)	(15,976)	6,543	(9,433)
Discount and discount movement	7,923	(8,207)	(284)	7,770	(8,288)	(518)
Reinsurance and other recoveries	(21,714)	(33,006)	(54,720)	(8,206)	(1,745)	(9,951)
Net claims incurred	99,206	99,562	198,769	87,155	6,319	93,474

The balance of net claims incurred for the consolidated entity is the same as Catholic Church Insurance.

9. Other underwriting and general administration expenses

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Expenses by function:				
Levies and charges	9,927	10,066	9,927	10,066
Administration expenses	48,292	43,524	48,292	43,524
Other underwriting expenses	58,219	53,590	58,219	53,590
Investment expenses	1,067	1,382	1,067	1,382
Marketing expenses	1,242	1,060	1,242	1,060
Lease expenses	1,563	1,382	1,542	1,368
Depreciation charges (note 24)	2,374	2,568	2,374	2,568
Information technology expenses	5,854	4,034	5,854	4,034
Employee expenses	5,419	3,414	4,774	2,769
Other expenses	2,476	2,039	1,687	1,530
General administration expenses	19,995	15,879	18,540	14,711

10. Unexpired risk liability

Year ended 30 June 2019
The liability adequacy test has identified a surplus for all portfolios of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for, is discussed in Note 29. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

11. Donations - CCI Giving Trust

CCI provided for a donation to the CCI Giving Trust of $253K for the year ending 30 June 2019.

12. Investment income

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Dividend income	46,207	38,369	46,207	38,369
Interest income	17,797	19,224	17,797	19,224
Changes in fair value				
- Unrealised gains / (losses) on investments	29,257	25,058	29,257	25,058
- Realised gains / (losses) on investments	(1,520)	(2,242)	(1,520)	(2,242)
	91,741	80,409	91,741	80,409

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

13. Profit for the period

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Gross written premiums	242,655	233,893	242,655	233,893
Unearned premium movement	(450)	(10,097)	(450)	(10,097)
Gross earned premium	242,205	223,796	242,205	223,796
Outward reinsurance expense	(83,445)	(72,746)	(83,445)	(72,746)
Net earned premium	158,760	151,050	158,760	151,050
Gross claims incurred	(253,489)	(103,425)	(253,489)	(103,425)
Reinsurance and other recoveries	54,720	9,951	54,720	9,951
Net claims incurred	(198,769)	(93,474)	(198,769)	(93,474)
Gross commission expense	(913)	(368)	(913)	(368)
Reinsurance commission revenue	14,623	11,960	14,623	11,960
Other commission revenue	273	154	273	154
Net commission	13,983	11,746	13,983	11,746
Underwriting expenses	(58,219)	(53,590)	(58,219)	(53,590)
Underwriting profit / (loss)	**(84,245)**	**15,732**	**(84,245)**	**15,732**
Dividend income	46,207	38,369	46,207	38,369
Interest income	17,797	19,224	17,797	19,224
Changes in fair value:				
- Unrealised gains / (losses) on investments	29,257	25,058	29,257	25,058
- Realised gains / (losses) on investments	(1,520)	(2,242)	(1,520)	(2,242)
Other income	4,288	3,652	2,454	2,209
Investment and other income	**96,029**	**84,061**	**94,195**	**82,618**
General administration expenses	(19,995)	(15,879)	(18,540)	(14,711)
Catholic entity distributions	(7,306)	(7,095)	(7,228)	(7,046)
Donations - CCI Giving Trust	(253)	(10,250)	(253)	(10,250)
Profit from ordinary activities	**(15,770)**	**66,569**	**(16,071)**	**66,343**

14. Dividends paid and proposed

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2018: $0.40 cents (2017: $0.40 cents)	1,176	1,176	1,176	1,176
Proposed for approval at AGM (not recognised as a liability as at 30 June):				
Dividends on ordinary shares: Final unfranked dividend for 2019: $0.00 cents (2018: $0.40 cents)	-	-	-	-

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
15. Cash and cash equivalents				
Cash and cash equivalents comprises:				
– Cash on hand	2	2	2	2
– Cash at call	155,827	179,535	155,374	179,301
	155,829	179,537	155,376	179,303
Reconciliation of cash				
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:				
– Cash	155,829	179,537	155,376	179,303
	155,829	179,537	155,376	179,303

The consolidated entity has a combined bank overdraft facility of $150,000 (2018: $150,000). This facility was unused at 30 June 2019 (2018: Unused).

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
16. Trade and other receivables				
Premiums receivable (i)	108,414	99,071	108,414	99,071
Provision for doubtful debts on premiums	(1,187)	-	(1,187)	-
	107,227	99,071	107,227	99,071
Investment income accrued (iii)	10,558	14,417	10,558	14,417
Sundry debtors (iv)	14,043	1,592	13,518	1,179
	131,828	115,080	131,303	114,667
Reinsurance and other recoveries on outstanding claims and claims paid (ii)	72,436	60,072	72,436	60,072
Provision for doubtful debts on reinsurance recoveries	(16,820)	(14,920)	(16,820)	(14,920)
(i) Investment held in Bentham syndicated loan				
	55,616	45,152	55,616	45,152
Total current receivables	187,444	160,232	186,919	159,819
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	45,750	35,895	45,750	35,895
Total non-current receivables	45,750	35,895	45,750	35,895
Total Trade and other receivables	233,194	196,127	232,669	195,714

The current period balance of premiums receivable includes $54.519 million (2018: $51.793 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2019.

(i) Premiums receivable are contracted on normal terms and conditions. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

(ii) Reinsurance and other recoveries on outstanding claims are settled in accordance with the terms of the contract.

(iii) Investment income is recognised when the entities' right to receive the payment is established.

(iv) Sundry debtors are recognised when the entities right to receive the payment is established.

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

17. Deferred reinsurance expense

Deferred reinsurance expense as at 1 July	29,671	27,267	29,671	27,267
Reinsurance premiums paid during the year	88,738	77,454	88,738	77,454
Reinsurance premiums charged to profit and loss during the year	(83,445)	(75,050)	(83,445)	(75,050)
Deferred reinsurance expense as at 30 June	34,964	29,671	34,964	29,671

The current period balance of deferred reinsurance expense includes $2.205 million (2018: $2.285 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2019.

18. Deferred acquisition costs

Deferred acquisition costs as at 1 July	129	-	129	-
Acquisition costs deferred	1,337	497	1,337	497
Amortisation charged to income	(913)	(368)	(913)	(368)
Deferred acquisition costs as at 30 June	553	129	553	129

19. Financial assets at fair value through profit and loss

- Government and semi-government bonds	246,191	237,399	246,191	237,399
- Other fixed interest securities	104,165	100,866	104,165	100,866
- Shares in other corporations	249,393	223,746	249,393	223,746
- Units in other unit trusts	260,943	261,105	260,943	261,105
- Units in property unit trusts	93,533	72,866	93,533	72,866
- Alternatives (i)	52,643	50,611	52,643	50,611
Total investments	1,006,868	946,593	1,006,868	946,593

20. Tax assets

Imputation credits	8,041	3,175	8,041	3,175
GST recoverable	1,512	3,821	1,512	3,821
	9,553	6,996	9,553	6,996

21. Other assets

Deferred fire service levy expenses	3,188	3,385	3,188	3,385
Other assets	1,651	3,510	1,652	3,510
	4,839	6,895	4,840	6,895

22. Plant and equipment

	Consolidated					
	Right to Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2019						
Gross carrying amount						
Balance at 1 July 2018	1,315	2,633	2,318	6,432	4,062	16,760
Additions	-	892	224	587	-	1,703
Disposals	-	(609)	-	-	-	(609)
Balance at 30 June 2019	1,315	2,916	2,542	7,019	4,062	17,854
Accumulated depreciation						
Accumulated depreciation	(211)	(391)	(466)	(4,403)	(849)	(6,320)
Depreciation charge for the year	(177)	(574)	(222)	(995)	(406)	(2,374)
Balance at 30 June 2019	(388)	(965)	(688)	(5,398)	(1,255)	(8,694)
Net carrying amount at 30 June 2019	927	1,951	1,854	1,621	2,807	9,160

There has been no change to depreciation rates or useful lives at 30 June 2019.
The balance of plant and equipment for the consolidated entity is the same as the company.

	Right to Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Year ended 30 June 2018						
Gross carrying amount						
Balance at 1 July 2017	-	2,647	3,500	6,361	3,176	15,684
Additions	1,315	838	223	669	886	3,931
Disposals	-	(852)	(1,405)	(598)	-	(2,855)
Balance at 30 June 2018	1,315	2,633	2,318	6,432	4,062	16,760
Accumulated depreciation						
Depreciation charge for the year	(211)	(557)	(217)	(1,167)	(416)	(2,568)
Accumulated depreciation	-	(206)	(249)	(3,237)	(433)	(4,125)
Balance at 30 June 2018	(211)	(763)	(466)	(4,404)	(849)	(6,693)
Net carrying amount at 30 June 2018	1,104	1,870	1,852	2,028	3,213	10,067

23. Intangible assets

Consolidated
Year ended 30 June 2019

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Computer Software
Gross carrying amount	$'000
Balance at 1 July 2018	16,001
Additions	3,007
Work In Progress	5,321
Disposals	-
Impairment of intangible assets	-
Balance at 30 June 2018	24,329
Accumulated amortisation	
Amortisation charge for the year	(2,596)
Disposals	-
Accumulated amortisation	(7,559)
Balance at 30 June 2019	(10,155)
Net carrying amount at 30 June 2019	14,174

The balance of intangible assets for the consolidated entity is the same as the company.

(b) Description of the consolidated entity's intangible assets

Computer Software
Software that is not integral to the operation of hardware and includes externally purchased software, internally generated software and licenses. The balance of Computer Software for the consolidated entity is the same as the company.

Consolidated
Year ended 30 June 2018

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Computer Software
Gross carrying amount	$'000
Balance at 1 July 2017 net of accumulated amortisation	10,771
Additions	6,212
Work in Progress	-
Disposals	(982)
Impairment of intangible assets	-
Balance at 30 June 2018	16,001
Accumulated amortisation	
Amortisation charge for the year	(1,609)
Disposals	941
Accumulated amortisation	(6,892)
Balance at 30 June 2018	(7,560)
Net carrying amount at 30 June 2018	8,441

The balance of intangible assets for the consolidated entity is the same as the company.

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

24. Trade and other payables

Trade creditors	34,210	32,592	34,210	32,592
Accrued expenses	2,253	727	2,253	727
Sundry creditors	4,853	7,840	4,853	7,840
Unsettled investment transactions	2,240	-	2,240	-
	43,556	41,159	43,556	41,159

The current period balance of the trade creditors includes $2.205 million (2018: $2.285 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2019.

25. Provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current				
Catholic entity distributions	7,306	7,285	7,228	7,236
Grants	902	891	902	891
Employee benefits	5,575	5,090	5,575	5,090
	13,783	13,266	13,705	13,217
Non-current				
Employee benefits	1,087	440	1,087	440
Make good of premises	936	1,015	936	1,015
	2,023	1,455	2,023	1,455
Total Provisions	15,806	14,721	15,728	14,672

	Consolidated				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2019	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2018	7,285	891	5,530	1,015	14,721
Additional provisions	7,306	902	6,661	147	15,016
Amounts utilised during the year	(7,168)	(891)	(5,529)	-	(13,588)
Reversal of unused provision	(117)	-	-	(226)	(343)
Carrying amount at 30 June 2019	7,306	902	6,662	936	15,806
Year ended 30 June 2017					
Carrying amount at 1 July 2017	10,500	630	6,220	990	18,340
Additional provisions	7,182	891	2,479	25	10,577
Amounts utilised during the year	(10,308)	(630)	(3,169)	-	(14,107)
Transfer of unused provision	(89)	-	-	-	(89)
Carrying amount at 30 June 2018	7,285	891	5,530	1,015	14,721

Catholic entity distributions

Catholic Church Insurance Limited operates under mutual principles and at the end of each year a provision is raised for the payment of Catholic entity distributions to Catholic Church policyholders where certain criteria have been met. The amount allocated each year is approved by the Board of Directors. All of these costs will be paid in the next financial year.

Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, performance based incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Make good of premises

This provision is required as part of the company's occupancy contract which requires all leased premises to be returned to a vacant shell upon expiry or termination of the lease.

This amount represents the best estimate of the future sacrifice of economic benefits that will be required to return the premises to a vacant shell.

26. Other liabilities

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial liability - exchange traded options	607	730	607	730
	607	730	607	730

27. Contributed equity

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Authorised				
10,000,000 ordinary shares	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2018: 2,939,676)	8,139	8,139	8,139	8,139

There has been no change to the ordinary shares issued from the prior year to the current year.

Terms and conditions of contributed equity

Fully paid ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up, the company's shareholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
28. Reserves				
(a) Composition				
General reserve	546,640	563,585	546,640	563,585
	546,640	563,585	546,640	563,585
(b) Movements				
General reserve				
Opening balance	563,585	498,192	563,585	498,192
Transfers to and from retained profits	(16,945)	65,393	(16,945)	65,393
Closing balance	546,640	563,585	546,640	563,585

Nature and purpose of reserves

General reserve

The general reserve contains amounts transferred from retained profits by Directors. It is used for general purposes only and there is no policy of regular transfer.

		Consolidated		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
29. Outstanding claims					
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	583,025	534,855	583,025	534,855
Discount to present value		(20,970)	(47,778)	(20,970)	(47,778)
		562,055	487,077	562,055	487,077
Claims handling costs	(B)	33,777	29,275	33,777	29,275
		595,832	516,352	595,832	516,352
Risk margin	(C)	98,490	82,963	98,490	82,963
Gross outstanding claims liability – discounted		694,322	599,315	694,322	599,315
Gross claims liability – undiscounted	(A)+(B)+(C)	715,292	647,093	715,292	647,093
Current		177,025	148,665	177,025	148,665
Non-current		517,297	450,650	517,297	450,650
Total		694,322	599,315	694,322	599,315

(b) Risk margin

Process for determining risk margin

Risk margins have been based on features of each of the portfolios using general industry models to measure the variability of liabilities.

Theoretical undiversified and diversified risk margins are determined based on industry models. A diversification discount is then derived based on actual experience in regard to the individual classes loss ratios compared to the company as a whole for the last six accident years.

The implied diversification discount is then compared with the discount derived from the industry models and "rounded" percentage risk margins are selected for each line of business having regard to modelling results.

The final selected dollar margin must be no less than to the 75% level of sufficiency.

Risk margins applied	2019 %	2018 %
Short-tail	10.0	9.8
Professional indemnity	16.0	16.0
Public liability (excluding professional standards)	10.5	10.5
Professional standards	20.0	20.0
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

	Gross	Reinsurance	Net
2019	$'000	$'000	$'000
Brought forward	599,315	72,590	526,725
Effect of changes in assumptions	122,183	25,926	96,257
Increase in claims incurred/recoveries anticipated over the year	128,836	29,013	99,823
Claim payments/recoveries during the year	(156,012)	(35,926)	(120,086)
Carried forward	694,322	91,603	602,719
2018			
Brought forward	630,996	95,490	535,506
Effect of changes in assumptions	(1,960)	(5,163)	3,203
Increase in claims incurred/recoveries anticipated over the year	102,730	15,110	87,620
Claim payments/recoveries during the year	(132,451)	(32,847)	(99,604)
Carried forward	599,315	72,590	526,725

(d) Claims development tables – long-tail classes

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the six most recent accident years.

The insurance classes included in long-tail business are professional indemnity, public liability & workers' compensation.

(i) Gross

Accident year	2013 & prior $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	895,037	47,073	44,937	47,084	51,292	57,069	59,624	1,202,116
One year later	867,018	45,395	44,160	49,241	50,263	52,992	-	1,109,069
Two years later	828,835	47,655	44,055	49,209	47,582	-	-	1,017,336
Three years later	864,321	41,026	40,992	43,749	-	-	-	990,088
Four years later	923,484	41,962	39,907	-	-	-	-	1,005,353
Five years later	996,566	38,278	-	-	-	-	-	1,034,844
Current estimate of cumulative claims cost	1,140,847	38,278	39,907	43,749	47,582	52,992	59,624	1,422,979
Cumulative payments	(744,330)	(32,482)	(31,397)	(29,553)	(24,381)	(22,315)	(11,445)	(895,903)
Outstanding claims – undiscounted	396,517	5,796	8,510	14,196	23,201	30,677	48,179	527,076
Discount								(16,877)
Outstanding claims								510,199
Short-tail outstanding claims								51,856
Claims handling expenses								33,777
Risk margins								98,490
Total gross outstanding claims as per the Balance Sheet								694,322

(ii) Net of reinsurance

Accident year	2013 & prior $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	817,230	46,821	44,473	46,689	50,722	56,854	59,371	1,122,162
One year later	777,888	45,235	43,836	48,894	49,979	52,736	-	1,018,568
Two years later	729,313	47,411	43,669	48,909	47,288	-	-	916,590
Three years later	759,091	40,926	40,577	43,062	-	-	-	883,656
Four years later	782,214	41,854	39,572	-	-	-	-	863,640
Five years later	844,478	38,034	-	-	-	-	-	882,512
Current estimate of cumulative claims cost	965,944	38,034	39,572	43,062	47,288	52,736	59,371	1,246,007
Cumulative payments	(614,295)	(32,378)	(31,078)	(29,351)	(24,281)	(22,301)	(11,392)	(765,076)
Outstanding claims – un-discounted	351,649	5,656	8,494	13,711	23,007	30,435	47,979	480,931
Discount								(16,454)
Outstanding claims								464,477
Short-tail outstanding claims								18,283
Claims handling expenses								33,777
Risk margins								86,182
Total net outstanding claims as per the Balance Sheet								602,719

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
30. Unearned premium reserve				
Unearned premium liability as at 1 July	154,640	143,049	154,640	143,049
Deferral of premiums on contracts written in the period	241,116	220,244	241,116	220,244
Earning of premiums written in current and previous periods	(237,858)	(208,653)	(237,858)	(208,653)
Unearned premium liability as at 30 June	157,898	154,640	157,898	154,640

The current period balance of the unearned premium reserve includes $54.419 million (2018: $51.793 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2019.

31. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

The names of persons who were Directors of Catholic Church Insurance Limited at any time during the year or until the date of this report are as follows:

P A Gallagher	Chairman (non-executive)
J Dawson	Director (non-executive) (retired 22 Oct 2018)
J Fitzpatrick	Director (non-executive)
R M Haddock	Director (non-executive)
P Marshall	Director (non-executive)
J A Schafer	Director (non-executive)
J A Tongs	Director (non-executive)
M T Doquile	Director (non-executive) (Appointed 22 Oct 2018)

(ii) Senior Leadership Team

R Scenna	Chief Executive Officer
D Chila	Company Secretary
J Yipp	Chief Risk Officer
D Muscari	Chief Financial Officer
T Briganti	General Manager, Technical Operations
R Castle	General Manager, Client
K Young	General Manager, Information and Communication Technology
S Stares	General Manager, People and Change
D Trevorah	General Manager, Strategy, Marketing and Transformation
M Wright	General Manager, Claims

(b) Compensation of key management personnel

(i) The compensation policy is disclosed in the Directors' Report.

(ii) Compensation of key management personnel by category is as follows:

	Consolidated		Company	
	2019 $	2018 $	2019 $	2018 $
Directors				
Short-term	400,816	416,585	355,328	367,674
Post employment	38,077	39,576	33,756	34,929
	438,893	456,161	389,085	402,603

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits.

	Consolidated		Company	
	2019 $	2018 $	2019 $	2018 $
Executives				
Short-term	4,962,241	4,916,423	4,962,241	4,916,423
Post employment	242,802	248,550	242,802	248,550
Other long-term	240,082	144,347	240,082	144,347
	5,445,125	5,309,320	5,445,125	5,309,320

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits.

The other long-term category includes accrued long service leave where the executirve has not yet reached the entitlement date.

(c) Shareholdings of key management personnel

Each Director of the parent entity holds ordinary shares in Catholic Church Insurance Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church.

Executives are not eligible to hold shares in Catholic Church Insurance.

	Balance at 1 Jul 2017	Net Change Other	Balance at 30 Jun 2018	Net Change Other	Balance at 30 Jun 2019
Directors					
P A Gallagher	1,250	-	1,250	-	1,250
C T Condon	1,250	(1,250)	-		-
L Reeves	-	1,250	1,250		1,250
J Dawson	1,250	-	1,250	(1,250)	-
R M Haddock	1,250	-	1,250	-	1,250
J A Schafer	1,000	-	1,000	-	1,000
J A Tongs	1,250	-	1,250	-	1,250
J Fitzpatrick	1,250	-	1,250	-	1,250
P Marshall	1,250	-	1,250	-	1,250
M Doquile	-	-	-	1,250	1,250
Total	9,750	-	9,750	-	9,750

(d) Loans to key management personnel

There are no loans to key management personnel

32. Related parties

	Consolidated		Company	
	2019 $	2018 $	2019 $	2018 $
Wholly owned group transactions				
The entities within the wholly owned group are Catholic Church Insurance Limited (consolidated entity), and CCI Asset Management Limited (subsidiary). Catholic Church Insurance Limited is the ultimate parent entity.				
Expenses charged to CCI Asset Management Limited	-	-	1,454,578	1,167,208
Balance of intercompany receivable from CCI Asset Management Limited	-	-	294,840	226,984
Other related party transactions				
Catholic Church Insurance sold insurance policies to the shareholders of the company during the year within a normal policy holder relationship on terms and conditions no more favourable than those available on similar transactions to other policy holders.	157,278,748	151,026,248	157,278,748	151,026,248
Catholic Church Insurance Limited has invested funds into the investment trusts managed by its subsidiary under normal terms and conditions.				
Market value of investment in Catholic Values Unit Trust	29,858,263	37,433,000	29,858,263	37,433,000
Management fees for the reporting period paid by the Schemes to CCI Asset Management Limited				
– Catholic Values Unit Trust	781,272	658,901	781,272	658,901
– Income Unit Trust	369,410	377,876	369,410	377,876
Funds under management for the reporting period with CCI Asset Management Limited that are also shareholders of CCI	520,269,494	337,256,715	520,269,494	337,256,715

	Consolidated		Company	
	2019 $	2018 $	2019 $	2018 $

33. Auditors' remuneration

Amounts received or due and receivable by Ernst & Young Australia for:				
(a) an audit or review of the financial report of the entity and any other entity in the consolidated group	210,498	206,370	198,295	194,406
(b) other services in relation to the entity and any other entity in the consolidated group				
– Taxation services	39,526	32,620	39,526	32,620
– Other services	97,203	144,301	35,414	68,275
Total other services	136,729	176,921	74,940	100,895

Other services relates to the funds distribution review of the CCI Asset Management controlled trusts, GS007 audit and actuarial peer review undertaken by Ernst and Young.

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

34. Expenditure commitments

Operating lease expenditure commitments:				
- Within one year	4,127	4,036	4,127	4,036
- After one year but not more than five years	17,094	16,426	17,094	16,426
- More than five years	5,334	8,523	5,334	8,523
	26,555	28,985	26,555	28,985
Lease payments recognised as an expense in the period				
Minimum lease payment	2,160	2,039	2,140	2,025
Contingent rents	(597)	(657)	(597)	(657)
	1,563	1,382	1,543	1,368

Leasing arrangements

Leased offices

The consolidated entity leases offices under operating leases expiring from 1 to 10 years. Leases generally provide the consolidated entity with a right to renew at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are fixed as per each lease agreement

Equipment

The consolidated entity leases photocopiers and faxes under operating leases expiring from 1 to 5 years. Each time a machine is upgraded the contract starts again for a further 5 years. Lease payments comprise a base amount plus an additional rental based on usage.

35. Statement of cash flows

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit from ordinary activities	(15,770)	66,569	(16,071)	66,343
Changes in net market value of investments	(28,745)	(17,559)	(29,149)	(17,559)
Depreciation of assets	2,374	2,402	2,364	2,391
Amortisation of intangible assets	2,596	1,608	2,596	1,608
Loss on sale of assets	(66)	286	(66)	286
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	32	(2,931)	32	(2,976)
Increase in unearned premium	3,257	11,591	3,257	11,591
(Increase) in premiums receivable	(9,343)	(11,912)	(9,343)	(11,912)
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	(20,319)	25,606	(20,319)	25,606
(Increase)/decrease in reinsurance payables	(1,691)	307	(1,691)	307
Increase/(decrease) in outstanding claims	94,692	(31,690)	94,692	(31,690)
(Increase)/decrease in acquisition costs	(423)	(129)	(423)	(129)
(Increase)/decrease in statutory charge asset	678	(976)	678	(976)
Decrease in GST tax provision	2,309	(1,712)	2,309	(1,712)
Decrease in other provisions and sundry debtors	(1,701)	5,501	(1,173)	5,777
Cash flow from operating activities	27,880	46,961	27,693	46,955

36. Controlled entities

Name of entity	Country of incorporation	Ownership interest		Investment	
		2019 %	2018 %	2019 $'000	2018 $'000
Parent entity					
Catholic Church Insurance Limited	Australia	–	–	–	–
Controlled entity					
CCI Asset Management Limited	Australia	100	100	–	–
CCI GF Pty Limited	Australia	100	100	–	–

The shares held in CCI Asset Management Limited of $1,004,099 were written down to zero in the financial year ended June 2006. The shares held in CCI GF Pty Limited of $120 were written down to zero in the financial year ended June 2017.

37. Capital adequacy

The Australian Prudential Regulation Authority's (APRA's) prudential standards set out the basis for calculating the prudential capital requirement (PCR) of licensed insurers. The PCR assumes a risk-based approach in calculating a company's solvency and is determined as the sum of the insurance, asset, investment concentration and catastrophe risk capital charges.

The consolidated entity has at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

The PCR of Catholic Church Insurance Limited applying consolidation principles to the prudential standards is as follows:

	Company	
	2019 $'000	2018 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	546,640	563,585
Retained earnings at end of reporting period	1,267	1,569
Premium liability surplus	16,704	22,852
Net tier 1 capital	572,750	596,145
Less net intangible assets	14,174	8,443
Less assets under a fixed or floating charge	-	-
Total capital base	558,576	587,702
Prescribed capital amount	238,155	236,102
Prescribed capital amount coverage	2.35	2.49

The consolidated entity does not hold any tier 2 capital.

38. Additional financial instruments disclosure

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements. Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(b) Interest rate risk

The following table details the economic entity's exposure to interest rate risk at the reporting date.

	Fixed Interest Rate Maturity – Consolidated						
2019	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	1.60	155,827				2	155,829
Debtors						233,194	233,194
Government and semi-government loans	4.57		29,894	77,064	139,234		246,191
Other fixed interest securities	3.84		7,101	73,265	23,799		104,165
Alternatives	-		-	-		52,643	52,643
Shares, options & trusts						603,869	603,869
Total		155,827	36,995	150,329	163,033	889,708	1,395,892
Financial liabilities							
Creditors						43,556	43,556
Exchange traded options			607				607
Total			607			43,556	44,163

	Fixed Interest Rate Maturity – Company						
2019	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	1.60	155,374				2	155,376
Debtors						232,669	232,669
Government and semi-government loans	4.57		29,894	77,064	139,234		246,191
Other fixed interest securities	3.84		7,101	73,265	23,799		104,165
Alternatives	-			-		52,643	52,643
Shares, options & trusts						603,869	603,869
Preference shares						-	
Total		155,374	36,995	150,329	163,033	889,183	1,394,914
Financial liabilities							
Creditors						43,556	43,556
Exchange traded options			607				607
Total			607			43,556	44,163

2018	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
	Fixed Interest Rate Maturity – Consolidated						
Financial assets							
Cash assets	1.74	179,535				2	179,537
Debtors						196,127	196,127
Government and semi-government loans	4.89		46,309	115,263	75,827		237,399
Other fixed interest securities	3.83		21,071	43,935	35,860		100,866
Alternatives	-					50,611	50,611
Shares, options & trusts						557,717	557,717
Preference shares	-					-	
Total		179,535	67,380	159,198	111,687	804,457	1,322,257
Financial liabilities							
Creditors						41,159	41,159
Exchange traded options			730				730
Total			730			41,159	41,889

2018	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
	Fixed Interest Rate Maturity – Company						
Financial assets							
Cash assets	1.74	179,301				2	179,303
Debtors						195,714	195,714
Government and semi-government loans	4.89		46,309	115,263	75,827		237,399
Other fixed interest securities	3.83		21,071	43,935	35,860		100,866
Syndicated loan funds	-			-		50,611	50,611
Shares, options & trusts						557,717	557,717
Preference shares	-					-	
Total		179,301	67,380	159,198	111,687	804,044	1,321,610
Financial liabilities							
Creditors						41,159	41,159
Exchange traded options			730				730
Total			730			41,159	41,889

39. Fair value hierarchy

The table below sets out the consolidated entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
Consolidated as at 30 June 2019	$'000	$'000	$'000	$'000
Financial assets				
- Government and semi-government bonds	246,191	-	-	246,191
- Other fixed interest securities	104,165	-	-	104,165
- Shares in other corporations	249,171	-	222	249,393
- Units in other unit trusts	-	260,943	-	260,943
- Units in property unit trusts	-	92,872	661	93,533
- Alternatives	-	52,643	-	52,643
Total	599,527	406,458	883	1,006,868
Financial liabilities				
Derivative instruments				
Options	(607)	-	-	(607)
Total	(607)	-	-	(607)

Transfer between categories

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements during the year.

Consolidated as at 30 June 2018				
Financial assets				
- Government and semi-government bonds	237,399	-	-	237,399
- Other fixed interest securities	100,866	-	-	100,866
- Shares in other corporations	223,577	-	169	223,746
- Units in other unit trusts	-	261,105	-	261,105
- Units in property unit trusts	-	72,215	651	72,866
- Alternatives	-	50,611		50,611
Total	561,842	383,931	820	946,593
Financial liabilities				
Derivative instruments	-	-	-	-
Options	(730)	-	-	(730)
Total	(730)	-	-	(730)

Level 1

Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

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

Level 3

Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between categories

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements during the year.

	Consolidated Entity	
Reconciliation of Level 3 fair value movements	2019 $'000	2018 $'000
Opening balance		
Total gains and losses	820	921
– Realised		
– Unrealised	-	(101)
Purchases	63	-
Sales	-	-
Transfers to other categories	-	-
Closing balance	-	-
	883	820

Total gains and losses from level 3 fair value movements have been recognised in the statement of comprehensive income in the line item 'investment income'.

Descriptions of significant unobservable inputs to valuation

Investment Type	Valuation Technique	Unobservable Input
Shares in other corporations	Net Tangible Asset	Net Tangible Asset
Units in property unit trusts	Net Tangible Asset	Net Tangible Asset

The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the Level 3 fair value by up to $88,774 (2018: $82,383) or increase the Level 3 fair value by $88,774 (2018: $82,383).

40. Contingent liability

CCI has unallocated capital of $395,901 (2017:$395,901) in its wholly owned subsidiary CCI Asset Management. There are currently no plans for this to be allocated.

41. Events occurring after the reporting period

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

42. Other Matters

State and Federal Inquiries

The Royal Commission into Institutional Responses to Child Sexual Abuse continued to investigate the many and varied aspects of this complex issue. The Royal Commission delivered its final report to the Governer General in December 2017. The Royal Commission made many recommendations and a significant one was the establishment of a National Redress Scheme. That recommendation has been adopted by the Federal Parliament into operation on 1 July 2018.

The Victorian Parliamentary Inquiry (2012) previously resulted in change to the legislation in Victoria regarding limitations of actions. In July 2017 the Victorian Parliament passed further changes shifting the onus of proof in sexual abuse cases so that the Institution will now be required to prove it took steps to prevent abuse occuring. Legislative change has been enacted requiring organisations to identify an entity to sue in respect of civil claims.

Western Australia and Queensland have also adopted changes to limitation periods for sexual abuse claims as well as mechanisms for the revisiting of past claims. Victoria has recently announced an intention to explore legislative change to enable revisiting past settlements, which is still under consideration.

Further civil litigation reform has also been proposed and is the subject of consultation currently in NSW.

Outcomes from these State and Federal Inquiries continue to be monitored and the extent to which recommendations from the Royal Commission will continue to be adopted is unclear, and therfore the ultimate financial impact on CCI, if any, is not known at this stage.

National Redress Scheme

The National Redress Scheme commenced operations on 1 July 2018. CCI's clients, namely the Archdioceses and Dioceses and some religious Orders, have voluntarily opted into the Scheme. In relation to policy response to the Scheme, CCI has identified that its policies cannot respond to liabilituies which arise solely by virtue of the Scheme. To date, clients participating in the Scheme have not sought indemnity in respect of liabilities they have incurred. CCI is continuing to monitor the position of policyholders in respect of the Scheme but currently does not anticipate the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Catholic Church Insurance Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the company and consolidated entity are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

(i) (giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2019 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Australian Charities and Not-for-profits Regulation 2013;

(b) the financial statements and notes also comply with the Australian equivalent of International Financial Reporting Standards as disclosed in note 2(b) and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

P A Gallagher
Director
Melbourne, 4 September 2019

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the members of Catholic Church Insurance Limited

Opinion

We have audited the financial report of Catholic Church Insurance Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 30 June 2019;
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended ;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

a) giving a true and fair view of the Company's and the Group's financial position of the Group as at 30 June 2019 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Catholic Church Insurance Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report.

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

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

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

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
4 September 2019

CORPORATE INFORMATION

Annual Financial Report for Year Ended June 2019

Catholic Church Insurance Limited

ABN 76 000 005 210
AFSL No. 235415

Registered Office and Principal Place of Business

Level 8
485 La Trobe Street
Melbourne Vic 3000

Directors

Paul A Gallagher *(Chairman)*

Jo Dawson *(retired 22 October 2018)*

Joan Fitzpatrick

Richard M Haddock

Reverend Dr Philip Marshall

Sister Louise Reeves

Julie-Anne Schafer

Jane A Tongs

Matthew Doquile *(appointed 22 October 2018)*

Roberto Scenna *(Alternate Director for Richard M Haddock)*

Chief Executive Officer

Roberto Scenna

Company Secretary

Dominic P Chila

Catholic Church Insurance Limited
ABN 76 000 005 210
AFSL No. 235415

1800 011 028
www.ccinsurance.org.au