Statement of Comprehensive Income

For the financial year ended 30 June 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Premium revenue	7	331,884	299,242	331,884	299,242
Outwards reinsurance expense	7	(166,092)	(113,378)	(166,092)	(113,378)
Net premium revenue	7	165,792	185,864	165,792	185,864
Gross claims incurred	8	(459,142)	(497,509)	(459,142)	(497,509)
Reinsurance & other recoveries revenue	8	366,758	157,797	366,758	157,797
Net claims incurred	8	(92,384)	(339,712)	(92,384)	(339,712)
Gross commission expense		(4,270)	(3,345)	(4,270)	(3,345)
Reinsurance commission revenue		24,006	23,274	24,006	23,274
Net commission	11	19,736	19,929	19,736	19,929
Other underwriting expenses	9	(64,849)	(62,166)	(64,849)	(62,166)
Underwriting result		28,295	(196,085)	28,295	(196,085)
Net investment income/(expense)	10	(3,756)	29,545	(3,756)	29,545
General administration expenses	9	(27,338)	(29,590)	(25,312)	(27,650)
Catholic entity distributions		(197)	(186)	-	-
Revenue from contracts with customers		3,789	3,906	1,029	1,363
Other Revenue		73	97	62	80
Profit / (Loss) for the period	11	866	(192,313)	318	(192,747)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		866	(192,313)	318	(192,747)

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

Statement of Financial Position

As at 30 June 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Assets					
Cash and cash equivalents	12	658,262	629,455	656,428	628,258
Trade and other receivables	13	131,313	119,817	130,681	119,106
Reinsurance recoveries	13	551,546	274,931	551,545	274,931
Financial assets at fair value through profit and loss	15	353,420	690,838	353,420	690,838
Deferred reinsurance expense	14	55,801	49,184	55,801	49,184
Plant and equipment	18	15,771	20,652	15,771	20,652
Other assets	17	6,445	5,805	6,445	5,805
Tax assets	16	3,288	3,320	3,288	3,320
Intangible assets	19	3,669	6,944	3,669	6,944
TOTAL ASSETS		1,779,515	1,800,946	1,777,048	1,799,038
Liabilities					
Trade and other payables	20	65,896	64,450	65,896	64,450
Other liabilities	22	13,207	17,072	13,207	17,072
Unearned premium reserve	25	210,515	184,941	210,515	184,941
Provisions	21	9,368	9,572	9,171	9,386
Outstanding claims	24	1,192,501	1,241,749	1,192,501	1,241,749
TOTAL LIABILITIES		1,491,487	1,517,784	1,491,290	1,517,598
NET ASSETS		288,028	283,162	285,758	281,440
Shareholders' equity					
Contributed equity	23	179,333	175,333	179,333	175,333
Retained profit / (loss)		108,695	107,829	106,425	106,107
TOTAL SHAREHOLDERS' EQUITY		288,028	283,162	285,758	281,440

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 2022

	Note	Contributed Equity $'000	Retained Earnings $'000	Total $'000
Group				
At 1 July 2020		8,139	300,142	308,281
Net profit / (loss) for the period		-	(192,313)	(192,313)
Capital Subscription		167,194	-	167,194
At 30 June 2021		175,333	107,829	283,162
At 1 July 2021		175,333	107,829	283,162
Net profit / (loss) for the period		-	866	866
Capital Subscription		4,000	-	4,000
At 30 June 2022		179,333	108,695	288,028
Company				
At 1 July 2020		8,139	298,854	306,993
Net profit / (loss) for the period		-	(192,747)	(192,747)
Capital Subscription		167,194	-	167,194
At 30 June 2021		175,333	106,107	281,440
At 1 July 2021		175,333	106,107	281,440
Net profit / (loss) for the period		-	318	318
Capital Subscription		4,000	-	4,000
At 30 June 2022		179,333	106,425	285,758

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 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Cash flows from operating activities					
Premiums received		337,006	304,175	337,006	304,175
Outwards reinsurance paid		(144,144)	(92,879)	(144,144)	(92,879)
Claims paid		(510,497)	(235,195)	(510,497)	(235,195)
Reinsurance and other recoveries received		90,432	61,304	90,432	61,304
Acquisition costs paid		(4,359)	(3,381)	(4,359)	(3,381)
Other underwriting expenses paid		(48,618)	(45,914)	(48,777)	(45,914)
Other operating expenses paid		(27,323)	(31,004)	(25,182)	(28,859)
Other operating income received		3,958	4,015	1,350	1,557
Interest received		5,598	18,959	5,598	18,959
Dividends received		3,289	17,725	3,289	17,725
Catholic entity distributions & grants		(139)	(864)	(150)	(663)
Donations - CCI Giving		-	(256)	-	(256)
Total cash flows (used in) from operating activities	29	(294,797)	(3,315)	(295,434)	(3,427)
Cash flows from investing activities					
Movement in investment trading:					
- Purchases		(187,474)	(552,019)	(187,474)	(552,019)
- Proceeds		512,266	829,402	512,266	829,402
Payments for plant and equipment		(1,304)	(1,191)	(1,304)	(1,191)
Proceeds from sale of plant and equipment		205	306	205	306
Payments for intangibles		(102)	(580)	(102)	(580)
Total cash flows (used in)/from investing activities		323,591	275,918	323,591	275,918
Cash flows from financing activities					
Principal payments from lease liabilities		(3,510)	(3,646)	(3,510)	(3,646)
Interest payments from lease liabilities		(477)	(618)	(477)	(618)
Movement in shares issued:					
- Proceeds		4,000	168,980	4,000	168,980
- Transaction costs		-	(1,786)	-	(1,786)
Total cash flows (used in) financing activities		13	162,930	13	162,930
Net increase / (decrease) in cash held		28,807	435,533	28,170	435,421
Cash and cash equivalents at 1 July		629,455	193,922	628,258	192,837
Cash and cash equivalents at 30 June	12	658,262	629,455	656,428	628,258

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 2022

1. Corporate information

The consolidated financial report of Catholic Church Insurance Limited ("the Company") and its controlled entity for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 21 September 2022.

The Company is an unlisted public company, incorporated and domiciled in Australia. The entity is licensed by the Australian Prudential Regulation Authority ("APRA") to operate in the general insurance industry and 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

No new Australian Accounting Standards were applicable for the current reporting year.

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 2022 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.

Title	Description	Operative Date	Application Date for CCI
AASB 9	Financial Instruments	1 January 2018	1 July 2023
AASB 17	Insurance Contracts	1 January 2023	1 July 2023
AASB 2020-1	Amendment – Classification of Liabilities as Current or Non-current	1 January 2022	1 July 2022
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023	1 July 2023

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Accounting standards currently provide a temporary exemption to entities that are required to adopt AASB17, to defer the adoption of AASB 9.

The Group has elected to apply this temporary exemption as it meets the following relevant criteria:

- the carrying amount of the Group's insurance liabilities within the scope of AASB 1023 (being outstanding claims, unearned premium liabilities and reinsurance premiums payable) exceed 80% of the carrying amount of the Group's total liabilities; and
- the Group does not engage in any significant activity unconnected with insurance, on the basis that its business is almost exclusively in the nature of issuing insurance contracts, purchasing reinsurance protection and deriving a return from the investment of insurance premiums.

Impact on financial assets

The Group's investments are currently designated as Fair Value Through Profit or Loss ("FVTPL") on initial recognition and are subsequently remeasured to fair value at each reporting date, reflecting CCI's business model for managing and evaluating the investment portfolio. Adoption of AASB 9 does not result in any changes to accounting for these investments.

Financial assets within the scope of AASB 1023, such as premiums receivable and reinsurance and other recoveries on paid claims, which together form the majority of the carrying value of the Group's trade and other receivables, as well as reinsurance recoveries on outstanding claims are outside the scope of AASB 9 and are unaffected by the new requirements. Trade and other receivables also includes other financial assets with a relatively small carrying value which are measured at amortised cost, the majority of which are receivable within 12 months. The application of AASB 9 will not materially impact these balances.

Impact on financial liabilities

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

Impact on subsidiaries

The controlled entity of the Group did not meet the criteria to defer AASB 9 for entity-level statutory reporting therefore AASB9 has been adopted. In accordance with AASB 9 relevant securities have been classified as fair value through profit or loss.

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts and aims to establish consistent principles for the recognition, measurement, presentation and disclosure of all insurance and reinsurance contracts.

The Group's first applicable reporting period for AASB 17 would be the year ending 30 June 2024, with a restated comparative period being presented for the year ending 30 June 2023.

The Group has initiated a transformation project in connection with AASB 17 which is expected to be significantly complete during the current year.

While the implementation of AASB 17 is expected to result in volatility in reported earnings and the capital position, based on the measurement models adopted by the Group, both on transition and for future reporting periods, the Group intends to disclose the potential financial impact of adopting AASB 17 once it is practical to provide a reasonable estimate.

The requirements of AASB 17 are complex and the estimation noted above is subject to change as the implementation progresses and as the Group continues to analyse the impacts of the standard and recent amendments and interpretations. The Group will also continue to monitor market developments in order to assess the impact of evolving interpretations and other changes.

In connection with the impact assessment on AASB 17, the Group has identified the following key areas of consideration.

Measurement models

AASB 17 introduces two measurement models, the general measurement model and the premium allocation approach.

The premium allocation approach is a simplified approach an entity may choose to adopt when certain criteria are met, either where the liability for remaining coverage under the premium allocation approach is not expected to differ materially from that under the general measurement model or where the coverage period of contracts are less than one year.

The general measurement model remains applicable for the measurement of the liability for incurred claims, whereby all incurred claims are subject to discounting and risk adjustment.

While an initial assessment of eligibility to apply the premium allocation approach has been completed, the Group is performing further work to ensure that the initial assessment remains valid. The Group is expected to apply the premium allocation approach, to the majority of its insurance and reinsurance contracts.

For groups of contracts that apply the premium allocation approach and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. CCI intends to use this option to expense insurance acquisition cash flows when incurred, subject to CCI finalising its assessment.

Level of aggregation and onerous contract losses (loss component)

Under AASB 17, the measurement of insurance and reinsurance contracts are not considered at the individual contract level, but on the basis of portfolios which comprise contracts subject to similar risk and managed together. These portfolios are further subdivided into specified measurement groups based on contracts concluded in annual cohorts and on their profitability.

Risk adjustment

Under AASB 17, the measurement of insurance contract liabilities will include a risk adjustment for non-financial risk to reflect the compensation that the entity requires for bearing the uncertainty relating to the amount and timing of future cash flows. The risk adjustment replaces the concept of a risk margin under AASB 1023, which reflects the inherent uncertainty in the central estimate of the present value of the expected future payments.

CCI is in the process of finalising the methodology for determining the risk adjustment, and the corresponding confidence level.

Discount rates

AASB 17 requires that the estimates of expected cash flows that are used to measure either the liability for remaining coverage, for contracts accounted for under the general measurement model, or incurred claims are to be discounted to reflect the time value of money and the financial risks related to those cash flows. CCI is in the process of finalising the methodology and impact of reflecting illiquidity within discount rates is currently being determined.

Presentation and disclosure

AASB 17 will impact CCI's consolidated financial statements, introducing changes in both presentation of the statement of comprehensive income and balance sheet, as well as more granular disclosure requirements.

In the statement of comprehensive income, AASB 17 will require the presentation of insurance revenue and insurance service expenses gross of reinsurance contracts held. Insurance revenue replaces gross earned premium and insurance service expenses largely reflects the combination of claims expense, non-reinsurance related recoveries, commission expense and underwriting expenses. Additionally, all changes in value because of either the effect of or change in the time value of money or financial risk, will no longer form part of the insurance service result but will be recognised separately as insurance finance income or expenses.

On balance sheet, as all cash flows resulting from the rights and obligations under insurance and reinsurance contracts must be taken into account under AASB 17, the related existing balance sheet items will no longer be presented separately.

Transition

CCI expects to apply the full retrospective approach to all insurance contracts issued and reinsurance contracts held, except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied under AASB 17.

e) Basis of consolidation

The financial report covers the Group 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 group 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 depict the transfer of promised goods and services to customers in an amount that reflects the consideration expected in exchange for the goods and services.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Services have been rendered to a buyer and contracted payment terms have been satisfied.

Interest

Control of the right to receive the interest payment, calculated via the effective interest rate method.

Dividends

Control of the right to receive the dividend payment.

Other revenue

Other revenue is recognised when the performance obligations are fulfilled. Other revenue includes commission from Allianz Australia for our underwriting agreement and risk management revenue for various risk management services we offer. The final value of the variable commission revenue recognised is subject to the achievement of a specified underlying profitability hurdle rate over time.

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 24.

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 effective annual interest rate 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 services levy and other charges

A liability for fire/emergency service 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 Group 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. The Group has determined that all financial assets at fair value through profit and loss 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. Trade and other receivables are at amortised cost.

During the year there was a change in the investment strategy of the Group to predominantly cash and fixed interest from a diversified portfolio. This is a short-term strategy to protect capital. The Group will revert to a diversified portfolio to derive the benefits from investing in both growth and defensive assets to mitigate risk and earn long term returns when combined with a long-term investment strategy. The Group 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 trusts.

(iii) Hierarchy

The Group 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 33 sets out the Group'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 is 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.

(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 Group and Company prior to the end of the financial year that are unpaid and arise when the Group 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.

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) Plant and equipment

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

u) 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(z) 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.

v) 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 Group 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:

	2022	2021
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	2 - 8 years	8 years

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

w) 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 Group commencing from the time the asset is held ready for use.

Computer software's estimated useful life used in the calculation of amortisation is 4-5 years.

x) 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.

y) 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.

The Catholic entity distribution declared for 2022 for the Group was $197k (2021: $186k) and for the Company was nil (2021: nil). The grant distributions declared for 2022 for the Group and the Company was nil (2021: $150k).

z) 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.

aa) Leases

Leases are recognised as a right-of-use asset and corresponding liability from the date the Company has the right to use the asset. The lease payments are discounted using the interest rate implicit in the lease and payments are apportioned between principal and finance cost. The right-of-use assets are depreciated over the shorter of the useful life of the underlying asset or the lease term on a straight-line basis. An impairment charge is recognised in profit or loss when the carrying value of the right-of-use asset, exceeds the calculated recoverable amount refer 2(z).

Payments associated with short-term leases (12 months or less) continue to be recognised on a straight-line basis as an expense in profit and loss.

bb) 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.

The Company purchases options through regulated exchanges. Options purchased by the Company provide it 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. The Company 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 Group 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 below.

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 on outstanding claims and IBNR are 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 Group may not receive amounts due to it and these amounts can be reliably measured.

c) Coronavirus (COVID-19) pandemic

As the economy emerges from the COVID-19 pandemic, together with the occurrence of other global events there continues to be a level of uncertainty in estimations in the preparation of these financial statements. The Company has considered various accounting estimates in preparing these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2022 about future events, including the impact of continuing outbreaks and the emergence of higher rates of inflation.

The accounting estimates where these associated uncertainties are predominantly considered relate to the valuation of the outstanding claims liability, premium liability, fair value measurement of investments and credit risk.

Outstanding claims liability

As a result of legislation enacted in NSW, which amended the Workers Compensation Act 1987, there was the introduction of a presumption that all COVID-19 infections were acquired in the workplace for prescribed employment classes, including a number that CCI commonly insures.

As a result the Company have received 3835 notifications related to COVID-19 infections, of which 549 have become claims with a net incurred value of these is $1.7m.

Claims in other portfolios have been modest with only ~40 casualty claims to date with a net incurred of $640k and very few business interruption claims as the majority of our insured continued to operate during the pandemic restrictions.

Premium liability

The key sectors the Company insures have remained fully operational throughout the pandemic therefore limiting the premium liability impact to predominantly Workers Compensation. The year end valuation included a provision for future COVID-19 related claims which required the application of judgement. Given the evolving and uncertain impact of COVID-19 there may be changes in market conditions and legislation in the future and the impact of these changes will be accounted for in future reporting periods as they arise and/or are able to be reasonably predicted.

4. Actuarial assumptions and methods

The Company is a general insurer underwriting major classes of general insurance business. For the purpose of the 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, cyber, medical malpractice and other 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.

Provision 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 (professional standards 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 further development (Incurred But Not Enough Reported (IBNER) and an allowance for Incurred But Not Reported (IBNR) claims. The current case estimates include an allowance for "notified but not reported" professional standards claims and for claims to be revisited in Queensland, NSW, WA and Victoria. 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. Modelling of professional standards claims was split this year to recognise claims/clients covered by the Adverse Development Cover Reinsurance Treaty (ADC) and all "Other" claims.

The professional standards provision is subject to significant uncertainty arising from the publicity surrounding the Royal Commission into Institutional Responses to Child Sexual Abuse and the National Redress Scheme. The National Redress Scheme was established as at 1 July 2018 with the intention of minimal legal involvement and is expected to be open for 10 years. While CCI experienced an increase in the number of claims reported since 2013, this has been exacerbated with the introduction of the National Redress Scheme. Claimants may be pursuing matters first through litigated means, leaving the National Redress Scheme as the fall back option.

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. The modelling of Professional Indemnity claims this year was split between Directors & Officers, Cyber and Other claims, reflecting the new APRA classes.

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.

Actuarial assumptions

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

2022	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	3.2 years	1.5 years	2.5 years
Wage inflation (average)	0.00%	3.76%	3.76%	3.76%
Superimposed inflation	0.00%	0.92%	0.00%	3.00%**
Discount rate	0.00%	3.30%	2.92%	3.11%
Expense rate	1.29%	6.00%	6.00%	6.00%
Risk margin	14.80%	18.10%	17.00%	7.50%

2021				
Average weighted term to settlement (discounted)	Less than 1 year	3.0 years	3.2 years	2.9 years
Wage inflation (average)	0.00%	2.25%	2.25%	2.25%
Superimposed inflation	0.00%	1.91%	0.00%	3.00%**
Discount rate	0.00%	0.40%	0.40%	0.40%
Expense rate	3.63%	6.00%	6.00%	6.00%
Risk margin	10.00%	25.30%***	16.00%	9.00%

* Superimposed inflation assumption is implicit in the adopted ICD methodology.

** Superimposed inflation of 3% of NSW workers' compensation only applies for the first three development years.

*** Risk Margins have been reviewed during the year. The change in the Public Liability partially reflects the impact of the Adverse Development Cover Reinsurance Treaty (ADC).

a) 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/net 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. The risk margin applied to the Companies professional standards portfolio, which is included within public liability above, has been retained at 27.5% this year for Molestation ('MOL") claims. No risk margin is applied to Ethical Standards Liability ("ETL") claims. The change in the Public Liability partially reflects the impact of the ADC.

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 ratios

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.

b) Sensitivity analysis – insurance contracts

The Group 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 Group'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	Change	Movement in amount			
Average weighted term to settlement (years)	+0.5	(9,209)	(8,162)	(9,209)	(8,162)
	-0.5	9,364	8,300	9,364	8,300
Number of latent claims	+10%	29,109	24,233	29,109	24,233
	-10%	(29,109)	(24,233)	(29,109)	(24,233)
Average claim size (latent claims only)	+10%	29,109	24,233	29,109	24,233
	-10%	(29,109)	(24,233)	(29,109)	(24,233)
Expense rate (gross claims cost)	+1%	11,099	11,099	11,099	11,099
	-1%	(11,099)	(11,099)	(11,099)	(11,099)
Inflation and superimposed assumption	+0.25%	4,247	3,814	4,247	3,814
	-0.25%	(4,247)	(3,814)	(4,247)	(3,814)
Discount rate	+0.25%	(4,247)	(3,814)	(4,247)	(3,814)
	-0.25%	4,247	3,814	4,247	3,814
Risk margins	+1%	10,173	6,181	10,173	6,181
	-1%	(10,173)	(6,181)	(10,173)	(6,181)

5. Risk management

The financial condition and operation of the Group 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 Group'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 Group 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 Group'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 appropriately.

Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Group 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 "risk universe" within its RMS forms the starting point for identifying and managing risks.

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 Group 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. To manage the volatility in results, particularly for property risks, the Company purchases a proportional reinsurance program.

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 and management 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 portfolio 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 Group. 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 Group has established systems to capture, review and update claims estimates on a timely basis to ensure the adequacy of its outstanding claims provision.

The Group's approach to valuing the outstanding claims provision and the related sensitivities are set out in note 4.

b) Reinsurance counterparty risk

The Group reinsures a portion of the risks it underwrites in order to control exposure to losses, minimise volatility in 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 Asset & Liability 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 Group 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 Group aims to maintain a strong solvency order to support its business objectives and maximise shareholder wealth.

The Group 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 to provide returns to shareholders and Church policyholders (where sufficient excess capital allows). Where appropriate, adjustments are made to capital levels in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group has the option to adjust the amount of dividends paid to shareholders or adjust the amount of distributions returned to Church policyholders. A decision has been taken to suspend all dividend payments until the PCR is within the target range and the legacy professional standards claims have passed the peak of new claims reported.

During the financial year the Group successfully implemented balance sheet repair initiatives as part of the capital recovery plan See above for further details. The Group continues capital recovery activities under its project to repair the balance sheet in 2023.

6. Financial risk

The operating activities of the Group 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 Group'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 Group and Company have foreign currency exposures predominantly through its holding of global equities.

The Company invests in international equities via unit trusts using Australian fund managers. The international equities comprise of 7.93% (2021: 0%) of the total investment portfolio. The Company manages foreign currency by asset allocation, diversification, fund manager selection and exposure level between FX hedged and unhedged. In addition, CCI considers the total risk impact taking into consideration that FX risk are correlated to equity market risks that may create a net reduction to the overall market risk position for global equities.

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

CCI invests in floating rate and fixed rate financial instruments. Interest rate movements expose CCI 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.

CCI has no interest bearing financial liabilities.

The maturity profile of the Group's financial assets and liabilities and effective weighted average interest rate are set out in note 32.

Sensitivity analysis of the potential impact of movements on the Group's income statement and equity is shown in the sensitivity analysis in note 6(e).

(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 Group 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 Group'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 CCIs 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 Asset & Liability Committee;
- The Group 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 Group 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 strong relationships with Church leaders and organisations that result in high client retention rates. The Company actively pursues the collection of premiums; 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 Group 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. All premium receivables are unrated.

	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Consolidated							
Cash and cash equivalents*	-	562,584	95,546	-	-	216	658,262
Interest bearing investments**	87,031	166,114	-	8,773	-	-	281,902
Reinsurance & other recoveries***	-	432,508	122,092	32,135	-	-	586,735
2021							
Consolidated							
Cash and cash equivalents*	-	533,524	95,824	-	-	108	629,455
Interest bearing investments**	-	638,244	14,988	-	-	-	653,232
Reinsurance & other recoveries***	-	203,226	74,694	23,758	-	-	301,678

* Cash and cash equivalents include cash at bank, overnight cash and securities with the original maturity date less than 90-days that can be readily sold for same day settlement.

** Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer note 15). Also includes parts of Investment income accrued that relates to interest bearing investments.

*** Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 13). The BBB and speculative credit ratings associated with reinsurance and other recoveries is based on the historic recoverability associated with reinsurers in run-off. No reinsurers in our current program are rated below A.

The credit exposure of the Company is synonymous with the Group apart from cash and cash equivalents where the AA rating for the Company reduces by $1,834k for the current year and by $1,197k 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 Group's and Company's financial assets and the ageing of those that are past due.

		Past Due				
	Not Past Due	Less Than 3 Months	3 to 6 Months	6 Months to 1 year	Greater Than 1 Year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2022						
Consolidated						
Cash and cash equivalents	658,262					658,262
Premiums receivable	113,009	2,083	4,567	6,140	276	126,075
Reinsurance & other recoveries[1]	514,419	26,247	1,365	43,850	854	586,735
Other receivables[2]	6,330	-	-	-	-	6,330
2021						
Consolidated						
Cash and cash equivalents	629,455					629,455
Premiums receivable	106,443	2,868	3,217	5,771	287	118,586
Reinsurance & other recoveries[1]	289,577	10,973	-	368	760	301,678
Other receivables[2]	2,960	-	-	-	-	2,960

1 Includes reinsurance recoveries on outstanding claims and reinsurance commission's receivable. (refer note 13).

2 Includes investment income accrued and sundry debtors (refer note 13).

The difference between the Group and the Company relates to other receivables. The "Not past due" category for the Company decreases by $632k for the current year and $711k for the prior year.

CCI has no possessed collateral, impaired or renegotiated agreements in respect of impaired financial assets.

c) Liquidity risk

Liquidity risk is the risk that CCI will encounter difficulties selling assets in a timely manner to meet its obligations.

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. In addition, the investment policy also includes a maximum threshold for illiquid assets, which is defined as any securities that cannot be redeemed or sold within 30 days. CCI has a strong liquidity position with no interest-bearing debt.

The Company 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 Group and the Company based on the remaining undiscounted contractual obligations.

	Less Than 3 Months	3 Months to 1 Year	1 to 5 Years	Greater Than 5 Years	Total
Consolidated	$'000	$'000	$'000	$'000	$'000
2022					
Trade and other payables	65,896	-	-	-	65,896
Financial Liabilities – Options / Futures	-	147	-	-	147
Outstanding Claims	-	423,167	769,334	-	1,192,501
Lease Liabilities	1,071	3,212	9,513	179	13,976
2021					
Trade and other payables	64,450	-	-	-	64,450
Financial Liabilities – Options / Futures	-	25	-	-	25
Outstanding Claims	-	143,907	1,097,842	-	1,241,749
Lease Liabilities	1,098	3,295	12,474	1,644	18,512

d) Concentration Risk

Concentration risk refers to the risk of being heavily exposed to a single issuer or counterparty that may lead to substantial losses that may not be fully recovered in a credit event.

CCI mitigates concentration risks by imposing maximum threshold limits on credit ratings, sectors, and ultimate parent company.

e) 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 +/-			
		2022 Net Profit / (Loss)	2022 Equity	2021 Net Profit / (Loss)	2021 Equity
Market risk	**Movement in variable**	$'000	$'000	$'000	$'000
Interest rate	1%+/-	6,726/(6,726)	6,726/(6,726)	4,395/(4,395)	4,395/(4,395)
International Equities	10%+/-	852 / (852)	852 / (852)	-	-
Domestic Equities	10%+/-	6,285/(6,285)	6,285/(6,285)	3,891/(3,891)	3,891/(3,891)

	Group		Company	
	2022	2021	2022	2021
7. Net premium revenue	$'000	$'000	$'000	$'000
Direct	323,125	289,910	323,125	289,910
Fire service levies	8,759	9,332	8,759	9,332
Premium revenue	331,884	299,242	331,884	299,242
Outwards reinsurance expense	(166,092)	(113,378)	(166,092)	(113,378)
Net premium revenue	165,792	185,864	165,792	185,864

8. Net claims incurred

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

	2022			2021		
	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	468,043	54,134	522,177	165,127	340,975	506,102
Discount and discount movement	(13,642)	(49,393)	(63,035)	(8,602)	9	(8,593)
Gross / Net claims incurred and related expenses	454,401	4,741	459,142	156,525	340,984	497,509
Reinsurance and other recoveries	(342,237)	5,493	(336,744)	(63,427)	(95,460)	(158,887)
Discount and discount movement	8,415	(38,429)	(30,014)	7,967	(6,877)	1,090
Reinsurance and other recoveries	(333,822)	(32,936)	(366,758)	(55,460)	(102,337)	(157,797)
Net claims incurred (discounted)	120,579	(28,195)	92,384	101,065	238,647	339,712

The balance of net claims incurred for the Group is the same as the Company.

Net claims incurred includes the impact of historical professional standards claims.

9. Other underwriting and general administration expenses

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Expenses by function:				
Levies and charges	12,522	12,426	12,522	12,426
Administration expenses	52,327	49,740	52,327	49,740
Other underwriting expenses	64,849	62,166	64,849	62,166
Investment expenses	746	275	746	275
Marketing expenses	470	267	470	267
Interest on lease liabilities	953	612	948	606
Depreciation charges (note 18)	5,506	5,825	5,458	5,766
Information technology expenses	2,995	3,130	2,995	3,130
Employee expenses	9,655	9,603	8,538	8,804
Other expenses	7,013	9,878	6,157	8,196
General administration expenses	27,338	29,590	25,312	27,650

10. Investment income

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Dividend income	2,230	13,118	2,230	13,118
Interest income	6,763	13,887	6,763	13,887
Changes in fair value				
- Unrealised gains / (losses) on investments	(12,630)	(2,668)	(12,630)	(2,668)
- Realised gains / (losses) on investments	(119)	5,208	(119)	5,208
	(3,756)	29,545	(3,756)	29,545

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2022

11. Profit/(loss) for the period)

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Gross written premiums	345,592	311,084	345,592	311,084
Unearned premium movement	(13,708)	(11,842)	(13,708)	(11,842)
Gross earned premium	331,884	299,242	331,884	299,242
Outward reinsurance expense	(166,092)	(113,378)	(166,092)	(113,378)
Net earned premium	165,792	185,864	165,792	185,864
Gross claims incurred	(459,142)	(497,509)	(459,142)	(497,509)
Reinsurance and other recoveries	366,758	157,797	366,758	157,797
Net claims incurred	(92,384)	(339,712)	(92,384)	(339,712)
Gross commission expense	(4,270)	(3,345)	(4,270)	(3,345)
Reinsurance commission revenue	24,006	23,274	24,006	23,274
Net commission	19,736	19,929	19,736	19,929
Other underwriting expenses	(64,849)	(62,166)	(64,849)	(62,166)
Underwriting profit / (loss)	**28,295**	**(196,085)**	**28,295**	**(196,085)**
Dividend income	2,230	13,118	2,230	13,118
Interest income	6,763	13,887	6,763	13,887
Changes in fair value:				
- Unrealised gains / (losses) on investments	(12,630)	(2,668)	(12,630)	(2,668)
- Realised gains / (losses) on investments	(119)	5,208	(119)	5,208
Revenue from contracts with customers	3,789	3,906	1,029	1,363
Other income	74	97	63	80
Investment and other income	**107**	**33,548**	**(2,664)**	**30,988**
General administration expenses	(27,338)	(29,590)	(25,312)	(27,650)
Catholic entity distributions	(197)	(186)	-	-
Profit / (Loss) from ordinary activities	**867**	**(192,313)**	**319**	**(192,747)**

12. Cash and cash equivalents

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Cash and cash equivalents comprises:				
- Cash at call	658,262	629,455	656,428	628,258
	658,262	629,455	656,428	628,258
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	658,262	629,455	656,428	628,258
	658,262	629,455	656,428	628,258

The group has a combined bank overdraft facility of $150,000 (2021: $150,000).
This facility was unused at 30 June 2022 (2021: Unused).

13. Trade and other receivables

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Premiums receivable (i)	126,075	118,586	126,075	118,586
Provision for doubtful debts on premiums	(1,092)	(1,729)	(1,092)	(1,729)
	124,983	116,857	124,983	116,857
Investment income accrued (iii)	2,757	1,339	2,757	1,339
Sundry debtors (iv)	3,573	1,621	2,941	910
	131,313	119,817	130,681	119,106
Reinsurance and other recoveries on outstanding claims and claims paid (ii)	486,667	157,902	486,667	157,902
Provision for doubtful debts on reinsurance recoveries	(35,189)	(26,747)	(35,189)	(26,747)
	451,478	131,155	451,478	131,155
Total current receivables	582,791	250,972	582,159	250,261
Reinsurance and other recoveries on outstanding claims and claims paid	100,068	143,776	100,068	143,776
Total non-current receivables	100,068	143,776	100,068	143,776
Total trade and other receivables	682,859	394,748	682,227	394,037

The current period balance of premiums receivable includes $73.386 million (2021: $61.520 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2022.

(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.

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
14. Deferred reinsurance expense				
Deferred reinsurance expense as at 1 July	49,184	43,638	49,184	43,638
Reinsurance premiums paid during the year	172,709	118,924	172,709	118,924
Reinsurance premiums charged to profit and loss during the year	(166,092)	(113,378)	(166,092)	(113,378)
Deferred reinsurance expense as at 30 June	55,801	49,184	55,801	49,184

The current period balance of deferred reinsurance expense includes $3.192 million (2021: $2.992 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2022.

15. Financial assets at fair value through profit and loss				
– Government and semi-government bonds	227,427	107,017	227,427	107,017
– Discount securities	19,984	544,877	19,984	544,877
– Other fixed interest securities	34,491	-	34,491	-
– Shares in other corporations	21,721	-	21,721	-
– Units in other unit trusts	8,517	-	8,517	-
– Units in property unit trusts	41,280	38,944	41,280	38,944
Total investments	353,420	690,838	353,420	690,838

16. Tax assets				
Imputation credits	111	1,424	111	1,424
GST recoverable	3,177	1,896	3,177	1,896
	3,288	3,320	3,288	3,320

17. Other assets				
Deferred fire/emergency services levy expenses	3,410	3,509	3,410	3,509
Deferred acquisition costs	550	462	550	462
Other assets	2,485	1,834	2,485	1,834
	6,445	5,805	6,445	5,805

	Group					
	Right of Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
18. Plant and equipment	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2022						
Gross carrying amount						
Balance at 1 July 2021	22,694	2,837	2,485	7,783	4,137	39,936
Additions	-	752	-	552	-	1,304
Disposals	(150)	(1,050)	-	-	-	(1,200)
Balance at 30 June 2022	22,544	2,539	2,484	8,336	4,137	40,040
Accumulated depreciation						
Accumulated depreciation	(8,318)	(417)	(1,124)	(6,847)	(2,056)	(18,762)
Depreciation charge for the year	(3,666)	(556)	(281)	(560)	(444)	(5,507)
Balance at 30 June 2022	(11,984)	(973)	(1,405)	(7,407)	(2,500)	(24,269)
Net carrying amount at 30 June 2022	10,560	1,566	1,079	929	1,637	15,771

There has been no change to depreciation rates or useful lives at 30 June 2022.
The balance of plant and equipment for the Group is the same as the Company.

Year ended 30 June 2021						
Gross carrying amount						
Balance at 1 July 2020	22,995	2,697	2,563	7,601	4,137	39,993
Additions	-	814	4	374	-	1,192
Adoption of AASB 16 for Right of Use Asset	(301)	-	-	-	-	(301)
Disposals	-	(674)	(82)	(192)	-	(948)
Balance at 30 June 2021	22,694	2,837	2,485	7,783	4,137	39,936
Accumulated depreciation						
Depreciation charge for the year	(4,413)	(386)	(865)	(6,131)	(1,663)	(13,458)
Accumulated depreciation	(3,906)	(554)	(257)	(716)	(393)	(5,826)
Balance at 30 June 2021	(8,319)	(940)	(1,122)	(6,847)	(2,056)	(19,284)
Net carrying amount at 30 June 2021	14,375	1,897	1,363	936	2,081	20,652

19. Intangible assets

Group and Company

Year ended 30 June 2022

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

	Computer Software
Gross carrying amount	**$'000**
Balance at 1 July 2021	17,504
Additions	307
Work In Progress	58
Disposals	(584)
Balance at 30 June 2022	17,285
Accumulated amortisation	
Amortisation charge for the year	(3,371)
Disposals	321
Accumulated amortisation	(10,565)
Balance at 30 June 2022	(13,616)
Net carrying amount at 30 June 2022	3,669

The balance of intangible assets for the Group is the same as the Company.

(b) Description of the group's intangible assets

Computer software

Software that is not integral to the operation of hardware and includes externally purchased software, internally generated software and licences. The balance of Computer Software for the Group is the same as the Company.

Group and company

Year ended 30 June 2021

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

	Computer Software
Gross carrying amount	**$'000**
Balance at 1 July 2020	23,739
Additions	17
Work in Progress	198
Disposals	(6,450)
Balance at 30 June 2021	17,504
Accumulated amortisation	
Amortisation charge for the year	(3,635)
Disposals	6,400
Accumulated amortisation	(13,325)
Balance at 30 June 2021	(10,565)
Net carrying amount at 30 June 2021	6,944

The balance of intangible assets for the Group is the same as the Company.

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
20. Trade and other payables				
Trade creditors	58,869	60,376	58,869	60,376
Accrued expenses	5,055	2,922	5,055	2,922
Sundry creditors	1,972	1,152	1,972	1,152
	65,896	64,450	65,896	64,450

The current period balance of the trade creditors includes $3.192 million (2021: $2.992 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2022.

21. Provisions

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Current				
Catholic entity distributions	197	186	-	-
Grants	-	150	-	150
Employee benefits	6,406	7,069	6,406	7,069
	6,603	7,405	6,406	7,219
Non-current				
Employee benefits	1,748	1,197	1,748	1,197
Make good of premises	1,017	970	1,017	970
	2,765	2,167	2,765	2,167
Total provisions	9,368	9,572	9,171	9,386

	Group				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2022					
Carrying amount at 1 July 2021	186	149	8,264	973	9,572
Additional provisions	197	0	8,153	60	8,410
Amounts utilised during the year	(186)	(149)	(8,266)	(12)	(8,613)
Carrying amount at 30 June 2022	197	0	8,151	1,021	9,369

	Group				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2021	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2020	387	918	6,937	963	9,205
Additional provisions	186	149	8,265	10	8,610
Amounts utilised during the year	(387)	(918)	(6,938)	-	(8,243)
Carrying amount at 30 June 2021	186	149	8,264	973	9,572

Catholic entity distributions and grants

The Group 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.

22. Other liabilities

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial liability – exchange traded options	147	25	147	25
Lease liabilities	13,060	17,047	13,060	17,047
	13,207	17,072	13,207	17,072

23. Contributed equity

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Share capital	179,333	175,333	179,333	175,333
Total contributed equity	179,333	175,333	179,333	175,333

	2022		2021	
	Number of shares	$'000	Number of shares	$'000
Issued shares, fully paid at 1 July	11,976,042	175,333	2,939,676	8,139
Shares issued:				
- Proceeds	213,904	4,000	9,036,366	168,980
- Transaction costs		-		(1,786)
Issued shares, fully paid at 30 June	12,189,946	179,333	11,976,042	175,333

Terms and conditions of contributed equity

Fully paid ordinary shares and subscription shares carry one vote per share and carry the right to dividends. In the event of winding up, the Company 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.

24. Outstanding claims

		Group		Company	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	1,066,815	981,555	1,066,815	981,555
Discount to present value		(78,437)	(15,090)	(78,437)	(15,090)
		988,378	966,465	988,378	966,465
Claims handling costs	(B)	42,245	55,147	42,245	55,147
		1,030,623	1,021,612	1,030,623	1,021,612
Risk margin	(C)	161,878	220,137	161,878	220,137
Gross outstanding claims liability – discounted		1,192,501	1,241,749	1,192,501	1,241,749
Gross claims liability – undiscounted	(A)+(B)+(C)	1,270,938	1,256,839	1,270,938	1,256,839
Current		598,380	319,967	598,380	319,967
Non-current		594,121	921,782	594,121	921,782
Total		1,192,501	1,241,749	1,192,501	1,241,749

(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	2022 %	2021 %
Short-tail	14.8	10.0
Professional indemnity	17.0	16.0
Public liability (excluding professional standards)	18.1	10.5
Professional standards	20.0	27.5
Workers' compensation	7.5	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

2022	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	1,241,749	255,884	985,865
Effect of changes in assumptions	(240,512)	22,848	(263,360)
Increase in claims incurred / recoveries anticipated over the year	462,707	345,266	117,441
Claim payments / recoveries during the year	(271,443)	(146,685)	(124,758)
Carried forward	1,192,501	477,313	715,188

2021			
Brought forward	979,073	161,568	817,504
Effect of changes in assumptions	330,788	93,373	237,415
Increase in claims incurred / recoveries anticipated over the year	164,492	62,569	101,923
Claim payments / recoveries during the year	(232,604)	(61,626)	(170,978)
Carried forward	1,241,749	255,884	985,865

(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	2016 & prior	2017	2018	2019	2020	2021	2022	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	1,017,261	51,292	57,069	59,720	67,752	61,495	72,516	1,387,106
One year later	1,071,935	50,263	52,941	62,598	68,774	71,409	-	1,377,918
Two years later	1,136,654	47,709	53,523	58,100	66,563	-	-	1,362,549
Three years later	1,108,136	44,749	51,624	62,253	-	-	-	1,266,761
Four years later	1,135,616	44,211	56,029	-	-	-	-	1,235,856
Five years later	1,154,703	46,945	-	-	-	-	-	1,201,650
Current estimate of cumulative claims cost	1,618,511	46,945	56,029	62,253	66,563	71,409	72,516	1,994,227
Cumulative payments	(1,093,309)	(42,270)	(42,556)	(41,561)	(41,028)	(31,934)	(12,960)	(1,305,618)
Outstanding claims – undiscounted	525,201	4,676	13,473	20,693	25,535	39,475	59,557	688,609
Discount								(63,511)
Discounted Outstanding claims								625,098
Short-tail outstanding claims								363,280
Claims handling expenses								42,245
Risk margins								161,878
Total gross outstanding claims as per the Balance Sheet								1,192,501

(ii) Net of reinsurance

Accident year	2016 & prior	2017	2018	2019	2020	2021	2022	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	918,848	50,722	56,854	59,477	64,254	60,555	69,520	1,280,231
One year later	939,635	49,979	52,686	62,037	67,522	69,762	-	1,241,623
Two years later	991,334	47,416	53,255	55,855	64,841	-	-	1,212,701
Three years later	961,550	44,546	49,647	60,352	-	-	-	1,116,094
Four years later	986,444	43,434	53,992	-	-	-	-	1,083,869
Five years later	998,766	46,163	-	-	-	-	-	1,044,929
Current estimate of cumulative claims cost	1,312,781	46,163	53,992	60,352	64,841	69,762	69,520	1,677,411
Cumulative payments	(870,619)	(41,528)	(42,407)	(41,352)	(39,804)	(30,997)	(11,561)	(1,078,268)
Outstanding claims – undiscounted	442,162	4,634	11,585	18,999	25,037	38,764	57,960	599,143
Discount								(57,103)
Outstanding claims								542,040
Short-tail outstanding claims								33,815
Claims handling expenses								42,245
Risk margins								97,088
Total net outstanding claims as per the Balance Sheet								715,188

25. Unearned premium reserve

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Unearned premium liability as at 1 July	184,941	170,126	184,941	170,126
Deferral of premiums on contracts written in the period	357,458	314,057	357,458	314,057
Earning of premiums written in current and previous periods	(331,884)	(299,242)	(331,884)	(299,242)
Unearned premium liability as at 30 June	210,515	184,941	210,515	184,941

The current period balance of the unearned premium reserve includes $73.386 million (2021: $61.520 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2022.

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. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

26. 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:

Ms Joan Fitzpatrick (Chairman)	Chairman (non-executive)
Mr Noel Condon	Director (non-executive)
Mr Gregory Cooper	Director (non-executive)
Mr Eamonn Cunningham	Director (non-executive)
Mr Matthew Doquile	Director (non-executive)
Mr Richard Haddock	Director (non-executive)
Reverend Dr Philip Marshall	Director (non-executive)
Sr Mary Ellen O'Donoghue	Director (non-executive)

(ii) Executive Officers

R Scenna	Chief Executive Officer
D Cole	General Manager, Solutions
T Farren	General Manager, Client
T Johnson	General Manager, Operations
J Sebire	Chief Financial Officer
S Stares	General Manager, People and Culture
J Yipp	Chief Risk Officer
K Young	Chief Technology Officer

(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:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Directors				
Short-term	524	570	466	498
Post employment	41	51	35	44
	565	621	501	542

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Executives				
Short-term	4,817	5,569	4,817	5,569
Post employment	239	531	239	531
Other long-term	224	224	224	224
	5,280	6,324	5,280	6,324

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 whether ot not the executive has reached the entitlement date. Executive remuneration includes redundancy and termination in lieu of notice payments of $nil (2021: $280K).

(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 the company.

	Balance at 1 July 2020	Net Change Other	Balance at 30 June 2021	Net Change Other	Balance at 30 June 2022
Directors					
J Fitzpatrick	1,250		1,250		1,250
N Condon	-	1,250	1,250		1,250
G Cooper	1,250		1,250		1,250
E Cunningham	-		-	1,000	1,000
M Doquile	1,250		1,250		1,250
P A Gallagher	1,250	(1,250)	-		-
R M Haddock	1,250		1,250		1,250
P Marshall	1,250		1,250		1,250
M O'Donoghue	-	1,250	1,250		1,250
L Reeves	1,250	(1,250)	-		-
J A Schafer	1,000		1,000	(1,000)	-
J A Tongs	-		-		-
Total	9,750	-	9,750	-	9,750

(d) Loans to key management personnel

There are no loans to key management personnel.

27. Related parties

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Wholly owned group transactions				
The entities within the wholly owned Group are Catholic Church Insurance Limited (parent), and CCI Asset Management Limited (subsidiary).Catholic Church Insurance Limited is the ultimate parent entity.				
Back office administration and corporate overhead expenses charged to CCI Asset Management	2026	1948	2,026	1,948
Balance of intercompany receivable from CCI Asset Management Limited	311	360	311	360

All transactions with group entities, KMP, their related entities and other related parties are conducted in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers. These transactions principally involve the provision of financial and insurance services.

Management fees for the reporting period paid by the trusts to CCI Asset Management Limited				
- Catholic Values Unit Trust	1,086	924	1,086	924
- Income Unit Trust	282	361	282	361

28. Auditors remuneration

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
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 group	341	264	330	254
(b) other services in relation to the entity and any other entity in the group				
– Taxation services	-	4	-	4
– Other services	114	13	39	-
Total other services	114	17	39	4

Taxation services relates to employment tax advice pertaining to our workers compensation claimants.
Other services relates to the funds distribution review of the CCI Asset Management controlled trusts, GS007 audit, actuarial peer review, omnibus structure reviews, review of pro-forma financials and the resolution planning guidance fees.

29. Statement of cash flows

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Reconciliation of cash flow from operations with profit / (loss) from ordinary activities				
Profit from ordinary activities	866	(192,313)	319	(192,747)
Changes in net market value of investments	12,642	7,138	10,837	5,987
Depreciation of assets	5,554	5,932	5,506	5,876
Amortisation of intangible assets	3,371	3,635	3,371	3,636
Profit/(loss) on sale of assets	209	114	210	122
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	(137)	(968)	(137)	(968)
Increase in unearned premium	25,574	14,815	25,574	14,815
(Increase) in premiums receivable	(7,489)	(14,879)	(7,489)	(14,879)
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	(276,614)	(96,777)	(276,614)	(96,777)
(Increase)/decrease in reinsurance payables	(1,337)	(3,680)	(1,337)	(3,680)
Increase/(decrease) in outstanding claims	(51,066)	262,597	(51,066)	262,597
(Increase)/decrease in acquisition costs	(89)	(36)	(89)	(36)
(Increase)/decrease in statutory charge asset	2,474	(2,108)	2,474	(2,108)
Decrease in GST tax provision	(1,281)	(547)	(1,281)	(547)
Decrease in other provisions and sundry debtors	(7,474)	13,762	(5,712)	15,282
Cash flow from operating activities	(294,797)	(3,315)	(295,434)	(3,427)

30. Controlled entities

Name of Entity	Country of incorporation	Ownership Interest 2022 %	Ownership Interest 2021 %	Investment 2022 $'000	Investment 2021 $'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.

31. Capital adequacy

The Australian Prudential Regulation Authority's (APRA's) prudential standards set out the basis for calculating the Prescribed 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 group 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 2022 $'000	Company 2021 $'000
Tier 1 capital		
Paid-up ordinary shares	179,333	175,333
Retained earnings at end of reporting period	106,425	106,107
Premium liability surplus	18,618	17,462
Net tier 1 capital	304,376	298,902
Less net intangible assets	3,669	6,944
Less assets under a fixed or floating charge	-	-
Total capital base	300,707	291,958
Prescribed capital requirement	186,682	208,847
Prescribed capital amount coverage	1.61	1.40

The group does not hold any tier 2 capital.

32. 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 – Group						
2022	**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	0.37	658,262				-	658,262
Discount securities	0.09	19,984	-			-	19,984
Trade and other receivables						131,313	131,313
Reinsurance Recoveries						551,546	551,546
Government and semi-government bonds	3.76		10,559	197,604	19,264		227,427
Other fixed interest securities				34,491			34,491
Shares, options & trusts						71,518	71,518
Total		678,246	10,559	232,095	19,264	754,377	1,694,541
Financial liabilities							
Creditors	-	-	-	-	-	65,896	65,896
Exchange traded options	-	-	147	-	-	-	147
Total	-	-	147	-	-	65,896	66,043

	Fixed Interest Rate Maturity – Company						
2022	**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	0.37	656,428				-	656,428
Discount securities	0.09	19,984	-			-	19,984
Trade and other receivables						130,681	130,681
Reinsurance Recoveries						551,545	551,545
Government and semi-government bonds							
Other fixed interest securities	3.76			197,604	19,264		216,868
Shares, options & trusts	2.50					71,518	71,518
Total		676,412	-	197,604	19,264	753,744	1,647,024
Financial liabilities							
Creditors	-	-	-	-	-	65,896	65,896
Exchange traded options	-	-	147	-	-	-	147
Total	-	-	147	-	-	65,896	66,043

(b) Interest rate risk (cont)

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

	Fixed Interest Rate Maturity – Group						
2021	**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	0.11	629,455				-	629,455
Discount securities	0.07	544,877					544,877
Trade and other receivables						119,817	119,817
Reinsurance Recoveries						274,931	274,931
Government and semi-government bonds	4.72		-	66,286	40,731		107,017
Other fixed interest securities	-		-	-	-		
Shares, options & trusts						38,944	38,944
Total		1,174,332	-	66,286	40,731	433,691	1,715,041
Financial liabilities	-	-	-	-	-	-	-
Creditors						64,450	64,450
Exchange traded options			25				25
Total			25			64,450	64,475

	Fixed Interest Rate Maturity – Company						
2021	**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	0.11	628,258				-	628,258
Discount securities	0.07	544,877					544,877
Trade and other receivables						119,106	119,106
Reinsurance Recoveries						274,931	274,931
Government and semi-government bonds	4.72		-	66,286	40,731		107,017
Other fixed interest securities	-		-	-	-		
Syndicated loan funds	-						
Shares, options & trusts						38,944	38,944
Total		1,173,135	0	66,286	40,731	432,982	1,713,133
Financial liabilities							
Creditors	-	-	-	-	-	64,450	64,450
Exchange traded options	-	-	25	-	-	-	25
Total	-	-	25	-	-	64,450	64,475

33. Fair value hierarchy

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

Consolidated as at 30 June 2022	Quoted Market Price (Level 1) $'000	Valuation Technique-Market Observable inputs (Level 2) $'000	Valuation Technique-Non Market Observable inputs (Level 3) $'000	Total $'000
Financial assets				
- Government and semi-government bonds	227,427	-	-	227,427
- Discount securities	-	19,984	-	19,984
- Other fixed interest securities	34,491	-	-	34,491
- Shares in other corporations	21,721	-	-	21,721
- Units in other unit trusts	-	8,517	-	8,517
- Units in property unit trusts	-	-	41,280	41,280
Total	**283,639**	**28,501**	**41,280**	**353,420**
Financial liabilities				
Derivative instruments				
- Options	(147)	-	-	(147)
Total	**(147)**	**-**	**-**	**(147)**

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 2021	Quoted Market Price (Level 1) $'000	Valuation Technique-Market Observable Inputs (Level 2) $'000	Valuation Technique-Non Market Observable Inputs (Level 3) $'000	Total $'000
Financial assets				
- Government and semi-government bonds	107,017	-	-	107,017
- Discount securities	-	544,877	-	544,877
- Units in property unit trusts	-	-	38,944	38,944
Total	**107,017**	**544,877**	**38,944**	**690,838**
Financial liabilities				
Derivative instruments				
Options	(25)	-	-	(25)
Total	**(25)**	**-**	**-**	**(25)**

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.

	Group	
Reconciliation of Level 3 fair value movements	**2022 $'000**	**2021 $'000**
Opening balance	38,944	87,325
Total gains and losses		
- Realised	-	168
- Unrealised	2,335	673
Sales	-	(49,223)
Closing balance	41,280	38,944

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
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 $4,128 (2021: $3,894) or increase the Level 3 fair value by $4,128 (2021: $3,894).

34. Contingent liability

The Company has unallocated capital of $395,901 (2021:$395,901) in its wholly owned subsidiary CCI Asset Management. There are currently no plans for this to be allocated.

35. 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 Group, the results of those operations, or state of affairs of the Group in future financial years.

36. Other matters

Professional Standards Claims

The estimation of the outstanding claims liability arising from abuse claims (referred to as Professional Standards claims) under the public liability insurance contracts is a critical accounting estimate. The latent nature of these claims is such that there is significant uncertainty as to (i) the ultimate total number of claims, (ii) the amounts that such claims will be settled and (iii) the timings of any payments.

The appointed actuary has discussed with management and the Board the key assumptions and judgements used in determining the inputs into the valuation in order to consider the adequacy of the liability.

In addition, the introduction of the National Redress Scheme in 2018 has resulted in a significant increase in the number of reported claims and significant uncertainty in establishing the potential exposure in order to predict the exposure to abuse related claims.

As such there has been limited data (both historical and forward looking), which impacts on the ability of the appointed actuary to model this interaction, which has required considerable professional judgement in determining assumptions around the future number of Professional Standards claims.

Based on the available information, which included a continued increase in the number of claims lodged compared to previous years, as per note 9 of the accounts, CCI had a total net incurred claims expense of $92,384k for the year, made up of paid claims and movements in outstanding claims of which $23,876k is attributable to Professional Standards. CCI is satisfied that the reserving process and outcomes were robust and well managed and that the overall reserves set were reasonable as disclosed in note 26. Whilst CCI maintains a strong balance sheet, the significant increase in reserves for professional standards claims has seen a substantial decrease in its regulatory capital during recent years, and this sits outside of the CCI target capital range. During the year the Company undertook several capital strengthening activities as steps to restore regulatory capital back to the target capital level. Further capital strengthening options continue to be actively explored with shareholders and other key stakeholders.

In addition to these initiatives, in order to preserve capital in the short-term, dividends and Catholic Entity Distributions remained suspended in 2022.

Although it is not certain that that the efforts to continue to repair the balance sheet and restore capital back to the target operating range will be successful the Company has determined that the actions it is taking are sufficient to mitigate the uncertainty and it is therefore appropriate to continue to prepare the financial report on a going concern basis due to its ability to realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements

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 group 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 group's financial position as at 30 June 2022 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

J Fitzpatrick, Director
Melbourne, 21 September 2022