CCI Catholic Church Insurance

2021 Annual Report

Contents

Chairman's Report

Joan Fitzpatrick

A benchmark of excellence was set, hard work and leadership achieved significant goals.

Building resilience within the organisation has been central to all that we do for our shareholders, clients and employees.

In the past year, due to the many challenges COVID-19 presented, CCI continued to support its clients across the country as our staff transitioned seamlessly to combined remote and office working conditions. Of course, all organisations have been touched in some way by the difficulties of the pandemic and its economic impact. Our principal work of providing insurance protection for the Catholic community continued uninterrupted, while in the background an important strategic initiative was in play to restore our capital position to one of stability.

I am very pleased to confirm that CCI has successfully managed the first stage of this initiative via the injection of capital from 18 existing shareholders. I extend my deepest thanks and appreciation for the efforts of the Catholic Church community and the support provided to restore capital to the target level. CCI values its unique role of providing risk services and support to the Catholic Church community, recognising deeper client engagement and collaboration is the future of insurance.

Although there is more work to be done, the financial injection provides CCI the ability to continue to deliver its mission whilst further improving its capital position in a sustainable way over the next financial year. CCI's prudential management is vital to the organisation's long-term viability and ensures we can respond to claims with fairness and in our usual timely way. Our mission is to always be of service to the Catholic community, especially in difficult times.

There is much to be said for those who stood shoulder to shoulder with us in this challenging period knowing that the issues arose from managing the liabilities associated with historical abuse claims and in the committed belief that we can never forget those impacted by such conduct. I thank those leaders for their steadfast support. On behalf of the Board of CCI, I would like to take this opportunity to acknowledge the pain of all abuse survivors and in doing so extend our heartfelt sympathy for their suffering.

A year for strengthening our financial position

The Group reported a substantial loss of $192m driven by further strengthening of reserves for Professional Standards liabilities, as the volume of claims increased compared to the previous year. CCI undertook detailed work in understanding its potential exposure to future claims related to abuse, including with the support of certain key clients and an independent actuarial review. The task was a priority throughout the year and will remain as such moving forward, given there is still significant uncertainty in estimating the ultimate cost to CCI and our clients. The capital raising required to fund this increase in liabilities called for determination and resilience on the part of the CCI Board and executive team and their work was exemplary. They demonstrated steadfastness and an unwavering commitment to restoring our balance sheet for the long-term benefit of all stakeholders in the Catholic community, including those who have been impacted by abuse. I thank everyone wholeheartedly for a masterclass in perseverance and hard work. It has invigorated CCI in moving forward with confidence.

CCI's fortitude was also reflected by our shareholders who embarked upon a serious effort to achieve the capital injection and we are deeply grateful for their trust and meaningful support in what has been CCI's most financially challenging year to date. Overcoming the significant impact to CCI's capital position is a shared achievement that belongs to all stakeholders and they are to be congratulated and thanked.

CCI's core business

Despite the heavy workload regarding the financial impact of increased abuse claims, core operational strength for the financial year was excellent and CCI has delivered very impressive performance numbers. Our underwriting results remain consistently positive and this year was not impacted by COVID-19 as clients' operations were not affected in the same ways that hospitality and tourism were. Unfortunately, affordability challenges for parishes were exacerbated by restrictions on public gatherings and we remain committed to close dialogue with clients to explore ways to address this concern, at the same time helping them manage the many risks to their assets.

CCIAM's investment portfolios showed continued growth throughout the year, despite record low interest rates and market volatility. The Australian economy showed signs of recovery as confidence grew in the ability for all governments to navigate through the pandemic. As a result, equity markets powered back with strong returns and, once again, CCIAM results exceeded performance objectives, signalling a clear capacity for the organisation to protect client assets into the future.

Marking 110 years of protection and support

CCI's earliest insurance claim was lodged for £20 in 1912 by the Bishop of Maitland in NSW, for fire damage. More than a century later, we celebrate a milestone in continuing to provide our clients with protection for all kinds of severe weather and catastrophic events that threaten property and other assets. Catholic education celebrates their milestone of 200 years of educating Australian students. Today, we support clients in managing increasingly complex claims matters and evolving risks such as cybersecurity disruption and data breaches. We are proud to have played our part in supporting the evolution of Catholic education and to have earned our place as the largest insurer of non-government schools in Australia. Equally, we are privileged to have provided protection for our aged and welfare clients, and parishes across the country—in peaceful times, war years, and during economic depression. We are committed to supporting the Catholic community, with exceptional service to assist them through familiar challenges and new uncertainty.

Our people and our work

The calibre of CCI's people and leadership revealed its core strength in the last year. Organisations frequently speak about people and culture as a signifier of performance. When faced with major challenges, culture, commitment, and courage are very often severely tested. I am proud to say unequivocally that our people and culture withstood the demands and our people demonstrated exceptional commitment. In 2020/21, CCI's senior leaders united in a way that is rare to see in any organisation. Through their combined experience, conscientiousness, and direction we achieved a significant financial imperative. All staff members of CCI demonstrated their commitment to the purpose and success of the organisation and achieved excellent core business outcomes.

Chairman's Report *continued*

Looking forward with renewed strength

I am deeply grateful for the support of my fellow Directors of the CCI Board. They are a talented and highly experienced group of professionals and approached the difficult decisions throughout the year with a great unity of purpose.

As a Board, we are committed to helping CCI go from strength to strength and there is much to be excited about in terms of our core business. We are confident in the continued growth of the broader Christian and not-for-profit markets and our ability to continue building sustainability.

CCI's transformation program has matured and is well on the way to making us a digitally enabled and virtually powered organisation by 2025. However, we cannot take the achievements of the last year for granted. We will adapt to future challenges as they evolve and face them with continued resilience.

Acknowledgement and gratitude

The CCI executive team and senior leaders, whose resolve and constancy in carrying out important projects over the last 12 months, was outstanding.

As expected, we continued to meet the requirements of APRA, ACNC, and ASIC. We value the relationships we have with our regulators and would like to acknowledge the guidance from APRA and our advisors over the last difficult year.

On behalf of CCI, I'd like to thank Paul Gallagher who retired in October 2020 after 13 years of service as a dedicated Non-Executive Director and for a decade of leadership as our Chairman. His leadership will be remembered fondly, and we wish him all the best in his future endeavours. Julie-Anne Schafer and Sr Louise Reeves departed the Board and we thank them both for their invaluable contribution. During the year, we were delighted to welcome Noel Condon, Gregory Cooper, Sr Mary Ellen O'Donoghue and Eamonn Cunningham to our Board. The Board is renewed and refreshed by these exceptional directors. It's a privilege to work with such a talented, professional, and experienced group of people.

I extend special thanks to our CEO Roberto Scenna who led the vanguard in an unbreakable effort to re-energise our sustainability. His clarity of purpose and vision have always been notable but the trust he has built across the diverse relationships of the organisation and its valued shareholders came to the fore this year.

We look forward to the next phase in CCI's long and venerable history and trust in our ability to achieve another year of accomplishment and service to the Catholic community. There is much to be excited about in terms of the future for CCI, and the Board is fully committed to governing effectively and supporting the opportunities and growth of this great company.

Yours sincerely,

Joan Fitzpatrick

Joan Fitzpatrick
Chairman

CEO's Message

Roberto Scenna

In the last year, CCI prioritised a program of measures to restore our capital position, built resilience in the wake of COVID-19 and maintained strength in our core operations.

I am confident that as we continue to do the right thing the right way, our role as the best risk and insurance partner for the Catholic community will endure and succeed.

As I reflect on the last year, I recognise that CCI has endured its greatest challenge in its history of serving the Catholic community for 110 years. The work of the last year has marked a turning point for the organisation, and a concentrated effort to act on financial imperatives has proved sufficient to mitigate the pressure. I am extremely pleased to advise shareholders that we have restored capital levels to align with the future risks to the organisation, but acknowledge that there is still work to do over the next 12 months as we continue initiatives from the recovery plan to restore capital to our target range.

Closing protection gaps and reducing risk, for clients as well as for our own organisation, has required exceptional and diligent work. Greater communication with stakeholders has also been necessary. The outcome has given us strength to move forward, sustain our business and its opportunities to grow, and continue to provide clients with value and more personalised service. Additionally, we are investing in ways to make it easier to do business with CCI; ensuring that all adjustments meet shareholders expectations in the new financial year.

Hard work, agility, and a conviction in our way forward helped us to face a year of troubling conditions and some uncertainty during times when the pandemic impact on business operations for many clients was severe. Neutralising risk to CCI's wellbeing has made the achievements to regenerate our balance sheet and sustain our future service to clients even more substantial. Various streams of work will drive the existing momentum to support clients and grow our business.

Sustaining our financial position

The Group reported a loss for the year of $192m due to the significant work of restructure to our balance sheet through a $213m strengthening of reserves for the estimated costs of future claims for Professional Standards liabilities. Our overall financial results were a solid performance in relation to core business, delivering an underwriting profit of $31m, representing a net combined operating ratio of 81%. We achieved a notable milestone by surpassing $300m of Gross Written Premium for the first time in more than a century. This has been made possible by the investments CCI continues to prioritise in the areas of client experience and driving strong Net Promoter Score results that we see in a retention rate of 99% of clients.

The volume of Professional Standards claims reveals an increasing trend that requires CCI to conscientiously review its risk exposure and we have taken this step with confidence. While average claims size increased modestly, the organisation has activated further measures to strengthen reserves and to manage the impact of potential claims in the future. The heartbreaking history of abuse and harm by members of the Church has created deep suffering for victims, their families and supporters, and the community. Our work at CCI supports the Church in its commitment to provide justice to survivors and help them find a way towards healing.

We observed a powerful financial market recovery with the Australian economy in the last year. All CCIAM investment portfolios have exceeded their investment performance objectives as at 30th June 2021. Steadily and prudently, I'm confident that our complimentary business areas of CCIAM, white-label Personal Insurance, and Risk Services will continue to support the Catholic community. Operationally, we are demonstrating consistently sound performance.

I wish to thank our shareholders for the capital injection that has affirmed both fortitude and faith in the organisation. It has supported CCI's executive team in achieving key objectives that will see further development soon.

We do the right thing the right way

CCI has streamlined aspects of the current governance structure. We have complied with new complaints reporting required by ASIC, making positive changes to incident recording and management procedures reflecting the organisation's commitment to ongoing improvement of our risk maturity.

We reported an exceptional Net Promoter Score (NPS) result of 43% for our direct clients and 15 % for the brokered business. The brokered result compares exceptionally well against the best NPS from other insurers of approximately 8%.

CCI's data information security and cyber security measures have become more focused to reinforce our competence in supporting clients in this important area of risk mitigation. We continue to enhance cyber protection to reduce risks within our organisation. We have increased support of safe business operations for clients during the pandemic landscape with the benefit of access to cyber security experts around the clock.

Building resilience and corporate responsibility

In the last year, CCI experienced five declared Insurance Council of Australia (ICA) catastrophes. Our claims were triaged to provide immediate assistance to those affected by storms and flooding. We directly supported clients with site visits by our team and by specialists in damage to property.

We have enabled new systems and data analytics that give us tangible benefits in terms of decisions about products and pricing, claims management and responsiveness, and our service level.

Our COVID-19 response began early in 2020, and over the past year staff have become adept at operating in a combined remote and office work scenario. There are arrangements that will continue to support health and safety. I thank our staff for their foothold during the COVID restrictions and lockdowns. Their work reflects the important values we share with the Catholic community, of building caring and collaborative relationships—especially during times that are hardest of all.

CEO’s Message *continued*

Acknowledging the impact of the pandemic on our clients in aged and health care, education, welfare, and among parishes across the country is deeply difficult. I am encouraged by efforts to recharge the vaccination program because I know this will bring positive change to our interaction and promote better economic circumstances in which to carry out our shared work.

Our corporate responsibility has extended to strengthening financial hardship provisions within the updated 2020 General Insurance Code of Practice, includes a New Financial Hardship Policy. Also, we recognise our social obligation to eradicate modern slavery and have developed a clear roadmap of initiatives to ensure that our social, environmental, and ethical business practices align with shareholder sentiment and are considered in our business decisions.

A million reasons to be proud of CCI Giving

CCI Giving has achieved a significant milestone, having now distributed more than $1m since commencing its work in 2017 to support a range of grassroots initiatives helping communities around the country. Our history of giving back is channelled through this avenue to connect with those directly engaged with vulnerable, at risk, or marginalised individuals and families.

The cornerstone of the grants program allows us to support groups whose daily work gives practical assistance that stretches across many cohorts of Australians, new arrivals and people seeking refugee status. Last year, in his encyclical letter *Fratelli Tutti,* our Holy Father Francis enunciated “Beginning with the least” for a renewed encounter with the most impoverished and vulnerable sectors of society. Frequently, it is targeted philanthropic aid that fills a void in funding for many organisations, while grants to social enterprises invest in empowering local initiatives to meet vital community needs.

Our Small Grants Program gave $150,000 that was shared between 26 organisations over the past 12 months. The *In a Good Place* initiative was granted $200,000 to help remote and rural communities and was distributed among 13 organisations. CCI Giving has now launched a matched grants program for CCI staff that has raised over $39,000.

We are confident to walk down new roads

The year ahead requires focus on disciplined capital management so that we can continue to steady our position to grow business. We also need to build our resilience in ways that enhance client experience and support. The professionalism and leadership skills demonstrated recently leave me in no doubt that we are ready for the work ahead. I sincerely appreciate the role of all CCI staff in the success of our hard-won achievements and wish to say thank you for your commitment to excellence.

Recognising a senior leadership change at the Board level, I extend special thanks to Joan Fitzpatrick who has taken the role from Paul Gallagher in a comprehensive succession process. I’m grateful for her support and vision over the last year and for the future work we plan to do together to ensure CCI’s sustainable future.

All members of the Board are to be acknowledged for their support, guidance and dedication to the organisation and its people. My thanks and best regards go to our former Chairman Paul Gallagher for his stewardship of the company.

Tenacity and benevolence are ties that bind our organisation to the Catholic community and it is a privilege to serve both.

Sincerely,

Roberto Scenna
Chief Executive Officer

CCI Highlights

2020-21

Operational

Client retention

99%

New Business Growth

$9.65m

Net Promoter Score (NPS)

43%

Premium Revenue

$320m

Accepted SME Claims

97%

Financial

Asset Management

Funds under management exceeds performance objectives, growing all investment portfolios.

Underwriting

Profit of $31m representing a net combined operating ratio of 81%

Gross Written Premium

Surpassed $300m for the first time in more than a century

Corporate Social Responsibility

Modern Slavery Statement

Roadmap development with new codes of conduct and supplier procurement protocols

Financial Hardship Policy

Stronger financial hardship provisions and new Policy

CCI Giving

Foundation exceeds $1 million in grants distribution to support grassroots initiatives helping communities around Australia

Employment Engagement Score

81

up from 78

Corporate Governance Statement

For the year ended 30 June 2021

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

The Board of Directors

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

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

At the date of this statement, the Board is comprised of 8 non-executive Directors, including the Chair. CCI has no executive Directors, however Roberto Scenna is an Alternate Director for Richard Haddock.

The Constitution provides:

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

Board Committees

To assist in carrying out its responsibilities, the Board has established a number of Committees of Directors who meet regularly to consider various issues. All Committees must have a quorum of a minimum of 50% of their Members, and they report and make recommendations to the Board.

The Board Committees are:

- Audit;
- Investment;
- Nominations, Remuneration and Culture;
- Reinsurance; and
- Risk

Audit Committee

The Chair of the Board may be a member (but not Chair) of this Committee.

The members of this Committee must satisfy themselves as to the adequacy and independence of the internal and external audit functions. They must have free and unfettered access to Management, the Internal Auditor, the Chief Risk Officer, CCI's Appointed Auditor and Appointed Actuary at all times.

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

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

The role of the Audit Committee is to review:

- the Company's consolidated annual accounts and the External Auditor's annual report;
- the appointment of the Appointed Auditor and Appointed Actuary;
- the scope of the external and internal audits;
- the reports of the External and Internal Auditors to assess internal controls and monitor for suitability, reliability and compliance;
- the External Auditor's Management letter and Management's response;
- the Statement of Integrity of Financial Reporting from the Chief Executive Officer and the Chief Financial Officer; and
- APRA reports and Management's response, and APRA mandated policies

Investment Committee

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

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

Nominations, Remuneration & Culture Committee

The role of this Committee is to:

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

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

Reinsurance Committee

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

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

Risk Committee

The Chair of the Board may be a member (but not Chair) of this Committee.

The members of this Committee must have free and unfettered access to Management, the Internal Auditor, the Chief Risk Officer, the Company's Appointed Auditor and Appointed Actuary at all times.

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

The role of the Risk Committee is to:

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

Directors' arrangements with the Company

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

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

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

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

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

Workplace Gender Equality Agency

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

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

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

CCI is proud to celebrate 110 years of service excellence

Established in 1911, CCI is one of the oldest insurance organisations in the nation. Its rich history reflects the values of the church and is a tapestry of industry experience, stability, leadership, and growth.

The idea of insurance for the Catholic Church was first raised in 1862 by Archbishop James Alipius Goold of Melbourne, but it wasn't until nearly fifty years later when Australian communities expanded beyond state borders, that the passion of Irishman, Hugh Mahon drove the development of CCI to fruition.

Initially focused on fire and property insurance, CCI's first claim was lodged for £20 in 1912 by the Bishop of Maitland for fire damage. Over years to come, a unique value proposition grew to insure Catholic clients through World Wars, The Great Depression, and natural disasters. CCI also supported property, professional, and organisational insurance matters. Today, CCI's experience affords our distinctive insight into client needs, and a unique perspective to help mitigate risk.

(From left) CCI General Manager, Client Ross Castle and Catholic Archdiocese of Melbourne Archbishop Peter Comensoli

Forged over time and collaboration with our shareholders, CCI develops lasting relationships with the Catholic Church community, our clients, and regulatory authorities. Additionally, the organisation supports the greater community through its distribution of more than $1 million in grants to fund grassroots initiatives and by funding organisations that help people experiencing disadvantage.

CCI's 110-year celebration marks a significant milestone and demonstrates a long-standing commitment to clients who trust our risk knowledge and protection expertise. As we continue to evolve, we look to future risk challenges together with our shareholders to diversify and overcome them in our mission to serve the Catholic community.

ESG Activity

We know that everything we do has an impact. We are constantly reviewing our sustainability strategy to meet the highest ethical standards for conducting our business.

Environmental

CCI invests responsibly and is governed by the Catholic Values Policy framework that outlines industries and conducts that we exclude, such as gambling, weapons, tobacco, and thermal coal. We are committed to a declining contribution to carbon emissions through a recycling and reduced paper usage program.

Our climate change strategy is in development, advancing our understanding of climate change risks as they integrate with our risk management and underwriting frameworks. A key aspect of the plan is the development of our products and services in ways that mitigate climate risk and to help clients with the same goal.

Social

Each year our social responsibilities become more active in our support of communities and organisations connected to people experiencing hardship or disadvantage. Our charitable foundation CCI Giving helps to sustain a range of grassroots community initiatives to make a positive social impact, around the country and in remote and rural locations.

CCI has a staff Give Back Committee raising funds through collective and individual efforts in support of change to homelessness and to help people experiencing domestic violence and who need crisis support. They link to programs assisting vulnerable groups to overcome challenges of isolation, old age, dementia, respite needs, and childcare. The Committee also supports social initiatives connected to refugees, peoples seeking asylum and communities displaced through bushfires and floods.

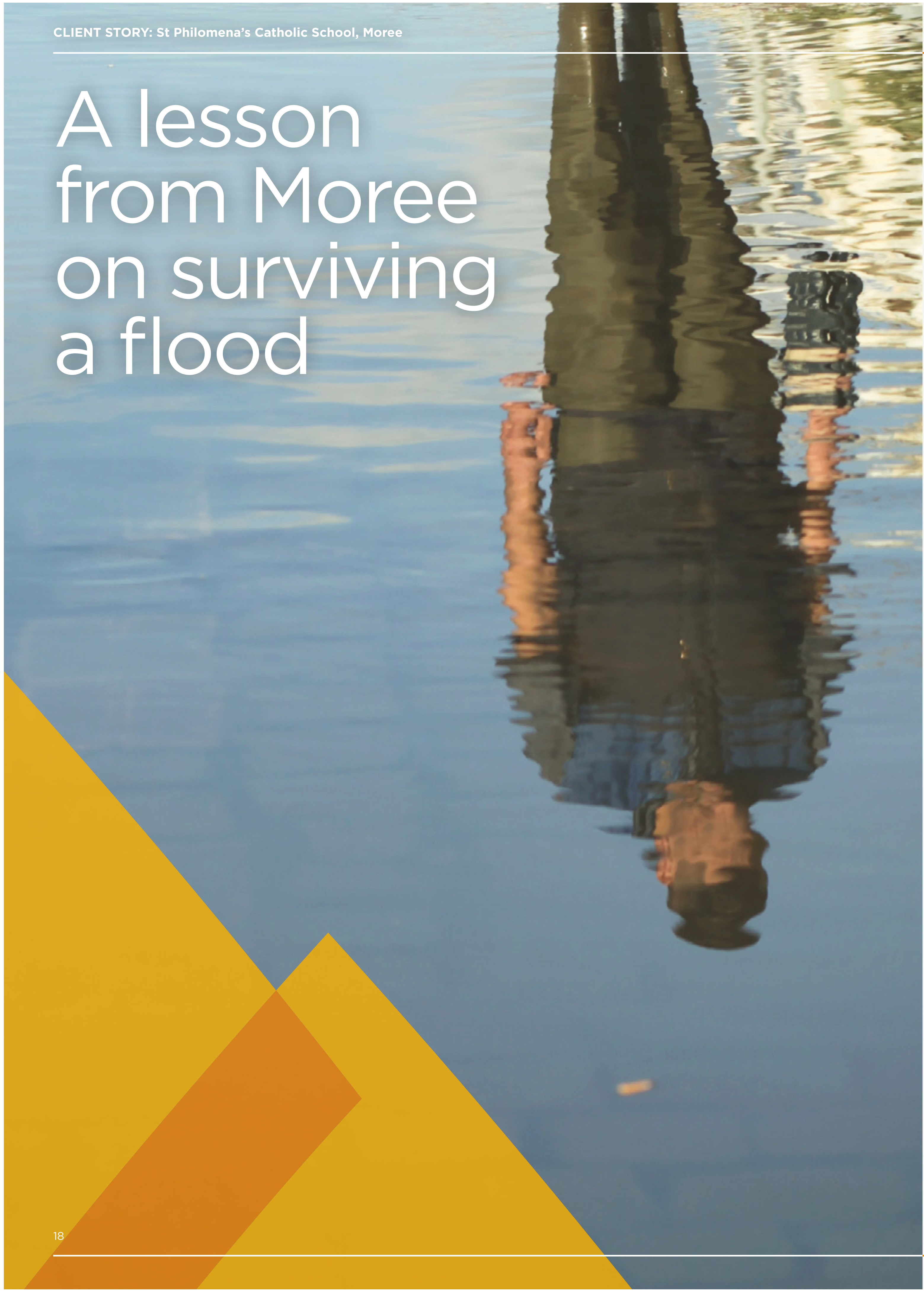
The Indigenous Literacy Foundation (ILF) has, to date, received over $9,500 from CCI. As $10 enables us to gift a book to a child, these donations have let us gift 950 books to children in remote communities around the country - that's a lot of happy children! In 2021, the ILF has so far gifted over 85,000 books to remote communities - well on our way towards the 2021 goal of just under 100,000. The support from staff at CCI has been a big help towards us being able to achieve this goal. As we look to expand this (and our other programs) the support will continue to be very important to us.

David Stewart
Relationship Manager, Indigenous Literacy Foundation

We provide effective development for our employees in a culture of open dialogue and listening. We support the mental health and wellbeing of our staff by providing access to professional services and counselling. CCI has transitioned our workforce to a combined remote and office environment, by providing tools to help people feel connected and engaged. It remains a diverse and inclusive workplace.

Corporate governance

CCI recognises our social obligation to eradicate modern slavery as part of running an ethically sustainable business. The work of developing our Modern Day Slavery Statement roadmap and initiatives is progressing with publication of our Modern Slavery Statement in 2021 highlighting our work to date, and our plan to embed further initiatives in our ways of working in CCI. Our enterprise risk reporting systems, internally and through our Whistle blower Policy and Practices Guide, continue to assist the organisation to report modern day slavery concerns properly.



A lesson from Moree on surviving a flood

In Gwydir Valley in the Northern Tablelands of NSW is one of our most important wetland systems for thriving birdlife in NSW. The Great Artesian Basin provides mineral springs and other natural marvels, but also important assets including St Philomena's Catholic School in Moree. The Sisters of Mercy came from Gunnedah to Moree to establish a convent and the school, in 1898. Today, St. Philomena's is one of 24 Catholic learning communities in the Armidale Diocese.

In early 2021, between 200 and 400 millimetres of rain fell on the entire NSW coast to create flooding that stretched from Sydney to Northern Rivers as far away as 600 kilometres. On 25 March 2021, Moree's Mehi River broke its banks and carved the town into two flooded villages.

As the bad weather unfolded and rain turned to flood water, CCI Senior Data Analyst Paul Wyer analysed information from the Bureau of Meteorology (BOM) and the Insurance Council of Australia (ICA) postcodes. He pinpointed catastrophe locations. His early work of marking client locations relative to the flood helped the CCI Claims team to form a proactive response.

"St. Philomena's had one classroom block inundated, several buildings affected by flood waters under the buildings and the grounds were severely impacted."

"The town was warned several hours before the flood waters rose to full height, so staff were able to move some resources and furniture above the flood level. The biggest concern was always the safety of the students and staff at the school," she said.

CCI Manager, Property Motor and Personal Accident Claims, Charlotte Jolly knew that decisive action required tools and equipment at a time when vast areas of NSW were responding to the same emergency. She described a collaborative effort toward a viable recovery.

Map showing severe weather zone in Moree, NSW relative to CCI client locations

"We were able to ascertain the likely hardest hit communities and prioritise those clients. St Philomena's Catholic School in Moree was one of them and it was important to act quickly," he said.

"We identified our client locations and defined a hotspot radius. We flagged clients within 10kms and 50kms radius of the flood and started making phone calls."

The peak came faster than Moree residents expected and caused extensive damage to properties as flood water inched up to 15cms inside buildings. St. Philomena's Catholic School was significantly damaged, with stagnant water and mud affecting its playground, classrooms, and hallways.

Linda Page is the Facilities Officer for the Catholic Schools Office, Diocese of Armidale and worked closely with CCI to manage the school's response and recovery operation. She described the impact and immediate concerns of the school community.

Supporting clients in ways that make a difference

"With Pattersons Insurerbuild, Cowan Restoration Group, and Sedgwick we placed a 'ring fence' around the school. We assessed the school's damage and planned a recovery operation."

CCI then engaged the appropriate trades immediately.

"A loss adjuster report normally takes a week to submit," she explained "but we didn't want to lose critical time capturing information. Instead, we arranged contractors on the ground and worked in real time with the school."

"CCI visited the site to assess damage and coordinate a response with the school that prioritised repairs. The school then made decisions quickly and could activate recovery work right away. Recovery and restoration efforts included replacing bark on the playground and sanitising playground equipment to ensure the safety of students."

The risk of disease outbreak during floods is real and the amount of equipment required for a catastrophe of this scale was concerning.

"The moisture content in the classrooms was extremely high and there was significant work done to dry rooms and bring humidity back to normal levels. The effort to get the school ready to open again was boosted by the professionals we had by our side."

Aligning goals with priority

CCI's Charlotte Jolly explained that the decision to have the right people on site and working in real time made all the difference.

"The priority for the school was getting students back into their classrooms. This was vital to parents, teachers, and children who were already dealing with a pandemic and its restrictions to work and learning environments. Returning to school would support mental health and wellbeing, especially for students whose homes were impacted by the flood."

Linda Page of the Armidale Diocese acknowledged the support of a coordinated response.

«« CCI's staff was instrumental in managing the flood response. They immediately appointed a senior manager within CCI, insurance assessors were very quick to appoint a firm to make the site safe. Within days the site was humming with equipment used to dry out the buildings and Cowans Restoration remained on site for several months. The builders appointed to repair the damage were Pattersons Buildgroup and proved very efficient and endeavoured to minimise the disruption to the school. The building assessor, Gary Pahl from Sedgewick was very knowledgeable and was a great support throughout the process. »»

In a year of change and uncertainty, St. Philomena's Catholic School continues to place importance on remaining open to create stability and routine for students. Reflecting on the experience of the flood event in 2021, Linda Page says the school is reviewing the use of flood prone spaces and taking positive steps towards building a resilient plan for severe weather events in the future.

"The school is going to prepare a masterplan to minimise disruption in future events. They have developed a Critical Incident Plan. They are very appreciative of the support of CCI and various contractors they engaged who assisted during this recent flood."

St Philomena's Catholic School, Moree NSW

Directors' Report

Directors' Report

The Directors of Catholic Church Insurance Limited (the "Company") have pleasure in presenting their annual financial report on the Company and its controlled entity for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

Directors

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

- Ms Joan Fitzpatrick *(Chair)*
- Mr Gregory Cooper
- Mr Matthew Doquile
- Mr Richard Haddock
- Reverend Dr Philip Marshall
- Mr Noel Condon *(appointed 20 October 2020)*
- Sr Mary Ellen O'Donoghue *(appointed 17 February 2021)*
- Mr Eamonn Cunningham *(appointed 23 June 2021)*
- Mr Paul Gallagher *(Chair until 20 October 2020 – term concluded)*
- Sr C. Louise Reeves *(to 16 February 2021 – resigned)*
- Ms Julie-Anne Schafer *(to 25 February 2021 – resigned)*
- Mr Roberto Scenna *(Alternate Director for Richard Haddock)*

Joan Fitzpatrick
BA, LLB, ANZIIF, Fellow CIP, FAICD

Chair of the Board, Non Executive Director, Member of the Audit Committee, Risk Committee and Nominations, Remuneration & Culture Committee.

Joan joined the Board in 2016 as a Director and was appointed as Chair of the CCI Board in October 2020. With 40 years of commercial business experience and an experienced change management leader, Joan has delivered successful business results including strong engagement of people throughout her career.

Qualified as a barrister, she has senior operations management experience in a range of industries, working for multinational companies in several countries, including 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance Finance. She is a Fellow of ANZIIF and the Australian Institute of Company Directors. She is the Chair of the Boards of ESS Super and Sacré Cœur Independent School Glen Iris, a non-executive Director on the Boards of Defence Bank, Maurice Blackburn Lawyers, AFL Players Injury and Hardship Fund, and an executive Director of her consulting firm, Alvearium Pty Ltd.

Gregory Cooper
BEc (Actuarial Studies), FIA, FIAA

Non Executive Director, Member of the Audit Committee, Investment Committee and Chair of the CCI Asset Management Limited Board.

Greg joined the Board in June 2020. He retired as Chief Executive Officer of Schroder Investment Management Australia in December 2018, and his professional career spans actuarial consulting and funds management across Asia Pacific and the UK. He has worked in various roles across Hong Kong, Singapore, London and Sydney.

Greg is a Director of Perpetual Limited, Chairman of Colonial First State Investments Limited and Avanteos Investments Limited (collectively known as Colonial First State) a group subsidiary of Commonwealth Bank of Australia, and a Director of NSW Treasury Corporation, the Australian Indigenous Education Foundation, and OpenInvest Holdings Limited. He is also a member of the St Ignatius College Investment Committee. Greg was previously Chairman, Deputy Chairman and Director of the Financial Services Council, the industry body representing funds management, retail superannuation and the life insurance industries for 10 years.

Matthew Doquile
B.Ec, MBA (Exec), GAICD

Non Executive Director, Chair of Audit Committee, Chair of Reinsurance Committee, Member of Investment Committee and Risk Committee.

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

Richard M Haddock
AO, KCSG, BA, LLB, FAICD

Non Executive Director, Chair of the Investment Committee, Member of Nominations, Remuneration & Culture Committee, Reinsurance Committee and the CCI Asset Management Limited Board

Richard joined the Board in October 2010. He commenced his professional life as a lawyer and worked with an international bank for most of his career. Richard has been recognised by being appointed an Officer in the Order of Australia (AO).

He is the Chair of the Boards of CatholicCare Sydney, Trustees of Mary Aikenhead Ministries and St Vincent's Curran Foundation and a Director of the University of Notre Dame and Aid to the Church in Need. He is Chair of the Investment Committee of the Archdiocese of Sydney, and a Fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Reverend Dr Philip Marshall
Ph.D

Non Executive Director, Chair of the Nominations, Remuneration & Culture Committee, Member of the Board Reinsurance Committee and CCI Asset Management Limited Board.

Fr Philip joined the Board in 2015 and is currently Vicar General of the Adelaide Archdiocese. He studied Classics at Adelaide University and then worked in the area of community welfare in youth unemployment, before joining the St Francis Xavier Seminary at Rostrevor.

Following his ordination, Fr Philip served in several parishes, and was Principal of Adelaide Theological College for many years. He is a Doctor of Philosophy in the area of ecclesiology. In Canada, he studied the theology of Church with well-known Dominican theologian Father Jean-Marie Tillard. Fr Philip currently has oversight of the Adelaide Archdiocese "Renewing Parishes" program, which embraces ongoing Parish Visitation and the support of clergy and lay leaders in church renewal.

Directors' Report *continued*

Noel Condon

Non Executive Director, Chair of the Risk Committee, Member of Reinsurance Committee and the CCI Asset Management Limited Board.

Noel joined the CCI Board in October 2020. His extensive sector expertise includes insurance and reinsurance markets across Europe and Asia Pacific where he identified business opportunities and led projects that required specialist risk management oversight. His most recent role was as CEO of AIG in Australia.

Noel continues to build strong networks and relationships in financial services and has served on other boards throughout his career. In addition to his role on the Board for CCI, he is an Independent Non-Executive Director for Unimutual.

Sr Mary Ellen O'Donoghue M.EdL, B.Theol, Dip.Teaching

Non Executive Director, Member of Audit Committee, Nominations, Remunerations & Culture Committee and Risk Committee.

Sr Mary Ellen joined the Board in February 2021. As a Sister of St Joseph of the Sacred Heart for over 40 years, she has held significant leadership roles in education and other ministries, including secondary Principal and Chief Executive Officer of Good Grief Ltd. Sr Mary Ellen's board experience includes appointment as Chair of St Anthony's Family Care.

Formally Regional Leader of the Sisters of Saint Joseph (NSW), she is currently a member of the Congregational Leadership Team.

Eamonn Cunningham B.Com, GAICD

Non Executive Director

Eamonn Cunningham joined the Board in June 2021. As a risk management professional, he has held Chief Risk Officer roles with Westfield Group and Scentre Group. In 2017, he was awarded the Lifetime Achievement Award by StrategicRisk, in 2014 he was inducted into the Business Insurance Risk Manager of the Year Honour Roll, while in 2010 he was awarded Risk Manager of the Year by the Australian and New Zealand Institute of Insurance and Finance (ANZIF).

He has substantial involvement in Board Committees and been a longstanding Director and current Chair of the Risk and Insurance Management Society Australasia. He was a member of the M200 Association and Chair of the Risk Management Committee of the Property Council of Australia.

Eamonn has extensive experience in establishing and leading local and global Risk Management and Insurance teams and gained significant experience in a multinational company. He currently runs his own consulting business with a specific emphasis on Enterprise Risk Management and Strategic Risk Management. .

Dividends and Catholic Entity Distributions

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

In respect of the financial year ended 30 June 2021, the Directors have recommended that no dividend be paid (2020: $nil). No dividend has been provided for in the 30 June 2021 financial statements.

The Company's results as at and for the year ended 30 June 2021 mean that Directors were unable to approve a Catholic Entity Distribution to be paid in 2021 for CCI (2020: $nil) but were able to approve a Catholic Entity Distribution to be paid in respect of CCI Asset Management of $186,000 (2020: $387,000).

Principal activities

The principal activities of the Company during the year were to underwrite the property, workers' compensation and casualty risks of entities of the Catholic community in Australia. CCI also underwrites clients in the broader Christian community and the education sector. The company provides some domestic residential plus motor vehicle insurance and holiday travel insurance to the Catholic community via a referral agreement with a personal general lines insurer.

The Company's wholly owned subsidiary, CCI Asset Management Limited acts as Responsible Entity of the CCI Asset Management trusts and Individually Mandated Accounts. CCI Asset Management manages investment of funds relating to the Catholic community.

Review of operations

The Group reported a loss for the year of $192m that was primarily due to a $253m strengthening reserves for Professional Standards.

Gross Written Premium (including FSL) of $311m was up $39m or 14% compared to last year. The growth was largely driven by a combination of rate and exposure increases, whilst retention rates across both direct and intermediated business remains very strong at 99%. New business was relatively subdued compared to last year due to CCI taking a more cautious approach to risk selection whilst the capital position was being restored.

Given the continued trends in the volume of Professional Standards claims being received, CCI undertook a detailed review of its exposure which has resulted in a further strengthening of reserves. Net Incurred Claims of $340m decreased by $7m or 2% largely as a result of the lower strengthening of the reserve for Professional Standards claims compared to last year. Net Incurred Claims in the core portfolio (excluding Professional Standards) benefited from releases of prior year reserves in the casualty portfolio but were adversely impacted by increases in the property portfolio, particularly as a result of both current and prior year claims for costs of natural catastrophes.

Investment Income saw a return of $30m for the year, driven largely by returns from equity markets as markets rallied post the initial COVID-19 downturn. To support the capital position during the year until a capital injection could be executed, CCI de-risked the investment portfolio to reduce the asset risk charge, selling down most investments in equities, fixed income and property assets to be largely invested in cash investments as at 30 June 2021. Whilst this has impacted CCI's ability to earn investment income in the short-term, it is intended CCI will be able to return to higher earning investment classes as the capital position strengthens over time.

CCI continues to look for ways it can add value to its clients and the broader Catholic community. Our asset management business CCIAM continues to grow profitably with a $65m or 8% increase in assets under management, whilst our white-label insurance arrangements for personal home and motor insurance all recorded strong years.

As flagged in the 2020 annual report, the continued high volume of professional standards claims meant CCI activated its capital recovery plan during the year and was successful in securing a $169m capital injection from existing shareholders in June 2021. Whilst this was a welcome vote of confidence from the shareholder base, the increase in professional standards claims largely eroded the benefit of the capital injection, resulting in the Prescribed Capital Requirement (PCR) ratio moving to 1.40x from 1.31x in the previous year. As a result, CCI will continue to execute the capital recovery plan in the coming year to restore the capital position back to the Board approved target capital range, which includes a mix of operational initiatives to improve profitability as well as focusing on strengthening the balance sheet and improving its capital efficiency.

Results of operations	2021 $'000	2020 $'000
Group Loss	(192,313)	(247,408)

The group is exempt from the requirements of the Income Tax Assessment Act

Capital Adequacy

	2021 $'000	2020 $'000
Common equity Tier 1 capital		
Paid-up ordinary shares	175,333	8,139
Retained earnings	106,107	298,854
	281,440	306,993
Technical provisions in surplus of liability valuation:		
- Surplus from Liability Adequacy Test	17,462	14,665
	17,462	14,665
Tier 1 capital		
Less: deductions		
Intangible assets	(6,944)	(10,420)
Common equity Tier 1 capital	**(6,944)**	**(10,420)**
Total capital base	**291,958**	**311,238**
Prescribed capital amount		
Insurance risk charge	161,033	136,690
Insurance concentration risk charge	7,000	7,000
Asset risk charge	42,509	134,265
Operational risk charge	27,465	22,962
Less Aggregation benefit	(29,160)	(62,569)
Total PCA	**208,847**	**238,348**
PCA multiple	**1.40**	**1.31**

Employees

The group employed 221 employees as at 30 June 2021 (2020: 240 employees).

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 statements.

Significant changes in the state of affairs

In June 2021, CCI received a capital injection from existing shareholders of $168.9m. In the opinion of Directors, there were no other significant changes in the state of affairs of the Group other than as disclosed in this report.

Subsequent events after the reporting date

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

Likely developments and expected results

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

State and federal inquiries

Western Australia, Queensland, Victoria and Tasmania have implemented mechanisms for the revisiting of past professional standards claims. New South Wales is in the process of considering legislation to enable revisits of past claims. Revisits have been considered by the Appointed Actuary in the valuation of outstanding claims. The practical boundaries of the legislation will likely continue to be tested via specific legal cases.

Legislative change arising from the various State and Federal Inquiries continues to evolve and the ultimate financial impact on CCI continues to be closely monitored as the substantive impact of those changes emerge.

National Redress Scheme

The National Redress Scheme ("the Scheme") commenced operations on 1 July 2018. Many of CCI's clients have voluntarily opted into the Scheme. CCI has identified that its policies cannot respond to liabilities which arise solely by virtue of the Scheme.

In March 2021, the Final Report of the Second Year Review of the Scheme was completed. The Federal Government has committed to adopt 25 of the 38 recommendations made in the Review and provide a final response to all of the Review's recommendations by early 2022. The Recommendations adopted by the Government to date are not expected to change the substance of the Scheme. As such, CCI currently does not anticipate such potential changes to the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

CCI will continue to monitor developments with the Scheme and any potential flow on effects to civil claims.

Environmental regulation and performance

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

Directors shareholdings

Each Director in office at 30 June 2021, except Mr Cunningham, holds 1,250 shares in Catholic Church Insurance Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church. In addition 1,000 shares held by former Director Ms Schafer which are in the process of being transferred to Mr Cunningham. (refer to note 28(c)).

Indemnification of officers

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

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

Indemnification of auditors

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

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

Directors' meetings

The following table sets out the number of meetings of the Company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2021 and the number of meetings attended by each Director.

	Full Board		Risk Committee		Audit Committee	
Number of meetings attended by:	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
J Fitzpatrick	18	18	7	7	3	4*
G Cooper	18	15	-	1*	3	3
M Doquile	18	18	9	8	2	3*
R Haddock	18	18	-	-	-	1*
P Marshall	18	18	-	1*	-	2*
N Condon	15	15	4	4	-	1*
M O'Donoghue	12	9	2	2	2	2
E Cunningham	1	1	-	-	-	-
P Gallagher	3	3	4	3	1	1
L Reeves	6	6	8	6	2	1
J Schafer	7	5	7	6	2	2

	Nominations, Remunerations & Culture Committee		Investment Committee		Reinsurance Committee	
Number of meetings attended by:	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
J Fitzpatrick	3	3	-	1*	1	1
G Cooper	-	-	4	3	-	-
M Doquile	-	-	3	3	2	3*
R Haddock	2	2	4	4	3	3
P Marshall	3	3	-	-	3	3
N Condon	-	-	-	-	2	2
M O'Donoghue	2	2	-	-	-	-
E Cunningham	-	-	-	-	-	-
P Gallagher	1	-	1	1	-	-
L Reeves	-	-	-	-	-	-
J Schafer	1	1	-	-	-	-

^ Additional director meetings of the full board were held during the year as the company worked through the execution of the capital recovery plan.

* Director attended additional Committee Meetings, of which they were not a Member, by standing invitation.

Directors' Report *continued*

Director's benefits

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in note 28(b).

Rounding

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors.

J Fitzpatrick, Director
Melbourne, 8 September 2021

Auditor's Independence Declaration

EY
Building a better working world

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

In relation to our audit of the financial report of Catholic Church Insurance Limited for the financial year ended 30 June 2021, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

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

Ernst & Young

T M Dring
Partner
Melbourne
8 September 2021

Financial Statements

Statement of Comprehensive Income

For the financial year ended 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Premium revenue	8	299,242	264,203	299,242	264,203
Outwards reinsurance expense	8	(113,378)	(96,650)	(113,378)	(96,650)
Net premium revenue	8	185,864	167,553	185,864	167,553
Gross claims incurred	9	(497,509)	(457,692)	(497,509)	(457,692)
Reinsurance & other recoveries revenue	9	157,797	111,304	157,797	111,304
Net claims incurred	9	(339,712)	(346,388)	(339,712)	(346,388)
Gross commission expense		(3,345)	(2,437)	(3,345)	(2,437)
Reinsurance commission revenue		23,274	18,834	23,274	18,834
Net commission	12	19,929	16,397	19,929	16,397
Other underwriting expenses	10	(62,166)	(61,821)	(62,166)	(61,821)
Underwriting result		(196,085)	(224,259)	(196,085)	(224,259)
Investment income	11	29,545	(8,960)	29,545	(8,960)
General administration expenses	10	(29,590)	(19,498)	(27,650)	(17,779)
Catholic entity distributions		(186)	(387)	-	-
Revenue from contracts with customers		3,906	5,614	1,363	3,142
Other Revenue		97	82	80	62
Profit / (Loss) for the period	12	(192,313)	(247,408)	(192,747)	(247,794)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		(192,313)	(247,408)	(192,747)	(247,794)

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

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

Statement of Financial Position

As at 30 June 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Assets					
Cash and cash equivalents	13	629,455	193,922	628,258	192,837
Trade and other receivables	14	119,817	111,678	119,106	111,049
Reinsurance recoveries	14	274,931	178,154	274,931	178,154
Financial assets at fair value through profit and loss	16	690,838	972,824	690,838	972,824
Deferred reinsurance expense	15	49,184	43,638	49,184	43,638
Plant and equipment	19	20,652	25,816	20,652	25,816
Other assets	18	5,805	6,078	5,805	6,078
Tax assets	17	3,320	4,763	3,320	4,763
Intangible assets	20	6,944	10,413	6,944	10,413
TOTAL ASSETS		1,800,946	1,547,286	1,799,038	1,545,572
Liabilities					
Trade and other payables	21	64,450	52,136	64,450	52,097
Other liabilities	23	17,072	28,465	17,072	28,465
Unearned premium reserve	27	184,941	170,126	184,941	170,126
Provisions	22	9,572	9,205	9,386	8,818
Outstanding claims	26	1,241,749	979,073	1,241,749	979,073
TOTAL LIABILITIES		1,517,784	1,239,005	1,517,598	1,238,579
NET ASSETS		283,162	308,281	281,440	306,993
Shareholders' equity					
Contributed equity	24	175,333	8,139	175,333	8,139
Retained profit / (loss)		107,829	300,142	106,107	298,854
TOTAL SHAREHOLDERS' EQUITY		283,162	308,281	281,440	306,993

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

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 2021

	Note	Contributed Equity $'000	Retained Earnings $'000	Total $'000
Group				
At 1 July 2019		8,139	547,550	555,689
Net profit / (loss) for the period		-	(247,408)	(247,408)
At 30 June 2020		8,139	300,142	308,281
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
Company				
At 1 July 2019		8,139	546,648	554,787
Net profit / (loss) for the period		-	(247,794)	(247,794)
At 30 June 2020		8,139	298,854	306,993
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

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

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 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Cash flows from operating activities					
Premiums received		304,175	282,591	304,175	282,591
Outwards reinsurance paid		(92,879)	(76,337)	(92,879)	(76,337)
Claims paid		(235,195)	(172,558)	(235,195)	(172,558)
Reinsurance and other recoveries received		61,304	34,455	61,304	34,455
Acquisition costs paid		(3,381)	(2,310)	(3,381)	(2,310)
Other underwriting expenses paid		(45,914)	(48,133)	(45,914)	(48,133)
Other operating expenses paid		(31,004)	(18,910)	(28,859)	(16,740)
Other operating income received		4,015	5,303	1,557	2,810
Interest received		18,959	17,433	18,959	17,433
Dividends received		17,725	32,427	17,725	32,427
Catholic entity distributions & grants		(864)	(7,567)	(663)	(7,876)
Donations - CCI Giving		(256)	(253)	(256)	(253)
Total cash flows (used in) from operating activities	31	(3,315)	46,141	(3,427)	45,509
Cash flows from investing activities					
Movement in investment trading:					
- Purchases		(552,019)	(27,072)	(552,019)	(27,072)
- Proceeds		829,402	24,873	829,402	24,873
Payments for plant and equipment		(1,191)	(1,833)	(1,191)	(1,833)
Proceeds from sale of plant and equipment		306	754	306	754
Payments for intangibles		(580)	(970)	(580)	(970)
Total cash flows (used in)/from investing activities		275,918	(4,248)	275,918	(4,248)
Cash flows from financing activities					
Dividends paid		-	-	-	-
Principle payments from lease liabilities		(3,646)	(3,199)	(3,646)	(3,199)
Interest payments from lease liabilities		(618)	(601)	(618)	(601)
Movement in shares issued:					
- Proceeds		168,980	-	168,980	-
- Transaction costs		(1,786)	-	(1,786)	-
Total cash flows (used in) financing activities		162,930	(3,800)	162,930	(3,800)
Net increase / (decrease) in cash held		435,533	38,093	435,421	37,461
Cash and cash equivalents at 1 July		193,922	155,829	192,837	155,376
Cash and cash equivalents at 30 June	13	629,455	193,922	628,258	192,837

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

Notes to the Financial Statements

For the financial year ended 30 June 2021

1. Corporate information

The consolidated financial report of Catholic Church Insurance Limited (the company) and its controlled entity for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 8 September 2021.

Catholic Church Insurance Limited 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.

Certain items have been reclassified from CCI's prior year financial report to conform to the current year's presentation basis. The reclassifications are:

- reclassification of general reserves to retained earnings (see note 25 for further details); and
- reclassification of Software as a Service costs incurred from Intangible Assets to operating expenditure (see note 2(e) for further details).

Any comparative information has been updated to accord with changes in presentations made in the current year.

b) Statement of compliance

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

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

Australian Accounting Standards which have been issued or amended during the annual reporting period ending 30 June 2021 and have been applied in preparing the company's financial statements, where applicable.

Title	Description
AASB 2018-6	Amendment – Definition of a Business
AASB 2018-7	Amendment – Definition of Material
AASB 2019-1	Amendment – References to the Conceptual Framework
AASB 2020-4	Amendment – COVID-19 Related Rent Concessions

Adoption of the new and amended accounting standards has had no material financial impact on the company.

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 2021 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 table.

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 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The new standard provides guidance for the classification and measurement of financial assets, makes minor amendments to the accounting for financial liabilities, prescribes new principles for measuring and recording impairment and provides a new set of rules for hedge accounting.

Adoption of AASB 9 and AASB 17 will be done concurrently and work is currently underway to assess the financial impact.

AASB 17 Insurance Contracts

AASB 17, adopted by the Australian Standards Board on 19 July 2017, replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. Since issued various implementation matters have been raised by stakeholders resulting in targeted amendments issued on 10 July 2020 in the finalised standard.

The first applicable reporting period for CCI is expected to be the year ending 30 June 2024, with the comparative period being 30 June 2023.

CCI has considered the key areas of expected impact and variability and consequently have drafted eight new accounting policies outlining how we intend to apply the standard.

The implementation project is being run in conjunction with the Finance System upgrade with the project set to complete by June 2022.

Adoption of the amended accounting standards is not expected to have a material financial impact on the company.

e) Australian Accounting Standards where new interpretation has been applied

Title	Description	Change Date
AASB 138	Intangible Assets	1 July 2020

AASB 138 Intangible Assets

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. As a result the Group has changed its accounting policy interpretation in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting policy - Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously, some costs had been capitalised and amortised over its useful life.

Impact of change in accounting policy

For the current year, $2.1m of costs relating to the Groups System Implementation Projects that would previously have been capitalised (under the previous policy interpretation) were expensed.

Cash outflows of $2.1m were included in payments to suppliers and employees in the Statement of cash flows that previously would have been included as payments to acquire intangible assets.

The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

	30 June 2020	1 July 2019
Consolidated statement of financial position (increase/ (decrease)):		
Assets		
Intangible assets	(513,020)	(1,549,911)
Accumulated Amortisation	(326,966)	(289,411)
Total assets/Net assets	(186,054)	(1,260,550)
Equity		
Retained earnings	(186,054)	(1,260,550)
Total equity	(186,054)	(1,260,550)

	2020	2019
Consolidated statement of comprehensive income (increase/ (decrease)):		
IT related expense	513,020	1,549,911
Depreciation and amortisation	(326,966)	(289,411)
Profit	(186,054)	(1,260,550)
Consolidated statement of cash flows (increase/ (decrease)):		
Other operating expenses paid	513,020	1,549,911
Net Cash Flows from operating activities	513,020	1,549,911
Payments for intangibles	(513,020)	(1,549,911)
Net Cash Flows from investing activities	(513,020)	(1,549,911)

f) 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.

g) 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.

h) 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.

i) 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.

j) 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 26.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

s) Superannuation

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

t) 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 35 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 are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Trade and other receivables

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

(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. In cases where the period between trade and settlement exceeds this timeframe, the transaction is recognised at settlement date.

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

u) Plant and equipment

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

v) 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(x) 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.

w) 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:

	2021	2020
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.

x) 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.

y) 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.

z) 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 2021 for the consolidated entity was $0.186m (2020: $0.387m) and for the company was $nil (2020: $nil). The grant distributions declared for 2021 for the consolidated entity was $0.15m (2020: $0.919m) and for the company was $0.15m (2020: $0.919m).

aa) 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.

bb) 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(x).

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.

cc) Options

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

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

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

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 on the next page.

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

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

The provision for outstanding claims is a highly subjective number, in particular the estimation of IBNR where information may not be apparent to the insured until many years after the events giving rise to the claims have happened. It is therefore likely that the final outcome will prove to be different from the original liability. In particular, there is considerable uncertainty regarding the professional standards claims under the public liability class. The modelling of these claims is difficult due to the relatively small number of claims and the long delay from date of incident to date of report.

The professional indemnity and workers' compensation portfolios also will have variations between initial estimates and the final outcomes due to the nature of the claims where not all details are known at the date of report and it may be many years between reporting and settling of these claims. The short- tail classes do not exhibit such long delays in settlements or level of development of estimates over time. Hence the level of volatility of the estimates is generally much less than that seen for the long-tail classes.

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

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

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts 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

The COVID-19 pandemic is ongoing and still continues to raise the 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 2021 about future events, including the impact of continuing outbreaks. To date, the company has not received a material claim as a result of the COVID-19 pandemic.

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

CCI has had no noticeable impact on claims experience due to COVID-19 or the lockdowns, having reported only two COVID-19 related claims to date. On this basis we have taken a "business as usual" approach to valuing the outstanding claims liabilities at 30 June 2021.

Premium liability

There has been no premium liability impact to CCI in the past 12 months related to any COVID-19 issues and in a similar manner to the prior year, most client's insurance requirements have been unaffected. CCI have also had little exposure to clients expecting or requiring a return premium due to our key sectors having reduced exposure.

Aged Care: Residents have remained in their fully operational aged care homes and so up to 30 June 2021 there had been no reduction in exposure and consequently no change in the insurance programs and premiums.

Health Care: In a similar manner to Aged Care the business remained operational and therefore there was no reduction in exposure and hence no changes to the insurance programs and premiums. CCI's revenue for the Health Care sector remained consistent.

Welfare: In some parts of the Welfare sector CCI saw a reduction in activity where Opportunity Shops, for example, closed for a short time due to government restrictions. However, this has been outweighed by increased demands on the Welfare sector. CCI's revenue for the Welfare sector has remained consistent.

Education: There was a varying response across Australia by State / Territory governments as to whether students physically attended school or were home schooled. Nationally, the majority of schools were open for in class education in the past year. Regardless of how education is undertaken, schools continue to operate, and all types of insurance are still required as risk exposures remain. CCI's revenue for the Education sector has remained stable.

Fair value measurement of investments

CCI's investments are designated at fair value through profit and loss, and for the vast majority of the investments, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19.

Where readily available market data is not available to determine fair value, then a mark-to- model approach is adopted. Judgement is required in both the selection of the model and inputs used. The investments which are subject to valuation using unobservable inputs are disclosed in the fair value hierarchy. Refer to Note 35 for further details on investments.

Credit Risk

The impact of COVID-19 on the recoverability of receivables from (re)insurance and non- insurance contracts have been considered however the methodologies and assumptions applied in assessing the credit risk are unchanged from prior year.

While no material recoverability issues have been identified, there is a risk that the economic impacts of COVID-19 could be felt longer than anticipated, which could result in credit losses in the future.

d) Assessment of Intangible Assets

Note 2(e) describes the Group's accounting policy in respect of customisation and configuration costs incurred in implementing SaaS arrangements. In the process of applying the Company's accounting policy, management has made following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

- Determining whether cloud computing arrangements contain a software licence intangible asset The Group evaluates cloud computing arrangements to determine if it provides a resource that the Group can control.

  The Group determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:

  - The Group has the contractual right to take possession of the software during the hosting period without significant penalty.
  - It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

- Capitalisation of configuration and customisation costs in SaaS arrangements

  Where the Group incurs costs to configure or customise SaaS arrangements and such costs are considered to enhance current on-premise software or provide code that can be used by the Group in other arrangements, the Group applies judgement to assess whether such costs result in the creation of an intangible asset that meets the definition and recognition criteria in AASB 138 Intangible Assets. For the year ended 30 June 2021, $nil (2020: $nil) of costs incurred in implementing SaaS arrangements were recognised as intangible assets.

- Determination whether configuration and customisation costs provide a distinct service to access to the SaaS

  The Group applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses when incurred.

4. Actuarial assumptions and methods

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

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

Short-tail

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

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

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

Public Liability

Public Liability includes general liability and Professional Standards claims.

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

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

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

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

The professional standards provision is subject to significant uncertainty arising from the publicity surrounding the Royal Commission into Institutional Responses to Child Sexual Abuse over the last 5 years and more recently the introduction of the National Redress Scheme. The National Redress Scheme was established as at 1 July 2018 and designed for minimal legal involvement. The Scheme is expected to be open for 10 years and ultimately expects 60,000 participants. While the maximum payment is capped at $150,000, based on an expected distribution of severity, the average expected payment is $65,000, although recent experience is just over $80,000. It is possible that a significant proportion of claims that CCI would ordinarily have received in the future may be diverted to the Redress Scheme. While the Redress process has minimal legal involvement, claimants may seek independent legal advice. CCI has identified that its policies cannot respond to the liabilities which arise solely by virtue of the Scheme. As a result, Claimants will not be able to accept both a Redress Scheme payment and pursue CCI.

Professional Indemnity

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

Discounting is also applied for this long tail class.

Workers' Compensation

The same methodologies applied to public liability were also used for the workers' compensation class.

a) Actuarial assumptions

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

2021	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	**Less than 1 year**	**3.6 years**	**3.1 years**	**2.1 years**
Wage inflation	0.00%	2.25%	2.25%	2.25%
Superimposed inflation	0.00%	1.91%	0.00%[1]	3.00%[2]
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%

[1] Superimposed inflation assumption is implicit in the adopted ICD methodology.

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

2020	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	**Less than 1 year**	**3.0 years**	**3.2 years**	**2.9 years**
Wage inflation	0.00%	1.25%	1.25%	1.25%
Superimposed inflation	0.00%	1.85%	5.00%	0.00%
Discount rate	0.00%	0.25%	0.25%	0.25%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	10.00%	26.00%	16.00%	9.00%

b) Processes used to determine assumptions

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

Average weighted term to settlement

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

Inflation

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

Superimposed inflation

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

Discount rate

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

Expense rate

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

Risk margins

Risk margins have been based on features of the company's portfolios using general industry models to measure the variability of liabilities. The risk margin applied to CCI's professional standards portfolio has been retained at 27.5% this year for Molestation ('MOL") claims but has reduced to 0% for Ethical Standards Liability ("ETL") claims based on the work undertaken by CCI to understand remaining coverage according to the ETL annual policy limits.

Average claim size

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

Number of IBNR claims

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

Incurred cost development

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

Minimum loss ratio

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

Number and average claim size of latent claims

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

c) Sensitivity analysis – insurance contracts

The 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 variable**			
Average weighted term to settlement (years)	+0.5	(636)	(503)	(636)	(503)
	-0.5	651	517	651	517
Average claim size	+10%	60,768	60,660	60,768	60,660
	-10%	(60,768)	(60,660)	(60,768)	(60,660)
Expense rate (gross claims cost)	+1%	11,463	11,463	11,463	11,463
	-1%	(11,463)	(11,463)	(11,463)	(11,463)
Inflation and superimposed assumption	+0.25%	12,981	11,664	12,981	11,664
	-0.25%	(12,981)	(11,664)	(12,981)	(11,664)
Discount rate	+0.25%	(12,981)	(11,664)	(12,981)	(11,664)
	-0.25%	12,981	11,664	12,981	11,664
Risk margins	+1%	9,946	8,062	9,946	8,062
	-1%	(9,946)	(8,062)	(9,946)	(8,062)

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.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

- 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 within risk tolerance.

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

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

The key areas of risk exposure discussed below are:

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

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

a) Insurance risk

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

The 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.

Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into both short-tail and long-tail classes of business across all states in Australia.

The portfolio is controlled and monitored by the Company's Risk Management Strategy and various Board Committees. To manage the risks associated with natural catastrophes (i.e. those properties concentrated in regions susceptible to earthquakes, bushfires, cyclones or hail storms), the company's underwriting strategy requires risks to be differentiated in order to reflect the higher loss frequency in these areas. The company also purchases catastrophe reinsurance protection to limit the financial impact of its exposure to any single event.

Terms and conditions of insurance contracts

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the 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, stabilise earnings, protect capital resources and ensure efficient control and spread of underwriting risk. The framework for the selection of reinsurers is determined by the Board Reinsurance Committee. This decision is based on the nominated reinsurers meeting a desired credit rating, credit limits and performance criteria.

c) Operational risk

Operational risk is the risk of loss arising from inadequate systems and controls, human error or management failure. The 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 continuing to provide returns to shareholders and Church policyholders. Where appropriate, adjustments are made to capital levels in light of changes in economic conditions and risk characteristics of the 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.

During the financial year the Group underwent a capital raising exercise, effectively raising an additional $169M from existing shareholders as part of their capital management plan.

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 no future exposure to foreign currency risks. The entities operate solely in Australia and have no direct foreign currency holdings. All previously held international equities have been divested during the year.

(ii) Interest rate risk

Catholic Church Insurance Limited invests in floating rate and fixed rate financial instruments. Interest rate movements expose Catholic Church Insurance Limited to cash flow risks (income) from floating rate investments and fair value risks (capital) for fixed rate investments.

Interest rate risk is managed by maintaining an appropriate mix between floating and fixed interest bearing deposits.

Catholic Church Insurance Limited has no interest bearing financial liabilities.

The maturity profile of the group's financial assets and liabilities and effective weighted average interest rate are set out in note 34.

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

(iii) Price risk

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

The 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 Catholic Church Insurance Limited credit risk exposure:

- The investment policy defines net exposure limits for financial instruments and counterparties, minimum credit ratings and terms of net open derivative positions. Compliance with the policy is monitored with exposures and breaches reported to the Board Investment Committee;
- The 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 relationships with Church leaders and organisations. Catholic Church Insurance Limited actively pursues the collection of premiums by client negotiation and use of Church resources; and
- The allowance for impairment is assessed by management monthly.

(i) Credit exposure

The following tables provide information regarding the aggregate credit risk exposure of the 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
2021							
Consolidated							
Cash and cash equivalents	533,439	95,222	686	-	-	108	629,455
Interest bearing investments[1]	529,889	108,355	14,988	-	-	-	653,232
Reinsurance & other recoveries[2]	-	203,226	74,694	23,758	-	-	301,678
2020							
Consolidated							
Cash and cash equivalents	-	192,926	84	910	-	2	193,922
Interest bearing investments[1]	139,003	168,534	19,272	36,227	-	-	363,036
Reinsurance & other recoveries[2]	-	132,142	47,507	20,797	-	-	200,446

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

2 Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 14). The BBB and speculative credit rating's associated with reinsurance and other recoveries is based on the historic recoverability associated with reinsurers in run-off and does not reflect the actual grading of reinsurers in our reinsurance program where the majority have a security rating of A or above.

The difference between the group and the company relates to cash and cash equivalents. The AA rating for the company reduces by $1,197,000 for the current year and by $1,085,000 for the prior year.

(ii) **Asset carrying value**

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

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

	Not Past Due	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
2021						
Consolidated						
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
2020						
Consolidated						
Premiums receivable	93,211	4,216	658	4,209	1,413	103,707
Reinsurance & other recoveries[1]	187,254	10,637	-	1,322	1,233	200,446
Other receivables[2]	9,052	-	-	-	-	9,052

1 Includes reinsurance recoveries on outstanding claims and reinsurance commission's receivable. (refer note 14).

2 Includes investment income accrued and sundry debtors (refer note 14).

The difference between the group and the company relates to other receivables. The "Not past due" category for the company decreases by $711,000 for the current year and $629,000 for the prior year.

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

c) Liquidity risk

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

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

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

The following tables summarise the maturity profile of financial liabilities of the 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 & company	$'000	$'000	$'000	$'000	$'000
2021					
Trade and other payables	64,450	-	-	-	64,450
Lease Liabilities	1,098	3,295	12,474	1,644	18,512
Financial Liabilities – Options / Futures	-	25	-	-	25
Outstanding Claims	-	143,907	1,097,842	-	1,241,749
2020					
Trade and other payables	52,136	-	-	-	52,136
Lease Liabilities	1,133	3,399	15,380	3,131	23,044
Financial Liabilities – Options / Futures	-	7,167	-	-	7,167
Outstanding Claims	-	88,877	890,196	-	979,073

d) Sensitivity

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

		Financial Impact +/-: 2021 Net Profit / (Loss)	2021 Equity	2020 Net Profit / (Loss)	2020 Equity
Market risk	**Movement in variable**	$'000	$'000	$'000	$'000
Interest rate	2%+/-	32,252/(32,252)	32,252/(32,252)	27,645/(27,645)	27,645/(27,645)
International Equities	10%+/-	-	-	23,426/(23,426)	23,426/(23,426)
Domestic Equities	10%+/-	3,891/(3,891)	3,891/(3,891)	32,329/(32,329)	32,329/(32,329)

7. COVID-19

While the ongoing impact of COVID-19 continues to evolve, and is expected to continue to influence CCI over the coming year, we have taken steps to manage this risk across a number of areas, including:

a) Capital and market risk

COVID-19 has given rise to increased levels of market volatility and credit risk (both in the investment portfolio and with our customers and suppliers) that has required a more active capital monitoring approach. Initiatives to achieve this include more frequent assessments of capital adequacy to account for larger, and more rapid, investment market movements and further capital stress testing against COVID-19 related risks. Capital levels will continue to be very closely monitored. In light of the reduced capital levels experienced in recent years, CCI has activated its capital recovery plan and is well progressed in the process of restoring regulatory capital back to the target capital level. This initiative includes a number of different options including some already implemented during the year.

b) Insurance risk

Refer to the disclosures provided in Note 5(a).

c) Client risk

CCI is very aware of the challenges faced by our clients during this difficult period. CCI continue to discuss with them methods in which we can address any affordability concerns. It is important to note that the demand for many of the services our clients offer remains unchanged and in some cases have increased during the pandemic.

d) Operational and technology risk

CCI's staff welfare remains at the forefront of management thinking and the transition into a work from home stance to minimise exposure risk for staff reflects this and provides uninterrupted service to our clients. In recognition of the different risks and challenges posed by working remotely, technology, systems and processes continue to be reviewed and updated to reflect the additional risks during this period and have remained robust. For those returning to the office and in contact with clients, clear protocols are in place to ensure that risks are identified and minimised for all concerned.

e) Regulatory risk

CCI has engaged consistently with regulators regarding our response to COVID-19 and providing updates on potential exposures linked to the pandemic. CCI has also been active in industry wide responses to regulatory and legislative changes in response to COVID-19.

8. Net premium revenue

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Direct	289,910	255,410	289,910	255,410
Fire service levies	9,332	8,793	9,332	8,793
Premium revenue	299,242	264,203	299,242	264,203
Outwards reinsurance expense	(113,378)	(96,650)	(113,378)	(96,650)
Net premium revenue	185,864	167,553	185,864	167,553

9. 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.

	2021			2020		
	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	165,127	340,975	506,102	172,210	270,909	443,119
Discount and discount movement	(8,602)	9	(8,593)	(9,629)	24,202	14,573
Gross / Net claims incurred and related expenses	156,525	340,984	497,509	162,581	295,111	457,692
Reinsurance and other recoveries	(63,427)	(95,460)	(158,887)	(65,728)	(45,472)	(111,200)
Discount and discount movement	7,967	(6,877)	1,090	9,163	(9,267)	(104)
Reinsurance and other recoveries	(55,460)	(102,337)	(157,797)	(56,565)	(54,739)	(111,304)
Net claims incurred (discounted)	101,065	238,647	339,712	106,016	240,372	346,388

The balance of net claims incurred for the group is the same as the company.

Due to a higher than expected number of claims reported for professional standard claims during the current reporting period, there has been a reassessment of the key actuarial assumptions that underpin the calculation of the outstanding claims liabilities resulting in a significant increase in the net claims incurred balance for risks borne in prior years.

Refer to Note 4 for the process for determining the outstanding claim liability for all classes of insurance underwritten.

10. Other underwriting and general administration expenses

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Expenses by function:				
Levies and charges	12,426	11,496	12,426	11,496
Administration expenses	49,740	50,325	49,740	50,325
Other underwriting expenses	62,166	61,821	62,166	61,821
Investment expenses	275	608	275	608
Marketing expenses	267	855	267	855
Interest on lease liabilities	612	601	606	593
Depreciation charges (note 19)	5,826	6,186	5,766	6,186
Information technology expenses	3,130	5,404	3,130	5,404
Employee expenses	9,603	4,156	8,804	3,512
Other expenses	9,877	1,688	8,802	621
General administration expenses	29,590	19,498	27,650	17,779

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

11. Investment income

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Dividend income	13,118	29,540	13,118	29,540
Interest income	13,887	14,164	13,887	14,164
Changes in fair value				
- Unrealised gains / (losses) on investments	(2,668)	(49,544)	(2,668)	(49,544)
- Realised gains / (losses) on investments	5,208	(3,120)	5,208	(3,120)
	29,545	(8,960)	29,545	(8,960)

12. Profit/(loss) for the period)

	Group 2021	Group 2020	Company 2021	Company 2020
	$'000	$'000	$'000	$'000
Gross written premiums	311,084	272,484	311,084	272,484
Unearned premium movement	(11,842)	(8,281)	(11,842)	(8,281)
Gross earned premium	299,242	264,203	299,242	264,203
Outward reinsurance expense	(113,378)	(96,650)	(113,378)	(96,650)
Net earned premium	185,864	167,553	185,864	167,553
Gross claims incurred	(497,509)	(457,692)	(497,509)	(457,692)
Reinsurance and other recoveries	157,797	111,304	157,797	111,304
Net claims incurred	(339,712)	(346,388)	(339,712)	(346,388)
Gross commission expense	(3,345)	(2,437)	(3,345)	(2,437)
Reinsurance commission revenue	23,274	18,834	23,274	18,834
Net commission	19,929	16,397	19,929	16,397
Underwriting expenses	(62,166)	(61,821)	(62,166)	(61,821)
Underwriting profit / (loss)	**(196,085)**	**(224,259)**	**(196,085)**	**(224,259)**
Dividend income	13,118	29,540	13,118	29,540
Interest income	13,887	14,164	13,887	14,164
Changes in fair value:				
- Unrealised gains / (losses) on investments	(2,668)	(49,544)	(2,668)	(49,544)
- Realised gains / (losses) on investments	5,208	(3,120)	5,208	(3,120)
Revenue from contracts with customers	3,906	5,614	1,363	3,142
Other income	97	82	80	62
Investment and other income	**33,548**	**(3,264)**	**30,988**	**(5,756)**
General administration expenses	(29,590)	(19,498)	(27,650)	(17,779)
Catholic entity distributions	(186)	(387)	-	-
Profit / (Loss) from ordinary activities	**(192,313)**	**(247,408)**	**(192,747)**	**(247,794)**

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

13. Cash and cash equivalents

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Cash and cash equivalents comprises:				
- Cash on hand	-	2	-	2
- Cash at call	629,455	193,920	628,258	192,835
	629,455	193,922	628,258	192,837
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	629,455	193,922	628,258	192,837
	629,455	193,922	628,258	192,837

The group has a combined bank overdraft facility of $150,000 (2020: $150,000). This facility was unused at 30 June 2021 (2020: Unused).

14. Trade and other receivables

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Premiums receivable (i)	118,586	103,707	118,586	103,707
Provision for doubtful debts on premiums	(1,729)	(1,081)	(1,729)	(1,081)
	116,857	102,626	116,857	102,626
Investment income accrued (iii)	1,339	9,027	1,339	9,027
Sundry debtors (iv)	1,621	25	910	(604)
	119,817	111,678	119,106	111,049
Reinsurance and other recoveries on outstanding claims and claims paid (ii)	157,902	102,541	157,902	102,541
Provision for doubtful debts on reinsurance recoveries	(26,747)	(22,292)	(26,747)	(22,292)
	131,155	80,249	131,155	80,249
Total current receivables	250,972	191,927	250,261	191,298
Reinsurance and other recoveries on outstanding claims and claims paid	143,776	97,905	143,776	97,905
Total non-current receivables	143,776	97,905	143,776	97,905
Total trade and other receivables	394,748	289,832	394,037	289,203

The current period balance of premiums receivable includes $61.520 million (2020: $58.547 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2021.

(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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
15. Deferred reinsurance expense				
Deferred acquisition costs as at 1 July	43,638	34,964	43,638	34,964
Reinsurance premiums paid during the year	118,924	105,324	118,924	105,324
Reinsurance premiums charged to profit and loss during the year	(113,378)	(96,650)	(113,378)	(96,650)
Deferred acquisition costs as at 30 June	49,184	43,638	49,184	43,638

The current period balance of deferred reinsurance expense includes $2.992 million (2020: $2.716 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2021.

	Group 2021	Group 2020	Company 2021	Company 2020
16. Financial assets at fair value through profit and loss				
– Government and semi-government bonds	107,017	234,750	107,017	234,750
– Other fixed interest securities	544,877	-	544,877	125,826
– Shares in other corporations	-	243,131	-	243,131
– Units in other unit trusts	-	234,255	-	234,255
– Units in property unit trusts	38,944	87,325	38,944	87,325
– Alternatives (i)	-	47,537	-	47,537
Total investments	690,838	972,824	690,838	972,824

	Group 2021	Group 2020	Company 2021	Company 2020
17. Tax assets				
Imputation credits	1,424	3,414	1,424	3,414
GST recoverable	1,896	1,349	1,896	1,349
	3,320	4,763	3,320	4,763

	Group 2021	Group 2020	Company 2021	Company 2020
18. Other assets				
Deferred fire/emergency services levy expenses	3,509	3,776	3,509	3,776
Deferred acquisition costs	462	425	462	425
Other assets	1,834	1,877	1,834	1,877
	5,805	6,078	5,805	6,078

	Group					
	Right of Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
19. Plant and equipment	$'000	$'000	$'000	$'000	$'000	$'000
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
Adjustment from prior year for 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						
Accumulated depreciation	(4,413)	(386)	(865)	(6,131)	(1,663)	(13,458)
Depreciation charge for the year	(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

There has been no change to depreciation rates or useful lives at 30 June 2021.
The balance of plant and equipment for the group is the same as the company.

	Right of Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Year ended 30 June 2020						
Gross carrying amount						
Balance at 1 July 2019	-	2,916	2,542	7,019	5,377	17,854
Additions	-	1,154	21	582	76	1,833
Adoption of AASB 16 for Right of Use Asset	21,679	-	-	-	-	21,679
Disposals	-	(1,373)	-	-	-	(1,373)
Balance at 30 June 2020	21,679	2,697	2,563	7,601	5,453	39,993
Accumulated depreciation						
Depreciation charge for the year	-	(262)	(688)	(5,398)	(1,642)	(7,990)
Accumulated depreciation	(3,849)	(571)	(258)	(923)	(586)	(6,187)
Balance at 30 June 2020	(3,849)	(833)	(946)	(6,321)	(2,228)	(14,177)
Net carrying amount at 30 June 2020	17,830	1,864	1,617	1,280	3,225	25,816

20. Intangible assets

Group and Company

Year ended 30 June 2021

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

Gross carrying amount	Computer Software $'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.

(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 2020

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

Gross carrying amount	Computer Software $'000
Balance at 1 July 2019	22,265
Additions	6,795
Work in Progress	(5,321)
Balance at 30 June 2020	23,739
Accumulated amortisation	
Amortisation charge for the year	(3,173)
Disposals	-
Accumulated amortisation	(10,154)
Balance at 30 June 2020	(13,325)
Net carrying amount at 30 June 2020	10,413

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
21. Trade and other payables				
Trade creditors	60,376	47,482	60,376	47,482
Accrued expenses	2,922	2,629	2,922	2,590
Sundry creditors	1,152	2,025	1,152	2,025
	64,450	52,136	64,450	52,097

The current period balance of the trade creditors includes $2.992 million (2020: $2.716 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2021.

22. Provisions

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Current				
Catholic entity distributions	186	387	-	-
Grants	150	919	150	919
Employee benefits	7,069	5,993	7,069	5,993
	7,405	7,299	7,219	6,912
Non-current				
Employee benefits	1,197	945	1,197	945
Make good of premises	970	961	970	961
	2,167	1,906	2,167	1,906
Total provisions	9,572	9,205	9,386	8,818

	Group				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2021					
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

	Group				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2020	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2019	7,306	902	6,662	936	15,806
Additional provisions	387	918	6,937	963	9,205
Amounts utilised during the year	(7,237)	(902)	(6,662)	(936)	(15,737)
Reversal of unused provision	(69)	-	-	-	(69)
Carrying amount at 30 June 2020	387	918	6,937	963	9,205

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.

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
23. Other liabilities				
Financial liability – exchange traded options	25	7,167	25	7,167
Lease liabilities	17,047	21,301	17,047	21,301
	17,072	28,468	17,072	28,468

24. Contributed equity

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.

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Share capital	175,333	8,139	175,333	8,139
Total contributed equity	175,333	8,139	175,333	8,139

	2021		2020	
	Number of shares	$'000	Number of shares	$'000
Issued shares, fully paid at 1 July	2,939,676	8,139	2,939,676	8,139
Shares issued:				
- Proceeds	9,036,366	168,980	-	-
- Transaction costs		(1,786)		-
Issued shares, fully paid at 30 June	11,976,042	175,333	2,939,676	8,139
Comprising:				
Ordinary shares	2,939,676	8,139	2,939,676	8,139
Subscription shares net of transaction costs	9,036,366	167,194	-	-

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

25. Retained Earnings	Group 2019 $'000	Group 2020 $'000	Group 2021 $'000	Company 2019 $'000	Company 2020 $'000	Company 2021 $'000
Retained Earnings reported at 1 July 2020	2,166	521	300,142	1,267	(767)	298,854
Combination of General Reserve into Retained Earnings	546,640	299,807	(192,313)	546,640	299,807	(192,747)
Change in interpretation of AASB 138 Intangible Assets / SaaS	(1,259)	(186)	-	(1,259)	(186)	-
Retained Earnings reported in 2021 Annual Report	547,547	300,142	107,829	546,648	298,854	106,107

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

26. Outstanding claims

(a) Outstanding claims liability		Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Undiscounted central estimate	(A)	981,555	763,739	981,555	763,739
Discount to present value		(15,090)	(6,691)	(15,090)	(6,691)
		966,465	757,048	966,465	757,048
Claims handling costs	(B)	55,147	45,738	55,147	45,738
		1,021,612	802,786	1,021,612	802,786
Risk margin	(C)	220,137	176,287	220,137	176,287
Gross outstanding claims liability – discounted		1,241,749	979,073	1,241,749	979,073
Gross claims liability – undiscounted	(A)+(B)+(C)	1,256,839	985,764	1,256,839	985,764
Current		319,967	245,055	319,967	245,055
Non-current		921,782	734,018	921,782	734,018
Total		1,241,749	979,073	1,241,749	979,073

(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	2021 %	2020 %
Short-tail	10.0	10.0
Professional indemnity	16.0	16.0
Public liability (excluding professional standards)	10.5	10.5
Professional standards	27.5	27.5
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

2021	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	979,073	161,568	817,504
Effect of changes in assumptions	330,789	93,373	237,416
Increase in claims incurred / recoveries anticipated over the year	164,492	62,569	101,923
Claim payments / recoveries during the year	(232,605)	(61,627)	(170,978)
Carried forward	1,241,749	255,884	985,865

2020	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	694,322	91,603	602,719
Effect of changes in assumptions	288,347	47,902	240,445
Increase in claims incurred / recoveries anticipated over the year	171,712	65,259	106,452
Claim payments / recoveries during the year	(175,307)	(43,197)	(132,111)
Carried forward	979,073	161,568	817,504

(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	2015 & prior	2016	2017	2018	2019	2020	2021	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	923,107	47,084	51,292	57,069	59,720	67,752	60,199	1,266,224
One year later	967,674	49,241	50,263	52,941	62,598	67,594	-	1,250,309
Two years later	1,022,355	49,209	47,709	53,523	57,820	-	-	1,230,616
Three years later	1,081,534	43,753	44,749	51,440	-	-	-	1,221,475
Four years later	1,064,724	42,932	43,706	-	-	-	-	1,151,363
Five years later	1,089,413	41,488	-	-	-	-	-	1,130,902
Current estimate of cumulative claims cost	1,689,825	41,488	43,706	51,440	57,820	67,594	60,199	2,012,073
Cumulative payments	(978,282)	(37,161)	(36,071)	(35,045)	(33,990)	(28,586)	(11,179)	(1,160,315)
Outstanding claims – undiscounted	711,543	4,327	7,635	16,395	23,830	39,008	49,020	851,758
Discount								(11,471)
Discounted Outstanding claims								840,287
Short-tail outstanding claims								126,178
Claims handling expenses								55,147
Risk margins								220,137
Total gross outstanding claims as per the Balance Sheet								1,241,749

(ii) Net of reinsurance

Accident year	2015 & prior	2016	2017	2018	2019	2020	2021	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	826,491	46,689	50,722	56,854	59,477	64,254	59,856	1,164,344
One year later	867,925	48,894	49,979	52,686	62,037	67,090	-	1,148,612
Two years later	888,259	48,909	47,416	53,255	55,738	-	-	1,093,577
Three years later	930,019	43,066	44,546	49,600	-	-	-	1,067,231
Four years later	917,791	42,688	43,453	-	-	-	-	1,003,930
Five years later	940,330	41,250	-	-	-	-	-	981,579
Current estimate of cumulative claims cost	1,431,760	41,250	43,453	49,600	55,738	67,090	59,856	1,748,746
Cumulative payments	(833,953)	(36,926)	(35,881)	(35,032)	(33,945)	(28,110)	(10,866)	(1,014,712)
Outstanding claims – undiscounted	597,807	4,324	7,572	14,568	21,793	38,980	48,990	734,035
Discount								(10,308)
Outstanding claims								723,727
Short-tail outstanding claims								27,316
Claims handling expenses								55,147
Risk margins								179,676
Total net outstanding claims as per the Balance Sheet								985,865

27. Unearned premium reserve

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Unearned premium liability as at 1 July	170,126	157,898	170,126	157,898
Deferral of premiums on contracts written in the period	314,057	276,431	314,057	276,431
Earning of premiums written in current and previous periods	(299,242)	(264,203)	(299,242)	(264,203)
Unearned premium liability as at 30 June	184,941	170,126	184,941	170,126

The current period balance of the unearned premium reserve includes $61.520 million (2020: $58.547 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2021.

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.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

28. 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:

J Fitzpatrick	Chairman (non-executive) (Chairman from 20 October 2020)
P A Gallagher	Chairman (non-executive) (Retired 20 October 2020)
G Cooper	Director (non-executive)
M T Doquile	Director (non-executive)
R M Haddock	Director (non-executive)
Rev Dr P Marshall	Director (non-executive)
L Reeves	Director (non-executive) (Resigned 16 February 2021)
J A Schafer	Director (non-executive) (Resigned 25 February 2021)
N Condon	Director (non-executive) (Appointed 29 Oct 2020)
E Cunningham	Director (non-executive) (Appointed 23 June 2021)

(ii) Senior Leadership Team

R Scenna	Chief Executive Officer
R Castle	General Manager, Client
D Cole	General Manager, Solutions
T Johnson	General Manager, Operations
T Farren	Acting Chief Risk Officer
K Nash	Head of General Insurance Claims
J Sebire	Chief Financial Officer
S Stares	General Manager, People and Culture
J Yipp	Acting Head of General Insurance Claims
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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Directors				
Short-term	570	433	498	382
Post employment	51	41	44	36
	621	474	542	418

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Executives				
Short-term	5,569	4,305	5,569	4,305
Post employment	531	1,094	531	1,094
Other long-term	224	158	224	158
	6,324	5,558	6,324	5,558

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits. The other long term category includes accrued long service leave where the executive has not yet reached the entitlement date.

Executive remuneration includes redundancy and termination in lieu of notice payments of $280K (2020: $565K)

(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. As at 30 June shares held by J Schafer were in the process of being transferred to E Cunningham.

Executives are not eligible to hold shares in the company.

	Balance at 1 July 2019	Net Change Other	Balance at 30 June 2020	Net Change Other	Balance at 30 June 2021
Directors					
P A Gallagher	1,250	-	1,250	(1,250)	-
N Condon	-	-	-	1,250	1250
L Reeves	1,250	-	1,250	(1,250)	-
E Cunningham	-	-	-	-	-
R M Haddock	1,250	-	1,250	-	1,250
J A Schafer	1,000	-	1,000	-	1000
M O'Donoghue	-	-	-	1,250	1250
J A Tongs	1,250	(1,250)	-	-	-
G Cooper	-	1,250	1,250	-	1,250
J Fitzpatrick	1,250	-	1,250	-	1,250
P Marshall	1,250	-	1,250	-	1,250
M Doquile	1250	-	1,250	-	1,250
Total	9,750	-	9,750	-	9,750

(d) Loans to key management personnel

There are no loans to key management personnel.

29. Related parties

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Wholly owned group transactions				
The entities within the wholly owned group are Catholic Church Insurance Limited (group), and CCI Asset Management Limited (subsidiary).				
Catholic Church Insurance Limited is the ultimate parent entity.				
Expenses charged to CCI Asset Management Limited	-	-	1,948	1,719
Balance of intercompany receivable from CCI Asset Management Limited	-	-	360	581
Other related party transactions				
Catholic Church Insurance sold insurance policies to the shareholders of the company during the year within a normal policy holder relationship on terms and conditions no more favourable than those available on similar transactions to other policy holders.	181,965	173,248	181,965	173,248
Management fees for the reporting period paid by the trusts to CCI Asset Management Limited				
– Catholic Values Unit Trust	924	846	924	846
– Income Unit Trust	361	401	361	401
Funds under management for the reporting period with CCI Asset Management Limited that are also shareholders of CCI	546,552	681,427	546,552	681,427

30. Auditors remuneration

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'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	264	236	254	226
(b) other services in relation to the entity and any other entity in the group				
– Taxation services	4	-	4	-
– Other services	351	171	251	99
Total other services	355	171	255	99

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.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

31. Statement of cash flows

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Reconciliation of cash flow from operations with profit / (loss) from ordinary activities				
Profit from ordinary activities	(192,313)	(247,408)	(192,747)	(247,794)
Changes in net market value of investments	7,138	58,819	5,987	57,909
Depreciation of assets	5,932	6,259	5,876	6,186
Amortisation of intangible assets	3,635	3,785	3,635	3,785
Profit/(loss) on sale of assets	109	(79)	118	(79)
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	(968)	(6,899)	(968)	(6,899)
Increase in unearned premium	14,815	12,229	14,815	12,229
(Increase) in premiums receivable	(14,879)	4,707	(14,879)	4,707
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	(96,777)	(76,789)	(96,777)	(76,789)
(Increase)/decrease in reinsurance payables	(3,680)	(129)	(3,680)	(129)
Increase/(decrease) in outstanding claims	262,597	285,074	262,597	285,074
(Increase)/decrease in acquisition costs	(36)	127	(36)	127
(Increase)/decrease in statutory charge asset	(2,108)	(360)	(2,108)	(360)
Decrease in GST tax provision	(547)	163	(547)	163
Decrease in other provisions and sundry debtors	13,767	6,642	15,287	7,379
Cash flow from operating activities	(3,313)	46,141	(3,427)	45,509

Comparative information has been restated to reflect the change in interpretation of accounting policy for Software-as-a-Service (SaaS) arrangements detailed in Note 2e.

32. Controlled entities

Name of Entity	Country of incorporation	Ownership Interest 2021 %	Ownership Interest 2020 %	Investment 2021 $'000	Investment 2020 $'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.

33. 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 2021 $'000	Company 2020 $'000
Tier 1 capital		
Paid-up ordinary shares	175,333	8,139
Retained earnings at end of reporting period	106,107	298,854
Premium liability surplus	17,462	14,665
Net tier 1 capital	298,902	321,658
Less net intangible assets	6,944	10,420
Less assets under a fixed or floating charge	-	-
Total capital base	291,958	311,238
Prescribed capital requirement	208,847	238,348
Prescribed capital amount coverage	1.40	1.31

The group does not hold any tier 2 capital.

34. 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.

Notes to the Financial Statements *(continued)*

For the financial year ended 30 June 2021

(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						
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
Debtors	-	-	-	-	-	394,748	394,748
Government and semi-government bonds	4.72	-	-	66,286	40,731	-	107,017
Other fixed interest securities	-	-	-	-	-	-	-
Alternatives	-	-	-	-	-	-	-
Shares, options & trusts	-	-	-	-	-	38,944	38,944
Total	-	1,174,332	-	66,286	40,731	433,692	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
Debtors	-	-	-	-	-	394,037	394,037
Government and semi-government loans	4.72	-	-	66,286	40,731		107,017
Other fixed interest securities	-	-	-	-	-	-	-
Alternatives	-	-	-	-	-	-	-
Shares, options & trusts	-	-	-	-	-	38,944	38,944
Total		1,173,135	-	66,286	40,731	432,981	1,713,133
Financial liabilities							
Creditors	-	-	-	-	-	64,450	64,450
Exchange traded options	-	-	25	-	-	-	25
Total	-	-	25	-	-	64,450	64,475

	Fixed Interest Rate Maturity – Group						
2020	**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	0.54	193,920	-	-	-	2	193,922
Discount securities	-	-	-	-	-	-	-
Debtors	-	-	-	-	-	289,832	289,832
Government and semi-government loans	4.39	-	21,379	65,894	147,477	-	234,750
Other fixed interest securities	2.64	-	4,618	103,449	17,760	-	125,827
Syndicated loan funds	-	-	-	-	-	47,537	47,537
Shares, options & trusts	-	-	-	-	-	564,712	564,712
Total		193,920	25,997	169,343	165,237	902,081	1,456,580
Financial liabilities	-	-	-	-	-	-	-
Creditors	-	-	-	-	-	52,133	52,133
Exchange traded options	-	-	7,167	-	-	-	7,167
Total	-	-	7,167	-	-	52,133	59,300

	Fixed Interest Rate Maturity – Company						
2020	**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	0.54	192,835	-	-	-	2	192,837
Discount securities	-	-	-	-	-	-	-
Debtors	-	-	-	-	-	289,203	289,203
Government and semi-government loans	4.39	-	21,379	65,894	147,477	-	234,750
Other fixed interest securities	2.64	-	4,618	103,449	17,760	-	125,827
Alternatives	-	-	-	-	-	47,537	47,537
Shares, options & trusts	-	-	-	-	-	564,712	564,712
Total		192,835	25,997	169,343	165,237	901,454	1,454,866
Financial liabilities							
Creditors	-	-	-	-	-	52,097	52,097
Exchange traded options	-	-	7,167	-	-	-	7,167
Total	-	-	7,167	-	-	52,097	59,264

35. Fair value hierarchy

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

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
- Other fixed interest securities	-	-	-	-
- Shares in other corporations	-	-	-	-
- Units in other unit trusts	-	-	-	-
- Units in property unit trusts	-	-	38,944	38,944
- Alternatives	-	-	-	-
Total	**107,017**	**544,877**	**38,944**	**690,838**
Financial liabilities				
Derivative instruments				
- Options	(25)	-	-	(25)
Total	**(25)**	**-**	**-**	**(25)**

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 2020	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	234,750	-	-	234,750
- Discount securities	-	544,877	-	544,877
- Other fixed interest securities	125,826	-	-	125,826
- Shares in other corporations	243,131	-	-	243,131
- Units in other unit trusts	-	234,255	-	234,255
- Units in property unit trusts	-	-	87,325	87,325
- Alternatives	-	47,537	-	47,537
Total	**603,707**	**826,669**	**87,325**	**1,517,701**
Financial liabilities				
Derivative instruments				
Options	(7,167)	-	-	(7,167)
Total	**(7,167)**	**-**	**-**	**(7,167)**

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.

Reconciliation of Level 3 fair value movements	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000
Opening balance	87,325	93,759
Total gains and losses		
- Realised	168	35
- Unrealised	673	(5,564)
Purchases	-	-
Sales	(49,223)	(904)
Transfers to other categories	-	-
Closing balance	38,944	87,325

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

Descriptions of significant unobservable inputs to valuation

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

The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the Level 3 fair value by up to $3,894 (2020: $8,732) or increase the Level 3 fair value by $3,894 (2020: $8,732).

36. Contingent liability

CCI has unallocated capital of $395,901 (2020:$395,901) in its wholly owned subsidiary CCI Asset Management. There are currently no plans for this to be allocated.

37. Events occurring after the reporting period

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

38. Other matters

State and Federal inquiries

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

Western Australia, Queensland, Victoria and Tasmania have implemented mechanisms for the revisiting of past professional standards claims. New South Wales is in the process of considering legislation to enable revisits of past claims. Revisits have been considered by the Appointed Actuary in the valuation of outstanding claims. The practical boundaries of the legislation will likely continue to be tested via specific legal cases.

Legislative change arising from the various State and Federal Inquiries continues to evolve and the ultimate financial impact on CCI continues to be closely monitored as the substantive impact of those changes emerge.

National Redress Scheme

The National Redress Scheme commenced operations on 1 July 2018. Many of CCI's clients have voluntarily opted into the Scheme. CCI has identified that its policies cannot respond to liabilities which arise solely by virtue of the Scheme. CCI is continuing to monitor the position of policyholders in respect of the Scheme but currently does not anticipate the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

In March 2021, the Final Report of the Second Year Review of the Scheme was completed. The Federal Government has committed to adopt 25 of the 38 recommendations made in the Review and provide a final response to all of the Review's recommendations by early 2022. The Recommendations adopted by the Government to date are not expected to change the substance of the Scheme. As such, CCI currently does not anticipate such potential changes to the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

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 judgments 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 judgment 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 $339.7m for the year, made up of paid claims and movements in outstanding claims of which $252.6m 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. Since 30 June 2020 in response to these matters, CCI undertook a capital raising and revised its investment mix during the 2021 year as first steps to restore regulatory capital back to the target capital level. Additional capital strengthening options continue to be actively explored with shareholders and other key stakeholders to restore capital levels to within targets.

In addition to these initiatives, in order to preserve capital in the short-term, CCI will not pay a final dividend for the 2021 financial year nor will it pay its annual Catholic Entity Distribution.

Although it is not certain that these efforts will be successful, CCI has determined that the actions that it is taking are sufficient and has therefore deemed it 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 2021 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, 8 September 2021

Independent Auditor's Report

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Building a better working world

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

Opinion

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

- the Group consolidated and Company statements of financial position as at 30 June 2021;
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

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

a) giving a true and fair view of the Company's and the Group's financial position of the Group as at 30 June 2021 and of their financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Emphasis of Matter: Professional Standards Outstanding Claims reserve

We draw attention to Note 38 of the financial statements which describes the significant uncertainty in estimating the outstanding claims liability for professional standards claims and the impact on the capital position of the Company.

Our opinion is not modified in respect of this matter.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

Ernst & Young

T M Dring
Partner
Melbourne
8 September 2021

Corporate Information

Annual Financial Report for year ended June 2021

Directors

Joan Fitzpatrick *(Chairman from 20 October 2020)*

Paul A Gallagher *(Retired 20 October 2020)*

Gregory Cooper

Matthew Doquile

Richard M Haddock

Reverend Dr Philip Marshall

Sister Louise Reeves *(Resigned 16 February 2021)*

Julie-Anne Schafer *(Resigned 25 February 2021)*

Noel Condon *(Appointed 20 October 2020)*

Sr Mary Ellen O'Donoghue *(Appointed 17 February 2021)*

Eamonn Cunningham *(Appointed 23 June 2021)*

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

Company Secretary

Dominic P Chila *(Concluded 4 January 2021)*

Dion Gooderham *(Appointed 14 December 2020)*

Senior Leadership Team

Roberto Scenna - Chief Executive Officer

Ross Castle - General Manager, Client

David Cole - General Manager, Solutions

Todd Johnson - General Manager, Operations

Tim Farren - Acting Chief Risk Officer

Kimberley Nash - Head of General Insurance Claims

Justin Sebire - Chief Financial Officer

Sally Stares - General Manager, People and Change

Jeremy Yipp - Acting Head of General Insurance Claims

Kathryn Young - Chief Technology Officer

Catholic Church Insurance Limited

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AFSL No. 235415

Registered Office and Principal Place of Business

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Auditors

Ernst & Young
8 Exhibition Street
Melbourne Vic 3000

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