CCI Catholic Church Insurance

Annual Report 2023

Contents

Chairman and CEO Report

The End of an Era for CCI

Catholic Church Insurance has a proud 112-year history as a steadfast protector of the Catholic Church and its community in Australia. Since 1911, CCI has provided insurance cover for a range of risks and across different segments of the Church and broader faith-based community. For many of our policyholders, CCI was the only insurer they have ever known. CCI was established to support the mission of the Church which CCI and its people have done loyally and with dedication over many years. It is with a deep sense of sadness and loss that we now address the events of this year that led to the decision to place the company into run off, ending an era for Australia's oldest continuously operating general insurer.

In recent times, we have conveyed the ongoing financial pressure CCI has faced, particularly with regard to increasing liabilities caused by high volumes of Professional Standards Claims. Despite several previous successful capital remediation initiatives, by early 2023, the financial pressures had not abated and the Board of Directors fulfilling its duties and obligations was required to make some very difficult decisions. Without a further capital injection from shareholders, CCI's diminished capital position meant that it could no longer continue to operate sustainably. Continuing operations in that situation would risk the company being unable to meet the estimated claims liabilities owed to our policyholders.

On 29 May 2023, a pivotal moment in the company's long history, the CCI board made the difficult but prudent decision to place the company into run off. The decision meant that CCI would cease issuing all new and renewal general insurance policies across its insurance business from that date onwards.

Prior to the run-off decision, several significant efforts were undertaken to protect CCI's capital reserves from further erosion and to restore CCI's Prescribed Capital Ratio (PCR). The PCR is a measure of the amount of capital being held relative to the minimum required by the Australian Prudential Regulatory Authority. It is also a key indicator for management and the CCI Board on the financial health of the organisation.

Several strategies were successfully implemented to respond to CCI's rapidly declining PCR including:

- The successful shareholder capital raising in FY2022.
- The large and small retrospective deductible initiatives with certain policyholders.
- Ceasing writing workers compensation policies from April 2023.
- Introducing new underwriting criteria and deductibles for specified policy classes
- Reallocation of investment assets from growth classes (e.g. Australian shares) into defensive classes (e.g. cash, fixed interest) to reduce the capital charge required.
- Partnering with an offshore reinsurer to help protect the balance sheet from further volatility from the remaining professional standards exposures.
- Restricting any new business to a minimum from April 2023.

Despite working diligently to decrease the balance sheet stress, CCI's PCR continued to decline and with the understanding that ongoing further deterioration of our financial position was likely, led to the CCI Board's decision to place the organisation into run-off on 29 May. Effectively, on that date, CCI commenced its transition towards an entity responsible for the prudent management of claims liabilities associated with previously issued or in force policies.

Ongoing Service and Commitment to Policyholders

Since placing the company into run-off, a primary focus of staff has been on supporting all policy holders to transition their insurance arrangements to new providers. Brokers and other insurance intermediaries have been sought by policyholders to affect the shift in insurance programs with CCI ensuring all related policy histories are provided to support this transition. This has been a challenging process for many clients some of whom, as has already been noted, have only ever dealt directly with CCI for their insurance needs.

As these transition activities progress, the CCI Board and Management have, with the guidance of professional advisers, also turned their attention to designing a Scheme of Arrangement that requires policyholder support and Court Approval. Such a scheme (widely used in the UK and some other international insurance markets) has been designed to protect CCI from the risks of insolvency events and to preserve its capital for the payment of CCI's ongoing claims liabilities. Our key Regulators (APRA and ASIC) are being closely consulted throughout the process of the Scheme's development.

Turning our focus to the future

In view of CCI's focus shifting to becoming a claims management "run-off" organisation, we initiated the design of a new operating model and organisational structure to support the company through its future state. The reshaped CCI will still require an emphasis on excellence in claims management but will no longer need some other specific capabilities such as sales and underwriting. Accordingly, we are planning a carefully staged scale-down of the company and selected staff departures have already commenced and will continue through FY 2024.

Importantly, the pace and magnitude of staff departures will be guided entirely by ensuring CCI's service standards to policyholders and its compliance with all legislative and regulatory obligations remain paramount.

Acknowledgments and thanks

As we close out FY 2023, we would like to take this opportunity to express our sincere thanks to our Shareholders for their sustained efforts and patience in seeking to support the company especially through the recent years of turbulence. We also thank all of our loyal policyholders many of whom have been with CCI since its inception.

Both Rob and I would like to acknowledge and thank the CCI Board of Directors for their clear direction, courage and decisive action in the face of adversity in such extraordinary times.

I would also extend the Board's heartfelt gratitude to Rob and his executive team for their excellent leadership over several very stressful years.

Rob and I extend that gratitude to all of CCI's staff both past, and particularly those present, for their hard work and loyalty, and the enormous resilience and commitment to their roles and the policyholders they serve.

It is with great sadness that we will see many of our talented group leave our company as it transitions to 'run-off' status. We wish everyone great success, fulfillment, and happiness in their future endeavours.

As we face forward now into our new operating structure in 2024, our purpose and mission remain – to serve by managing claims and the run off operation to the best of our ability and in the best interests of all policyholders.

Yours sincerely,

Joan Fitzpatrick
Chairman

Roberto Scenna
Chief Executive Officer

Corporate Governance Statement

For the year ended 30 June 2023

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 eight (8) non-executive Directors, including the Chairman. CCI has no executive Directors.

The CCI 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 and report and make recommendations to the Board. All Committees must have a quorum of 50% of their Members. Directors are entitled to attend any Committee meeting of which they are not an appointed Member, by standing invitation.

The Board Committees are:

- Asset & Liability;
- Audit;
- Nominations, Remuneration & Culture; and
- Risk.

Asset & Liability Committee

The Committee's role is to assist the Board by providing oversight and monitoring of the Company's balance sheet, ensuring that appropriate levels of capital are maintained against the risks associated with the business operations of the Company and that capital is managed efficiently.

This includes monitoring and reviewing:

- capital management strategy, risk, performance and governance;
- investment strategy, risk, performance and governance;
- reinsurance strategy, risk, performance and governance;
- liability valuation matters affecting the balance sheet of the company; and
- assisting the Board in fulfilling its oversight responsibilities referred to the Committee by the Board.

Audit Committee

The Committee's role is to assist the Board in fulfilling its statutory and fiduciary responsibilities by overseeing the effectiveness and integrity of the Company's financial reporting framework.

This includes:

- monitoring and reviewing the integrity of the Company's financial statements, financial reporting systems and financial controls, including ensuring that financial and other material risks are identified and managed;
- monitoring and reviewing relevant Australian Accounting Standards and internal accounting policies as required;
- monitoring and reviewing relevant Australian Prudential Regulation Authority (APRA), Australian Taxation Office (ATO) and Australian Securities and Investments Commission (ASIC) compliance, statutory reporting and disclosure requirements;
- reviewing and recommending to the Board the appointment and remuneration of the External Auditor and Internal Auditor, and monitoring performance, effectiveness and the independence of the External Auditor and Internal Auditor; and
- assisting the Board in fulfilling its oversight responsibilities referred to the Committee by the Board.

Nominations, Remuneration & Culture Committee

The Committee's role is to assist the Board in fulfilling its governance responsibilities by overseeing the Company's people, culture and remuneration matters, and matters relating to Board succession planning, composition, remuneration and performance evaluation.

This includes:

- monitoring Board performance and planning for Board succession;
- reviewing and making recommendations on the Company's people, culture and remuneration practices;
- reviewing and making recommendations on relevant Board policies; and
- assisting the Board in fulfilling its oversight responsibilities as referred to the Committee by the Board from time to time.

Risk Committee

The Committee's role is to assist the Board by providing an objective non-executive oversight of the effectiveness of the Company's risk management framework, by overseeing the identification and management of current and future risks in accordance with the risk appetite.

This includes:

- Assessing the adequacy and appropriateness of the Company's management of risk and the sufficiency, independence and performance of the risk management function, including that safeguards are in place for the independence of the Chief Risk Officer (CRO);
- Monitoring the Company's compliance with the risk management framework, including the Risk Management Strategy (RMS), Business Continuity Plan (BCP) and associated procedures, crisis management protocols, Reinsurance Management Strategy (REMS) and other risk policies;
- Reviewing and making recommendations to the Board on the RMS, Risk Appetite Statement (RAS) and supporting frameworks and policies at least annually;
- Reviewing and recommending Resolution Plans to the Board;
- Reviewing and monitoring the existence of a strong and robust risk culture and ensuring that there are adequate resources allocated to the management of risk;
- Reviewing compliance with relevant laws and regulations, Company policies and compliance systems, including The 3 Lines Model;
- Reviewing and making recommendations to the Board in respect of changes to the risk management framework required following any incident involving fraud or any significant breakdown in internal controls;
- Monitoring and reviewing the relevant legal and regulatory landscape;
- Reviewing the Company's corporate insurance program;
- Reviewing and approving Professional Standards revisits claims as delegated by the Board; and
- Assisting the Board in fulfilling its oversight responsibilities referred to the Committee by the Board.

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.

Directors' Report

Director's Report

The Directors of Catholic Church Insurance Limited ("the Company") present the annual report of the Company and its controlled entity ("the Group") for the financial year ended 30 June 2023. In order to comply with the provisions of the Corporations Act 2001 (Cth) (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 (Chairman)
- Mr Gregory Cooper
- Mr Eamonn Cunningham
- Mr Noel Condon
- Mr Matthew Doquile
- Mr Richard Haddock (Retired 19 October 2022)
- Mr David Issa (Appointed 19 October 2022)
- Reverend Dr Philip Marshall
- Sr Mary Ellen O'Donoghue

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

Appointed: 8 March 2016

Chairman 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 President of the Board of ESS Super, a non-executive Director on the Boards of Defence Bank, the AFL Players Injury and Hardship Fund, and an executive Director of her consulting firm, Alvearium Pty Ltd.

Gregory Cooper | BEc (Actuarial Studies), FIA, FIAA

Appointed: 29 June 2020

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

Gregory joined the Board in June 2020. He retired as Chief Executive Officer of Schroder Investment Management Australia in December 2018. 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. Gregory is a Director of Perpetual Limited, Avanteos Investments Limited (known as Colonial First State), Australian Payments Plus Ltd and its subsidiaries, NSW Treasury Corporation, the Australian Indigenous Education Foundation, Tracks Media Pty Ltd and OpenInvest Holdings Limited. He is also a member of St Ignatius College Investment Committee. Gregory 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.

Eamonn Cunningham | B.Com, GAICD

Appointed: 23 June 2021

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

Eamonn Cunningham is a risk management professional, He held Chief Risk Officer roles with Westfield Group and Scentre Group. He received the Lifetime Achievement Award by StrategicRisk; inducted into the Business Insurance Risk Manager of the Year Honour Roll and awarded Risk Manager of the Year by the Australian and New Zealand Institute of Insurance and Finance (ANZIF). He was also a member of the M200 Association and Chair of the Risk Management Committee of the Property Council of Australia. Eamonn has established and led local and global Risk Management and Insurance teams and gained experience in a multinational company. He is the current Chair of the Risk and Insurance Management Society Australasia. His own consulting business focuses on Enterprise Risk Management and Strategic Risk Management.

Noel Condon

Appointed: 20 October 2020

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

Noel joined the Company 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 the Company, he is an independent nonexecutive Director for Unimutual.

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

Appointed: 22 October 2018

Non Executive Director, Chair of the Audit Committee, Member of the Asset & Liability Committee and the Risk Committee.

Matthew joined the Board during 2018 and is a long-standing and accomplished insurance professional with more than 25 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 CEO of Chubb in Australia, and Auto & General Insurance as Director, Partnerships. Earlier in his career Matthew also held various roles at one of Australia's important trading banks where he developed expertise in Corporate Banking and Finance. 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

Appointed: 16 November 2010

Non Executive Director, Member of the Nomination, Remuneration & Culture Committee, Member of the Asset & Liability Committee and Chair of 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.

David Issa

Appointed: 19 October 2022

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

David joined the Board in October 2022 and is an experienced leader in technology and digital transformation. David's professional experience includes 10 years at Westpac, culminating in the role of Chief Information Officer, Institutional Banking, followed by roles at Insurance Australia Group including as Chief Executive Officer, Personal Insurance. David currently sits on the Boards of IFS Insurance Solutions, Industry Fund Services and Little Company of Mary Health Care. He was previously a Non-Executive Director of ME Bank prior to its acquisition by Bank of Queensland in 2021. David also holds a Bachelor of Science majoring in Mathematics from Macquarie University.

Reverend Dr Philip Marshall | PhD

Appointed: 26 October 2015

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

Fr Philip joined the Board in 2015 and is a priest of the Adelaide Archdiocese. He was previously Vicar- General of the 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.

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

Appointed: 17 February 2021

Non Executive Director, Member of the Nominations, Remunerations & Culture 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 and Director of Marymead CatholicCare Canberra-Goulburn. Formally Regional Leader of the Sisters of Saint Joseph (NSW), she is currently a member of the Congregational Leadership Team.

Primary 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 as well as certain clients in the broader Christian community. In addition, the Company provided domestic residential and personal motor vehicle insurance via white-label arrangements with a personal lines' general insurer as well as travel insurance via a referral agreement with a specialist general lines insurer.

The Board of CCI voluntarily resolved to place CCI into 'run-off' on 29 May 2023 after CCI was unable to secure sufficient capital contributions from shareholders to enable its business to continue operations in line with regulatory requirements. CCI remains an Australian Prudential Regulation Authority authorised insurer and will continue to manage claims from existing policyholders using its capital reserves in the ordinary course. However, as it has entered run-off it will not issue any new or renewal policies for its insurance business.

The Company's wholly owned subsidiary, CCI Asset Management Limited, continues to operate 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.

Risk Management

The financial condition and operation of the Group are affected by a number of key risks including insurance, interest rate, credit, market, liquidity, financial, compliance, fiscal and operational risk. Further information on the Group's risk management policies can be found in note 5 of the financial statements.

Likely Developments and Expected Results

In the opinion of Directors, the inclusion of information referring to likely developments in the operations of the Group 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.

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.

The Company has reaffirmed its decision to suspend the payment of Dividends and Catholic Entity Distributions due to the Prescribed Capital Requirement (PCR) coverage ratio continuing to be below the target operating range and the decision to enter Run-Off. Accordingly, in respect of the financial year ended 30 June 2023, the Directors have recommended that no dividend be paid by the Company (2022: $nil) and are also unable to approve a Catholic Entity Distribution to be paid in 2023 by the Company (2022: $nil). However, a Catholic Entity Distribution was able to be paid to clients of CCI Asset Management of $200k (2022: $197k).

Run-off and Scheme Structure

Over the past year the Company's regulatory capital has fallen below the minimum required by APRA. However, based on the current estimates of claims, the Company still has sufficient assets to meet its liabilities as they fall due. Regulatory capital compromises claim liabilities, risk margins and regulatory capital adjustments. In addition, CCI currently has sufficient assets to meet the claims labilities and risk margins as well as a portion of the regulatory capital adjustments.

CCI's liabilities and required margins have been determined by the Company's appointed Actuary, AM Actuaries, and have been strengthened in line with recent claims experience. Whilst significant strengthening has occurred, there remains a risk that future experience is worse than what has been determined by the Appointed actuary. CCI's risk margins and capital buffer would be the first call in a deterioration, however, should the experience be significantly worse, this could result in stress to CCI's solvency position.

As part of the orderly run-off of its business, the Company has proposed a court approved scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (Act) with certain of its creditors as a precaution to ensure an orderly and equitable run-off and certainty into the future ("the Scheme"). Policyholders subject to the Scheme are due to vote on the Scheme on 31 October 2023. The Scheme is set to be considered for approval by the Federal Court of Australia on 2 November 2023, following which the Scheme (if approved) will become effective.

The Company has determined that a contingent scheme of arrangement which converts to a reserving scheme if there is a "Trigger Event" is the most appropriate scheme for the Company and its policyholders.

The Scheme is set to be voted on by Scheme Creditors on 31 October 2023, and then be considered by the Federal Court on 2 November 2023. If the Scheme is approved, it will bind all Scheme Creditors, whether or not they voted for the Scheme.

The key elements of the Scheme are:

- As the Company considers that it is currently solvent, a "contingent" Scheme has been proposed to allow the Company to continue to operate in the ordinary course until such time where there is a deterioration in the Company's financial position such that a "Trigger Event" occurs (i.e. where the Board determines that in its opinion, disregarding the effect of the Scheme on the Company, the Company would, or would be likely to become, insolvent at some future time).
- If a "Trigger Event" occurs, the Scheme would automatically convert to a "reserving" Scheme to ensure that claims continue to be handled in as orderly a manner as possible in the event of further deterioration in CCI's financial position. See note 35 for further details regarding the Scheme.

Subsequent Events After the Reporting Date

The Scheme will be voted on 31 October 2023, and is set for consideration by the Federal Court on 2 November 2023. Consequently, the financial effect if any has not been recognized in the financial report. There has been no other matter or circumstance, other than what has been referred to in the financial statements or notes thereto and the Scheme as disclosed above, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or state of affairs of the Company in future financial years.

Significant Changes in the State of Affairs

In the opinion of Directors, there were no significant changes in the state of affairs of the Company other than as disclosed in this report.

Employees

The Company employed 228 employees as of 30 June 2023 (2022: 280 employees).

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.

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 Auditor

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.

Results of Operations

In 2023 the Group generated a loss of $274,151k (2022: $866k profit).

During the year the Company generated a net underwriting loss of $278,496k (2022: $28,298k profit) which represents losses from core business lines, further strengthening of reserves across both short and long tail classes as well as various accounting adjustments required following the decision to enter run-off. This loss was partially offset by net investment income of $33,119k (2022: $3,756k loss), general administration expenses and the results of other auxiliary business operations.

As of 30 June 2023 the Company's unaudited Prescribed Capital Amount Coverage Ratio was 0.14 (2022: 1.61) which is outside the target range that would have applied should the Company have not entered run-off.

	2023 $'000	2022 $'000
Group Profit / (Loss)	(274,151)	866

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

Capital Adequacy

	2023 $'000	2022 $'000
Common equity Tier 1 capital		
Paid-up ordinary shares	179,333	179,333
Retained earnings	(168,372)	106,425
	10,961	285,758
Technical provisions in surplus of liability valuation:		
– Surplus/(Deficit) from Premium Liabilities	19,036	18,618
	19,036	18,618
Tier 1 capital		
Less: deductions		
Intangible assets	(230)	(3,669)
Common equity Tier 1 capital	**(230)**	**(3,669)**
Total capital base	**29,768**	**300,707**
Prescribed capital requirement ("PCR")		
Insurance risk charge	109,009	126,459
Insurance concentration risk charge	31,835	11,556
Asset risk charge	53,935	51,649
Asset concentration risk charge	22,975	-
Operational risk charge	19,190	22,241
Less Aggregation benefit	(34,203)	(32,925)
APRA Approved Regulatory Adjustment	14,817	7,702
Total PCR	**217,558**	**186,682**
PCR multiple*	**0.14**	**1.61**

*The Company's prescribed capital requirement divided by the total capital base

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 2023 and the number of meetings attended by each Director:

	CCI Board		Risk Committee		Audit Committee	
Number of meetings attended by:	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Fitzpatrick	28	28	4	2	5	4
G Cooper	28	26	-	-	5	2
N Condon	28	26	4	4	5	3
E Cunningham	28	25	4	4	5	5
M Doquile	28	27	4	4	5	5
D Issa	27	26	3	3	-	-
R Haddock	3	2	-	-	1	1
P Marshall	28	22	-	-	-	-
M E O'Donoghue	28	24	-	-	-	-

	Nominations, Remunerations & Culture Committee		Asset & Liability Committee^		CCI Asset Management Limited Board	
Number of meetings attended by:	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Fitzpatrick	2	2	-	-	-	-
G Cooper	-	-	5	5	5	4
N Condon	-	-	5	5	5	5
E Cunningham	2	1	-	-	-	-
M Doquile	-	-	5	5	-	-
D Issa	-	-	4	4	3	3
R Haddock	1	1	1	1	2	2
P Marshall	2	2	-	-	5	4
M E O'Donoghue	2	1	-	-	-	-

- Director was not an appointed Member of this Committee.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in note 26(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, Chairman
Melbourne, 30 October 2023

Auditor's Independence Declaration

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 2023, 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:

a. No contraventions of the auditor independence requirements of any applicable code of professional conduct; and

b. No non-audit services provided that contravene any applicable code of professional conduct.

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

Ernst & Young

Ernst & Young

T M Dring
Partner
30 October 2023

Financial Statements

Statement of Comprehensive Income

For the financial year ended 30 June 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Premium revenue	7	357,301	331,884	357,301	331,884
Outwards reinsurance expense	7	(171,943)	(166,092)	(171,943)	(166,092)
Net premium revenue	7	185,358	165,792	185,358	165,792
Gross claims incurred	8	(681,992)	(459,142)	(681,992)	(459,142)
Reinsurance & other recoveries revenue	8	286,195	366,758	286,195	366,758
Net claims incurred	8	(395,797)	(92,384)	(395,797)	(92,384)
Gross commission expense		(5,242)	(4,270)	(5,242)	(4,270)
Reinsurance commission revenue		21,721	24,006	21,721	24,006
Net commission	11	16,479	19,736	16,479	19,736
Other underwriting expenses	9	(84,536)	(64,849)	(84,536)	(64,849)
Underwriting result		(278,496)	28,295	(278,496)	28,295
Net investment income/(expense)	10	33,119	(3,756)	33,119	(3,756)
General administration expenses	9	(32,933)	(27,338)	(30,906)	(25,312)
Catholic entity distributions		(200)	(197)	-	-
Revenue from contracts with customers		3,789	3,789	991	1,029
Other Revenue		570	73	496	62
Profit / (Loss) for the period	11	(274,151)	866	(274,796)	318
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		(274,151)	866	(274,796)	318

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

Statement of Financial Position

As at 30 June 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Assets					
Cash and cash equivalents	12	70,304	658,262	68,027	656,428
Trade and other receivables	13	35,734	131,313	34,894	130,681
Reinsurance recoveries	13	635,710	551,545	635,710	551,545
Financial assets at fair value through profit and loss	15	702,482	353,420	702,482	353,420
Deferred reinsurance expense	14	38,743	55,801	38,743	55,801
Plant and equipment	18	11,357	15,771	11,357	15,771
Other assets	17	6,375	6,445	6,375	6,445
Tax assets	16	2,246	3,288	2,246	3,288
Intangible assets	19	230	3,669	230	3,669
TOTAL ASSETS		1,503,180	1,779,515	1,500,064	1,777,048
Liabilities					
Trade and other payables	20	83,872	65,896	83,872	65,896
Other liabilities	22	9,182	13,207	9,182	13,207
Unearned premium reserve	25	109,873	210,515	109,873	210,515
Provisions	21	18,943	9,368	18,743	9,171
Outstanding claims	24	1,252,644	1,192,501	1,252,644	1,192,501
Unexpired risk reserve		14,789	-	14,789	-
TOTAL LIABILITIES		1,489,303	1,491,487	1,489,103	1,491,290
NET ASSETS		13,877	288,028	10,961	285,758
Shareholders' equity					
Contributed equity	23	179,333	179,333	179,333	179,333
Retained profit / (loss)		(165,456)	108,695	(168,372)	106,425
TOTAL SHAREHOLDERS' EQUITY		13,877	288,028	10,961	285,758

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 2023

	Note	Contributed Equity $'000	Retained Earnings $'000	Total $'000
Group				
At 1 July 2021		175,333	107,829	283,162
Net profit / (loss) for the period		-	866	866
Capital Subscription		4,000	-	4,000
At 30 June 2022		179,333	108,695	288,028
At 1 July 2022		179,333	108,695	288,028
Net profit / (loss) for the period		-	(274,151)	(274,151)
Capital Subscription		-	-	-
At 30 June 2023		179,333	(165,456)	13,877
Company				
At 1 July 2021		175,333	106,107	281,440
Net profit / (loss) for the period		-	318	318
Capital Subscription		4,000	-	4,000
At 30 June 2022		179,333	106,425	285,758
At 1 July 2022		179,333	106,425	285,758
Net profit / (loss) for the period		-	(274,797)	(274,797)
Capital Subscription		-	-	-
At 30 June 2023		179,333	(168,372)	10,961

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 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Cash flows from operating activities					
Premiums received		352,867	337,006	352,867	337,006
Outwards reinsurance paid		(98,717)	(144,144)	(98,717)	(144,144)
Claims paid		(620,005)	(510,497)	(620,005)	(510,497)
Reinsurance and other recoveries received		202,162	90,432	202,162	90,432
Acquisition costs paid		(4,692)	(4,359)	(4,692)	(4,359)
Other underwriting expenses paid		(77,321)	(48,618)	(77,321)	(48,777)
Other operating expenses paid		(22,225)	(27,323)	(20,108)	(25,182)
Other operating income received		4,540	3,958	1,784	1,350
Interest received		27,911	5,598	27,911	5,598
Dividends received		3,389	3,289	3,389	3,289
Catholic entity distributions & grants		(197)	(139)	-	(150)
Total cash flows (used in) from operating activities	29	(232,288)	(294,797)	(232,731)	(295,434)
Cash flows from investing activities					
Movement in investment trading:					
- Purchases		(368,774)	(187,474)	(368,774)	(187,474)
- Proceeds		18,527	512,266	18,527	512,266
Payments for plant and equipment		(2,794)	(1,304)	(2,794)	(1,304)
Proceeds from sale of plant and equipment		1,588	205	1,588	205
Payments for intangibles		58	(102)	58	(102)
Total cash flows (used in)/from investing activities		(351,394)	323,591	(351,394)	323,591
Cash flows from financing activities					
Principal payments from lease liabilities		(3,877)	(3,510)	(3,877)	(3,510)
Interest payments from lease liabilities		(397)	(477)	(397)	(477)
Movement in shares issued:				-	
- Proceeds		-	4,000	-	4,000
- Transaction costs		-		-	
Total cash flows (used in) financing activities		(4,275)	13	(4,275)	13
Net increase / (decrease) in cash held		(587,958)	28,807	(588,400)	28,170
Cash and cash equivalents at 1 July		658,262	629,455	656,428	628,258
Cash and cash equivalents at 30 June	12	70,304	658,262	68,028	656,428

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

Notes to the Financial Statements

For the financial year ended 30 June 2023

1. Corporate information

The consolidated financial report of Catholic Church Insurance Limited (the Company) and its controlled entity for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 30 October 2023.

The Company is an unlisted public company, incorporated and domiciled in Australia. The entity is licensed by the Australian Prudential Regulation Authority ("APRA") to operate in the general insurance industry and is 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 at the date of signing have been prepared on a going concern basis that the Board has in place, which assumes that the Company has sufficient resources to meet all of its obligations as and when they fall due. For the year ended 30 June 2023, the Company incurred a net operating cash outflow of $232 million (2022: $295 million) and incurred a net loss / (profit) of $274 million (2022: (0.86 million)). At the date of signing this report CCI has sufficient capital to continue operations as a runoff entity, as well as regulatory exemptions from certain components of the Insurance Act 1973 (Cth) ("Insurance Act"), that would prove onerous if there was further strain in claim experience.

This is detailed further below:

a) The Company has relief from Section 28 of the Insurance Act, specifically in the case where the Company no longer holds assets in Australia (excluding goodwill and other amounts excluded by the prudential standards) of a value that equals or exceeds the total amount of its liabilities in Australia (other than its pre-authorisation liabilities), which includes an allowance for risk margin. The relief was approved by APRA on 20 September 2023.

b) The Company has proposed a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (Act) with certain of its creditors as a precaution to ensure an orderly and equitable run-off and certainty into the future (Scheme). The key elements of the Scheme, that was voted on 31 October 2023 by Scheme Creditors, and set to be considered for approval by the Federal Court of Australia on 2 November, are:

   i. As the Company considers that it is currently solvent, a "contingent" Scheme has been proposed to allow the Company to continue to operate in the ordinary course until such time where there is a deterioration in the Company's financial position such that a "Trigger Event" occurs (i.e. where the Board determines that in its opinion, the Company would, or would be likely to become, insolvent at some future time)

   ii. If a "Trigger Event" occurs, the Reserving Period commences in order to ensure that claims continue to be handled in as orderly a manner as possible in the event of further deterioration in CCI's financial position. See note 35 for further details regarding the Scheme.

In case of a Reserving Scheme, Scheme Creditors will continue to be entitled to make an insurance claim under their Insurance Contract in the same way as they currently do, and CCI will assess that claim in the ordinary course of business. However, where the Company determines that a Scheme Creditor has an Established Scheme Liability, the Company will no longer pay it in full at that point in time. Instead, once a Payment Percentage has been set by the Scheme Advisers, the Company will pay a percentage of the Established Scheme Liability reflecting the Payment Percentage. If it is determined at one or more later dates that it has sufficient funds to do so, the Company may increase the percentage payable of the Established Scheme Liability so that it and subsequent Established Scheme Liabilities are paid at the same percentage. Non Scheme Creditors will be continued to be paid in full during the Reserving Period. For further information, refer to the Explanatory Statement in relation to the Scheme dated 27 September 2023 and made available on CCI's website.

Projecting the outcome of the Scheme and the results of claims to be paid in the future require significant judgment. Should the Scheme not be approved by the Federal Court of Australia on 2 November 2023, material uncertainty would exist that may cast significant doubt on the ability of the Company to realise its assets and settle all of its liabilities in the normal course of business in the future.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

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

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

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

b) Statement of compliance

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

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

Australian Accounting Standards which have been issued or amended during the annual reporting period ending 30 June 2023 and have been applied in preparing the company's financial statements, where applicable.

Title	Description
AASB 2020-1	Amendment – Classification of Liabilities as Current or Non-current
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Accounting Standards

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 2023 have not been applied in preparing the Company's financial statements. The nature of the impact of the application of these standards is disclosed only. The Company will apply these standards for the annual reporting periods beginning on or after the operative dates as set out on the following page.

Title	Description	Operative Date	Application Date for CCI
AASB 9	Financial Instruments	1 January 2018	1 July 2023
AASB 17	Insurance Contracts	1 January 2023	1 July 2023
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative information	1 January 2023	1 July 2023

[1] Capitalised terms in this paragraph have the meaning given in the Explanatory Statement dated 27 September 2023 and made available on CCI's website.

AASB 9 Financial Instruments

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

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

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

Impact on financial assets

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

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

Impact on financial liabilities

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

Impact on subsidiaries

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

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts, i.e., life, non-life, direct insurance and reinsurance, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The core of AASB 17 is the General (building block) Model supplemented by:

- A specific adaptation for contracts with direct participation features (Variable Fee Approach).
- A simplified approach mainly for short duration contracts (Premium Allocation Approach).
- The main features of the new accounting model for insurance contracts are:
- A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period, i.e., the fulfilment cash flows.
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., the coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

The Group will adopt the PAA method where it is eligible to do so including for reinsurance held. This is due to the typically short-term coverage periods of the majority of the Group's general insurance contracts and the way that these contracts are managed even when there are occasions of an individual boundary stretching beyond 12 months.

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

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

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

Measurement models

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

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

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

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

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

Level of aggregation and onerous contract losses (loss component)

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

Risk adjustment

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

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

Discount rates

AASB 17 requires that the estimates of expected cash flows that are used to measure either the liability for remaining coverage, for contracts accounted for under the general measurement model, or incurred claims are to be discounted to reflect the time value of money and the financial risks related to those cash flows. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

Presentation and disclosure

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

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

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

Transition

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

e) Basis of consolidation

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

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

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

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

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

f) Premium revenue

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

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

g) Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration expected in exchange for the goods and services.

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

Rendering of services

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

Interest

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

Dividends

Control of the right to receive the dividend payment.

Other revenue

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

Unexpired risk liability

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

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

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

h) Outwards reinsurance

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

i) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR), and the anticipated direct and indirect costs of settling claims. Outstanding claims are valued by the Appointed Actuary by reviewing individual claim files and actuarially estimating IBNRs and settlement costs based on past experiences and trends. The outstanding claims liability is recorded as the central estimate of the present value of expected future payments relating to claims incurred as at the report date. Outstanding claims are the ultimate cost of settling claims including normal and superimposed inflation, discounted to present value using risk free discount rates. A prudential margin is added to the outstanding claims provision net of reinsurance and other recoveries to allow for inherent uncertainty in the central estimate. Risk Margins applied are included in note 24.

j) Reinsurance and other recoveries receivable

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

k) Investment income

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

l) Taxation

Income tax

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

Goods and Services Tax (GST)

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

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

m) Fire/Emergency services levy and other charges

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

n) Unearned premium liabilities

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

o) Employee benefits

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

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

p) Cash and cash equivalents

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

(i) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and

(ii) Investments in money market instruments with less than 14 days to maturity.

q) Reinsurance commission

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

r) Superannuation

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

s) Financial assets and liabilities

(i) **Financial assets**

As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities. The Group has determined that all financial assets at fair value through profit and loss are held to back general insurance liabilities. All financial assets are managed, and performance evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented risk management strategy. Trade and other receivables are at amortised cost.

During the year there was a change in the investment strategy of the Group to predominantly cash and fixed interest from a diversified portfolio. The Group will revert to a diversified portfolio to derive the benefits from investing in both growth and defensive assets to mitigate risk and earn long term returns when combined with a long-term investment strategy. The Group has a prudent investment philosophy which is documented in a policy.

(ii) **Fair value**

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

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

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

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

(iii) **Hierarchy**

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

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

Note 33 sets out the Group's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Impairment of financial assets

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

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

Derivative instruments

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

Financial Instruments: Recognition and Measurement

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

Trade and other receivables

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

(iv) **Financial liabilities**

Trade and other payables

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

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

All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation or market convention ('regular way' transactions) are recognised at trade date, being the date on which the Company commits to buy or sell the asset.

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

t) Plant and equipment

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

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

u) Intangibles

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

v) Depreciation

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

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

	2023	2022
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	2 - 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. The useful life of Right-Of -Use assets is tested annually with a onerous lease and/or onerous contract provision raised where the value in use / useful life has reduced.

w) Amortisation of intangible assets

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

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

x) Foreign currency

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

y) Dividends and Catholic entity distributions

Dividends

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

Catholic entity distributions

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

The Catholic entity distribution declared for 2023 for the Group was $200k (2022: $197k) and for the Company was nil (2022: nil). The grant distributions declared for 2023 for the Group and the Company was nil (2022: nil).

z) Impairment of assets

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

aa) Leases

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

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

bb) Options

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

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

3. Critical accounting estimates and judgements

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

The key areas in which critical estimates and judgements are applied are set out 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) Outstanding Claims Liability

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

As a result the Company have received a 902 (2022: 3835) notifications related to COVID- 19 infections in the year, of which 130 remain open at year end with a net incurred value in the year of $1.6m (2022:$1.7m.)

Claims in other portfolios have been modest with only ~12 (2022: 40) casualty claims to date with a net incurred of $517k (2022: $640k) and very few business interruption claims as the majority of our insured continued to operate during the pandemic restrictions.

4. Actuarial assumptions and methods

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

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

Short-tail

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

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

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

Public Liability

Public Liability includes General Liability and Professional Standards claims.

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

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

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

The estimates for the professional standards claims is based on CCI's current case estimates plus an allowance for further development (Incurred But Not Enough Reported (IBNER) and an allowance for Incurred But Not Reported (IBNR) claims. The current case estimates include an allowance for "notified but not reported" professional standards claims and for claims to be revisited in Queensland, NSW, WA and Victoria. The IBNR allowance assumes a number of claims to be reported in the future and an average claim size. The average claim size is then inflated to allow for both general inflation and superimposed inflation. Modelling of professional standards claims was split this year to recognise claims/clients covered by the Adverse Development Cover Reinsurance Treaty (ADC) and all "Other" claims.

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

Professional Indemnity

The same methodologies applied to public liability were also used for the professional indemnity class. However, unlike the other classes that are analysed on an accident year basis, this portfolio is analysed on a report year basis as the policies are written on a claims made basis. The results from the model are analysed, along with minimum loss ratios, in order to determine a final estimate of outstanding claims. The modelling of Professional Indemnity claims this year was split between Directors & Officers, Cyber and Other claims, reflecting the new APRA classes.

Discounting is also applied for this long tail class.

Workers' Compensation

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

Actuarial assumptions

2023	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	3.9 years	2.3 years	2.5 years
Wage inflation (average)	0.00%	3.47%	3.47%	3.47%
Superimposed inflation	0.00%	1.91%	0.00%	6.00%*
Discount rate	0.00%	3.90%	3.90%	3.90%
Expense rate	1.40%	4.50%	4.50%	12.00%
Risk margin	22.2%	26.8%**	25.5%	14.2%***
2022				
Average weighted term to settlement (discounted)	Less than 1 year	3.2 years	1.5 years	2.5 years
Wage inflation (average)	0.00%	3.76%	3.76%	3.76%
Superimposed inflation	0.00%	0.92%	0.00%	3.00%**
Discount rate	0.00%	3.30%	2.92%	3.11%
Expense rate	1.29%	6.00%	6.00%	6.00%
Risk margin	14.80%	18.10%	17.00%	7.50%

* Superimposed inflation of 6% of NSW workers' compensation only applies for the first three development years.

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

*** A 27.5% risk margin has been applied to Molestation (MOL) claims except where the ADC applies and for claims excluded by the LRD transactions. The residual General Liability portfolio has a 13.5% risk margin.

a) Processes used to determine assumptions

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

Average weighted term to settlement

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

Inflation

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

Superimposed inflation

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

Discount rate

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

Expense rate

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

Risk margins

Risk margins have been based on features of the Company's portfolios using general industry models to measure the variability of liabilities. The risk margin applied to the Companies professional standards portfolio, which is included within public liability above, has been increased to an average of 27.5% (2022 :27.5%) this year for Molestation ('MOL") claims and 0% (2022:0%) for Ethical Standards Liability ("ETL") claims. This change partially reflects the impact of the change of accounting methodology for the second layer of the ADC.

Average claim size

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

Number of IBNR claims

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

Incurred cost development

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

Minimum loss ratios

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

Number and average claim size of latent claims

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

b) Sensitivity analysis – insurance contracts

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

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

		Net Profit / (Loss) $'000	
Variable	Change	Gross	Net
Average weighted term to settlement (years)	+0.5	(11,876)	(8,942)
	-0.5	12,098	9,108
Number of latent claims	+10%	35,042	20,929
	-10%	(35,042)	(20,929)
Average claim size (latent claims only)	+10%	35,042	20,929
	-10%	(35,042)	(20,929)
Expense rate (gross claims cost)	+1%	11,697	11,697
	-1%	(11,697)	(11,697)
Inflation and superimposed assumption	+0.25%	2,881	2,397
	-0.25%	(2,881)	(2,397)
Discount rate	+0.25%	(2,881)	(2,397)
	-0.25%	2,881	2,397
Risk margins	+1%	10,154	5,775
	-1%	(10,154)	(5,775)

5. Risk management

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

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

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

Risk management framework

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

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

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

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

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

With CCI's announcement to enter into run off, under GPS 320, a run off insurer must maintain a rolling 3 year "run off" subject to an annual review and approved by the Board. The Appointed Actuary must also review the runoff plan according to the requirements of GPS 320. The date that CCI becomes a run off insurer is 15 June 2023.

CCI has identified the following "risk universe" within its RMS forms the starting point for identifying and managing risks.

The key areas of risk exposure discussed below are:

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

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

a) Insurance risk

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

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

Underwriting risks

The pricing and selection of risks for each class of business is controlled by underwriting authorities and limits which reflect underwriting results, expected claims and economic conditions. To manage the volatility in results, particularly for property risks, the Company purchases a proportional reinsurance program.

Concentration of insurance risk

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

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

Terms and conditions of insurance contracts

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

Claims management and provisioning

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

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

b) Reinsurance counterparty risk

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

c) Operational risk

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

d) Capital and regulatory risk

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

The Group manages its capital requirements by assessing capital levels on a regular basis. Its objectives are to maintain compliance with APRAs rules and regulations despite the PCR being outside the acceptable range to continue to minimise capital risk and protect policyholders.

6. Financial risk

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

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

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

(i) Currency risk

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

The Company invests in international equities via unit trusts using Australian fund managers. The international equities comprise of 0.76% (2022: 7.93%) of the total investment portfolio. The Company manages foreign currency by asset allocation, diversification, fund manager selection and exposure level between FX hedged and unhedged. In addition, CCI considers the total risk impact taking into consideration that FX risk are correlated to equity market risks that may create a net reduction to the overall market risk position for global equities.

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

(ii) Interest rate risk

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

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

CCI has no interest bearing financial liabilities.

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

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

(iii) Price risk

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

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

b) Credit risk

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

The following policies and procedures are in place to reduce CCIs credit risk exposure:

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

(i) Credit exposure

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

	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023							
Consolidated							
Cash and cash equivalents*	-	70,160	144	-	-	-	70,304
Interest bearing investments**	309,483	283,465	48,808	-	-	-	641,756
Reinsurance & other recoveries***	-	541,616	166,359	-	72,235	-	708,047
2022							
Consolidated							
Cash and cash equivalents*	-	562,584	95,546	-	-	216	658,262
Interest bearing investments**	87,031	166,114	-	28,757	-	-	281,902
Reinsurance & other recoveries***	-	432,508	122,092	32,135	-	-	586,735

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

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

***Includes current and non-current reinsurance and other recoveries on outstanding claims and claims paid. The BBB and speculative credit ratings associated with reinsurance and other recoveries is based on the historic recoverability associated with reinsurers in run-off. No reinsurers in our current program are rated below A-.

The credit exposure of the Company is synonymous with the Group apart from cash and cash equivalents where the AA rating for the Company reduces by $2,276k for the current year and by $1,834k for the prior year.

(ii) **Asset carrying value**

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

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

		Past Due				
	Not Past Due	Less Than 3 Months	3 to 6 Months	6 Months to 1 year	Greater Than 1 Year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2023						
Consolidated						
Cash and cash equivalents	70,304					70,304
Premiums receivable	13,261	12,293	2,584	5,603	1,542	30,115
Reinsurance & other recoveries[1]	649,404	24,295	18,266	16,082	-	708,047
Other receivables[2]	6,826	-	-	-	-	6,826
2022						
Consolidated						
Cash and cash equivalents	658,262					658,262
Premiums receivable	113,009	2,083	4,567	6,140	276	126,075
Reinsurance & other recoveries[1]	514,419	26,247	1,365	43,850	854	586,735
Other receivables[2]	6,330	-	-	-	-	6,330

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

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

The difference between the Group and the Company relates to other receivables. The "Not past due" category for the Company decreases by $840k for the current year and $632k for the prior year.

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

c) Liquidity risk

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

The investment policy requires a minimum percentage of investments be held in cash and short- term deposits to ensure sufficient liquid funds are available to meet insurance and other liabilities as they fall due for payment. In addition, the investment policy also includes a maximum threshold for illiquid assets, which is defined as any securities that cannot be redeemed or sold within 30 days. CCI has a strong liquidity position with no interest-bearing debt.

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

The following tables summarise the maturity profile of financial liabilities of the Group and the Company based on the remaining undiscounted contractual obligations.

	Less Than 3 Months	3 Months to 1 Year	1 to 5 Years	Greater Than 5 Years	Total
Consolidated & Company	$'000	$'000	$'000	$'000	$'000
2023					
Trade and other payables	83,872	-	-	-	83,872
Financial Liabilities – Options / Futures	-	-	-	-	-
Outstanding Claims	-	598,648	655,996	-	1,252,644
Lease Liabilities	1,315	3,252	5,084	-	9,651
2022					
Trade and other payables	65,896	-	-	-	65,896
Financial Liabilities – Options / Futures	-	147	-	-	147
Outstanding Claims	-	423,167	769,334	-	1,192,501
Lease Liabilities	1,071	3,212	9,513	179	13,976

d) Concentration Risk

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

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

e) Sensitivity

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

		Financial Impact +/-			
		2023 Net Profit / (Loss)	2023 Equity	2022 Net Profit / (Loss)	2022 Equity
Market risk	**Movement in variable**	$'000	$'000	$'000	$'000
Interest rate	1%+/-	5,564/(5,564)	5,564/(5,564)	6,726/(6,726)	6,726/(6,726)
International Equities	10%+/-	592/(592)	592/(592)	852 / (852)	852 / (852)
Domestic Equities	10%+/-	5,481/(5,481)	5,481/(5,481)	6,285/(6,285)	6,285/(6,285)

7. Net premium revenue

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Direct	349,042	323,125	349,042	323,125
Fire service levies	8,259	8,759	8,259	8,759
Premium revenue	357,301	331,884	357,301	331,884
Outwards reinsurance expense	(171,943)	(166,092)	(171,943)	(166,092)
Net premium revenue	185,358	165,792	185,358	165,792

8. Net claims incurred

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

	2023			2022		
	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	286,932	451,255	738,187	468,043	54,134	522,177
Discount and discount movement	(25,696)	(30,499)	(56,195)	(13,642)	(49,393)	(63,035)
Gross / Net claims incurred and related expenses	261,236	420,756	681,992	454,401	4,741	459,142
Reinsurance and other recoveries	(121,532)	(289,293)	(410,925)	(342,237)	5,493	(336,744)
Discount and discount movement	17,072	107,659	124,730	8,415	(38,429)	(30,014)
Reinsurance and other recoveries	(104,460)	(181,734)	(286,195)	(333,822)	(32,936)	(366,758)
Net claims incurred (discounted)	156,776	239,022	395,797	120,579	(28,195)	92,384

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

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

9. Other underwriting and general administration expenses

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Expenses by function:				
Levies and charges	11,611	12,522	11,611	12,522
Administration expenses	72,925	52,327	72,925	52,327
Other underwriting expenses	84,536	64,849	84,536	64,849
Investment expenses	742	746	742	746
Marketing expenses	288	470	288	470
Interest on lease liabilities	1,893	953	1,889	948
Depreciation charges (note 18)	5,416	5,506	5,373	5,458
Impairment of Assets	1,570	-	1,569	-
Information technology expenses	4,629	2,995	4,629	2,995
Employee expenses	8,389	9,655	7,399	8,538
Other expenses	10,006	7,013	9,017	6,157
General administration expenses	32,933	27,338	30,906	25,312

10. Investment income

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Dividend income	3,572	2,230	3,572	2,230
Interest income	30,588	6,763	30,588	6,763
Changes in fair value				
- Unrealised gains / (losses) on investments	(1,578)	(12,630)	(1,578)	(12,630)
- Realised gains / (losses) on investments	537	(119)	537	(119)
	33,119	(3,756)	33,119	(3,756)

11. Profit/(loss) for the period)

	Group 2023	Group 2022	Company 2023	Company 2022
	$'000	$'000	$'000	$'000
Gross written premiums	330,046	345,592	330,046	345,592
Unearned premium movement	27,255	(13,708)	27,256	(13,708)
Gross earned premium	357,301	331,884	357,301	331,884
Outward reinsurance expense	(171,943)	(166,092)	(171,943)	(166,092)
Net earned premium	185,358	165,792	185,358	165,792
Gross claims incurred	(681,992)	(459,142)	(681,992)	(459,142)
Reinsurance and other recoveries	286,195	366,758	286,195	366,758
Net claims incurred	(395,797)	(92,384)	(395,797)	(92,385)
Gross commission expense	(5,242)	(4,270)	(5,242)	(4,270)
Reinsurance commission revenue	21,721	24,006	21,721	24,006
Net commission	16,479	19,736	16,479	19,736
Other underwriting expenses	(84,536)	(64,849)	(84,536)	(64,849)
Underwriting profit / (loss)	**(278,496)**	**28,295**	**(278,496)**	**28,295**
Dividend income	3,572	2,230	3,572	2,230
Interest income	30,588	6,763	30,588	6,763
Changes in fair value:				
- Unrealised gains / (losses) on investments	(1,578)	(12,630)	(1,578)	(12,630)
- Realised gains / (losses) on investments	537	(119)	537	(119)
Revenue from contracts with customers	3,789	3,789	991	1,029
Other income	570	73	496	62
Investment and other income	**37,478**	**106**	**34,606**	**(2,665)**
General administration expenses	(32,933)	(27,338)	(30,906)	(25,312)
Catholic entity distributions	(200)	(197)	-	-
Profit / (Loss) from ordinary activities	**(274,151)**	**866**	**(274,796)**	**318**

12. Cash and cash equivalents

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Cash and cash equivalents comprises:				
- Cash at call	70,304	658,262	68,027	656,428
	70,304	658,262	68,027	656,428
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	70,304	658,262	68,028	656,428
	70,304	658,262	68,028	656,428

The group has a combined bank overdraft facility of $150,000 (2022: $150,000). This facility was unused at 30 June 2023 (2022: Unused).

13. Trade and other receivables

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Premiums receivable (i)	30,115	126,075	30,115	126,075
Provision for doubtful debts on premiums	(1,208)	(1,092)	(1,208)	(1,092)
	28,907	124,983	28,907	124,983
Investment income accrued (iii)	5,290	2,757	5,290	2,757
Sundry debtors (iv)	1,537	3,573	697	2,941
	35,734	131,313	34,894	130,681
Reinsurance and other recoveries on outstanding claims and claims paid (ii)	473,515	486,667	473,515	486,667
Provision for doubtful debts on reinsurance recoveries	(72,337)	(35,189)	(72,337)	(35,189)
	401,178	451,478	401,178	451,478
Total current receivables	436,912	582,791	436,072	582,159
Reinsurance and other recoveries on outstanding claims and claims paid	234,532	100,068	234,532	100,068
Total non-current receivables	234,532	100,068	234,532	100,068
Total trade and other receivables	671,444	682,859	670,604	682,227

The current period balance of premiums receivable includes $nil (2022: 73.386 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2023.

(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.

(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.

14. Deferred reinsurance expense

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Deferred reinsurance expense as at 1 July	55,801	49,184	55,801	49,184
Reinsurance premiums paid during the year	154,886	172,709	154,886	172,709
Reinsurance premiums charged to profit and loss during the year	(171,944)	(166,092)	(171,943)	(166,092)
Deferred reinsurance expense as at 30 June	38,743	55,801	38,744	55,801

The current period balance of deferred reinsurance expense includes $3.192 million (2022: $2.992 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2023.

15. Financial assets at fair value through profit and loss

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
– Government and semi-government bonds	514,802	227,427	514,802	227,427
– Discount securities	78,372	19,984	78,372	19,984
– Other fixed interest securities	48,582	34,491	48,582	34,491
– Shares in other corporations	14,484	21,721	14,484	21,721
– Units in other unit trusts	5,916	8,517	5,916	8,517
– Units in property unit trusts	40,326	41,280	40,326	41,280
Total investments	702,482	353,420	702,482	353,420

16. Tax assets

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Imputation credits	438	111	438	111
GST recoverable	1,808	3,177	1,808	3,177
	2,246	3,288	2,246	3,288

17. Other assets

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Deferred fire/emergency services levy expenses	3,477	3,410	3,477	3,410
Deferred acquisition costs	-	550	-	550
Other assets	2,898	2,485	2,898	2,485
	6,375	6,445	6,375	6,445

18. Plant and equipment

	Group					
	Right of Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2023						
Gross carrying amount						
Balance at 1 July 2022	22,543	2,539	2,486	8,335	4,138	40,041
Additions	851	1,005	-	430	-	2,286
Adjustments	-	70	-	-	-	70
Disposals	(931)	(937)	-	-	-	(1,868)
Impairments	(279)	-	(25)	(138)	(80)	(522)
Balance at 30 June 2023	22,184	2,677	2,461	8,627	4,058	40,007
Accumulated depreciation						
Accumulated depreciation	(11,514)	(407)	(1,405)	(7,407)	(2,500)	(23,234)
Depreciation charge for the year	(3,702)	(531)	(268)	(492)	(424)	(5,416)
Balance at 30 June 2023	(15,216)	(938)	(1,673)	(7,899)	(2,924)	(28,650)
Net carrying amount at 30 June 2023	6,968	1,739	788	728	1,134	11,357

There has been no change to depreciation rates or useful lives at 30 June 2023.
The balance of plant and equipment for the Group is the same as the Company.

Year ended 30 June 2022

	Right of Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Gross carrying amount						
Balance at 1 July 2021	22,694	2,837	2,485	7,783	4,138	39,937
Additions	-	752	-	551	-	1,303
Disposals	(150)	(1,050)	-	-	-	(1,200)
Balance at 30 June 2022	22,544	2,539	2,485	8,335	4,138	40,040
Accumulated depreciation						
Accumulated depreciation	(8,318)	(417)	(1,124)	(6,847)	(2,056)	(18,762)
Depreciation charge for the year	(3,666)	(556)	(281)	(560)	(444)	(5,507)
Balance at 30 June 2022	(11,984)	(973)	(1,405)	(7,407)	(2,500)	(24,269)
Net carrying amount at 30 June 2022	10,560	1,566	1,080	927	1,638	15,771

19. Intangible assets

Group and Company

Year ended 30 June 2023

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

	Computer Software
Gross carrying amount	**$'000**
Balance at 1 July 2022	17,285
Additions	-
Work In Progress	(58)
Disposals	-
Impairment	(1,047)
Balance at 30 June 2023	16,180
Accumulated amortisation	
Amortisation charge for the year	(2,334)
Disposals	-
Accumulated amortisation	(13,616)
Balance at 30 June 2022	(15,950)
Net carrying amount at 30 June 2023	230

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 2022

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

	Computer Software
Gross carrying amount	**$'000**
Balance at 1 July 2021	17,504
Additions	307
Work in Progress	58
Disposals	(584)
Balance at 30 June 2022	17,285
Accumulated amortisation	
Amortisation charge for the year	(3,371)
Disposals	320
Accumulated amortisation	(10,565)
Balance at 30 June 2022	(13,616)
Net carrying amount at 30 June 2022	3,669

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000

20. Trade and other payables

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Trade creditors	78,262	58,869	78,262	58,869
Accrued expenses	2,961	5,055	2,961	5,055
Sundry creditors	2,649	1,972	2,649	1,972
	83,872	65,896	83,872	65,896

The current period balance of the trade creditors includes $3.192 million (2022: $2.992 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2023.

21. Provisions

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Current				
Catholic entity distributions	200	197	-	-
Grants	-	-	-	-
Onerous Contract	8,651	-	8,651	-
Employee benefits	7,070	6,406	7,070	6,406
	15,921	6,603	15,721	6,406
Non-current				
Employee benefits	1,092	1,748	1,092	1,748
Make good of premises	1,930	1,017	1,930	1,017
	3,022	2,765	3,022	2,765
Total provisions	18,943	9,368	18,743	9,171

	Group					
	Catholic Entity Distributions	**Grants**	**Employee Entitlements**	**Make good Premises**	**Onerous Contract**	**Total**
Year ended 30 June 2023	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2022	197	-	8,154	1,017	-	9,368
Additional provisions	200	-	8,162	913	8,651	17,926
Amounts utilised during the year	(197)	-	(8,154)	-	-	(8,351)
Carrying amount at 30 June 2023	200	-	8,162	1,930	8,651	18,943

	Group					
	Catholic Entity Distributions	**Grants**	**Employee Entitlements**	**Make good Premises**	**Onerous Contract**	**Total**
Year ended 30 June 2022	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2021	186	150	8,266	970	-	9,572
Additional provisions	197	-	8,154	59	-	8,411
Amounts utilised during the year	(186)	(150)	(8,266)	(12)	-	(8,615)
Carrying amount at 30 June 2022	197	-	8,154	1,017	-	9,368

Catholic entity distributions and grants

The Group operates under mutual principles and at the end of eachyear 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 and retention 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.

Onerous Contracts

The provision is required as a result of the ceasing all development and implementation work on the core underwriting system replacement. The amount represents the best estimate of contractual exit costs associated with the project.

22. Other liabilities

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Financial liability – exchange traded options	-	147	-	147
Lease liabilities	9,182	13,060	9,182	13,060
	9,182	13,207	9,182	13,207

23. Contributed equity

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Share capital	179,333	179,333	179,333	179,333
Total contributed equity	179,333	179,333	179,333	179,333

	2023		2022	
	Number of shares	$'000	Number of shares	$'000
Issued shares, fully paid at 1 July	12,189,946	179,333	11,976,042	175,333
Shares issued:				
- Proceeds		-	213,904	4,000
- Transaction costs		-		-
Issued shares, fully paid at 30 June	12,189,946	179,333	12,189,946	179,333

Terms and conditions of contributed equity

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

24. Outstanding claims

		Group		Company	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	1,097,860	1,066,815	1,097,860	1,066,815
Discount to present value		(118,322)	(78,437)	(118,322)	(78,437)
		979,538	988,378	979,538	988,378
Claims handling costs	(B)	44,685	42,245	44,685	42,245
		1,024,223	1,030,623	1,024,223	1,030,623
Risk margin	(C)	228,421	161,878	228,421	161,878
Gross outstanding claims liability – discounted		1,252,644	1,192,501	1,252,644	1,192,501
Gross claims liability – undiscounted	(A)+(B)+(C)	1,370,966	1,270,938	1,370,966	1,270,938
Current		598,648	598,380	598,648	598,380
Non-current		653,996	594,121	653,996	594,121
Total		1,252,644	1,192,501	1,252,644	1,192,501

(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	2023 %	2022 %
Short-tail	22.2	14.8
Professional indemnity	25.5	17.0
Public liability (excluding professional standards)	13.5	18.1
Professional standards	27.5	20.0
Workers' compensation (New South Wales)	15.0	7.5
Workers' compensation (all other states)	11.3	7.5

(c) Reconciliation of movement in discounted outstanding claims liability

2023	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	1,192,501	477,314	715,188
Effect of changes in assumptions	399,201	169,426	229,774
Increase in claims incurred / recoveries anticipated over the year	271,256	119,605	151,650
Claim payments / recoveries during the year	(610,314)	(222,487)	(387,827)
Carried forward	1,252,644	543,859	708,785

2022	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	1,241,749	255,884	985,865
Effect of changes in assumptions	(240,511)	22,848	(263,360)
Increase in claims incurred / recoveries anticipated over the year	462,707	345,266	117,441
Claim payments / recoveries during the year	(271,443)	(146,685)	(124,758)
Carried forward	1,192,501	477,313	715,188

(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	2017 & prior	2018	2019	2020	2021	2022	2023	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	1,123,524	57,069	59,720	67,752	61,495	71,622	84,677	1,525,859
One year later	1,184,795	52,941	62,598	68,774	71,452	80,121	-	1,520,681
Two years later	1,170,991	53,523	58,100	66,717	81,491	-	-	1,430,822
Three years later	1,181,081	51,624	62,342	73,267	-	-	-	1,368,313
Four years later	1,203,752	56,043	67,859	-	-	-	-	1,327,654
Five years later	1,310,037	58,183	-	-	-	-	-	1,368,220
Six years later	1,515,557	-	-	-	-	-	-	1,515,557
Seven years later	1,698,893	-	-	-	-	-	-	1,698,893
Eight years later	1,574,091	-	-	-	-	-	-	1,574,091
Current estimate of cumulative claims cost	1,964,371	58,183	67,859	73,267	81,491	80,121	84,677	2,409,969
Cumulative payments	(1,455,258)	(48,196)	(50,189)	(50,285)	(44,401)	(29,026)	(13,778)	(1,691,131)
Outstanding claims – undiscounted	509,113	9,987	17,670	22,982	37,090	51,096	70,900	718,837
Discount								(90,971)
Discounted Outstanding claims								627,866
Short-tail outstanding claims								351,671
Claims handling expenses								44,685
Risk margins								228,421
Total gross outstanding claims as per the Balance Sheet								1,252,644

(ii) Net of reinsurance

Accident year	2017 & prior	2018	2019	2020	2021	2022	2023	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	990,377	56,854	59,477	64,254	60,555	69,882	82,229	1,383,628
One year later	1,039,288	52,686	62,037	67,522	69,805	79,004	-	1,370,343
Two years later	1,024,385	53,255	55,855	64,995	79,907	-	-	1,278,397
Three years later	1,031,191	49,647	60,440	71,661	-	-	-	1,212,939
Four years later	1,047,219	54,007	67,600	-	-	-	-	1,168,826
Five years later	1,132,945	58,123	-	-	-	-	-	1,191,068
Six years later	1,302,083	-	-	-	-	-	-	1,302,083
Seven years later	1,440,501	-	-	-	-	-	-	1,440,501
Eight years later	1,340,570	-	-	-	-	-	-	1,340,570
Current estimate of cumulative claims cost	1,581,155	58,123	67,600	71,661	79,907	79,004	82,229	2,019,679
Cumulative payments	(1,268,411)	(48,136)	(49,930)	(49,010)	(43,464)	(28,715)	(13,359)	(1,501,025)
Outstanding claims – undiscounted	312,744	9,987	17,670	22,651	36,443	50,288	68,870	518,654
Discount								(37,577)
Outstanding claims								481,077
Short-tail outstanding claims								51,729
Claims handling expenses								44,685
Risk margins								131,294
Total net outstanding claims as per the Balance Sheet								708,785

25. Unearned premium reserve

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Unearned premium liability as at 1 July	210,515	184,941	210,515	184,941
Deferral of premiums on contracts written in the period	(371,157)	357,458	(371,157)	357,458
Earning of premiums written in current and previous periods	270,515	(331,884)	270,515	(331,884)
Unearned premium liability as at 30 June	109,873	210,515	109,873	210,515

The current period balance of the unearned premium reserve includes $73.386 million (2022: $61.520 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2023.

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

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

26. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

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

Ms Joan Fitzpatrick (Chairman)

Mr Gregory Cooper

Mr Eamonn Cunningham

Mr Noel Condon

Mr Matthew Doquile

Mr Richard Haddock

Reverend Dr Philip Marshall

Sr Mary Ellen O'Donoghue

Mr David Issa

(ii) Executive Officers

R Scenna

T Farren

C Battilana

D Hutton

J Yipp

R Tagwira

S Stares

K Young

R deVries

D Gooderham

(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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Directors				
Short-term	610	524	600	466
Post employment	23	41	23	35
	633	565	623	501

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Executives				
Short-term	5,195	4,817	5,195	4,817
Post employment	391	239	391	239
Other long-term	191	224	191	224
	5,777	5,280	5,777	5,280

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits. The other long term category includes accrued long service leave whether or not the executive has reached the entitlement date. Executive remuneration includes redundancy and termination in lieu of notice payments of $147k (2022: $nil).

(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 2021	Net Change Other	Balance at 30 June 2022	Net Change Other	Balance at 30 June 2023
Directors					
P A Gallagher	-	-	-	-	-
N Condon	1,250	-	1,250	(1,250)	-
L Reeves	-	-	-	-	-
E Cunningham	-	1,000	1,000	(1,000)	-
R M Haddock	1,250	-	1,250	(1,250)	-
J A Schafer	1,000	(1,000)	-	-	-
M O'Donoghue	1,250	-	1,250	(1,250)	-
J A Tongs	-	-	-	-	-
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	1,250	-	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.

27. Related parties

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Wholly owned group transactions				
The entities within the wholly owned Group are Catholic Church Insurance Limited (parent), and CCI Asset Management Limited (subsidiary).Catholic Church Insurance Limited is the ultimate parent entity.				
Back office administration and corporate overhead expenses charged to CCI Asset Management	1,936	2,026	1,936	2,026
Balance of intercompany receivable from CCI Asset Management Limited	129	311	129	311

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

Management fees for the reporting period paid by the trusts to CCI Asset Management Limited				
- Catholic Values Unit Trust	1,223	1,086	1,223	1,086
- Income Unit Trust	266	282	266	282

28. Auditors remuneration

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'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	746	341	734	330
(b) other services in relation to the entity and any other entity in the group				
– Taxation services	-	-	-	-
– Other services	101	114	-	39
Total other services	101	114	-	39

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

29. Statement of cash flows

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Reconciliation of cash flow from operations with profit / (loss) from ordinary activities				
Profit from ordinary activities	(274,151)	866	(274,797)	319
Changes in net market value of investments	(1,820)	12,642	(1,820)	10,837
Interest on lease liabilities	397	-	397	-
Depreciation of assets	5,384	5,554	5,384	5,506
Amortisation of intangible assets	2,334	3,371	2,334	3,371
Impairment of assets	1,569	-	1,569	-
Profit/(loss) on sale of assets	(286)	209	(286)	210
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	3	(137)	-	(137)
Increase in unearned premium	(27,256)	25,574	(27,256)	25,574
(Increase) in premiums receivable	22,574	(7,489)	22,574	(7,489)
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	(84,165)	(276,614)	(84,165)	(276,614)
(Increase)/decrease in reinsurance payables	57,192	(1,337)	57,192	(1,337)
Increase/(decrease) in outstanding claims	62,119	(51,066)	62,119	(51,066)
(Increase)/decrease in acquisition costs	550	(89)	550	(89)
(Increase)/decrease in statutory charge asset	(428)	2,474	(428)	2,474
Decrease in GST tax provision	1,369	(1,281)	1,369	(1,281)
Decrease in other provisions and sundry debtors	2,324	(7,474)	2,532	(5,712)
Cash flow from operating activities	(232,289)	(294,797)	(232,731)	(295,434)

30. Controlled entities

Name of Entity	Country of incorporation	Ownership Interest 2023 %	Ownership Interest 2022 %	Investment 2023 $'000	Investment 2022 $'000
Parent entity					
Catholic Church Insurance Limited	Australia	-	-	-	-
Controlled entity					
CCI Asset Management Limited	Australia	100	100	-	-
CCI GF Pty Limited	Australia	100	100	-	-

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

31. Capital adequacy

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

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

The PCR of the Company applying consolidation principles to the prudential standards is as follows:

	2023 $'000	2022 $'000
Tier 1 capital		
Paid-up ordinary shares	179,333	179,333
Retained earnings at end of reporting period	(168,372)	106,425
Premium liability surplus	19,036	18,618
Net tier 1 capital	29,997	304,376
Less net intangible assets	230	3,669
Less assets under a fixed or floating charge	-	-
Total capital base	29,767	300,707
Prescribed capital requirement	217,558	186,682
Prescribed capital amount coverage	13.68%	161.08%

The group does not hold any tier 2 capital.

32. Additional financial instruments disclosure

(a) Significant accounting policies

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

(b) Interest rate risk

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

	Fixed Interest Rate Maturity – Group						
2023	**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	3.88	70,304				-	70,304
Discount securities	4.32	78,372	-			-	78,372
Trade and other receivables						35,734	35,734
Reinsurance Recoveries						635,710	635,710
Government and semi-government bonds	3.46		357,131	157,670	-		514,802
Other fixed interest securities	4.49		29,008	19,574			48,582
Shares, options & trusts						60,728	60,728
Total		148,676	386,139	177,245	-	732,172	1,444,231
Financial liabilities							
Creditors	-	-	-	-	-	83,872	83,872
Exchange traded options	-	-	-	-	-		-
Total	-	-	-	-	-	83,872	83,872

	Fixed Interest Rate Maturity – Company						
2023	**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	3.88	68,027				-	68,027
Discount securities	4.32	78,372	-			-	78,372
Trade and other receivables						34,894	34,894
Reinsurance Recoveries						635,710	635,710
Government and semi-government bonds	3.46		357,131	157,670	-		514,802
Other fixed interest securities	4.49		29,008	19,574			48,582
Shares, options & trusts						60,728	60,728
Total		146,400	386,139	177,245	-	731,331	1,441,115
Financial liabilities							
Creditors	-	-	-	-	-	83,872	83,872
Exchange traded options	-	-	-	-	-	-	-
Total	-	-	-	-	-	83,872	83,872

(b) Interest rate risk (cont)

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

	Fixed Interest Rate Maturity – Group						
2022	**Average Interest Rate %**	**Variable Interest $'000**	**Less Than 1 Year $'000**	**1 to 5 Years $'000**	**More Than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial assets							
Cash assets	0.37	658,262				-	658,262
Discount securities	0.09	19,984					19,984
Trade and other receivables						131,313	131,313
Reinsurance Recoveries						551,546	551,546
Government and semi-government bonds	3.76		10,559	197,604	19,264		227,427
Other fixed interest securities	-			34,491	-		34,491
Shares, options & trusts						71,518	71,518
Total		678,247	10,559	232,095	19,264	754,377	1,694,5410
Financial liabilities	-	-	-	-	-	-	-
Creditors						65,896	65,896
Exchange traded options			147				147
Total			147			65,896	66,043

	Fixed Interest Rate Maturity – Company						
2022	**Average Interest Rate %**	**Variable Interest $'000**	**Less Than 1 Year $'000**	**1 to 5 Years $'000**	**More Than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial assets							
Cash assets	0.37	656,428				-	656,428
Discount securities	0.09	19,984					19,984
Trade and other receivables						130,682	130,682
Reinsurance Recoveries						551,545	551,545
Government and semi-government bonds	3.76		-	197,604	19,264		216,868
Other fixed interest securities	2.50		-	-	-		-
Shares, options & trusts						71,518	71,518
Total		676,412	-	197,604	19,264	753,744	1,647,024
Financial liabilities							
Creditors	-	-	-	-	-	65,896	65,896
Exchange traded options	-	-	147	-	-	-	147
Total	-	-	147	-	-	65,896	66,043

33. Fair value hierarchy

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

Consolidated as at 30 June 2023	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	514,802	-	-	514,802
- Discount securities	-	78,372	-	78,372
- Other fixed interest securities	48,582	-	-	48,582
- Shares in other corporations	14,484	-	-	14,484
- Units in other unit trusts	-	5,916	-	5,916
- Units in property unit trusts	-	-	40,328	40,328
Total	**577,868**	**84,288**	**40,328**	**702,484**
Financial liabilities				
Derivative instruments				
- Options	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

Level 1

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

Level 2

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

Level 3

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

Transfer between categories

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

	Group	
Reconciliation of Level 3 fair value movements	**2023 $'000**	**2022 $'000**
Opening balance	41,280	38,944
Total gains and losses		
- Realised	-	-
- Unrealised	(952)	2,335
Sales	-	-
Closing balance	40,328	41,280

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

Descriptions of significant unobservable inputs to valuation

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

The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the Level 3 fair value by up to $4,032 (2022: $4,128) or increase the Level 3 fair value by $4,032 (2022: $4,128).

34. Contingent liability

The Company has unallocated capital of $395,901 (2022:$395,901) in its wholly owned subsidiary CCI Asset Management. There are currently no plans for this to be allocated.

35. Events occurring after the reporting period

Subsequent to the end of the financial period, the events and matters set out below are relevant to the entity's future financial periods.

Section 28 of the Insurance Act Relief

The Company has relief from Section 28 of the Insurance Act, specifically in the case the Company no longer holds assets in Australia (excluding goodwill and other amounts excluded by the prudential standards) of a value that equals or exceeds the total amount of its liabilities in Australia (other than its pre-authorisation liabilities), which includes an allowance for risk margin. The relief was approved by APRA on 20 September 2023.

Creditors Scheme of Arrangement

As at 30 June 2023 the value of the Company's assets exceeded its liabilities (measured on an accounting basis, and with the provision for outstanding claims including the "Risk Margin") by an amount of approximately $11.0 million ($142.3 million excluding Risk Margin), on an unconsolidated basis.

In order to manage uncertainty and mitigate the risk of potentially being the subject of an insolvency process, such as administration or a winding up, CCI has proposed to enter into a scheme of arrangement under Part 5.1 of the Corporations Act (Act) to bind all persons who have or may have a valid claim under or in connection with an Insurance Contract. This includes the policyholder of the Insurance Contract and other persons entitled by the terms of the contract or by statute to bring a claim in respect of the contract, which may include, for example, where the party insured by the Company has died, been deregistered, or cannot be found. For further information in relation to the Scheme, refer to the Explanatory Statement in relation to the Scheme dated 27 September 2023 and made available on CCI's website.

A scheme of arrangement is an arrangement between a company and some or all of its creditors as prescribed by Part 5.1 of the Act. The Company has prepared a proposed Scheme in respect of the Scheme Creditors, being the persons having claims under or in connection with the Insurance Contracts.

The Scheme requires the approval of Scheme Creditors and the Federal Court of Australia. Scheme Creditors are to vote on the Scheme at the court-ordered meeting of Scheme Creditors on 31 October 2023. Approval of the Court will be sought on 2 November 2023. If the Scheme is approved by the Court, the Scheme will become effective and bind all Scheme Creditors, whether or not they voted in favour of the Scheme.

If the proposed Scheme is not approved, the Company will continue its run-off, but will remain vulnerable to claims deterioration and other factors which may endanger its solvency in the future. In this case, if, at some point in the future, the Directors conclude that the Company would or would be likely to become insolvent, they will consider the most appropriate action for the benefit of the Company's creditors as a whole.

The Scheme has been designed to ensure that claims continue to be handled in as orderly a manner as possible in the event of further deterioration in the financial position of the Company.

The Scheme, if approved, will operate through two periods:

a) first, the Initial Scheme Period. The Initial Scheme Period starts on the date that the Scheme becomes Effective and ends on the date that an event, called a Trigger Event, occurs (the Trigger Date); and

b) second, the Reserving Period (if required). The Reserving Period starts on the Trigger Date and ends on the date that the Scheme terminates.

A Trigger Event occurs if Board has concluded that in its opinion, disregarding the effect of the Scheme on the Company:

a) the Company would be insolvent, or would be likely to become insolvent, at some future time (in each case as defined in section 95A of the Act); and/or

b) the value of the Company's assets would be, or would be likely to become, less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, "liabilities" means the Company's liabilities as recorded in its statement of financial position but excludes:

(i) Risk Margin; and

(ii) any Shareholder Funding.

During the Initial Scheme Period, the Company will operate on the same basis as it does now. That means that Scheme Creditors can make claims under or in connection with a relevant Insurance Contract in the same way as they do now. The Company will assess if the Scheme Creditor's claim is valid and, if valid, the amount payable by the Company in respect of it (such amount being an Established Scheme Liability). The Company will then pay any such Established Scheme Liability in full in accordance with the terms as set out in the relevant Insurance Contract.

[2] Capitalised terms in this Note 35 have the meaning given in the Explanatory Statement dated 27 September 2023 and made available on CCI's website.

If at any point the Board concludes that a Trigger Event has occurred, then the Initial Scheme Period will end and the Reserving Period will commence.

If a Trigger Event occurs, known Scheme Creditors will be notified by email and an advertisement will be placed in a newspaper which is circulated throughout Australia, which is expected to be The Australian newspaper. Notice will also be given to the Creditors' Committee, APRA, ASIC and the Scheme Advisers.

During the Reserving Period, Scheme Creditors will continue to be entitled to make an insurance claim under their Insurance Contract in the same way as they do now and the Company will assess that claim. However, where the Company determines that a Scheme Creditor has an Established Scheme Liability, the Company will no longer pay it in full at that time. Instead, once a Payment Percentage has been set by the Scheme Advisers, the Company will pay a percentage of the Established Scheme Liability reflecting the Payment Percentage.

State Insurance Regulatory Authority NSW (SIRA) – Security for Outstanding Claims Liability

In response to CCI being placed into run off, CCI is in ongoing discussions with SIRA to ensure that the security held by SIRA is sufficient to provide ongoing entitlements and support to workers. SIRA has expressed concern as to the adequacy of the liabilities and potential for future deterioration now that CCI is in run off. In response, SIRA adjusted its security requirement to a 95% Probability of Adequacy (POA). This is subject to review at future valuation periods of 31 December 2023 and 30 June 2024. The current security held by SIRA is $128.1m and discussions are ongoing to review the amount of security required in November 2023, in line with the result of the 30 June 2023 valuation.

Proposed sale of CCI Asset Management (CCIAM)

CCI has taken the commercial decision to sell CCIAM while ensuring its clients the continuity of investment approach, in-house investment and systems capability to match those that had been previously provided. Although a preferred buyer has been identified, and a Heads of Agreement has been provided, there has been no binding sales agreement signed by the respective parties to date.

Sale of Personal Lines underwritten by Allianz Australia Limited

CCI has taken the commercial decision to sell its white-label Personal Lines book of business underwritten by Allianz. This involves entering into a referral agreement for all existing CCI Personal Lines customers to be managed by another provider. These negotiations are well underway and expected to be completed by 31 December 2023.

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

36. Other matters

Professional Standards Claims

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

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

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

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

Based on the available information, which included a continued increase in the number of claims lodged compared to previous years, as per note 8 of the accounts, CCI had a total net incurred claims expense of $395,797k for the year, made up of paid claims and movements in outstanding claims of which $146,133k 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 24.

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 2023 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, 30 October 2023

Independent Auditor's Report

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

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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 2023;
- 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 of the Group 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 as at 30 June 2023 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.

Material Uncertainty Related to Going concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net operating cash outflow of $232 million and a net loss of $274 million for the year ended 30 June 2023. The Company has proposed a court approved scheme with certain of its creditors to ensure an orderly run-off and certainty into the future. The approval of the scheme as at the date of the report is uncertain and is subject to approval on 2nd November 2023 by the court. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 36 of the financial statements which describes the significant uncertainty in estimating the outstanding claims liability for professional standards claims and the impact thereof on the financial 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

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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

Ernst & Young

T M Dring
Partner
Melbourne
30 October 2023

Corporate Information

Annual Financial Report for year ended June 2023

Directors

Ms Joan Fitzpatrick (Chairman)

Mr Gregory Cooper

Mr Eamonn Cunningham

Mr Noel Condon

Mr Matthew Doquile

Mr Richard Haddock (Retired 19 October 2022)

Mr David Issa (Appointed 19 October 2022)

Reverend Dr Philip Marshall

Sr Mary Ellen O'Donoghue

Company Secretary

Dion Gooderham

Senior Leadership Team

Roberto Scenna	- Chief Executive Officer
Tim Farren	- General Manager, Underwriting & Product
Claudio Battilana	- General Manager, Client
David Hutton	- General Manager, Operations
Ruvimbo Tagwira	- Chief Financial Officer
Sally Stares	- General Manager, People & Culture
Jeremy Yipp	- Chief Risk Officer
Kathryn Young	- Chief Technology Officer
Rosalyn deVries	- General Manager, Strategy & Performance
Dion Gooderham	- General Counsel and Company Secretary

Catholic Church Insurance Limited

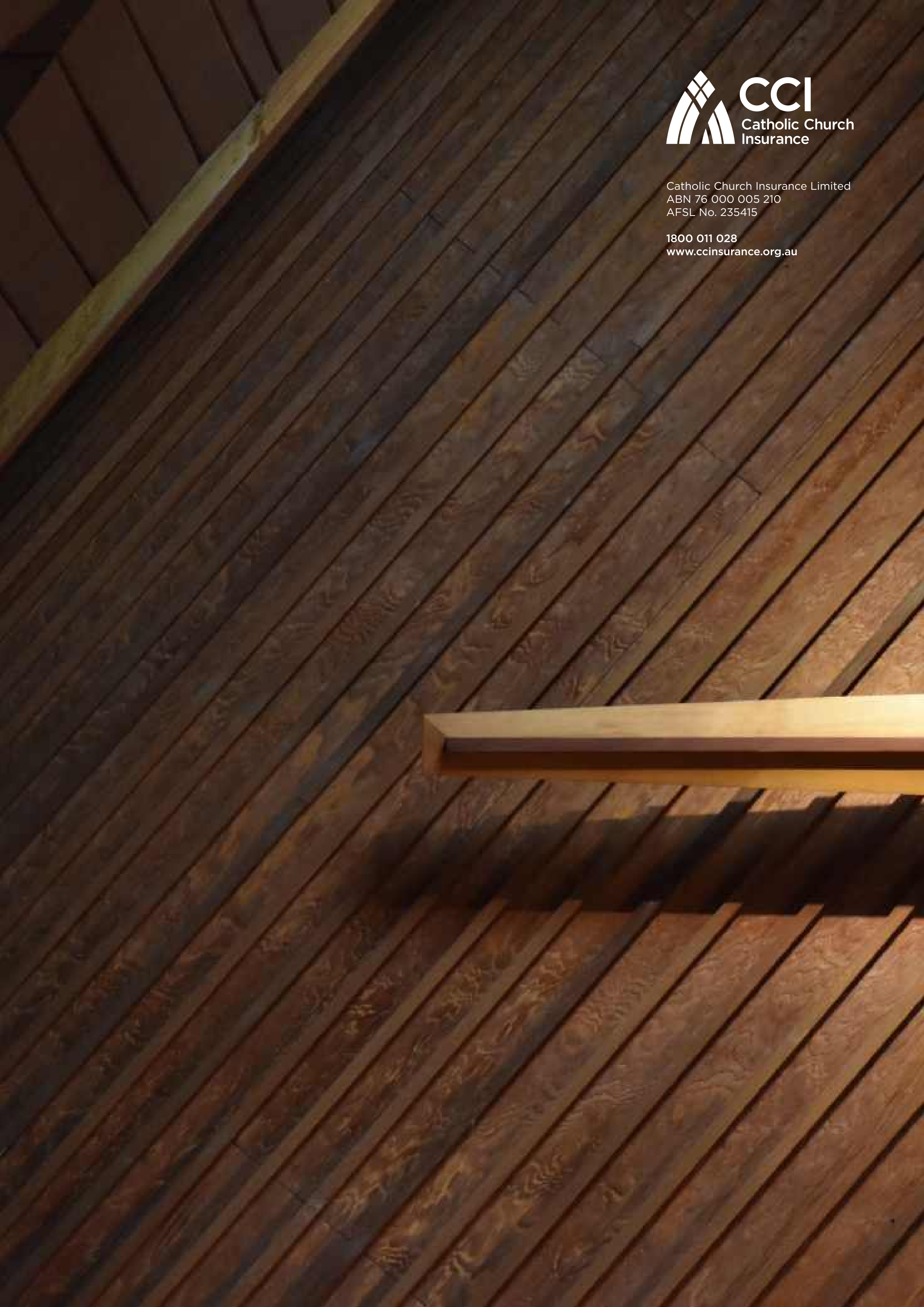
ABN 76 000 005 210
AFSL No. 235415

Registered Office and Principal Place of Business

Level 8
485 La Trobe Street
Melbourne Vic 3000

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Vic 3000



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