

ANNUAL REPORT

2016 - 2017

Where value meets values



ANNUAL REPORT



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Westfund is in an extremely strong financial position, adding security to our members and staff. The 2016/17 balance sheet recorded a solid \$9.9 million surplus.

As we herald the arrival of another financial year, I take this opportunity to reflect on the developments and achievements of Westfund Health Insurance in 2016/17. I also take the time to recognise former CEO Grahame Danaher for his commitment to the fund throughout his 40 year tenure.

The Board and I have been pleased to welcome new CEO Matt Banning who was officially appointed in April 2017 and has taken to the role with relish by constructing an enthusiastic and committed Executive Management team ready to take the fund into a new era. The fund has taken strong steps forward in recent months through committing its focus to the core business of providing excellent service to its valued membership, while also addressing a new and promising future by discussing and evaluating new partnerships and opportunities.

A renewed focus on core business was evidenced by the recent \$500,000 committed to increased ancillary benefits for members from July 1. These increased benefits flowed on from our successful Member Bonus Program, where Westfund returned \$3.5 million to loyal Platinum and Gold members at the end of the last financial year. The Board is also pleased with the fund's progress in meeting its obligations in terms of risk and compliance under the prudential framework provided by APRA (Australian Prudential Regulation Authority).

As Chairman, I am excited by the Strategic Plan formulated and adopted by Matt and the Executive Management team in regard to future development of the fund with an increasing focus on the three main objectives of growth, member experience and our people. We will use this financial year to assess our investment strategy and capabilities with the view to return greater service and benefit to members in the coming years to counter the ongoing considerations of affordability and rising health inflation.

The Board and Management continue to invest in and advocate for regional opportunity across our network of care centres, with plans underway for refurbishment and refresh of our member-facing operations in Bathurst and Mackay.

We remain committed to our not-for-profit status and in continuing to operate for the benefit of our membership, as opposed to shareholders. Our steadfast dedication to regional NSW and Queensland remains a high priority and Westfund will continue to advocate for and support members and communities across both states of operation.

Westfund also looks forward to embracing opportunity to grow our fund by using a practical approach to attracting prospects and new members while also engaging with our communities and partners.

We start a new financial year with a fresh enthusiasm and a fresh commitment to our members, our staff and our communities.

Howard Fisher AM
Chairman

CEO's REPORT



As a new financial year begins, I take the opportunity to reflect on a busy yet successful year for Westfund Health Insurance.

In my first address since taking on the CEO role in April 2017, I am pleased to report the fund has recorded another solid return, providing further security for our members into the future. Developments at the fund have been swift in the latter half of the 2016/17 financial year with several new executive positions established in response to the fund's need to align itself with new regulatory and developmental frameworks. Key staff seized the opportunity to focus on establishing a new set of core values and our value proposition centres around increasing the fund's relevance to its members and communities (these are outlined on page 5.)

Westfund Health Insurance continues to operate as a regional not-for-profit health insurer with strong ties to its local communities. We have also formed a set of strategic goals and frameworks to work within as we head towards remarkable times for our industry. Against a backdrop of augured governmental reform and continued public mistrust and ambiguity, Westfund continues to operate for the benefit of our valued members and to commit to our communities to focus on improving health and health outcomes for regional Australians.

More than a year ago, our Product team took the steps to initiate a tiering of our product suites into Platinum, Gold and Bronze in many ways pre-empting reform to make private health insurance more easily understandable for the consumer. We've invested in bringing premium product offerings and support to our valued members and our care centre community footprints.

I have formed a strong team of Executive Managers who will oversee this strategy for growth over the next three years, as well as guide the fund into a new era in terms of leadership and a proactive approach to change. The team is now well-prepared to take the fund through the rigours of increased criticism in the public arena, as well as changing regulation and increased attention to risk mitigation and control.

The current mood surrounding private health insurance is less than optimistic with continued negative press about the rising costs of health-related care and the impacts of affordability for Australian families. Westfund remains committed to providing quality insurance offerings aimed at and centred around regional communities. We remain steadfast in our resolve to provide a quality product to protect and provide peace of mind for our members.

This can be evidenced by the formation of our Providers of Choice Network, which provides no out of pocket costs on selected preventative item numbers at participating dental practices across our areas. Providers of Choice will be expanded and grow to include other health care modalities over the next year.

Our Dental Centres in Lithgow and Mackay are performing well under new management and our Eye Care operations continue to provide value to our members. Teamed with Providers of Choice, our health operations aim to provide improved service and benefit to our members with increased access to quality care. We are also committed to the modernisation and improvement of member experience while also providing a safe and encouraging work environment for our valued staff. Members will be able to witness these improvements over the next year with the launch of a claiming App as well as through increased benefits, to be announced later in the year.

The 2017/18 financial year will be an exciting time as the fund moves into new community and partnership relationships aimed at steadily increasing our growth and awareness while continuing to provide for members within our care centre footprint.

Matt Banning
Chief Executive Officer



OUR BLUEPRINT FOR THE FUTURE

OUR VISION

To be the leading regional health insurer in Australia.



OUR VALUE PROPOSITION

Westfund Health Insurance is an Australian regionally based, not-for-profit health fund. We support our members, with timely access to health services through sustainable health insurance offerings. We operate entirely for our members. We are proud of our continued physical presence in and support of local regional communities in NSW and Queensland since 1953.

WESTFUND VALUES



We genuinely care



We cooperate and work together



We are open and honest



We always have empathy



We act with integrity and respect

BOARD OF DIRECTORS



Howard Fisher AM, Chairman

Director Chairman: Non Executive Director since 1983. Since 1987.

Independent: Yes.

Committees: Chair of Nomination Committee. Former Chair of Executive Committee. Member of Audit Committee. Member of Risk Committee. Member of Remuneration Committee. Member of Technology Committee. Member of Training Committee.

Positions: President of Lithgow Workmen's Club. Previous LV Lithgow Councillor. Previous LV Chairman Upper Macquarie Council. Previous LV Miners Federation President. Previous LV President of South Western District of the Miners Federation.

Experience: Industrial Relations, Business, Health Insurance, Local Government.



Wesley Anderson, Director MAICD, FIPA, CTA, AFAIM

Director: Non Executive Director since 2004.

Independent: Yes.

Committees: Chair of Risk Committee. Chair of Technology Committee. Member of Audit Committee. Member of Training Committee.

Positions: President Lithgow Community Broadcasters Inc. Former Chief Executive Officer of Family First Credit Union. Former Deputy President of the Credit Union Foundation of Australia.

Experience: Banking and Finance.



Phillip Burgett, Director FCA, MAICD

Director: Non Executive Director since 2012.

Independent: Yes.

Committees: Chair of Audit Committee. Member of Risk Committee.

Positions: Previously partner of accounting and business advisory firm Morse Group. Currently serving as an independent member on public sector (local government) audit and risk management committees.

Experience: Professional provider of audit, risk management and corporate governance services in health, local government, finance and insurance sectors.



Edward Butcher, Director

Director: Non Executive Director since 2008.

Independent: Yes.

Committees: Nil.

Positions: Secretary of the Workers Industrial Union of Australia. Elected Secretary President in the Broken Hill area. Board Member WIU of A Investments, Consolidated Broken Hill Limited. President of the Barrier Industrial Council. Chairperson of the local newspaper. Member of the Mines Safety Advisory Committee. Former Mineworker.

Experience: Finance and Mining.

BOARD OF DIRECTORS



**Ross White, Director
MAICD, CCM University of NSW**

Director: Non Executive Director since 1987.
Independent: Yes.
Committees: Vice Chair of Remuneration Committee.
 Member of Executive Committee.
 Former Member of Nomination Committee.
Positions: Former Westfund Chairman.
 Previously on the Board of Lithgow District Hospital.
Experience: Health Insurance and Mining.
 Financial duties with Morgan Insurance.



**Michael Serong, Director
BA, LLB**

Director: Non Executive Director since 2014.
Independent: No.
Committees: Member of Risk Committee.
Positions: Currently a consultant with law firm Norton Rose Fulbright.
 Previous LV Partner in law firm Norton Rose Fulbright.
 Previous LV Andersen Legal.
 Previous LV Phillips Fox.
 Previous LV Rigby Cooke.
 Previous LV Cooke and Cussen.
Experience: National Health Act 1953, Private Health Insurance Act 2007 and Corporations Act 2001, Corporate Governance, Finance, Investment, Industrial and Employment matters.



**Brian Kelly, Director
GAICD**

Director: Non Executive Director since 2010.
Independent: Yes.
Committees: Chair of Training Committee.
 Member of Audit Committee.
 Member of Risk Committee.
Positions: Regional Manager Western Mines Rescue Station.
 Previous LV Centennial Coal Production Manager.
Experience: Mining Industry work, Health and Safety and Emergency Response.



**Graeme Osborne, Director
GAICD**

Director: Non Executive Director since 1996.
Independent: Yes.
Committees: Member of Executive Committee.
 Member of Audit Committee.
 Member of Risk Committee.
 Member of Remuneration Committee.
 Member of Nomination Committee.
Positions: Director Auscoal Superannuation Pty Ltd.
 Auscoal Superannuation Audit, Risk and Compliance Committee.
 Mine Superannuation Insurance Committee.
 Mine Superannuation Remuneration and Nomination Committee.
 Vice President CFMEU South Western District.
 Previous Chair Mine Superannuation Insurance Claims Committee.
 Previous Member Mine Superannuation Investment Committee.
 Previous Director of Mine, Wealth and Wellbeing Services Pty Ltd.
Experience: Health Insurance, Industrial Relations, Mining and Financial Services.

EXECUTIVE MANAGEMENT TEAM



Matt Banning
BBus (Acc/Fin), CPA, MBA, GAICD,
GIA (Cert)
Chief Executive Officer

Matt Banning joined Westfund in early 2016 as a member of the Executive team responsible for Finance and Administration. He was appointed to the position of Chief Executive Officer in April 2017. Matt previously held accountancy positions in organisations within the mining and manufacturing industries and education sector.



Dominique Fox
BSC, GradDipEc
Executive Manager – Risk and Compliance

Dominique Fox joined Westfund in February 2017 and is responsible for leading our risk and compliance team. Dominique is a strong risk and compliance advocate across the PHI industry and is focused on using her skills and experience to support business success. Dominique was previously at Teachers Health Fund and before that at PwC and Mercer.



Bill Sheffield
MSC, FCIPD, PgDip (HR Management Training)
Executive Manager – People and Organisational Development

Bill Sheffield joined Westfund in April 2017 and has been responsible for leading a cross functional team including Employee Relations, Reward, Organisational Development, Training and Development. Bill's previous positions include a number of HR roles at UK Coal as well as freelance consulting for international mining projects.



Melissa Donovan
Executive Manager – Eye Care

Melissa Donovan joined Westfund in November 2012 and has been responsible for leading our Mackay and North Queensland teams. With experience managing multi-site optical stores, Melissa is now responsible for our Westfund Eye Care practices.



Chris Phillips
CPA, BCom (Accounting)
Executive Manager – Operations

Chris Phillips joined Westfund in 2004 and has held many positions within the fund. Prior to joining the fund Chris gained experience in audit and finance whilst working with Woolworths, Blue Mountains City Council and KPMG.



John Pallister
BSC (Computer Science)
Executive Manager – Technology Services

John Pallister joined Westfund in October 2016 and is responsible for leading the Technology Services team. John has previously worked at Civica, Network Logic and has been an active participant in PHI groups working with Government to drive innovation and efficiency throughout the private and public health industry.



Linda Tormay
Executive Manager – National Sales

Linda Tormay joined Westfund in April 2015. She has held Leadership roles in Sales, Service, Business Development, Operational Leadership and Change management in the private health insurance, retail and hospitality industries. Linda has a track record of leading growth scenarios and building leadership capability to deliver robust sales and service outcomes.



Lou Casmiri
Executive Manager – Strategy

Lou Casmiri joined Westfund in December 2016, leading strategy. Lou has gained substantial experience operating in a number of senior roles within the private health insurance area. Lou currently serves as Executive Manager Strategy working on various value adding projects.

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Premium revenue		175,040,808	167,540,441
Members loyalty discount		(3,425,600)	-
Net premium revenue received	3	171,615,208	167,540,441
Claims expense		(152,804,510)	(141,990,600)
Risk equalisation trust fund income		11,977,916	7,255,071
State levies		(1,949,947)	(2,157,916)
Net claims incurred		(142,776,541)	(136,893,445)
Claims handling expenses		(11,548,019)	(11,211,644)
Other underwriting expenses		(8,561,441)	(6,573,036)
Underwriting expenses		(20,109,460)	(17,784,680)
Underwriting result		8,729,207	12,862,316
Investment revenue	3	3,778,833	4,139,961
Other revenues	3	6,960,378	6,922,001
Fair value (loss)/gain on investment		(279,654)	157,711
Impairment expense	4	(682,980)	-
Cost of goods sold		(3,025,294)	(2,965,691)
Fund administration expenses		(5,571,505)	(6,418,763)
Surplus before income tax		9,908,985	14,697,535
Income tax expense	1a	-	-
Surplus for the year after income tax		9,908,985	14,697,535
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		9,908,985	14,697,535

STATEMENT OF FINANCIAL POSITION

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2017

Note		2017	2016
		\$	\$
Current assets			
Cash and cash equivalents	7	325,383	853,668
Trade and other receivables	8	8,859,408	7,269,454
Inventories	9	390,544	376,056
Financial assets	10	142,800,208	132,736,460
Other current assets	11	671,996	715,263
Total current assets		153,047,539	141,950,901
Non-current assets			
Financial assets	10	14,759,313	20,038,967
Property, plant and equipment	12	17,580,881	18,981,462
Investment property	13	4,729,515	-
Intangible assets	14	934,097	1,015,797
Total non-current assets		38,003,806	40,036,226
Total assets		191,051,345	181,987,127
Current liabilities			
Trade and other payables	15	1,240,740	851,634
Provisions	17	18,675,107	19,419,720
Other current liabilities	16	31,168,503	31,382,908
Total current liabilities		51,084,350	51,654,262
Non-current liabilities			
Provisions	17	658,490	933,345
Total non-current liabilities		658,490	933,345
Total liabilities		51,742,840	52,587,607
Net assets		139,308,505	129,399,520
Equity			
Reserves	18	-	-
Retained earnings		139,308,505	129,399,520
Total equity		139,308,505	129,399,520

STATEMENT OF CHANGES IN EQUITY

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2017

	Asset Revaluation Reserve \$	Retained earnings \$	Total \$
Balance at 1 July 2015	-	114,701,984	114,701,984
Total comprehensive income for the year	-	14,697,536	14,697,536
Decrease in valuation of property in use	-	-	-
Balance at 30 June 2016	-	<u>129,399,520</u>	<u>129,399,520</u>
Total comprehensive income for the year	-	9,908,985	9,908,985
Balance at 30 June 2017	-	<u><u>139,308,505</u></u>	<u><u>139,308,505</u></u>

Westfund Limited

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Westfund Limited ABN 55 002 080 864.

A registered private health insurer under the Private Health Insurance Act.
A not for profit fund.