

Avant Retirement Reward Plan

an  Avant member benefit



Financial strength has its rewards

The Retirement Reward Plan has been designed to enable Avant to reward members for their commitment to Avant, their contribution to Avant's financial success and their years of practice – by providing Avant with the ability to return funds to our members by way of a dividend when they permanently retire from medical practice.

All Voting Members of Avant are automatically eligible to participate in the Retirement Reward Plan. And when you retire permanently from medical practice you may be eligible to receive a Retirement Reward Dividend.

Avant is run purely for the benefit of members. That is why we are delighted that we can reward retiring members with a new plan that's a first for the MDO industry in Australia.

*Andrew Boldeman
CEO*

*Prof Simon Willcock
Avant Chair*

I'm ready to find out more

To find out more about the Retirement Reward Plan,
please visit avant.org.au/member/RRP

Introducing the newest Avant member benefit

It is with great pleasure that we announce the launch of an entirely new way to reward Avant members – the Avant Retirement Reward Plan.

As a mutual and Australia's leading Medical Defence Organisation – owned by our members – we're always working for your benefit. Recently we've been exploring financially prudent ways for you to share in our financial success, while maintaining a high level of financial security for all our members.

Prudent financial management, lower claims, strong insurance disciplines and growth have all contributed to Avant's current strong financial position, allowing us to establish the Retirement Reward Plan as our newest member benefit, while ensuring we can always continue to offer the best advice and defence at every stage of your career.

And whether you are close to retirement or not, the Retirement Reward Plan is one of many ways our members share in Avant's financial strength and success.

It is important to be aware that there are no entitlements under the Retirement Reward Plan. The declaration of dividends is at the sole discretion of the Avant Board and subject to the ongoing financial performance and strength of the Avant Mutual Group.

How the Avant Retirement Reward Plan works

<i>Key Features of the Retirement Reward Plan</i>	
Retirement Reward Plan	A new member benefit designed to enable Avant to pay a Retirement Reward Dividend to eligible Voting Members upon their permanent retirement from medical practice.
Retirement Reward Dividend	A dividend that may be paid at the discretion of the Avant Board to Voting Members upon permanent retirement from medical practice.
Initial Notional Contribution to the Retirement Reward Plan	Avant has notionally contributed \$300 million to support the establishment of the Retirement Reward Plan.
Annual Notional Contribution to the Retirement Reward Plan	As part of the end-of-year reporting process Avant will consider making Annual Notional Contributions to the Retirement Reward Plan after reviewing the financial strength and outlook of Avant.
Notional Member Allocation	A measure to provide Voting Members with an indication of what they might have received had they retired in the previous financial year and been eligible to receive a Retirement Reward Dividend. Avant intends to update Notional Member Allocations as part of the end-of-year reporting process to reflect any Annual Notional Contribution to the Retirement Reward Plan.

The Avant Retirement Reward Dividend

Avant's intention is to make Retirement Reward Dividend payments to members after they permanently retire from medical practice

Eligibility to be considered for a Retirement Reward Dividend is triggered if you remain a Voting Member of Avant and you permanently retire from medical practice. This might also include permanent retirement due to an unplanned event such as serious injury or illness.

In the unfortunate case of death, a payment equivalent to any Retirement Reward Dividend that would have been paid had you permanently retired from practice may be paid to your estate.

The declaration of Retirement Reward Dividends is at the sole discretion of the Avant Board and is subject to the ongoing financial performance and strength of the Avant Mutual Group.

Simply advise Avant when you permanently retire and we can discuss with you your eligibility to receive a Retirement Reward Dividend and other ways to support you in your retirement, including run-off cover.

All Voting Members are eligible to participate in the Retirement Reward Plan

If you are a Voting Member of Avant, who is entitled to practise medicine in Australia, you are automatically eligible to participate in the Retirement Reward Plan.

We expect Retirement Reward Dividends will be fully franked

Avant expects the Retirement Reward Dividends to be fully franked and will provide details of the franking credits to members who receive a Retirement Reward Dividend at the time of payment.

The Retirement Reward Dividend is designed to recognise your relative financial contribution to Avant

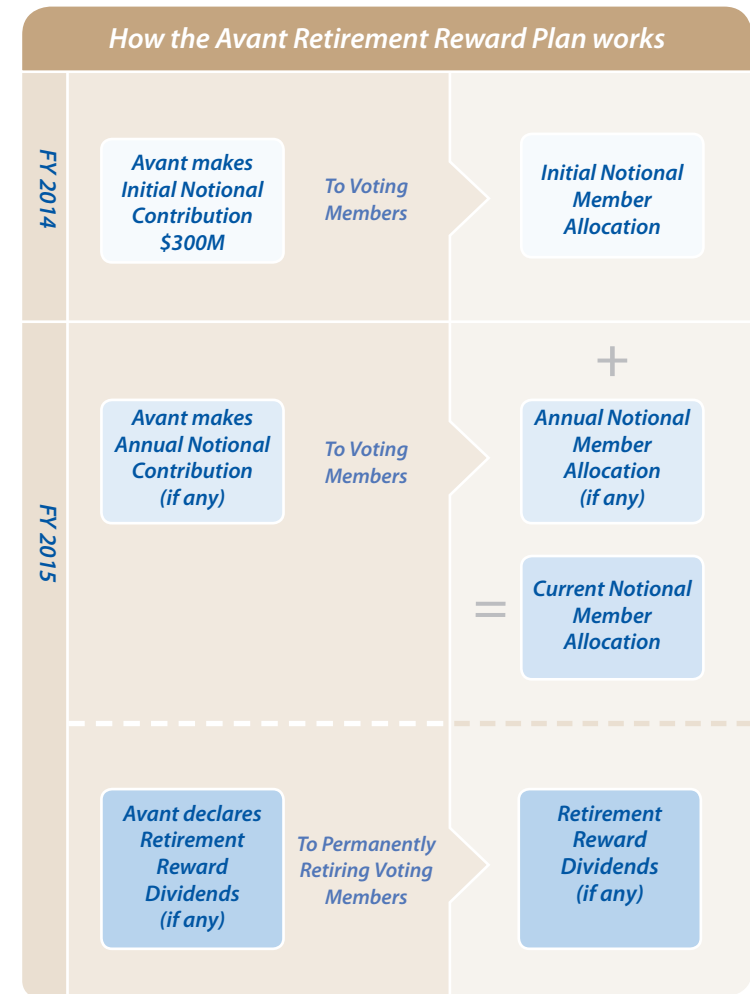
The Retirement Reward Dividend is designed to return funds as dividends to retiring members equitably based on their relative contribution to Avant's financial strength through premiums over the period of their most recent continuous membership.

The Avant Board will consider declaring Retirement Reward Dividends as part of each end-of-year financial reporting process after reviewing the financial strength and outlook of Avant at that time – always with careful regard to prudent financial management.

Any Retirement Reward Dividend will only be determined and paid in the financial year following your permanent retirement.

The first dividends are expected to be declared in September 2015 and paid in October 2015 in respect to those members who permanently retire in the financial year ended 30 June 2015.

Avant intends to share its financial success with its owners, the doctors who are Voting Members



The Notional Member Allocation

Your Notional Member Allocation

The Corporations Act restricts organisations from making projections or giving guidance as to what dividends might be payable in the future. So we have created a measure known as the Notional Member Allocation to provide members with an indication of what they might have received had they retired in the previous financial year and been eligible for a Retirement Reward Dividend.

The table (right) indicates how we determine your relative financial contribution through premiums over the period of your most recent continuous membership.

Not a guaranteed entitlement

It is important to be aware that there are no entitlements under the Retirement Reward Plan. The declaration of dividends is at the sole discretion of the Avant Board and subject to the ongoing financial performance and strength of the Avant Mutual Group.

The Notional Member Allocation reflects your relative contribution to Avant's financial strength

Avant maintains a calculation to determine any Retirement Reward Dividend that might be paid to you. It includes:

Initially

Your Initial Notional Member Allocation is based on:

- Your Practitioner Indemnity (PI) premium since 1 July 2003
- Your Doctors' Health Fund premium since 1 June 2012

Each year

Any Annual Notional Member Allocation which is expected to be based on:

- Your PI premium that year
- Your Doctors' Health Fund premium that year

Your online Notional Member Allocation

Avant will maintain the Notional Member Allocation on each member's profile page on our website avant.org.au. The Notional Member Allocation is designed to reflect your relative financial contribution through premiums. The Notional Member Allocation may be updated in October each year after Avant resolves whether to make any further Notional Contributions to the Retirement Reward Plan.

Future Notional Contributions may increase your Notional Member Allocation

Avant expects to make further Notional Contributions to the Retirement Reward Plan and will consider doing so after the close of each financial year. If future Notional Contributions occur, members could expect their Notional Member Allocation to rise based on their premiums for that year. However, if there were years with unexpected events or difficult market conditions, then Avant may not make an Annual Notional Contribution, or in severe circumstances may need to reduce Retirement Reward Dividends or withdraw the Retirement Reward Plan.

Your Notional Member Allocation and any Retirement Reward Dividend are linked to continuous membership of Avant

Your Notional Member Allocation is expected to increase as long as the Board of Avant continues to make Annual Notional Contributions to the Retirement Reward Plan and you continue your membership of Avant and your PI insurance with Avant.

Any discontinuance in membership for more than three months will result in your membership lapsing and will see your Notional Member Allocation reset at zero.

If you temporarily cease practising medicine in Australia or go on extended leave, you should continue your Avant membership to maintain your Notional Member Allocation. Please call us on 1800 128 268 or visit avant.org.au for more detailed information.

Key dates for the Retirement Reward Plan

1 July 2014	Commencement date of the Retirement Reward Plan
August 2014	Retirement Reward Plan launched to members
30 June 2015	Record Date for FY15 – date that determines eligibility for Notional Member Allocation
31 July 2015	Retirement Notification Date FY15 – date at which members who retired during FY15 must notify Avant to be considered for a Retirement Reward Dividend
September 2015	Avant considers Annual Notional Contribution to the Retirement Reward Plan, Annual Notional Member Allocations and the declaration of Retirement Reward Dividends
October 2015	Payment of Retirement Reward Dividends, if any, for eligible retiring members – if declared

Preserving financial security is our highest priority

The Retirement Reward Plan has been designed to achieve a balance between enabling members to fairly share in Avant's financial strength and success, while ensuring Avant maintains significant assets on the balance sheet in order for members to be confident that Avant can withstand any unexpected events and difficult market conditions.

A decade of strong financial results

Over the past ten years, good financial management, strong insurance disciplines and lower claims have contributed to strong financial results. This has been reflected in good profits and rising levels of net assets on our balance sheet – and this is recorded in our annual financial statements. Avant knows that a strong net asset position is important for our members.

Avant has a very strong balance sheet

Avant, like all regulated insurance companies, holds prudent levels of net assets on its balance sheet above its expected future liabilities. We refer to this additional asset buffer as our capital base and hold it in the event claims made against our members exceed our expectations or the reserves we have set aside.

A strong capital base is important for Avant's ongoing strength and stability.

Balancing returning funds by way of dividends to permanently retiring members while maintaining exceptional financial security for all members

The Retirement Reward Plan provides a mechanism for Avant to return funds by way of dividends that are not required to meet our needs while, at all times, ensuring we have the ability to withstand even the most difficult financial circumstances and maintain financial security for all our members. The total of \$300 million that we have notionally contributed represents only a relatively modest portion of our capital base, ensuring Avant still maintains a very significant level of capital.

Access to capital is always maintained

The structure of the Retirement Reward Plan enables Avant to provide our members with a way to share in Avant's financial success while ensuring that Avant's financial strength is maintained. By notionally contributing \$300 million, a relatively modest portion of Avant's net assets, to support the Retirement Reward Plan, Avant can ensure that those assets remain available – if they are ever needed to meet unexpected events.

The Retirement Reward Plan – a great new benefit but secondary to core member commitments

The Retirement Reward Plan is an additional benefit for members; it is secondary to Avant's commitments under its insurance policies. The intention is that Retirement Reward Dividends would only ever be declared after all of Avant's other financial commitments on behalf of our members have been met, or could reasonably be expected to be met.

The Retirement Reward Plan is designed to return funds by way of dividends to permanently retiring members at the point at which Avant no longer needs to hold that level of capital

Whenever a member retires from medical practice, the level of insurance risk that Avant supports diminishes ever so slightly and so, too, does Avant's need to hold capital. Therefore, conceptually, you can think of the Retirement Reward Plan as providing a mechanism for Avant to return funds it no longer needs.

Designed to be ongoing and sustainable

While Avant cannot guarantee that the Retirement Reward Plan will run indefinitely, it has been modelled to be financially sustainable and has been designed with the intention for it to be an ongoing benefit for members.

Avant did not introduce this Plan with the intention to withdraw or reduce it in the future, however Avant retains the right to do so if the Avant Board believes at any time it is in the best interest of members.

Based on our mutual ethos of member equity

Avant spent a considerable amount of time ensuring equity between members under the Retirement Reward Plan. The calculation used to determine Notional Member Allocations has been developed with the objective of distributing dividends fairly – in a way that recognises a member's relative contribution to the financial performance of Avant over the period of their most recent continuous membership.

If you're retiring this year...

If you are a Voting Member who will be permanently retiring from paid medical practice in this financial year (1 July 2014 – 30 June 2015), follow the steps outlined below.

- 1 Simply submit a Notification Form with a statutory declaration of permanent retirement to Avant by 31 July 2015. Available online avant.org.au/member/RRP.
 - 2 The Avant Board will consider the declaration of dividends following the receipt of notifications from eligible retiring members and a review of Avant's financial performance.
 - 3 Dividend declarations, if any, would be made in September 2015.
 - 4 Payment of declared Retirement Reward Dividends, if any, would be made in October 2015.
- The dividends, which are paid as a lump sum, are expected to be fully franked.
 - In the event of the death of a member during the financial year, an equivalent payment may be made to the estate in the subsequent financial year.
 - You are only eligible to be considered for a dividend in the financial year following your permanent retirement and not at a later date.
 - A Review Committee has been formed to review appeals over eligibility and payments.

It is important to note that there is no entitlement for any member to a payment, unless and until, a Retirement Reward Dividend has been declared after you have notified us of your retirement and you are deemed eligible. Avant advises members not to make any financial decisions based on the Notional Member Allocation.

Avant Retirement Reward Plan questions answered

We have answered some of the key questions below, but if you need more information you can visit avant.org.au/member/RRP or call Avant Member Services on 1800 128 268 between 8am and 7pm AEST.

How does Avant work out how much is notionally allocated to each member?

Avant considers the amount that can be notionally contributed to the Retirement Reward Plan and this is then notionally allocated to Voting Members based on their premiums, which reflects their relative financial contribution. The Notional Member Allocation represents your notional allocation at the end of the most recent financial year.

Is my Notional Member Allocation guaranteed?

No. There are no entitlements to the payment of the Notional Member Allocation unless and until a Retirement Reward Dividend is declared by the Avant Board.

I have seen my Notional Member Allocation but I am not planning to retire from medical practice for a few years. Do you expect my Notional Member Allocation to change?

In the future the Avant Board will consider making further Notional Contributions to the Retirement Reward Plan after the close of each financial year. As Notional Contributions occur, members should expect their Notional Member Allocation to rise based on their relative financial contribution for that financial year. However, there may be years with an unexpected poor financial performance when Avant may not make an Annual Notional Contribution, or in severe circumstances, may need to reduce the Retirement Reward Dividends or withdraw the Retirement Reward Plan.

Will all members receive the same level of Retirement Reward Dividend?

No. Avant recognises the relative contribution of our members to Avant's financial strength and success based on their premiums. For this reason, and/or any others that the Avant Board deems in future to be in the best interests of members, the level of the Retirement Reward Dividend, if any, will differ by member. The payment of Retirement Reward Dividends is entirely at the discretion of the Avant Board and subject to the ongoing financial performance and strength of the Avant Mutual Group.

What happens if I cease being a member of Avant but am not permanently retiring from medical practice?

Any discontinuance in membership for more than three months will result in your membership lapsing and will see the Notional Member Allocation reset at zero. However, members who temporarily cease practising medicine in Australia or go on extended leave may continue their Avant membership and hence maintain their Notional Member Allocation.

Will the Retirement Reward Plan impact my premium rate?

No. We are not expecting any increase or reduction to medical indemnity premium rates as a result of the introduction of the Retirement Reward Plan. The Retirement Reward Plan was established to allow members to share in Avant's financial strength and success and therefore does not need to be factored into premiums.

Avant's premium philosophy is to take a disciplined risk-based approach to setting premiums, assessing them against the risk profile of members and projected claims experience. Premiums are sufficient to cover future anticipated claims, protect the security of all members and provide services that are valued. And when financial results continue to be strong, the Retirement Reward Plan provides an additional mechanism to share benefits.

Will the Retirement Reward Plan impact the Loyalty Reward Plan?

No. Avant is not proposing any change to the Loyalty Reward Plan. Many of our members tell us that they value it. We intend to continue to maintain the Loyalty Reward Plan as another mechanism to share our financial success in any one year with members as a deduction from their premium, based on categories of continuous membership.

However, we remind members that while Avant's financial performance has been very strong in recent years, there is no guarantee a Loyalty Reward Plan reward will be made each year. It is determined by an annual assessment of the quality of Avant's financial performance.

What steps did Avant take to ensure this is the best way to share its financial success with members?

Avant reviewed the performance of similar reward programs operating in the USA, consulted with appropriate actuarial and tax experts in Australia, including the ATO and regulators, and ensured legislative requirements were met.

Will the plan rules always remain the same?

While the Retirement Reward Plan has been modelled to be financially sustainable and therefore is expected to be an ongoing benefit for members, the Avant Directors reserve the right to amend any aspect of the plan at their discretion to deal with changing circumstances as and when they arise.

For more Q&As

Visit the Avant website avant.org.au/member/RRP

 avant.org.au  **1800 128 268**

Member Services: 1800 128 268 Monday to Friday 8am to 7pm AEST

Medico-legal advice when you need it, even 24/7, on 1800 128 268

Visit avant.org.au/risk/iq for online **risk intelligence** resources to help you better identify and manage your risk.

IMPORTANT: Professional indemnity insurance products are issued by Avant Insurance Limited, ABN 82 003 707 471, AFSL 238 765. The information provided here is general advice only. You should consider the appropriateness of the advice having regard to your own objectives, financial situation and needs before deciding to purchase or continuing to hold a policy with us.

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