

The Hon. Terry Mackenroth MP
Deputy Premier, Treasurer and
Minister for Sport
Parliament House
Cnr George & Alice Streets
BRISBANE QLD 4000

Dear Minister

In accordance with Section 19 of the
Motor Accident Insurance Act 1994,
the Motor Accident Insurance Commission
submits the following report on the operation
of the statutory insurance scheme established
by the Act, and on the financial statements of
the Commission and the Nominal Defendant
from 1 July 2000 to 30 June 2001.

Yours faithfully

Lesley Anderson
Insurance Commissioner

The Commission

Profile

The Motor Accident Insurance Commission (MAIC) is responsible for regulating Queensland's Compulsory Third Party Insurance Scheme and managing the Nominal Defendant Fund.

It provides a framework for the determination of premiums and ensures compliance with the provisions of the *Motor Accident Insurance Act 1994*.

The role also includes advising the Government on the ongoing suitability of the scheme in providing a balance between the needs of the stakeholders.

The Commission is active in programs to minimise and mitigate the effects of motor vehicle accidents through roles in funding of education, rehabilitation and research.

Values

We are committed to these fundamental principles:

- Achieving success through leadership, service and teamwork;
- Effective communication with all stakeholders;
- Behaving with integrity and independence.



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Communication Strategy

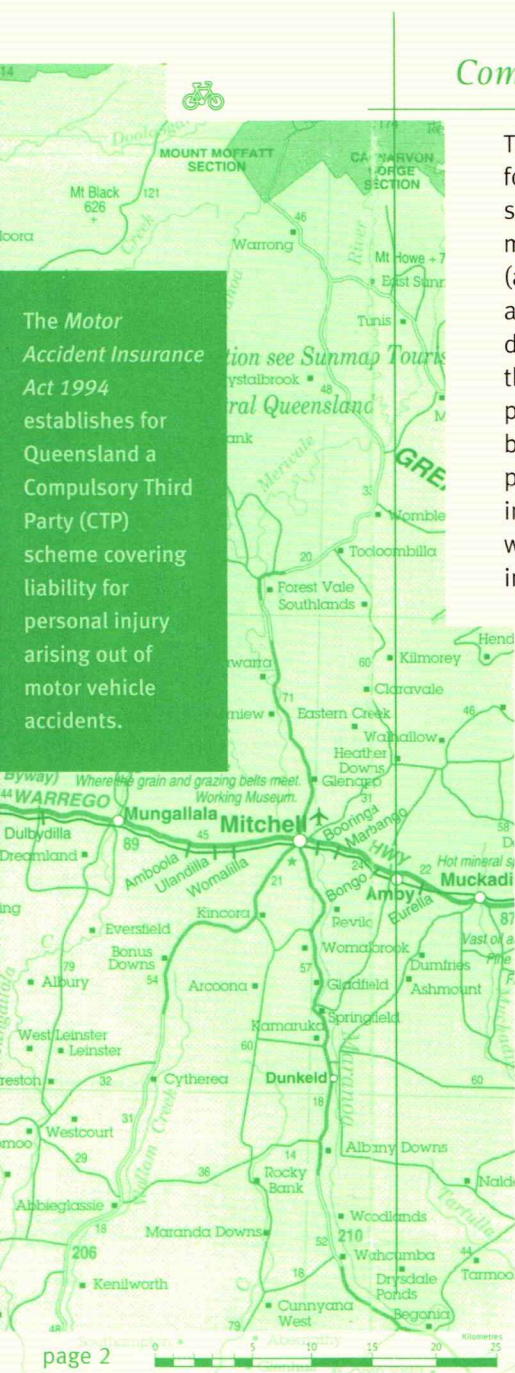
This annual report has been prepared to provide an overview of the operation of Queensland's Compulsory Third Party (CTP) insurance scheme and the Commission's approach to the management and regulation of the scheme.

The report addresses the informational needs of a diverse group of readers including: policyholders, claimants, underwriters, legal and medical professionals, motoring and motor trade organisations, government, media and other regulatory organisations.

This document includes the Commission's strategic plan, statistical information relating to the scheme, and the audited financial statements of both the Motor Accident Insurance Commission and the Nominal Defendant.

In keeping with the Commission's commitment to increasing general awareness and knowledge of the CTP scheme using a variety of communication channels, the design of this annual report focuses on elements suitable for publication on the internet.

Commissioner's Report



The *Motor Accident Insurance Act 1994* establishes for Queensland a Compulsory Third Party (CTP) scheme covering liability for personal injury arising out of motor vehicle accidents.

The *Motor Accident Insurance Act 1994* (the Act) establishes for Queensland a Compulsory Third Party (CTP) insurance scheme covering liability for personal injury arising out of motor vehicle accidents. The scheme is compulsory so that (a) persons injured in motor vehicle accidents through another person's fault can make claims and (b) owners or drivers who are at fault have their liability covered. Since the scheme is compulsory, processes need to be in place to provide continuity of protection if a licensed insurer becomes insolvent. Sections 33 and 61 of the Act make provision for the Nominal Defendant to take over an insolvent insurer's rights and liabilities under CTP policies, with associated recourse to available assets of the insolvent insurer as the company is wound up.

In March 2001, upon the collapse of the HIH Insurance Group, these provisions came into effect in respect of liabilities relating to policies of FAI General Insurance Company Limited that had expired as at 31 December 2000. The liability that became the responsibility of the Nominal Defendant is estimated at \$403 million on an undiscounted basis. The Nominal Defendant commenced making payments on these claims within 7 days of the insolvency, and claims will be paid out as per the normal course for a period of up to 10 years.

It should be noted that the liability in relation to policies of FAI which were current as at 31 December 2000 are covered by arrangements put in place with Allianz Australia Insurance Limited effective from 1 January 2001.

Funding the HIH Liability and Management of the Claims

The funds currently being used to pay claims liabilities are reserves for claims arising from unidentified and uninsured motor vehicles. These reserves need to be replaced, and additional arrangements put in place for the funding of the liability.

One component of the funding is to transfer \$57.818 million capital from the Motor Accident Insurance Fund to the Nominal Defendant Fund. This amount was assessed as surplus to the Nominal Defendant's requirements at the commencement of the *Motor Accident Insurance Act 1994*. Since the funds represent previous payments by motorists into the Nominal Defendant Fund, it is considered appropriate that the funds are applied to assist in meeting the HIH liability. A \$5 per vehicle per annum increase in the Nominal Defendant levy became effective on 1 October 2001 to also help with the shortfall. For the balance, advances will be made by the Treasurer to the Nominal Defendant Fund under a Deed of Indemnity, offset by potential recoveries from the liquidator of HIH as and when they become available.

Following an interim arrangement for Allianz Australia to manage the FAI claims from March to June 2001, the Commission has established longer term arrangements for Allianz staff to continue to manage the claims under Nominal Defendant control until June 2004. This continuity has ensured that the potential disruption to injured parties is minimised whilst the cost to the State is contained through Nominal Defendant management.

Competitive premium model

A competitive premium model commenced on 1 October 2000 in which licensed insurers file premiums for each vehicle class every three months, within premium bands determined by the Commission. The initiative has resulted in greater choice for consumers and has delivered competitive premiums especially to class 1 (sedan and station wagon) owners where significant add-on benefits are often also available eg discounts on other products, at-fault cover extension. As motorists need to contact insurers to obtain information on premiums and add-on products, CTP is now increasingly seen as an insurance product rather than a government charge. The competitive premium model also provides an incentive for more efficient practices by insurers.

The Commission receives the assistance of independent actuaries and advice from the CTP Advisory Committee in its determination of the premium bands. The Committee currently comprises Bernard Rowley, Henry Smerdon, Noel Mason and Shauna Tomkins.

Claims Process Reforms

From 1 October 2000, significant modifications were made to the existing claims process to facilitate easier access to the scheme and earlier rehabilitation intervention. There is now a requirement for claimants to provide a medical certificate and, as a prerequisite to a claim, to ensure a report of the accident has been made to Police. The amendments also introduced compulsory pre-proceeding conferences, the concept of obtaining joint medico-legal reports, removal of the costs indemnity rule for claims with total damages of less than \$30,000 and capped legal cost recovery for claims between \$30,000 and \$50,000. At this stage it is too early to assess the impact of these measures, but early indications are positive.

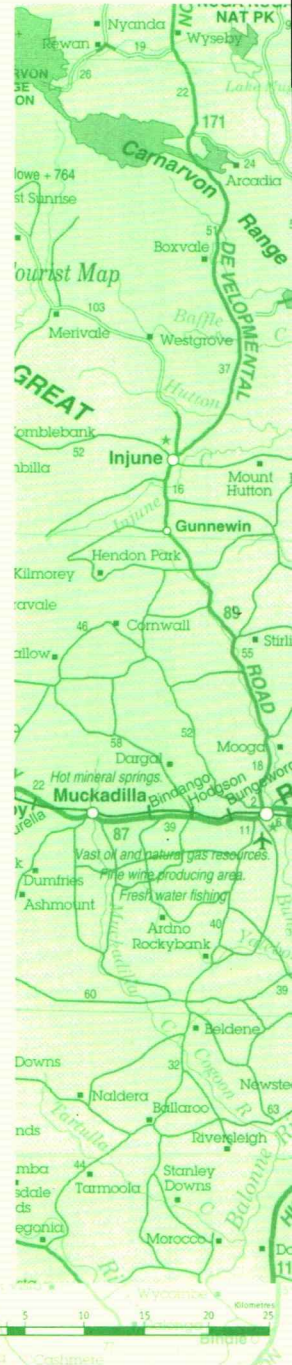
CTP Claims Helpline

A CTP Claims Helpline has been established within the Commission, primarily to assist claimants who do not understand the claims process by providing information on the statutory insurance scheme. The Helpline has been operational since 1 October 2000 and currently averages 110 calls per week in relation to claims and other CTP matters. It is anticipated that there will be a gradual increase in the

number of calls as broader knowledge of the service spreads throughout the community. The Helpline number is 1300 302 568.

Affordability Index

An affordability index has been introduced which is seen as crucial to the ongoing sustainability of the scheme. The index focuses attention on the overall cost of CTP insurance relative to a selected index of household income – average weekly earnings. The affordability index is triggered when the highest class 1 premium filed by insurers exceeds 45% of average weekly earnings in Queensland. Once triggered, the Commission is required to make recommendations to the Minister including possible changes in the scheme in respect of benefits and/or scheme delivery costs. The highest filed class 1 premium (including levies) of \$311 to apply for the quarter commencing 1 October 2001 represents 41% of average weekly earnings. To comply with the legislation, the premium needs to include the \$5 increase in the Nominal Defendant levy in relation to the collapsed HHH Insurance Group, but this impact will be acknowledged should there be a breach of the affordability index.



Commissioner's Report

Scheme Monitoring

The Commission's monitoring role of the CTP scheme includes analysis of claim trends and discussions with the various scheme participants. Summary statistics on the scheme are presented on pages 19 to 26 of this report.

Integrity of data coded by insurers and supplied to the Commission is crucial to accurate understanding of scheme trends, setting of premium bands, decisions on funding research initiatives and the detection of fraud in the scheme. A dedicated data audit unit was established within the Commission this year to monitor the quality of data provided by insurers. The audit program utilises a combination of physical file audits and electronic auditing techniques to achieve its goals. At the time of the 1999 Review, the quality of data supplied to the Commission's database by insurers came under criticism. I am pleased to report that insurers have achieved significant improvements in data quality in the past 12 months.

GST for Registered Businesses

Under transitional provisions in the GST legislation, input tax credits are not available to registered businesses for CTP premiums until 1 July 2003. Unless this transitional arrangement becomes a permanent arrangement, premiums will need to increase for businesses claiming input tax credits because insurers will no longer be able to benefit from the decreasing adjustment method now applying under the taxation laws. The administrative cost and inconvenience of this situation will be significant and hence the CTP authorities around Australia are involved in ongoing discussions with the Commonwealth Government in an attempt to reach a practical solution.

Licensing of Insurers

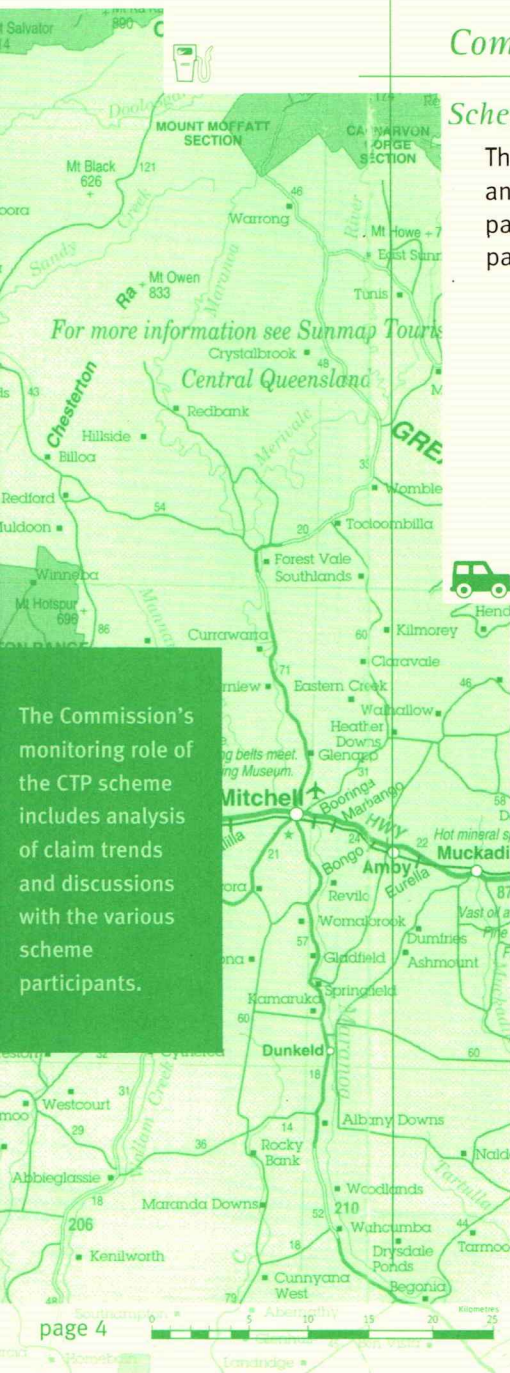
On 13 September 2000, HIH Insurance announced that it was placing all of its personal lines in a co-insurance arrangement with Allianz with the objective of placing HIH in a better position to meet the proposed new Australian Prudential Regulation Authority (APRA) capital requirements. Under the provisions of the *Motor Accident Insurance Act 1994*, it was necessary for all existing policies at the proposed date of commencement of the arrangement (1 January 2001) to be underwritten by a new insurer FAI Allianz Ltd. This new insurance entity was licensed by APRA for the purpose. The necessary approvals in accordance with the *Motor Accident Insurance Act 1994* were notified in the Government Gazette on 15 December 2000.

The Queensland scheme is now underwritten by 7 licensed insurers, 2 of which belong in the same group (FAI Allianz Ltd and Allianz Australia Insurance Ltd). The market shares of all insurers are shown on page 20 of this report.

As a consequence of the HIH collapse, the Commonwealth/State regulatory framework for general insurance has come into focus. This issue is included in the terms of reference of the Owen Royal Commission into the collapse of HIH. Individual jurisdictions are also giving consideration to the issue. From the State's point of view, it is necessary to establish arrangements to provide increased certainty that private sector insurers will be able to meet CTP claims for which they are liable.

Nominal Defendant

As at 1 July 2001, the Nominal Defendant levy for claims related to personal injury caused by either uninsured or unidentified vehicles was \$12.40 per class 1 vehicle. The Nominal Defendant levy varies for the different classes of vehicle, in accordance with the relative cost of claims for each class.



The Commission's monitoring role of the CTP scheme includes analysis of claim trends and discussions with the various scheme participants.

The emphasis on recovery of amounts from uninsured owners/drivers who have caused accidents has continued. The Feature Article on pages 16 to 18 of this report sets out the risks of not having current CTP insurance cover.

Research Initiatives

Since the establishment of the Commission, funding for injury prevention and control initiatives has come mainly from the annual investment income of the Motor Accident Insurance Fund, supplemented by revenue from compliance fines and surpluses previously available from the statutory levy. As the majority of the capital available in the Motor Accident Insurance Fund is being returned to the Nominal Defendant Fund, the interest earned on the Fund will be significantly reduced in future. The investment return environment is also entering a subdued phase. As a result, the Commission's grant activities in future are likely to be limited to existing commitments.

The key initiative of the Commission remains the ongoing funding of two research centres: CONROD (Centre of National Research on Disability and Rehabilitation Medicine) and CARRS-Q (Centre for Accident Research and Road Safety – Queensland). The two research Centres make important

contributions towards developing Queensland's reputation as a Smart State. A second five year term of funding has been approved for CONROD, while a second five year term of funding for CARRS-Q is currently in the approval process.

The Commission from time to time gives consideration to direct funding of certain projects. Approval has recently been given for funding of \$654,015 over three years to a research partnership led by the Queensland Ambulance Service to undertake a policy analysis and evaluation of the Queensland Trauma System.

Outlook

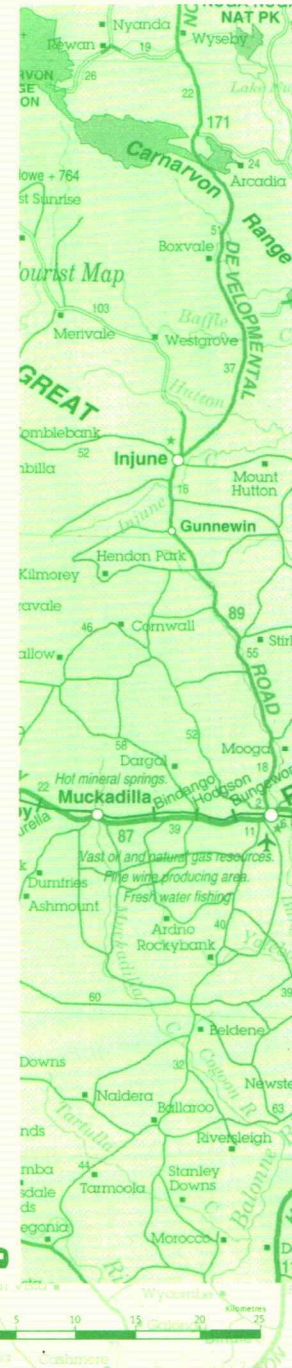
CTP premiums in Queensland are comparable to premiums in other States with the Queensland scheme one of only three schemes continuing to offer essentially unlimited common law entitlement. Some pressures are emerging in the assessment of average claim size for claims arising from accidents before the claims process reforms of 1 October 2000. These trends, and the emerging impact of the reforms, will be closely monitored in the context of the Affordability Index.

The sixth filing cycle of the competitive premium model is currently under way and by many accounts the system has bedded down quite well. The majority

of consumers (98.7%) are now seeing benefits of this competition and CTP is increasingly seen as an insurance product. Injured parties also have the opportunity to benefit from the information service provided by the CTP Helpline.

The HIH collapse has highlighted issues related to the compulsory nature of the product and the necessity to establish the best possible Commonwealth/State regulatory framework for insurers writing CTP policies. The system in Queensland has been able to respond to the HIH collapse, in terms of continuity of claim management and of funding arrangements that are not overly burdensome for Queensland motorists. Although the capacity for the Commission to fund research projects has been affected by the funding arrangements, there is still some capacity to continue to support the two research centres in rehabilitation and accident prevention.

The events of the past year have led to heavy demands being made on the staff of the Commission and the Nominal Defendant. I would like to acknowledge the strong contributions made by staff in difficult circumstances and I look forward to working with staff and scheme participants over the coming year.



Corporate Profile

The Motor Accident Insurance Commission is responsible for the ongoing management of the CTP motor accident personal injury insurance scheme in Queensland. Established under the *Motor Accident Insurance Act 1994*, the Commission commenced operations on 1 September 1994 as a statutory body reporting to the State Treasurer. The chief executive of the Commission is the Insurance Commissioner who also has the role of Nominal Defendant.

Scheme Description

Since 1936, Queensland has operated a common law fault based compulsory third party (CTP) motor vehicle insurance scheme. The scheme provides motor vehicle owners with a policy of insurance which covers their unlimited liability for personal injury caused by, through or in connection with the use of the insured motor vehicle anywhere in Australia.

For those injured in motor accidents, the scheme provides access to the common law where the injured party can establish negligence against an owner or driver. It should be noted that, because the scheme is a fault based scheme, circumstances can arise where, for example, a driver who is solely at fault in an accident cannot obtain compensation because there is no negligent party against whom he or she can bring an action.

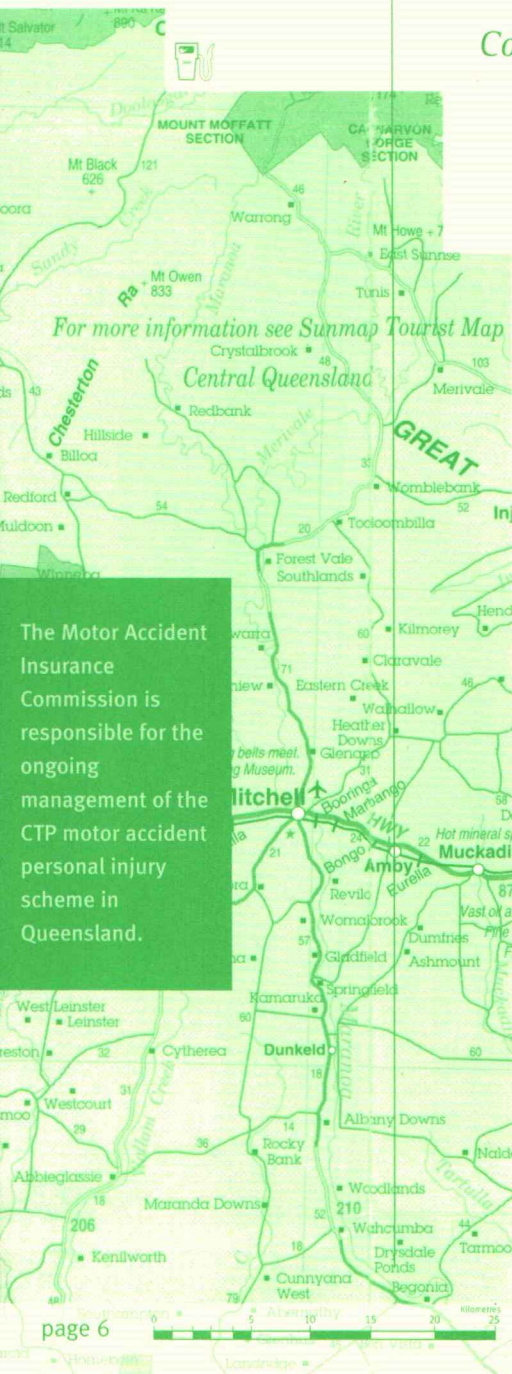
Seven licensed private insurers currently underwrite the Queensland CTP scheme. The licensed insurers accept applications for insurance and manage claims on behalf of their policyholders.

Until 30 September 2000 premiums were set by regulation and could not be varied by the insurer. The introduction of a competitive model for the scheme from 1 October 2000 now allows insurers to determine their premiums within floor and ceiling premiums set by the Commission. An efficient system of premium collection through the motor registry of Queensland Transport minimises administration costs within the scheme and provides motorists with a relatively convenient form of transaction.

The office of the Nominal Defendant acts as insurer where damages are claimed for personal injury arising from the liability of uninsured motor vehicles and unidentified motor vehicles. The Nominal Defendant, in the event of insolvency of an underwriting CTP insurer, has a legislated role to meet the cost of claims against that insurer.

CTP premiums in Queensland remain comparable to other States with the Queensland scheme one of only three schemes continuing to offer essentially unlimited common law entitlement (the other schemes are Tasmania and ACT).

Although the structure of the schemes differ, all CTP authorities in Australia participate in regular forums to address common issues for all the State schemes.



Key Functions

The primary activities of the Commission include:

- Keeping the statutory insurance scheme generally under review and making recommendations for its amendment;
- Ensuring premium affordability by reporting to Government on the cost trends of the scheme and developing changes to the scheme if and when the affordability index is likely to be exceeded;
- Establishing and developing target rates of efficiency of the scheme which measure the cost of delivery of benefits to injured persons and the proportion of the premium dollar that reaches injured persons;
- Maintaining insurance standards and scheme credibility through licensing of insurers and monitoring insurer claims management compliance;
- Fixing premium ranges and recommending scheme levies to Government;
- Providing an information service to policyholders and potential claimants on the operation of the scheme;
- Assessing and funding a diverse range of education, research and rehabilitation strategies to minimise and mitigate the effects of motor vehicle accidents;
- Developing and maintaining a claims register and statistical database for the purpose of providing scheme management information; and
- Administering the Nominal Defendant Scheme and Fund.

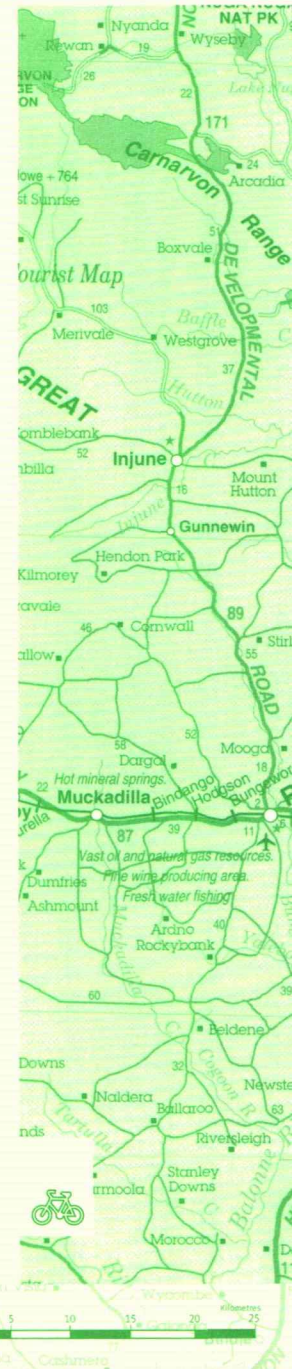
The Commission is assisted in key strategic functions by reference to an Advisory Committee established under Section 11 of the Act. The current Advisory Committee comprises Bernard Rowley, Henry Smerdon, Noel Mason and Shauna Tomkins.

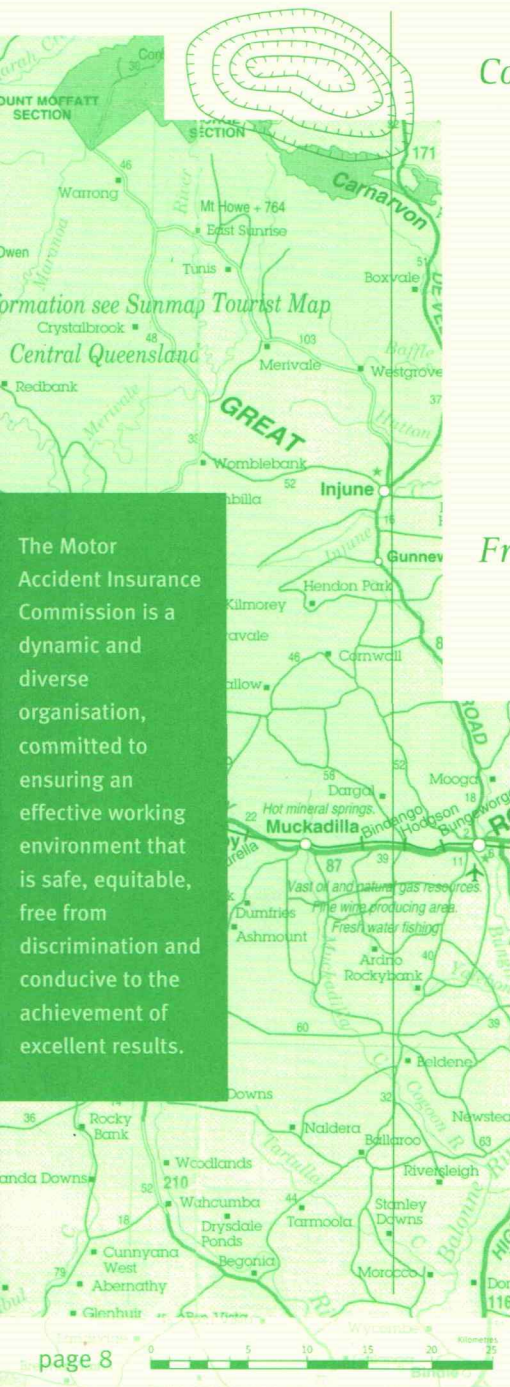
Funding

The Motor Accident Insurance Commission is funded by a statutory levy within the CTP premium. From 1 October 2000 the levy was set at \$1.00 per vehicle. For the year 2000-2001 the levy produced income of \$2.575M. The Commission also has available the interest earned on investment of the Motor Accident Insurance Fund and revenue from compliance fines. These amounts, combined with any surplus from the statutory levy, fund the Commission's research initiatives.

The Nominal Defendant operation is funded by a levy within the CTP premium which varies by vehicle class. For Class 1 vehicles the levy was set at \$12.40 from 1 October 2000. The levy is set on the basis of an actuarial assessment of claim trends. For the reporting period, the income from the levy totalled \$28.687M.

Upon the insolvency of FAI General Insurance Company Ltd on 15 March 2001 the Nominal Defendant assumed responsibility for claims against FAI policies that had expired as at 31 December 2000. To assist in funding these liabilities, the Nominal Defendant levy increased by \$5.00 from 1 October 2001. The levy will raise about \$12M per annum. The Queensland Government will also commit substantial additional funding to supplement the shortfall.





Corporate Governance

The operations of the Motor Accident Insurance Commission are governed by the *Motor Accident Insurance Act 1994*. Under this legislation the Insurance Commissioner, in the Commissioner's official capacity, constitutes the Commission. The Insurance Commissioner is also the Nominal Defendant and is appointed under the *Public Service Act 1996* with responsibility for the administration of the Act, the Motor Accident Insurance Fund and the Nominal Defendant Fund.

The Insurance Commissioner reports to the State Parliament through the Treasurer and provides regular status reports on operations, as well as an annual report required by the *Financial Administration and Audit Act 1977* and under section 19 of the *Motor Accident Insurance Act 1994*.

The Commission operates within a framework of policies and procedures established by the Queensland Government, including the requirements of the *Financial Administration and Audit Act 1977*.

Freedom of Information

During the reporting period, the Nominal Defendant received one application for the release of information under the provisions of the *Freedom of Information Act 1992*. This application has been finalised. The Commission received one application for the release of information and this application has also been finalised.

Internal Audit

The Management Audit Services Branch of Queensland Treasury provides internal audit services to the Motor Accident Insurance Commission. When working with the Commission and the Nominal Defendant, the internal audit's aim is to assess financial and administrative control systems and to seek to improve the organisation's management of, and accountability for, the use of resources. It also aims to address, at a strategic level, key risk areas and corporate governance issues.

The results of all internal audits are reported to the Under Treasurer and include opinions regarding the adequacy and effectiveness of financial, operational, administrative and computer controls. Additionally, recommendations may be made for strengthening and enhancing controls if any weaknesses or breakdowns are evident.

The most recent audits undertaken for the Commission were reviews of the processes and procedures utilised in the management of the FAI CTP claims run-off and the preparation of the End of Year Financial Statements.

Staff Matters

The Motor Accident Insurance Commission is a dynamic and diverse organisation, committed to ensuring an effective working environment that is safe, equitable, free from discrimination and conducive to the achievement of excellent results. The Commission's aim is to provide the most viable and equitable personal injury compensation scheme, which can only be achieved through a fully committed and productive workforce.

The combined staffing level of the Commission and the Nominal Defendant has reached 30 reflecting the Commission's broader responsibilities with respect to regulating Queensland's CTP scheme and managing the Nominal Defendant Fund. A team approach is evident throughout the organisation as staff rotation is encouraged to aid staff development and stimulate information sharing.

Resources have been strengthened over the past year with the permanent appointments of:

- Melissa Pignolet as Senior Policy Officer, Policy and Liaison
- Wayne Saville as Assistant Manager, Research and Compliance
- Kevin Lee as Client Services Officer, Injury Management
- Sherri Robinson as Client Services Officer, Injury Management
- John Foster as Claims Manager, Nominal Defendant.

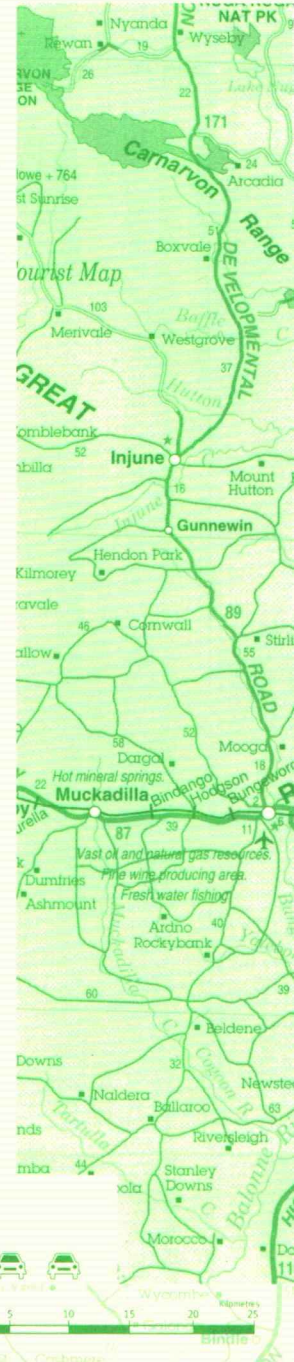
The linkages with and support from Queensland Treasury personnel are also acknowledged. Andrew Rowe recently replaced Gavin Cruickshank as the Commission's IT support following Gavin's return to core Treasury.

In October 2000, Mike Hancock, a foundation staff member of the Commission, resigned to pursue other career aspirations. Mike in his role as Principal Adviser, Rehabilitation guided the introduction of rehabilitation into the Queensland CTP scheme and played an integral role in the establishment of the Commission-funded research centres – CONROD and CARRS-Q. Mike was respected nationally and internationally for his work in the sphere of injury management and the Commission, in farewelling Mike, acknowledged his significant contribution to the Queensland scheme over the past six years.

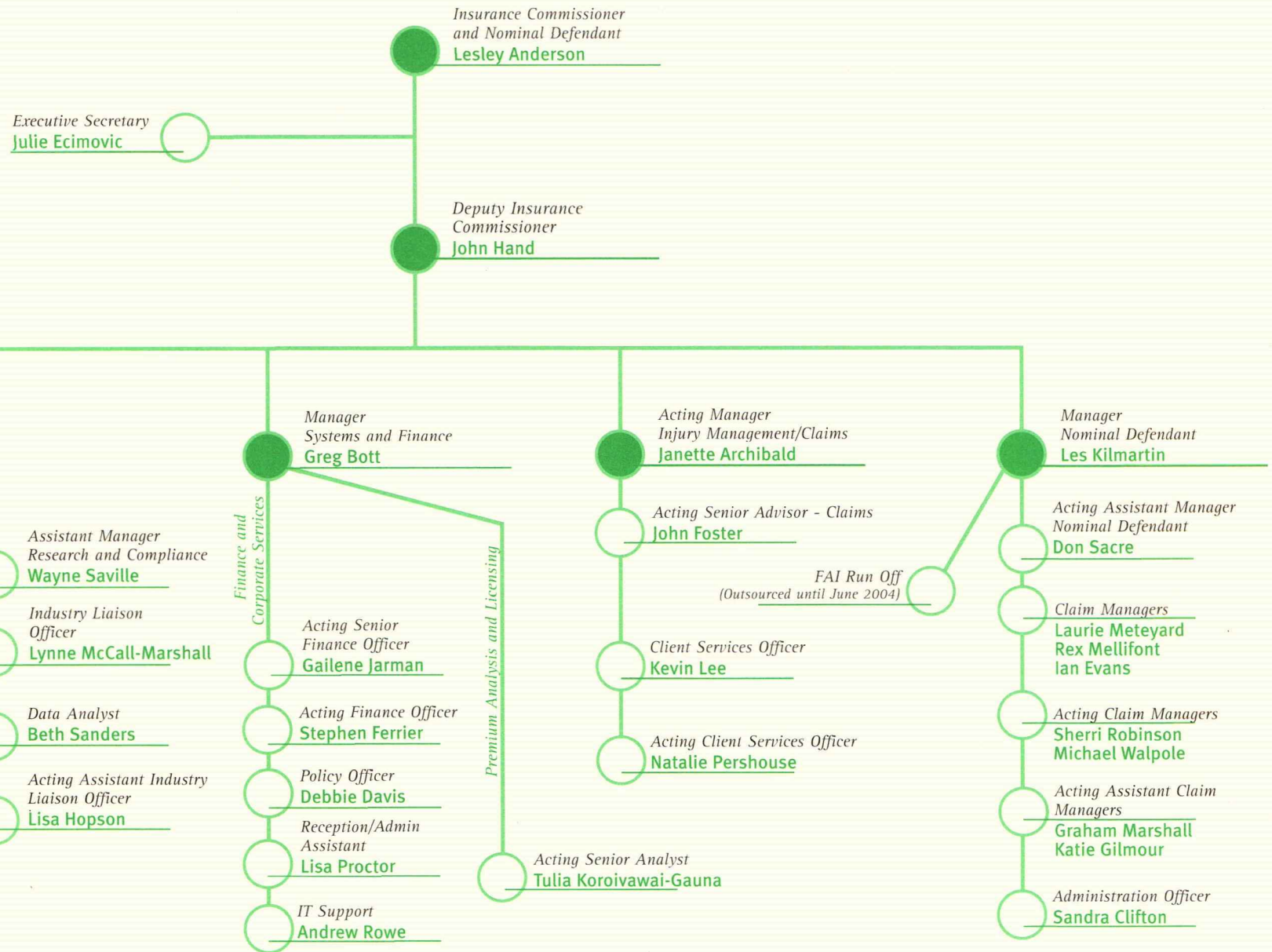
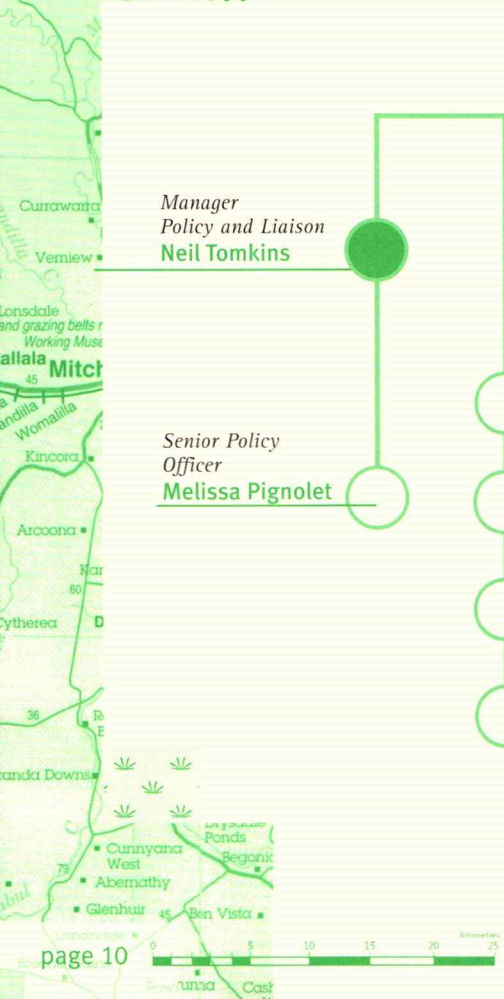
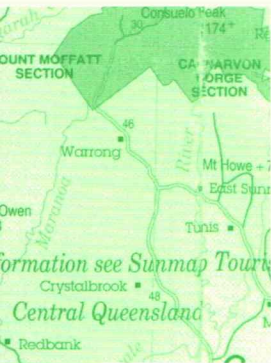
In April this year, the Commission farewelled Bill Watson. Bill was recruited to the Commission at the commencement of the CTP Scheme Review and made significant contributions to the Commission, working as the senior project officer to the Review Committee and as part of the team to implement the CTP reforms. We wish Bill well in his retirement.

The Commission aims to continually develop the professional skills of its staff by promoting ongoing training, offering educational opportunities and encouraging career development. Strategies adopted to achieve this goal also include staff participation in the Individual Performance System (IPS) and the Treasury Leadership Program.

In accordance with the legislation, this report covers operations relating to the regulation of the CTP scheme. From October 2000 the Insurance Commissioner was allocated the role of establishing and operating the Queensland Government Insurance Fund (QGIF) on behalf of Queensland Treasury. Formal and financial reporting in relation to this function are included in the Queensland Treasury annual report. Michael Reynolds has been appointed to the position of Manager, QGIF.



Management and Organisational Structure



Insurance Commissioner

Lesley Anderson
B.Comm(Hon) M.Ec(Hon)

Appointed as Insurance Commissioner in November 1996. Previous experience Reserve Bank of Australia in Sydney and five years in Queensland Treasury providing broad level policy advice relating to financial institutions, superannuation, workers' compensation and compulsory third party.



Deputy Insurance Commissioner

John Hand
AAII CIP

Appointed to the Commission in 1993. Insurance career spanning over 30 years, predominantly in personal injury and encompassing high level policy advice to government and management at senior levels.



Manager Policy and Liaison

Neil Tomkins
B.Bus.(Comm)

Appointed as Manager, Policy and Liaison in 1998. More than 30 years insurance experience in life and general insurance.



Manager Systems and Finance

Greg Bott
B.Bus.(Accy) Grad Dip.
App. Fin. & Inv. CPA
ASIA

Appointed as Principal Policy Adviser in 1993. Accountancy background covering the chartered profession, commerce and industry and the public sector including over nine years experience in accident compensation insurance.



Acting Manager Injury Management/ Claims

Janette Archibald
B.OccThy Grad Dip Ed

Joined the Commission in 1997. Has 20 years experience in rehabilitation including five years with workers' compensation.



Manager Nominal Defendant

Les Kilmartin

Appointed as Manager, Nominal Defendant in 1995, having had 14 years experience as a claims manager and 15 years previous experience in various facets of general insurance.



Strategic Plan 2001 - 2006

Vision

Our vision is to lead the way in the provision of effective and efficient personal injury insurance schemes.

Mission

Our mission is to provide the most viable and equitable personal injury compensation scheme.

In pursuit of our mission we will provide and regulate, for Queensland, a CTP scheme encompassing injury prevention and control.

Values

We are committed to these fundamental principles:

- Achieving success through leadership, service and teamwork.
- Effective communication with all stakeholders.
- Behaving with integrity and independence.

Key Issues Facing The Office

- Premium affordability and overall stability of the scheme. Ongoing analysis of cost trends provides the developmental opportunities to initiate change if and when the affordability index is likely to be exceeded.
- Increasing efficiency to ensure the highest possible return of premium dollars reach claimants. Areas of focus include policy and claims analyses, monitoring performance output measures and the development of appropriate computer software for claims and data management.
- Maintenance of insurance standards through relationships with insurers and the Australian Prudential Regulation Authority. Scheme credibility and legislative compliance is maintained through the regulation of insurer licensing, prudential review and regular audit of insurers claims data.
- Increasing community awareness of the scheme and its claims process. Education, research and funding initiatives aim to inform the community and support initiatives that advance rehabilitation and injury prevention and control.
- Funding and managing the claims liabilities of FAI policies expired as at 31 December 2000. The Nominal Defendant is responsible for claims against these policies due to the insolvency of FAI General Insurance Company Limited.

Strategic Business Priorities

- Maintaining the overall scheme stability by processes that enhance the competitive premium determination process, by contingency planning to deal with a breach of the affordability index, by streamlining the processes for setting premium bands and maintaining data integrity.
- Implementing claims process reforms through liaison with legal, medical and insurance professionals, achieving long-term targets for payments as a percentage of premiums to injured parties, enhancing services through the claims help line and information packs.
- Maintaining an efficient Nominal Defendant scheme, including management process for relevant FAI claims.
- Partial devolution of management of grants to the Commission's funded research centres.
- Maintaining insurance standards and scheme credibility through licensing, enhanced prudential supervision of insurers in association with APRA and monitoring the compliance level of insurer claims management.

Capability Priorities

People Management Strategy

- Proactive planning.
- Create a shared vision of the future within the Office.
- Enhance staff skills to ensure effective career development.
- Enhance management and leadership skills within the Office.
- Develop and foster a proactive and collegiate approach to management.
- Enhance delegation of responsibility to the appropriate level within the Office.
- Clearly define staff roles and responsibilities and implement Individual Performance System (IPS) to aid performance and staff development.

Leading edge management practices

- Benchmarking CTP scheme performance against other State and Territory CTP schemes.

Improving information and communication systems and practices

- Develop and maintain strong relationships with relevant areas of Treasury Office.
- Develop a structure that will be flexible enough to cater for changing needs in the future.
- Enhance and update information management systems.

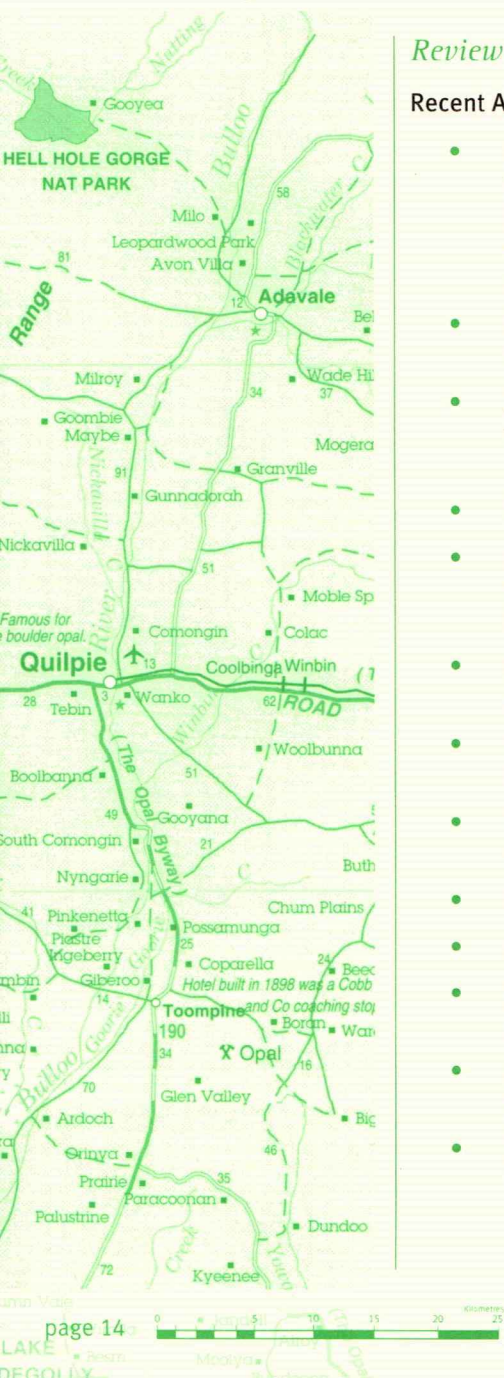
Output Statement - Motor Accident Insurance Administration

The Motor Accident Insurance Administration Output provides policy advice and services related to the management of the CTP and Nominal Defendant schemes. The delivery of this output contributes to the following Government priorities and outcomes:

- by funding selected accident prevention initiatives managed by other Government agencies, MAIC supports improved personal and public safety. Maintaining an essentially unlimited common law scheme for claimants contributes to an accessible system of justice and administrative services. The licensing and prudential supervision of insurers and monitoring of compliance with legislation contributes to socially responsible and safe industry practices;
- promoting research, education and providing rehabilitation services to minimise and mitigate the effects of motor vehicle accidents contributes to the health and well-being of Queensland people and allows them to participate in community life and the State's development; and
- by ensuring affordable premiums and maintaining a scheme with fully funded premiums, the delivery of this output contributes to social and fiscal responsibility.



Strategic Plan 2001 - 2006



Review of Performance

Recent Achievements – CTP Scheme

- Implementation of the amended *Motor Accident Insurance Act 1994* which commenced on 1 October 2000. The key amendments were the introduction of an affordability index, a competitive premium model, streamlining of claims processes and minor changes to benefits whilst retaining an essentially unlimited common law scheme.
- Conduct of four quarterly premium filing rounds including a full annual analysis of scheme trends.
- Approval of an application for a licence by FAI Allianz Limited and a part transfer of business from FAI General Insurance Company Ltd to FAI Allianz Limited effective 1 January 2001.
- Development and operation of the CTP Claims Helpline.
- Continued improvement in the integrity of claims data provided by insurers to the claims register and statistical database, facilitating analysis of the scheme and determination of the premium band ranges.
- Monitored developments in claim costs through analysis of claims data and court precedents.
- Ongoing liaison with police, medical and legal specialists and insurers in relation to legislative provisions and operation of the scheme.
- Ongoing liaison with Queensland Transport on issues relating to premium collection, systems and operations.
- All Queensland Treasury reporting requirements met.
- Six prosecution cases brought in relation to fraud, all successful.
- Reduction from 14 weeks to 10 weeks for the period between filing of premiums and the date of effect.
- Resolution of policy issues and communication issues in relation to the insolvency of FAI General Insurance Company Ltd.
- Development of strategies in relation to proposed removal of GST Transitional Provisions from 1 July 2003.

Recent Achievements – Nominal Defendant

- Annual review of outstanding claim liabilities in relation to unidentified and uninsured vehicles conducted in conjunction with consulting actuaries.
- Nominal Defendant annual levy reviewed and set at \$12.40 for class 1 vehicles (sedans and station wagons) from 1 October 2001.
- During the year 233 new Act claims and 22 former Act claims were finalised. 1092 new Act claims and 79 former Act claims remain active.
- Legislative time frames relating to Nominal Defendant claims management were met and complete and accurate data was supplied to the MAIC database within the required time frames.
- Claims monitoring resulted in the notification of 4 suspected fraudulent claims to the Commission. Two of the successful fraud prosecutions during the year involved claims against the Nominal Defendant.
- Recovery action was concluded on 134 files during the year which is an increase of 66 files over the previous year. Claims recoveries amounted to \$479,000 for the year. Recovery action is continuing on a further 227 files.
- Ongoing advice provided to the Commission on technical aspects of the legislation as it relates to the Nominal Defendant function.
- Claim Management System (CMS) developments included amendments to assist with reinsurance reporting, sharing recovery and settlement conference details.



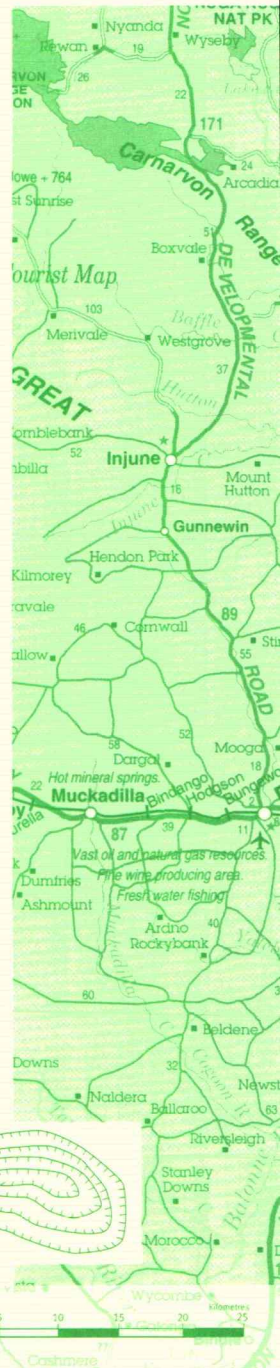
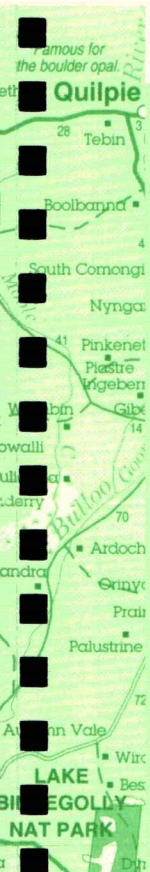
Recent Achievements – Nominal Defendant *continued*

FAI Run-off

- A temporary claim management arrangement was put in place with FAI Allianz Limited following the liquidation of HIH on 15 March 2001 to allow claims to be paid without interruption.
- Allianz Services Australia Pty Ltd was chosen as the outsourced manager of the FAI Run-off claims for three years from 1 July 2001.
- A regulation was made to increase the Nominal Defendant levy by \$5 from 1 October 2001 to assist in funding the FAI Run-off claims. In addition, an amount of \$57.818M is to be transferred from the Motor Accident Insurance Fund to the Nominal Defendant Fund to also assist.
- Ongoing consultation in relation to the potential insolvency dividend with the HIH Insurance Group Liquidator, Tony McGrath.
- An audit was undertaken to review the processes and procedures utilised in the management of the FAI CTP claims run-off.

Recent Achievements - Grants

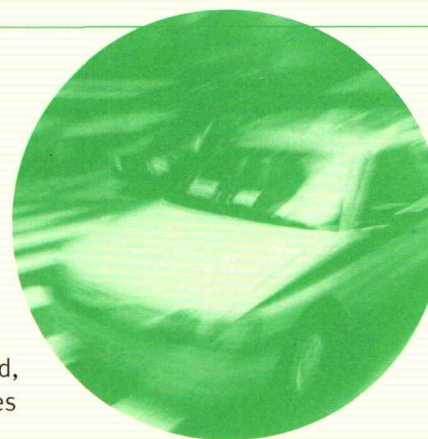
- Monitored compliance of recipients of MAIC funding grants with accountability requirements.
- Increased funding for CONROD to enhance the core capacity of the Centre by acquiring additional multidisciplinary research expertise. The Centre's research will include the areas of health system performance and health outcome measurement. A significant element is the expansion of the Queensland Trauma Registry system.
- MAIC is one of six core partners in a research program which was successful in an application for a NHMRC Health Research Partnership in Injury Grant from the Federal Government.
- Contribution made to Queensland Transport Easter 2001 road safety media campaign.
- Discussions with Queensland Health on the transition from MAIC funding to Health funding for rehabilitation outreach projects at Royal Children's and Princess Alexandra Hospitals.
- Re-examination of priorities and availability of funds for research following the transfer of capital to the Nominal Defendant Fund following the HIH Insurance collapse.



Feature Article:

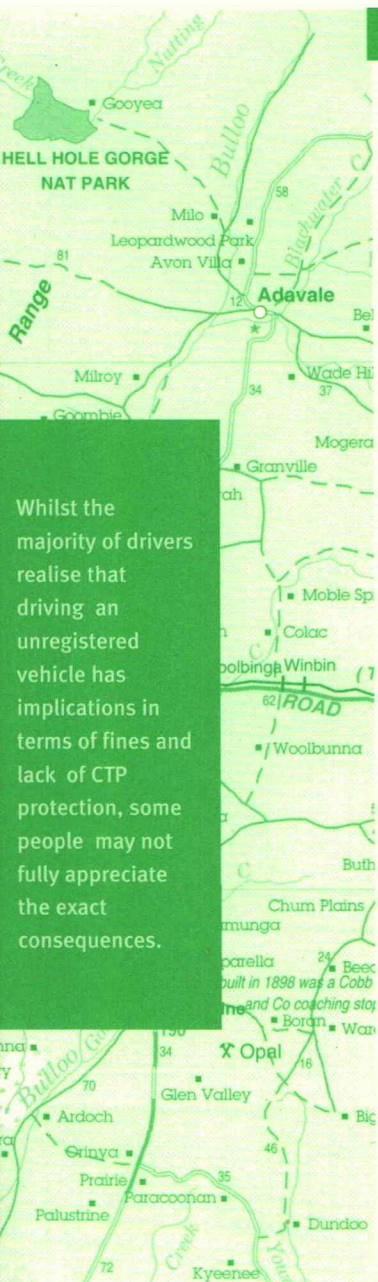
Unregistered; Uninsured – You Are At Risk

Unregistered and uninsured motor vehicles are a continuing problem on our roads. It is estimated that 4% of vehicles on Queensland roads are unregistered. Independent research conducted by Queensland Transport reveals that one in ten people claim to know someone who drives an unregistered vehicle. Statistics for unregistered vehicles detected by traffic cameras also provide some indication of the extent of the problem. In the 12 months from May 2000 to May 2001, there were 3,985 unregistered vehicles detected by speed cameras and red light cameras. As a proportion of vehicles photographed, these statistics indicate significant levels of unregistered vehicles on Queensland roads.



The importance of vehicle registration cannot be overstated. Vehicle registration enables the Government to regulate the safety of vehicles on Queensland roads and provides essential funding for the development and maintenance of our road network. Importantly, the registration system provides a cost-effective means of ensuring owners and drivers have appropriate insurance against liability for personal injury caused in motor vehicle accidents.

Compulsory Third Party (CTP) insurance in Queensland, as is the case for all Australian jurisdictions, is compulsory and a condition of motor vehicle registration. In Queensland the CTP premium is conveniently included in the registration payment. The policy of insurance does cater for what can sometimes be a genuine oversight in late payment of registration and insurance by including a period of grace. However, by law, this period of grace cannot extend beyond 30 days after vehicle registration payments are due. As CTP insurance is intrinsically linked with registration, vehicles that have never been registered, or with cancelled or expired registration, are also uninsured.



Whilst the majority of drivers realise that driving an unregistered vehicle has implications in terms of fines and lack of CTP protection, some people may not fully appreciate the exact consequences.

Unregistered; Uninsured – You Are At Risk

continued



Whilst the majority of drivers realise that driving an unregistered vehicle has implications in terms of fines and lack of CTP protection, some people may not fully appreciate the exact consequences.

Drivers of unregistered vehicles are driving without the protection of CTP insurance. If an accident occurs involving an unregistered and therefore uninsured vehicle, the driver and owner may be financially liable for the damages paid to the injured person. The injured person still has the right to compensation, with the claim being made against the Nominal Defendant which in turn has recovery rights against the driver, and possibly the owner, of the at-fault uninsured vehicle. Hence, the at-fault motorist may be forced to sell assets such as their home in order to pay the compensation which could be in the hundreds of thousands of dollars. CTP insurance is therefore necessary to deliver benefit entitlements to those persons tragically injured in motor vehicle accidents and to protect motor vehicle owners from exposure to compensation claims made against them.

Driving an unregistered vehicle may also have significant financial implications for motorists with comprehensive insurance as some comprehensive insurance policies exclude cover for property damage if the vehicle is not registered. In addition, owners and drivers of unregistered vehicles face hefty penalties, which can be as high as \$6,000, for driving or permitting someone else to drive an unregistered and uninsured motor vehicle. Police and Queensland Transport officers also issue on the spot fines.

Accidents involving uninsured vehicles impose a significant cost on Queensland's CTP scheme through the Nominal Defendant. The Nominal Defendant receives its funding from a levy paid by Queensland motorists with their CTP premium and registration. In effect, claims related to accidents involving uninsured vehicles are funded by the majority of vehicle owners whose vehicles are registered.

Claims in relation to uninsured motor vehicles represent 40% of the claims received by the Nominal Defendant (the other 60% of claims relate to unidentified vehicles). In recent years, personal injury claims arising from accidents involving uninsured vehicles have cost the Nominal Defendant Fund around \$10 million per annum.



Feature Article:

Unregistered; Uninsured – You Are At Risk

continued



Apart from the economic burden to Queensland motorists, there are a number of road safety problems associated with unregistered vehicles. Driving an unregistered vehicle has implications for law enforcement and reduces the capability of authorities to effectively manage vehicles on the road. Unregistered vehicles also reduce the amount of revenue available to maintain the State's road system and to develop strategies to reduce the incidence and severity of motor vehicle accidents.

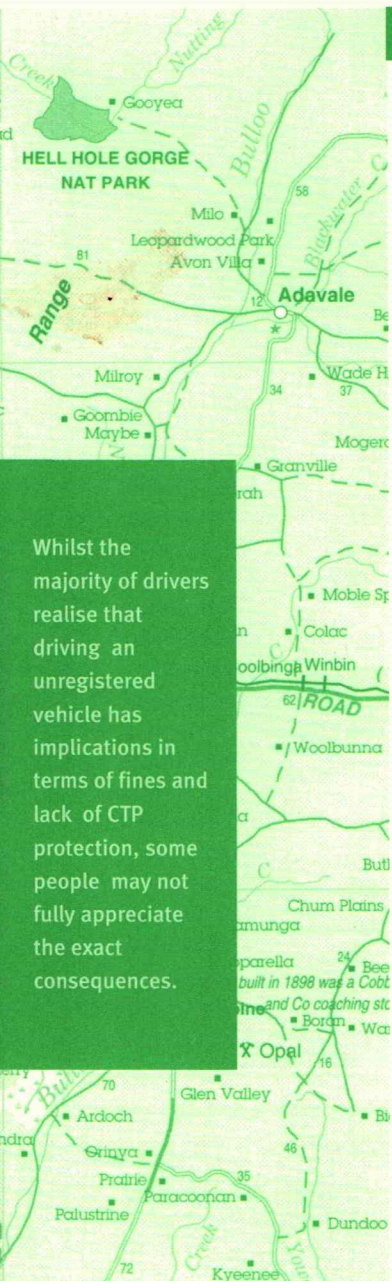
Given the road safety and economic implications of driving unregistered and uninsured motor vehicles, over the years the scheme has contributed to initiatives aimed at reducing the number of unregistered and uninsured vehicles on Queensland roads. Queensland Transport recently implemented an advertising campaign designed to make all motor vehicle owners aware of the significant financial risks they take when choosing to drive unregistered. This campaign was the first campaign since 1994 specifically targeting Queensland motorists who do not register their vehicles.

The Commission fully supports any initiative which may reduce the incidence of motor vehicle crashes and is committed to ensuring that CTP premiums remain affordable to the majority of motorists. Higher levels of unregistered and uninsured vehicles lead to a higher Nominal Defendant levy which in turn impacts on premium levels. Premium affordability is an essential element in maintaining a high proportion of insured and registered vehicles which is critical to the long-term viability of Queensland's CTP scheme. The cost of CTP insurance is now monitored by an index tied to Queensland Average Weekly Earnings and if premiums for class 1 vehicles (cars and station wagons) exceed the index, the event may trigger a scheme redesign which could result in reduced benefits for injured parties.

Reference

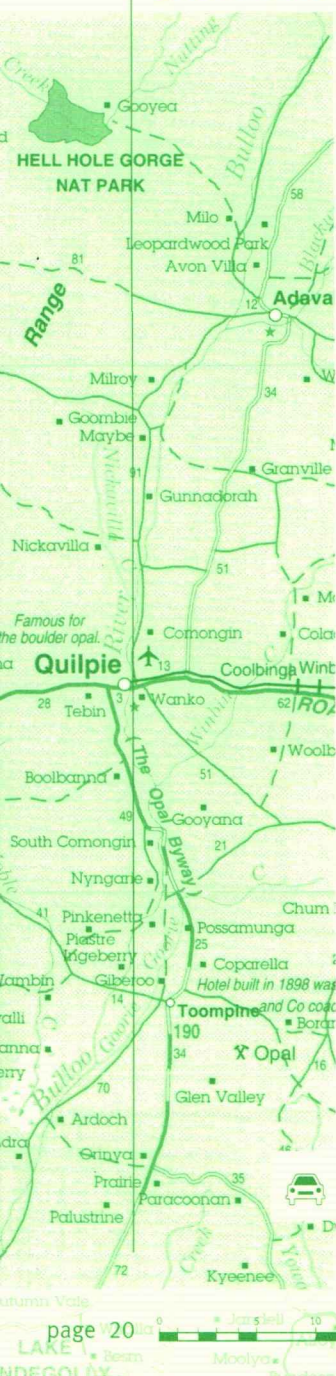
"Uncicensed, Unregistered and on the Road – The Road Safety Implications of Unclicensed Driving and the Driving of Unregistered Vehicles in Queensland"
Travelsafe Committee
Report No.27, July 1999

Whilst the majority of drivers realise that driving an unregistered vehicle has implications in terms of fines and lack of CTP protection, some people may not fully appreciate the exact consequences.





Queensland Compulsory Third Party Scheme



Vehicles Insured as at 30 June 2001

Insurance Class	Number of Vehicles	Percentage
1	1,774,952	72.36
2	5,326	.22
3	2,509	.10
4	17,809	.73
5	6,305	.26
6	415,323	16.93
7	47,881	1.95
8	5,576	.23
9	2,933	.12
10	3,476	.14
11	3,947	.16
12	31,256	1.27
13	44,803	1.83
14	27,928	1.14
15	10,622	.43
16	748	.03
17	46,321	1.89
19	646	.03
20	174	.01
21	5	.00
22	0	.00
23	3,969	.16
24	340	.01
Totals	2,452,849	100

Premium, Levy and Fee Collection

1 July 2000 to 30 June 2001

	Dollars (\$'000)
Insurance Premiums	734,510
Nominal Defendant Levy	-29,211
MAIC (Statutory Insurance Scheme) Levy	-2,392
Hospital Levy	-12,052
Emergency Services Levy	-4,403
Department of Transport Fee	-17,918
Insurers Premiums	668,534

Source: Queensland Transport Receipts

Market Share - Licensed Insurers - Premium Basis

Insurer	30/6/98	30/6/99	30/6/00	30/6/01
Suncorp Metway	58.4	58.07	56.03	54.78
FAI	25.39	24.88	23.74	0
QBE	3.61	6.31	5.97	5.04
AAMI	4.61	5.12	5.22	5.27
Allianz	4.25	4.79	5.12	4.72
RACQ		0.38	3.86	7.88
NRMA			0.05	0.70
FAI Allianz (Licenced from 1 January 2001)				21.61

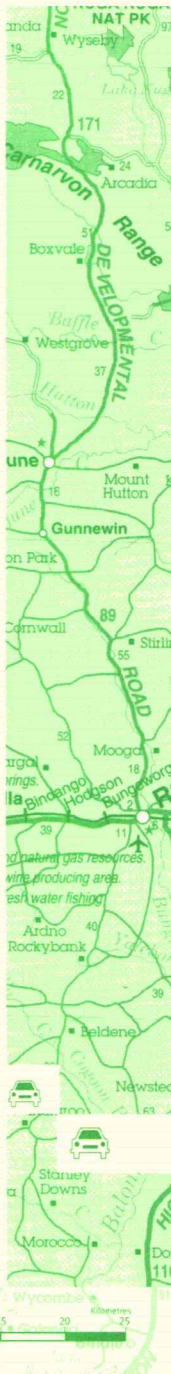
Queensland Compulsory Third Party Scheme

Notice of Claim Lodgements

(All Insurers) Accidents 1 July 1995 to 30 June 2001

Injury Quarter	Development Quarter												Grand Total
	1	2	3	4	5	6	7	8	9	10	11	12+	
Jul 95 - Sep 95	655	494	675	204	54	42	33	13	19	14	9	46	2,258
Oct 95 - Dec 95	552	590	665	192	46	29	24	8	11	9	11	34	2,171
Jan 96 - Mar 96	695	562	602	145	39	21	12	15	10	15	11	39	2,166
Apr 96 - Jun 96	785	517	509	224	44	21	21	7	16	16	15	41	2,216
Jul 96 - Sep 96	839	543	523	139	75	22	14	14	23	18	28	39	2,277
Oct 96 - Dec 96	737	602	552	138	34	25	21	24	7	15	23	31	2,209
Jan 97 - Mar 97	756	570	520	101	45	36	14	16	26	19	12	24	2,139
Apr 97 - Jun 97	909	556	410	129	47	32	14	22	18	6	9	24	2,176
Jul 97 - Sep 97	940	539	466	137	55	19	25	28	18	21	14	32	2,294
Oct 97 - Dec 97	905	613	485	130	46	31	19	20	15	16	11	27	2,318
Jan 98 - Mar 98	946	540	407	126	40	25	27	10	15	18	12	18	2,184
Apr 98 - Jun 98	1,186	588	410	169	55	41	24	31	16	12	5	11	2,548
Jul 98 - Sep 98	1,207	631	564	140	51	26	32	26	30	14	10	3	2,734
Oct 98 - Dec 98	1,318	702	527	107	49	29	26	14	11	10	2		2,795
Jan 99 - Mar 99	1,373	624	467	128	52	31	32	10	12	6			2,735
Apr 99 - Jun 99	1,348	615	360	163	61	31	23	14	1				2,616
Jul 99 - Sep 99	1,268	539	505	161	50	33	23	3					2,582
Oct 99 - Dec 99	1,294	628	498	141	49	33	8						2,651
Jan 00 - Mar 00	1,204	509	446	126	51	6							2,342
Apr 00 - Jun 00	1,353	590	374	102	18								2,437
Jul 00 - Sep 00^	1,380	518	356	32									2,286
Oct 00 - Dec 00^	1,580	366	49										1,995
Jan 01 - Mar 01^	1,590	102											1,692
Apr 01 - Jun 01^	525												525

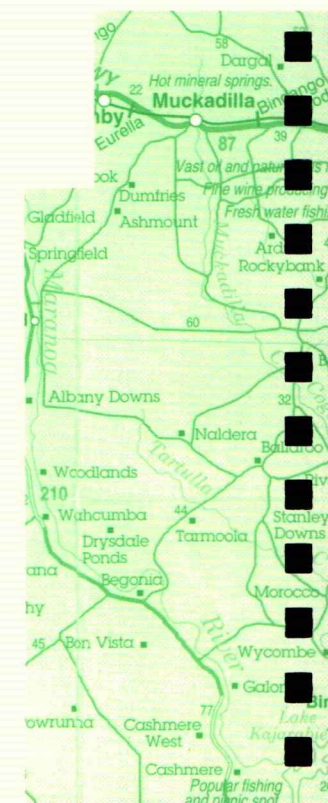
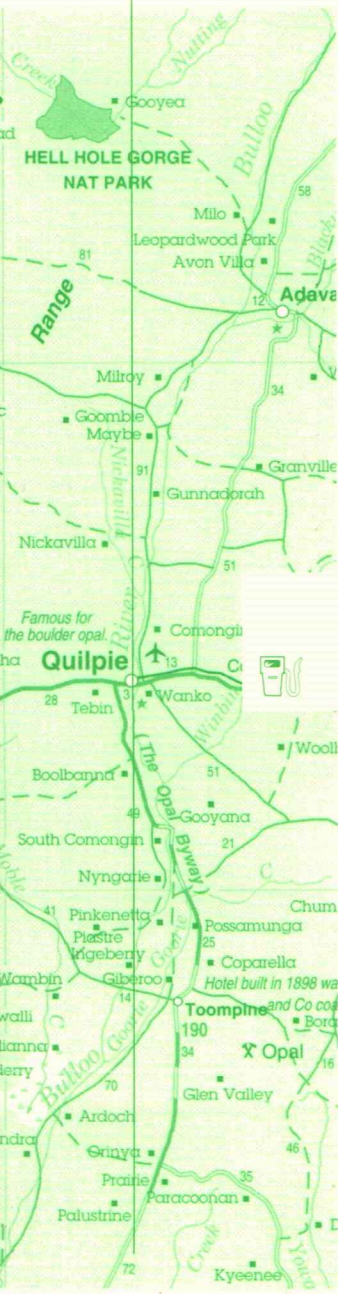
^ Accident quarter data from July 2000 are immature



Queensland Compulsory Third Party Scheme

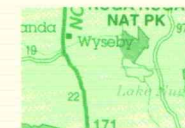
Cumulative Claim Lodgements By Accident Period

Data as at 30 June 2001



Queensland Compulsory Third Party Scheme

Claim Status



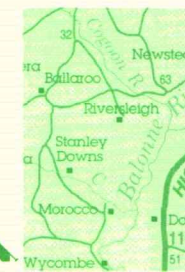
Accident Period	1 SEPTEMBER 1994 - 30 JUNE 1995*			1 JULY 1995 - 30 JUNE 1996			1 JULY 1996 - 30 JUNE 1997			1 JULY 1997 - 30 JUNE 1998			1 JULY 1998 - 30 JUNE 1999			1 JULY 1999 - 30 JUNE 2000			1 JULY 2000 - 30 JUNE 2001		
	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %	Claims Received	Liability Determined %	Finalised Claims %
Suncorp Metway	3,778	99	97	4,684	99	94	4,766	99	91	5,257	99	83	6,060	99	67	5,425	96	36	3,535	67	7
FAI	1,897	99	96	2,272	99	94	2,114	99	86	2,224	99	76	2,613	99	61	2,136	93	34	434	72	6
QBE	2	100	100	14	100	100	30	100	87	319	94	81	708	98	72	630	97	46	361	75	12
AAMI	153	100	94	227	100	95	288	100	96	327	100	87	464	99	67	540	98	40	343	81	10
Allianz^	283	95	95	436	86	94	442	93	89	487	94	76	652	95	65	589	94	31	419	76	3
RACQ													13	100	46	222	93	29	300	73	6
NRMA																			56	64	29
FAI Allianz																150	89	9	811	50	3
Fortis~	468	97	97	549	95	94	623	89	91	341	90	88	38	87	79						
CIC	5	60	100	8	63	100															
Com. Union	111	100	95	130	100	84	128	99	84	17	100	76									
GIO	15	100	100	29	97	100	15	100	100												
Merc Mutual	75	100	93	94	99	94	62	100	79	3	100	100									
Zurich	5	100	100	10	70	90	23	35	96	24	4	83	3	0	67						
Nom. Defend.	260	100	93	358	99	90	310	100	78	344	99	77	329	97	55	318	97	34	236	48	8
Total	7,052	99	96	8,811	98	94	8,801	98	89	9,343	98	81	10,880	98	65	10,010	96	35	6,495	67	7

N.B. The column for 2000-2001 claims is incomplete due to claim reporting timeframes

^ Formerly MMI

~ Formerly VACC

*Only covers 10 months



Queensland Compulsory Third Party Scheme

Claim Payments on Finalised Claims

(Payments 1 September 1994 to 30 June 2001)
(\$,000)

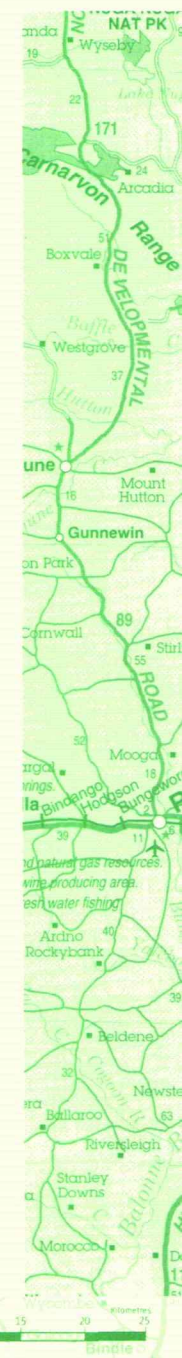
Code	A1	C1	E1	E2	G1	H1	L1	L2	L4	L5	L6
Payment Type	Aids & Appliances	Long term care & home care	Economic Loss - past	Economic Loss - future	General Damages	Home & vehicle modifications	Investigation costs	Legal costs - plaintiffs	Legal costs - defendants (solicitors)	Legal costs - defendants (barristers)	Legal costs - defendants (other outlays)
ACCIDENT PERIOD: 1 SEPTEMBER 1994 - 30 JUNE 1995 (10 months)											
Total Dollars	1,006	21,633	25,087	51,885	93,706	1,099	2,660	23,536	9,217	1,122	1,548
(%)Total Dollars	0.4%	8.6%	10.0%	20.6%	37.2%	0.4%	1.1%	9.3%	3.6%	0.4%	0.6%
ACCIDENT YEAR: 1 JULY 1995 - 30 JUNE 1996											
Total Dollars	487	23,473	26,889	57,565	102,937	1,014	2,981	27,730	10,094	954	1,754
(%)Total Dollars	0.2%	8.4%	9.7%	20.7%	37.0%	0.4%	1.1%	10.0%	3.6%	0.3%	0.6%
ACCIDENT YEAR: 1 JULY 1996 - 30 JUNE 1997											
Total Dollars	780	14,036	19,824	49,594	93,735	636	2,892	24,572	7,399	562	1,082
(%)Total Dollars	0.3%	6.0%	8.5%	21.2%	40.1%	0.3%	1.2%	10.5%	3.2%	0.2%	0.5%
ACCIDENT YEAR: 1 JULY 1997 - 30 JUNE 1998											
Total Dollars	457	11,699	14,559	37,324	83,694	487	2,470	21,251	5,497	454	859
(%)Total Dollars	0.2%	6.1%	7.5%	19.3%	43.4%	0.3%	1.3%	11.0%	2.8%	0.2%	0.4%
ACCIDENT YEAR: 1 JULY 1998 - 30 JUNE 1999											
Total Dollars	241	7,126	8,953	25,133	68,627	192	1,691	17,388	3,494	184	393
(%)Total Dollars	0.2%	5.0%	6.3%	17.6%	48.0%	0.1%	1.2%	12.2%	2.4%	0.1%	0.3%
ACCIDENT YEAR: 1 JULY 1999 - 30 JUNE 2000											
Total Dollars	47	1,542	2,354	5,912	25,929		541	6,231	738	25	74
(%)Total Dollars	0.1%	3.3%	5.0%	12.6%	55.5%		1.2%	13.4%	1.6%	0.1%	0.2%
ACCIDENT YEAR: 1 JULY 2000 - 30 JUNE 2001											
Total Dollars		63	121	132	1,658		41	322	13		3
(%)Total Dollars		2.5%	4.7%	5.1%	64.3%		1.6%	12.5%	0.5%		0.1%

Table is continued on next page

N.B. This table illustrates the 'long tail' nature of CTP insurance. Premium collected by insurers in any one financial year may take a number of years to distribute to claimants as compensation. The dissection of claim payment types will also change as the largest value claims are finalised. In addition to the payments made on finalised claims shown in this table, insurers have also made significant payments on claims that are still open.

Claim Payments on Finalised Claims *continued*

Code	M1	N1	P1	R1	V1	V2	V3	Total
Payment Type	Hospital, medical, pharmaceutical	Payments to interstate & non CTP insurers	Other	Rehabilitation service costs	Recoveries from insured	Other party (other than through sharing)	Nominal Defendant recovery	Total
ACCIDENT PERIOD: 1 SEPTEMBER 1994 - 30 JUNE 1995 (10 months)								
Total Dollars	18,061	407	1,028	1,830		-1,883	-29	251,912
(%)Total Dollars	7.2%	0.2%	0.4%	0.7%		-0.7%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 1995 - 30 JUNE 1996								
Total Dollars	20,185	288	1,172	2,214	-6	-1,274	-27	278,433
(%)Total Dollars	7.2%	0.1%	0.4%	0.8%	0.0%	-0.5%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 1996 - 30 JUNE 1997								
Total Dollars	17,024	66	881	1,383	-10	-706	-87	233,665
(%)Total Dollars	7.3%	0.0%	0.4%	0.6%	0.0%	-0.3%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 1997 - 30 JUNE 1998								
Total Dollars	12,708	6	1,176	1,310	-23	-760	-56	193,112
(%)Total Dollars	6.6%	0.0%	0.6%	0.7%	0.0%	-0.4%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 1998 - 30 JUNE 1999								
Total Dollars	8,053	12	472	1,262	-17	-246	-3	142,954
(%)Total Dollars	5.6%		0.3%	0.9%		-0.2%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 1999 - 30 JUNE 2000								
Total Dollars	2,609		203	511		-51	-6	46,659
(%)Total Dollars	5.6%		0.4%	1.1%		-0.1%	0.0%	100.0%
ACCIDENT YEAR: 1 JULY 2000 - 30 JUNE 2001								
Total Dollars	169		35	22	-1	-1		2,579
(%)Total Dollars	6.5%		1.4%	0.8%		0.0%		100.0%



Queensland Compulsory Third Party Scheme



Number of Accidents by Postcode Division 1 September 1994 to 30 June 2001

Location	Postcode	Number of Accidents
Brisbane City	4000 - 4072	8,922
	4500 - 4549	1,978
	4073 - 4209	12,067
Gold Coast Region	4210 - 4299	6,756
Ipswich Region	4300 - 4349	2,132
Toowoomba Region	4350 - 4499	1,811
	4602 - 4618	149
Sunshine Coast Region	4550 - 4601	2,982
	4619 - 4689	1,955
Rockhampton Region	4690 - 4736	969
Mackay Region	4737 - 4805	1,312
Townsville Region	4806 - 4824	1,467
	4835 - 4850	103
Mt Isa Region	4825 - 4834	136
Cairns Region	4851 - 4899	1,964
Total		44,703

Age Group of Claimants

1 September 1994 to 30 June 2001

Age Group	Male	Female	Unknown	Total	Percentage
Unknown *	122	119	161	402	0.7%
0 - 5 years	538	506	2	1,046	1.7%
6 - 15 years	1,582	1,551	4	3,137	5.1%
16 - 25 years	7,404	8,467	22	15,893	25.9%
26 - 35 years	7,098	7,329	23	14,450	23.5%
36 - 45 years	5,249	5,807	6	11,062	18.0%
46 - 55 years	3,605	4,197	18	7,820	12.7%
56 - 65 years	1,960	2,188	4	4,152	6.8%
66+	1,429	2,004	3	3,436	5.6%
	28,987	32,168	243	61,398	100.0%

* The figures include Company claims
NB. The average number of claims per accident is 1.37



Financial Summary

Motor Accident Insurance Commission

Revenue fell overall from \$16.163 million to \$9.243 million due mainly to a decreased rate of return on investments. Revenue from the MAIC statutory levy remained consistent with the prior year, although penalty receipts decreased.

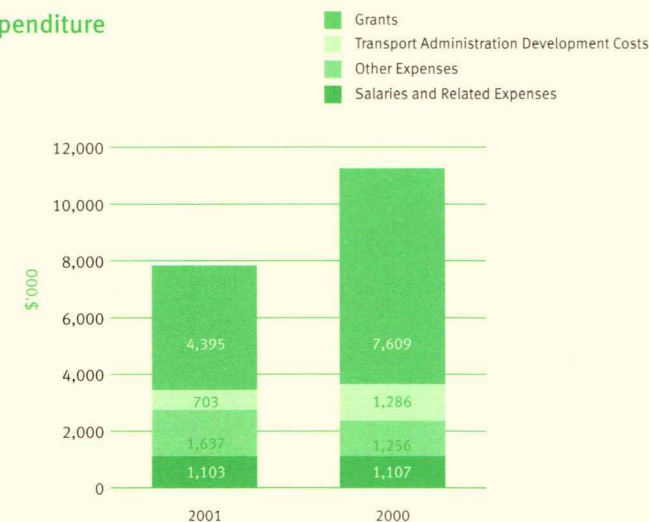
The expenses of the Commission were lower than the prior year, with fewer grant payments, less expenditure in support of Queensland Transport system development costs and static salaries and related expenses. The increase in other expenses included additional actuarial analysis associated with the competitive premium model. Expenditure on grants was \$4.395 million compared to \$7.609 million in the previous financial year. Details of grant funding are provided in Appendix Four.

The resultant operating profit for the Commission for the year ended 30 June 2001 decreased from \$4.905 million to \$1.405 million. An amount of \$18.322 million is set aside in reserves to meet anticipated future funding of accident prevention and rehabilitation grants. The proposed transfer of \$57.818 million capital from the Motor Accident Insurance Fund to the Nominal Defendant Fund will take place in the financial year commencing 1 July 2001.

Income



Expenditure



STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
<i>REVENUES FROM ORDINARY ACTIVITIES</i>			
Levies	2(a)	2,575	2,382
Investment income	2(b)	5,335	11,931
Penalties & miscellaneous receipts		1,333	1,850
Total revenue from ordinary activities		9,243	16,163
<i>EXPENSES FROM ORDINARY ACTIVITIES</i>			
Grants		4,395	7,609
Salaries and related expenses	2(c)	1,103	1,107
Depreciation	2(d)	33	37
Amortisation	2(e)	3	0
Computer facilities management fee		243	280
Marketing and advertising		7	18
Rent		75	70
Other		1,979	2,137
Total expenses from ordinary activities		7,838	11,258
<i>PROFIT FROM ORDINARY ACTIVITIES</i>	10	1,405	4,905

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash assets		600	(327)
Receivables	3	5,373	12,032
Investment securities	4	73,529	9,020
Prepayments		37	32
Total current assets		79,539	20,757
NON-CURRENT ASSETS			
Receivables	3	1,050	1,050
Investment securities	4	10,500	68,318
Property, plant and equipment	5	112	62
Total non-current assets		11,662	69,430
TOTAL ASSETS		91,201	90,187
CURRENT LIABILITIES			
Payables	6	130	518
Provisions	7	73	68
Total current liabilities		203	586
TOTAL LIABILITIES		203	586
NET ASSETS		90,998	89,601
EQUITY			
Contributed equity	8	57,787	57,787
Reserves	9	18,322	21,745
Retained profits	10	14,889	10,069
TOTAL EQUITY		90,998	89,601

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		2,575	2,382
Investment income		12,066	8,444
Penalties & miscellaneous receipts		1,282	1,867
GST input taxes recovered from ATO		502	0
Outflows:			
Grants		(4,395)	(7,609)
Salaries and related expenses		(1,098)	(1,080)
Computer facilities management fee		(244)	(280)
Marketing and advertising		(8)	(18)
Other		(2,972)	(1,777)
GST paid to ATO		(1)	0
Net cash provided by operating activities	15(ii)	7,707	1,929
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(89)	(30)
Net cash used in investing activities		(89)	(30)
NET INCREASE/(DECREASE) IN CASH HELD			
Cash at the beginning of the financial year		77,011	75,112
CASH AT THE END OF THE FINANCIAL YEAR	15(i)	84,629	77,011

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 1 *Statement of Significant Accounting Policies*

(a) Background

The Motor Accident Insurance Commission, established on 1 September 1994 under the provisions of the *Motor Accident Insurance Act 1994*, is constituted as a body corporate under that Act. The Insurance Commissioner constitutes the Commission.

(b) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the *Financial Administration and Audit Act 1977* and applicable Australian Accounting Standards and Concepts. The financial statements have been prepared on an historical cost basis, except for investment securities which are shown at net market value and property, plant and equipment which is based on deprival values.

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant and Equipment

In order to comply with the policy document *Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector*, issued by Queensland Treasury, items of property, plant and equipment have been recorded at their deprival value. The most appropriate basis, as determined by management, on which to arrive at deprival values for property, plant and equipment is to record assets at cost and then apply an appropriate depreciation rate.

The threshold for the recording of property, plant and equipment assets is \$2,000.

The revaluation threshold is \$200,000. Items of property, plant and equipment having a gross value greater than the revaluation threshold and an estimated life of more than three years are required to be revalued.

(d) Depreciation

Depreciation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its expected useful life.

The expected useful lives are as follows:

Plant & Equipment 3 years

Furniture & Fittings 5 years

Computer Software 5 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 1
continued

Amortisation

Amortisation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its expected useful life.

The expected useful lives are as follows:

Leasehold Improvements 7 years

(e) Funding of Motor Accident Insurance Fund

Funding is by way of levies paid by licensed Compulsory Third Party insurers pursuant to section 28 of the *Motor Accident Insurance Act 1994* based on the gross premiums collected for Compulsory Third Party motor vehicle insurance policies; interest on investments; and penalties imposed for offences under the Act.

(f) Investments

All funds not required for the day to day management of the Motor Accident Insurance Commission are invested with the Queensland Investment Corporation Investment Trust and are recorded in these accounts at net market value.

(g) Employee Leave Entitlements

(1) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 2001 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave, as these entitlements do not vest in the employee.

Due to its nature annual leave has been classified as a current liability.

(2) Long Service Leave

In 1999-2000, a new long service leave scheme became operative whereby a levy is made on the departments to cover this expense and amounts paid to employees for long service leave are claimed from the scheme as a reimbursement. The balance of the provision for long service that existed at 30 June 1999 has been adjusted against retained profits as at the commencement of the previous reporting period.

(h) Superannuation

The Motor Accident Insurance Commission contributes to superannuation funds for the purpose of providing benefits for employees and their dependants on retirement, disability or death, and meets or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by QSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 1
continued

(i) Contingent Assets and Liabilities

Under section 106(4) of the *Motor Accident Insurance Act 1994*, if the balance transferred from the Motor Vehicle Insurance Nominal Defendant Fund to the Nominal Defendant Fund on 31 August 1994 proves insufficient to meet the liabilities of the Nominal Defendant arising prior to the commencement of this Act, the Commission must meet the deficiency. However, total payments are limited to the amount originally transferred to the Motor Accident Insurance Fund under section 106(3)(b) of the Act.

With the insolvency of FAI General Insurance Company Limited (FAI), it is proposed through amendments to legislation to transfer the amount of \$57,818,000 from the Motor Accident Insurance Fund to the Nominal Defendant Fund to be applied to the outstanding claims liabilities arising from the insolvency of the licensed insurer.

Recognition of the effect of this event in the financial statements is limited to the transfer of funds into Current Investments pending legislative approval.

There were no other known contingent assets and liabilities of the Commission at 30 June 2001.

(j) Levy Collection and Contribution

In accordance with Section 27 of the *Motor Accident Insurance Regulation 1994* levies are recognised as revenue at the time they are legally due to be paid by the insurers to the Commission.

In order to comply with the provisions of Australian Accounting Standard AAS29 *Financial Reporting by Government Departments*, levies collected on behalf of Queensland Department of Health and the Department of Emergency Services during the current year have not been included as revenue in the Statement of Financial Performance. Similarly, contributions made to Queensland Department of Health and the Department of Emergency Services have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services is provided in note 14.

(k) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 2

Profit from Ordinary Activities

(a) Levies

Levies - comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.

	2001 \$'000	2000 \$'000
Statutory insurance scheme levy	2,575	2,382
Total	<u>2,575</u>	<u>2,382</u>

(b) Investment income

Distributions received from Queensland Investment Corporation	5,288	11,909
Interest Received from funds held by Queensland Treasury	47	22
Total	<u>5,335</u>	<u>11,931</u>

(c) Salaries and Related Expense

Salaries and wages	846	821
Superannuation	93	98
Long service leave expense	9	11
Recreation leave expense	60	85
Other related expenses	95	92
Total	<u>1,103</u>	<u>1,107</u>

(d) Depreciation

Plant, Equipment and Furniture & Fittings	33	37
Total	<u>33</u>	<u>37</u>

(e) Amortisation

Leasehold Improvements	3	0
Total	<u>3</u>	<u>0</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

		2001 \$'000	2000 \$'000
Note 3	Receivables		
	Current		
	Accrued investment income	5,184	11,916
	Penalties receivable	165	114
	Other receivables	24	2
	Total	5,373	12,032
	Non-Current		
	Loan receivable	1,050	1,050
	Total	1,050	1,050
Note 4	Investment Securities		
	Current		
	Queensland Investment Corporation	73,529	9,020
	Non-Current		
	Queensland Investment Corporation	10,500	68,318
	Total	84,029	77,338

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 5

Property, Plant and Equipment

Property

	2001 \$'000	2000 \$'000
Leasehold Improvements - at cost	75	0
Accumulated amortisation	(3)	0
Total property	<u>72</u>	<u>0</u>

Plant and Equipment

Plant, Equipment and Fittings - at cost	186	236
Accumulated depreciation	(157)	(174)
Total	<u>29</u>	<u>62</u>

Computer Software - at cost	163	155
Accumulated depreciation	(152)	(155)
Total	<u>11</u>	<u>0</u>

Total plant and equipment	<u>40</u>	<u>62</u>
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Total Property, Plant and Equipment	<u>112</u>	<u>62</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 5
continued

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Leasehold Improvement 2001 \$'000	Plant, Equipment & Fittings 2001 \$'000	Computer Software 2001 \$'000	TOTAL 2001 \$'000
Carrying amount at beginning of the financial year	0	62	0	62
Additions	75	6	8	89
Disposals	0	0	0	0
Transfers	0	-20	5	-15
Depreciation Charged	-3	-30	-2	-35
Treasury adjustments	0	11	0	11
Carrying amount at the end of the financial year	72	29	11	112

Note 6

Payables

	2001 \$'000	2000 \$'000
Sundry creditors and accruals	130	518
Total	<u>130</u>	<u>518</u>

Note 7

Provisions

	2001 \$'000	2000 \$'000
Employee entitlements	73	68
Total	<u>73</u>	<u>68</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 8

Equity

Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994 from:

	2001 \$'000	2000 \$'000
Nominal Defendant (Queensland)	57,818	57,818
Consolidated fund	-31	-31
Total equity at the reporting date	<u>57,787</u>	<u>57,787</u>

Note 9

Reserves

Composition and movements:

Income Maintenance

Balance at end of year	10,500	10,500
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Accident Prevention Initiatives

Balance at beginning of year	3,076	2,978
Transfer to retained profits	(3,084)	(1,978)
Transfer from retained profits	1,358	2,076
Balance at end of year	<u>1,350</u>	<u>3,076</u>

Rehabilitation Initiatives

Balance at beginning of year	7,319	7,195
Transfer to retained profits	(4,647)	(6,505)
Transfer from retained profits	3,800	6,629
Balance at end of year	<u>6,472</u>	<u>7,319</u>

Emergency Infrastructure

Balance at beginning of year	850	750
Transfer to retained profits	(850)	0
Transfer from retained profits	0	100
Balance at end of year	<u>0</u>	<u>850</u>

Total Reserves	<u>18,322</u>	<u>21,745</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 \$'000	2000 \$'000
Note 10	Retained Profits		
	Retained profits at the beginning of the financial year	10,069	5,362
	Profit from ordinary activities	1,405	4,905
	Transfers to reserves:		
	Accident Prevention Initiatives	(1,358)	(2,076)
	Rehabilitation Initiatives	(3,800)	(6,629)
	Emergency Infrastructure	0	(100)
	Transfers from reserves:		
	Accident Prevention Initiatives	3,084	1,978
	Rehabilitation Initiatives	4,647	6,505
	Emergency Infrastructure	850	0
	Queensland Treasury adjustments	(8)	12
	Transfer of long service leave	1(g) 0	112
	Retained profits at the reporting date	<u>14,889</u>	<u>10,069</u>
Note 11	Auditor's Remuneration		
	Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services	<u>8</u>	<u>9</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 12

Commitments for Expenditure

(a) Maintenance Contract Commitment

Total expenditure contracted for at balance date but not provided for in the accounts:

	2001 \$'000	2000 \$'000
Due not later than one year	39	197
Total	<u>39</u>	<u>197</u>

(b) Operating Lease Rental Commitments

Future operating lease rentals not provided for in the financial statements are payable as follows:

Due not later than one year	86	91
Due later than one year but not later than five years	115	213
Total	<u>201</u>	<u>304</u>

(c) Grant Commitments

The Motor Accident Insurance Act 1994 provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant moneys is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.

Future grant commitments not provided for in the financial statements are payable as follows:

Due not later than one year	2,920	4,796
Due later than one year but not later than five years	7,721	101
Total	<u>10,641</u>	<u>4,897</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	2001 \$'000	2000 \$'000
Note 13		
Consultancy Expenditure		
Professional/technical	228	455
Information technology	0	10
Finance/Accounting	0	7
Human resource management	1	0
Total	<u>229</u>	<u>472</u>

Note 14 **Administered Transactions
(Hospital & Emergency Services Levy)**

The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Amounts relating to these transfer payments are not controlled by MAIC and are therefore not recognised in the Statement of Financial Performance or Statement of Financial Position. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:

Levies

Comprise amounts collected from licensed CTP insurers on gross insurance premiums.

Levies collected but not remitted in the previous year	2,963	3,076
Hospital levy	12,780	9,528
Emergency Services levy	<u>4,518</u>	<u>1,909</u>
	20,261	14,513

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 14
continued

Contributions

Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from licensed CTP insurers.

Hospital levy contributions

2001	2000
\$'000	\$'000
14,207	9,622

Emergency Services levy contributions

4,631	1,927
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<u>18,838</u>	<u>11,549</u>
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Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June 2001:

<u>1,423</u>	<u>2,964</u>
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(This amount is held in QIC investments).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 15

Statement of Cash Flows

(i) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	NOTE	2001 \$'000	2000 \$'000
Cash		600	(327)
Investments	4	84,029	77,338
Total		<u>84,629</u>	<u>77,011</u>

(ii) Reconciliation of operating profit with net cash provided by operating activities

Operating profit		1,405	4,905
Add/(Less) non cash items:			
Depreciation		33	37
Amortisation		2	0
(Decrease)/Increase in provisions		5	(91)
Losses on disposal of assets		0	9
Asset adjustments passed by Queensland Treasury		5	0
Direct changes to equity			
Recreation leave		(8)	4
Long service leave		0	112
Changes in assets and liabilities:			
Increase/(Decrease) in creditors		(388)	437
(Increase)/Decrease in receivables		6,659	(3,472)
Decrease/(Increase) in prepayments		(5)	(12)
Net cash provided by operating activities		<u>7,708</u>	<u>1,929</u>

(iii) The Motor Accident Insurance Fund has no unused borrowing or overdraft facility.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 16

Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms & Conditions
Financial Assets			
Cash on hand	15 (i)	Recorded at book value, which approximates fair value.	
Receivables penalties receivable	3	Recognition - upon receipt of fines by QLD Transport and the courts. Measurement - prescribed by the <i>Motor Accident Insurance Act 1994</i> . Recorded at book value.	Usually received within 30 days from the month due.
interest on investments	2(b)	Recognition - at the end of the financial year. Measurement - based on the preliminary distribution provided by QIC.	Interest is normally paid in August of the following year.
loans receivable	3	Recognition - upon issue of funds. Measurement - based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements which range from 3 to 5 years.
Investment securities	4	Recognition - on the day funds are invested Measurement - at net market value	Can be drawn upon as and when required.
Financial Liabilities			
Payables	6	Recognition - upon receipt of goods or services irrespective of whether an invoice has been received. Recognition - based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

The Fund invests in the Queensland Investment Corporation Investment Trust (QICIT) which is managed by QIC. The QICIT will have invested in a variety of financial instruments including derivatives which expose the Fund's investments to a variety of investment risks including market risk, credit risk, interest rate risk and currency risk.

Note 16
continued

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Financial Instruments

(b) Interest Rate Risk Exposures.

The Fund invests in financial assets for the primary purpose of obtaining a return on investments, to help meet the costs of administering the Motor Accident Insurance Act 1994. The Fund's return on the investments will fluctuate in accordance with movements in the market interest rates.

2001		Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
	Notes		1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	600	600
Receivables	3	-	-	-	-	6,423	6,423
Investments	4	-	-	-	-	84,029*	84,029
		-	-	-	-	91,052	91,052
Financial liabilities							
Payables	6	-	-	-	-	130	130
Net financial assets (liabilities)		-	-	-	-	90,922	90,922
2000							
	Notes	Floating interest rate \$'000	1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets							
Cash		-	-	-	-	(327)	(327)
Receivables	3	-	-	-	-	13,082	13,082
Investments	4	-	-	-	-	77,338*	77,338
		-	-	-	-	90,093	90,093
Financial liabilities							
Payables	6	-	-	-	-	518	518
Net financial assets (liabilities)		-	-	-	-	89,575	89,575

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

*Note 16
continued*

Financial Instruments

*Investments in QICIT are not classified as interest bearing as the Fund receives a distribution of profits based on the earnings of units in the QICIT.

(c) Credit Risk Exposures

Credit exposure represents the extent of credit related losses that the Fund may be subject to on amounts to be received from financial assets. The Fund, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations.

(d) Net Fair Values

The carrying amounts of financial assets and liabilities, approximate their fair values. The fair value of investments is measured at net market value based on QIC advice.

Note 17

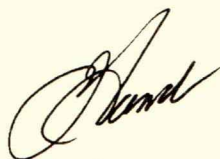
Segment Information

The organisation administers the Queensland compulsory third party motor vehicle insurance scheme.

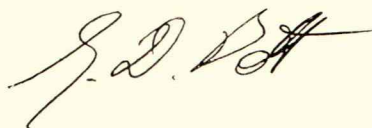
Certificate of the Motor Accident Insurance Commission

The foregoing annual financial statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and we certify that-

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 2001 and of the financial position of the Commission as at 30 June 2001.



J Hand
Acting Insurance Commissioner



G Bott
Manager Systems and Finance

Dated: 21 September 2001

Independent Audit Report

The Insurance Commissioner of the Motor Accident Insurance Commission

Scope

I have audited the general purpose financial statements of the Motor Accident Insurance Commission prepared by the statutory body for the year ended 30 June 2001 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and the Manager Systems and Finance.

The Insurance Commissioner is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.


The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the entity's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year from 1 July 2000 to 30 June 2001 and of the financial position as at the end of that year.



P NOTTINGHAM
Audit Manager
(As delegate of the Auditor-General)

Queensland Audit Office
Brisbane

Dated: 28 September 2001

Financial Summary

The Nominal Defendant

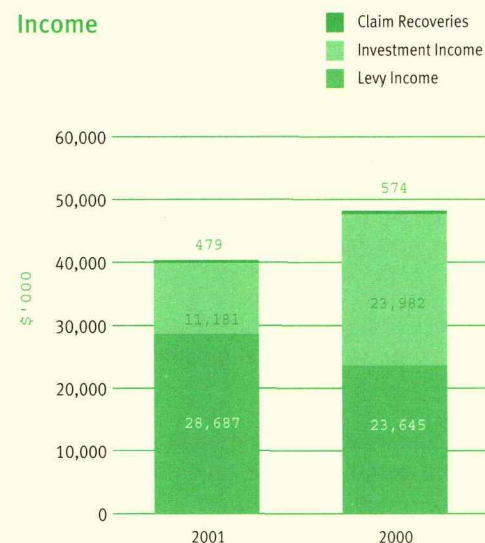
The operating result for the Nominal Defendant for 2000-2001 was significantly impacted upon by the insolvency of FAI General Insurance Company Ltd. An amount of \$398.955 million has been expensed in relation to claims and \$0.948 million in relation to other expenses. The State Government will advance funds to the Nominal Defendant to meet the liabilities, after taking into consideration the increase in the CTP levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Fund.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles), payments on claims and associated costs during the financial year decreased from \$19.018 million to \$16.277 million. The provisions for outstanding claims were actuarially assessed as needing to increase by \$2.067 million compared to a \$10.086 million increase last year.

The increase in other underwriting expenses of the Nominal Defendant mainly reflected the first full year of reinsurance cover for Nominal Defendant operations.

On the revenue side, income from the levy increased to \$28.687 million reflecting the first full year of the levy at the increased rate introduced from 1 July 1999. Income from investments fell significantly to \$11.181 million due to a reduced rate of return on investments, and a reducing balance towards the end of the year as payments were made on FAI claims. Recoveries in relation to claims decreased from the high level of the previous year.

Income



Expenditure (Unidentified and Uninsured Vehicles)



STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
<i>REVENUES FROM ORDINARY ACTIVITIES</i>			
Levy income	1(i)	28,687	23,645
Investment income	5	11,181	23,982
		<u>39,868</u>	<u>47,627</u>
<i>EXPENSES FROM ORDINARY ACTIVITIES</i>			
Claims	2	417,299	29,104
Claims recoveries		(479)	(574)
Net claims incurred	3	416,820	28,530
Other ordinary expenses	4	3,684	1,102
		<u>420,504</u>	<u>29,632</u>
<i>(LOSS)/PROFIT FROM ORDINARY ACTIVITIES</i>	13	<u>(380,636)</u>	<u>17,995</u>

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
<i>CURRENT ASSETS</i>			
Cash assets		620	633
Receivables	6	12,220	27,071
Investment securities	7	23,759	26,700
Prepayments		2	1
Total current assets		36,601	54,405
<i>NON-CURRENT ASSETS</i>			
Investment securities	7	149,771	136,014
Property, plant and equipment	8	63	9
Total non-current assets		149,834	136,023
TOTAL ASSETS		186,435	190,428
<i>CURRENT LIABILITIES</i>			
Payables	9	687	311
Provision for employee entitlements	10	44	43
Provision for outstanding claims	11	129,388	25,940
Unearned levies	1(i)	14,125	13,604
Total current liabilities		144,244	39,898
<i>NON-CURRENT LIABILITIES</i>			
Provision for outstanding claims	11	404,431	132,145
Total non-current liabilities		404,431	132,145
TOTAL LIABILITIES		548,675	172,043
NET ASSETS		(362,240)	18,385
<i>EQUITY</i>			
Contributed equity	12	121	121
(Accumulated Losses)/Retained profits	13	(362,361)	18,264
TOTAL EQUITY		(362,240)	18,385

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		31,499	27,262
Claims recoveries		479	574
Investment income		23,959	14,844
GST input taxes recovered from ATO		296	0
Outflows:			
Claims		(41,565)	(19,018)
Salaries and related expenses		(601)	(570)
Other		(3,197)	(272)
GST paid to ATO		0	0
Net cash provided by operating activities	16(ii)	10,870	22,820
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(67)	0
Net cash used in investing activities		(67)	0
NET INCREASE IN CASH HELD			
		10,803	22,820
Cash at the beginning of the financial year		163,347	140,527
CASH AT THE END OF THE FINANCIAL YEAR	16(i)	174,150	163,347

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 1

Statement of Significant Accounting Policies

(a) Background

The Nominal Defendant, established on 1 September 1994 under the provisions of the *Motor Accident Insurance Act 1994*, is constituted as a body corporate under that Act.

(b) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the *Financial Administration and Audit Act 1977* and applicable Australian Accounting Standards and Concepts. The financial statements have been prepared on an historical cost basis, except as otherwise disclosed in the financial statements or notes.

Amounts shown have been rounded to the nearest thousand dollars.

(c) Going Concern

These financial statements have been prepared on a going concern basis.

Under Section 33(2) of the *Motor Accident Insurance Act 1997*, the Nominal Defendant has assumed the Queensland Compulsory Third Party liabilities of the insolvent insurer, FAI General Insurance Company Limited (FAI).

The State Government has agreed to indemnify the Nominal Defendant for any shortfalls relating to the above. Funds to be advanced to the Nominal Defendant will be determined after taking into consideration the increase in the CTP levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission as detailed in Note 1(n).

(d) Operating Assets

In order to comply with the policy document *Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector*, issued by Queensland Treasury, operating assets have been recorded at their deprival value. The most appropriate basis, as determined by management, on which to arrive at deprival values for Nominal Defendant operating assets is to record assets at cost and then apply an appropriate depreciation rate.

The threshold for the recording of operating assets is \$2,000.

The revaluation threshold is \$200,000. Operating assets having a gross value greater than the revaluation threshold and an estimated life of more than three years are required to be revalued.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

*Note 1
continued*

(e) Depreciation

Depreciation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its expected useful life.

The expected useful lives are as follows:

Plant & Equipment	3 years
Computer Software	5 years

(f) Amortisation

Amortisation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its expected useful life.

The expected useful lives are as follows:

Leasehold Improvements	7 years
------------------------	---------

(g) Funding of Nominal Defendant Fund

Funding is by way of levies, as explained at Note 1(i); interest on investments; and moneys recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants. In addition, any shortfall resulting from FAI claims liabilities is proposed to be funded by Queensland Treasury as detailed at Note 1(c).

(h) Provision of Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at 30 June 2001 by an independent actuarial firm, Trowbridge Consulting, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate.

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating unnotified claims and settlement costs using statistics based on past experience and trends.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are then discounted to a present value at the reporting date using discount rates based on investment opportunities available to the organisation on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 11.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 1
continued

(i) Levies

In order to comply with the provisions of Australian Accounting Standard AAS26 *Financial Reporting of General Insurance Activities*, the Nominal Defendant levy, as stated in Section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AAS26 and is accounted for as such in accordance with the provisions of AAS26.

Levy revenue is recognised in the Statement of Financial Performance only when it has been earned in accordance with accounting principles set out in AAS26. Levies received but not earned as at the end of the reporting period are recorded as a liability (*unearned levies*) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Financial Performance as the levy is earned over time. In accordance with AAS26 the recognition of earned levy revenue is on the basis of the passage of time, commencing from the month in which motorists remit their CTP premiums to the Queensland Department of Transport.

Levy revenue is received from licensed Compulsory Third Party insurers in accordance with Section 29 of the *Motor Accident Insurance Act 1994* based on a levy calculated on the gross premiums collected for Compulsory Third Party motor vehicle insurance policies. These levies are used to fund estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years.

The Nominal Defendant levy rate is set each year by the Motor Accident Insurance Commission after considering written submissions from licensed insurers and organisations representing motorists in Queensland and after obtaining and considering actuarial advice in accordance with Section 12(2) of the *Motor Accident Insurance Act 1994*.

(j) Investments

All funds not required for the day to day management of the Nominal Defendant are invested with the Queensland Investment Corporation Investment Trust, and are recorded in these accounts at net market value. As these investments are held primarily to fund present and future claims on the Nominal Defendant they have been classified between current and non-current assets on the same percentage basis as that applied to the Provision for Outstanding Claims.

(k) Employee Leave Entitlements

(1) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 2001 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as sick leave entitlements do not vest in the employee.

Due to its nature annual leave has been classified as a current liability.

(2) Long Service Leave

In 1999-2000, a new long service leave scheme became operative whereby a levy is made on the departments to cover this expense and amounts paid to employees for long service leave are claimed from the scheme as a reimbursement. The balance of the provision for long service that existed at 30 June 1999 has been adjusted against retained profits as at the commencement of the previous reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

*Note 1
continued*

(l) Superannuation

The Nominal Defendant contributes to superannuation funds for the purpose of providing benefits for employees and their dependents on retirement, disability or death, and meets or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by QSuper.

(m) Receivables

It is not the policy of the Nominal Defendant to recognise the debt or potential income accruing as the result of judgements granted in favour of it for legal costs and claims against uninsured owners and/or drivers. The resultant receipts are immaterial when compared to the Nominal Defendant's other sources of income and are recognised in the accounts in the period in which they are received. This policy is under constant review by the Nominal Defendant.

(n) Contingent Assets and Liabilities

Under section 106(4) of the *Motor Accident Insurance Act 1994*, if the balance transferred from the Motor Vehicle Insurance Nominal Defendant Fund to the Nominal Defendant Fund on 31 August 1994 proves insufficient to meet the liabilities of the Nominal Defendant arising prior to the commencement of this Act, the Motor Accident Insurance Commission will meet the deficiency. However, total payments are limited to the amount originally transferred to the Motor Accident Insurance Fund under section 106(3)(b) of the Act.

With the insolvency of FAI General Insurance Company Limited (FAI), it is proposed through amendments to legislation to transfer the amount of \$57,818,000 from the Motor Accident Insurance Fund to the Nominal Defendant Fund to be applied to the outstanding liabilities arising from the insolvency of the licensed insurer.

There were no other known contingent assets and liabilities of the Nominal Defendant at 30 June 2001.

(o) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to expense in the period in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 2

Claims

Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.

	2001 \$'000	2000 \$'000
Increase in provision for outstanding claims	375,734	10,086
Claims and associated settlement costs	41,565	19,018
Total	<u>417,299</u>	<u>29,104</u>

Claims attributable to FAI

The following amounts attributable to FAI are included in the claims figures listed above.

Increase in provision for outstanding claims	373,667	0
Claims and associated settlement costs	25,288	0
Total	<u>398,955</u>	<u>0</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 3

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.

	2001			2000		
	Current Year \$000	Prior Years \$000	Total \$000	Current Year \$000	Prior Years \$000	Total \$000
Gross Claims incurred and related expenses - undiscounted	53,370	(32,839)	20,531	50,675	(18,538)	32,137
Reinsurance and other recoveries - undiscounted	(2,254)	208	(2,046)	(728)	(20)	(748)
Net claims incurred - undiscounted	51,116	(32,631)	18,485	49,947	(18,558)	31,389
Discount and discount movement - gross claims incurred	(14,162)	13,172	(990)	(12,471)	9,571	(2,900)
Discount and discount movement - reinsurance and other recoveries	557	(187)	370	180	(139)	41
Net discount movement	(13,605)	12,985	(620)	(12,291)	9,432	(2,859)
Net Claims Incurred - discounted	37,511	(19,646)	17,865	37,656	(9,126)	28,530

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
Note 3 <i>continued</i>			
Net Claims Incurred			
Net Claims Incurred - discounted	2	17,865	28,530
Claims Recoveries		<u>479</u>	<u>574</u>
		18,344	29,104
Add: Claims attributable to FAI	2	398,955	0
Total claims		<u>417,299</u>	<u>29,104</u>
Note 4			
Other Underwriting Expenses			
Salaries and Wages			
Salaries and wages		462	443
Superannuation		55	56
Long service leave expense		7	6
Recreation leave expense		41	24
Other related expenses		39	28
Depreciation			
Plant and equipment		18	15
Computer software		4	14
Rent		70	70
Other		<u>2,988</u>	<u>446</u>
Total		<u>3,684</u>	<u>1,102</u>
Other Underwriting Expenses attributable to FAI			
Included as Other in the above dissection are the following FAI expenses:			
Administration Fees		829	0
Consultant Fees		68	0
Legal Fees		<u>51</u>	<u>0</u>
Total		<u>948</u>	<u>0</u>
Note 5			
Investment Income			
Distributions received from Queensland Investment Corporation		11,121	23,935
Interest received from funds held by Queensland Treasury		<u>60</u>	<u>47</u>
Total		<u>11,181</u>	<u>23,982</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 6

Receivables

	2001 \$'000	2000 \$'000
Accrued investment income	11,172	23,950
Levies receivable	829	3,120
Other receivables	219	1
Total	12,220	27,071

Note 7

Investment Securities

<u>Current</u>		
Queensland Investment Corporation	23,759	26,700
<u>Non-Current</u>		
Queensland Investment Corporation	149,771	136,014
Total	173,530	162,714

Note 8

Property, Plant and Equipment

Property

Leasehold improvements - at cost	41	0
Accumulated amortisation	(0)	0
Total property	41	0

Plant and Equipment

Plant and equipment - at cost	121	77
Accumulated depreciation	(121)	(68)
Total	0	9
Computer software - at cost	174	143
Accumulated depreciation	(152)	(143)
Total	22	0

Total plant and equipment	22	9
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Total Property, Plant and Equipment	63	9
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

*Note 8
continued*

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Leasehold Improvements 2001 \$'000	Plant & Equipment 2001 \$'000	Computer Software 2001 \$'000	TOTAL 2001 \$'000
Carrying amount at beginning of the financial year	0	9	0	9
Additions	41	0	26	67
Disposals	0	0	0	0
Transfers	0	9	0	9
Depreciation Charged	(0)	(18)	(4)	(22)
Carrying amount at the end of the financial year	<u>41</u>	<u>0</u>	<u>22</u>	<u>63</u>

Note 9

Payables

	2001 \$'000	2000 \$'000
Sundry creditors and accruals	<u>687</u>	<u>311</u>
	<u>687</u>	<u>311</u>
The following amounts attributable to FAI are included in the payables figures listed above		
Sundry creditors and accruals	<u>578</u>	<u>0</u>
Total	<u>578</u>	<u>0</u>

Note 10

Provision for Employee Entitlements

Employee entitlements	<u>44</u>	<u>43</u>
Total	<u>44</u>	<u>43</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 11

Provision for Outstanding Claims

The total provision is as follows:

	2001 \$'000	2000 \$'000
Current	129,388	25,940
Non-current	404,431	132,145
	<u>533,819</u>	<u>158,085</u>

Outstanding Claims attributable to Nominal Defendant

Expected future claims payments (undiscounted)	201,866	199,179
Discount to present value	(41,714)	(41,094)
Liability for outstanding claims	<u>160,152</u>	<u>158,085</u>

- (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.38 years (2000 - 3.7 years)
- (ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:

Claims expected to be paid:

Not later than one year

Inflation rate	6.5%	7.5%
Discount rate	5.9%	6.0%

Later than one year

Inflation rate	6.5%	7.5%
Discount rate	5.9%	6.0%

Outstanding Claims attributable to FAI

Expected future claims payments (undiscounted)	420,702	0
Discount to present value	(47,035)	0
Liability for outstanding claims	<u>373,667</u>	<u>0</u>

- (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.28 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

	NOTE	2001 \$'000	2000 \$'000
Note 11 <i>continued</i>			
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:			
Claims expected to be paid:			
Not later than one year			
Inflation rate		6.5%	-
Discount rate		5.6%	-
Later than one year			
Inflation rate		6.5%	-
Discount rate		5.6%	-
Note 12 <i>Equity</i>			
Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994:			
Total equity at the reporting date	1(a)	<u>121</u>	<u>121</u>
Note 13 <i>Retained profits</i>			
Retained profits at the beginning of the financial year		18,264	149
(Loss)/Profit from ordinary activities		(380,636)	17,995
Queensland Treasury adjustments		11	(26)
Transfer of long service leave	1(k)	0	146
Retained profits at the reporting date		<u>(362,361)</u>	<u>18,264</u>
Note 14 <i>Auditor's Remuneration</i>			
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		<u>20</u>	<u>12</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 15

Operating Lease Rental Commitments

The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993/94 financial year.

Future operating lease rentals not provided for in the financial statements are payable as follows:

NOTE	2001 \$'000	2000 \$'000
Due not later than one year	80	83
Due later than one year but not later than five years	106	192
Total	186	275

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 16

Statement of Cash Flows

(i) **Reconciliation of cash**

For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	NOTE	2001 \$'000	2000 \$'000
Cash		620	633
Investments	7	173,530	162,714
TOTAL		174,150	163,347

(ii) **Reconciliation of operating (loss)/profit with net cash used in operating activities**

Operating profit/(loss)	(380,636)	17,995
Add/(less) non - cash items:		
Depreciation	22	29
Increase in provisions	375,734	9,935
Losses on disposal of assets	0	3
Queensland Treasury adjustments	(10)	0
Direct changes to equity		
Recreation leave	11	(11)
Long service leave	0	146
Changes in assets and liabilities:		
(Increase)/Decrease in prepayments	(1)	2
Decrease/(Increase) in receivables	14,851	(10,810)
Increase/(Decrease) in creditors	378	243
Increase in unearned levies	521	5,288

Net cash provided by operating activities	10,870	22,820
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(iii) The Nominal Defendant Fund has no unused borrowing or overdraft facility.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 17

Consultancy Expenditure

	2001 \$'000	2000 \$'000
Professional/Technical	135	24

Note 18

Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms & Conditions
Financial Assets			
Cash on hand		Recorded at book value, which approximates fair value.	
Receivables levies receivable	6	Recognition - 7 days from due date Measurement - based on levy rates fixed by regulation. Recorded at book value.	Received 7 days from the due date.
interest on investments	5	Recognition - at the end of the financial year. Measurement - based on final distribution statement provided by QIC.	Interest is normally paid in August of the following year.
Investments	7	Recognition - on the day funds are invested Measurement - at net market value	Can be drawn upon as and when required.
Financial Liabilities			
Payables	9	Recognition - upon receipt of goods or services irrespective of whether an invoice has been received. Recognition - based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

The Fund invests in the Queensland Investment Corporation Investment Trust (QICIT) which is managed by QIC. The QICIT will have invested in a variety of financial instruments including derivatives which expose the Fund's investments to a variety of investment risks including market risk, credit risk, interest rate risk and currency risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Note 18
continued

Financial Instruments

(b) Interest Rate Risk Exposures

The Fund invests in financial assets for the primary purpose of obtaining a return on investments, to help meet the costs of the Nominal Defendant and satisfy liabilities for motor vehicle accident claims. The Fund's return on the investments will fluctuate in accordance with movements in the market interest rates.

2001		Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
	Notes		1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	620	620
Receivables	6	-	-	-	-	12,220	12,220
Investments	7	-	-	-	-	173,530*	173,530
		-	-	-	-	186,370	186,370
Financial liabilities							
Payables	9	-	-	-	-	687	687
Net financial assets (liabilities)		-	-	-	-	185,683	185,683
2000		Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
	Notes		1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	633	633
Receivables	6	-	-	-	-	27,071	27,071
Investments	7	-	-	-	-	162,714*	162,714
		-	-	-	-	190,418	190,418
Financial liabilities							
Payables	9	-	-	-	-	311	311
Net financial assets (liabilities)		-	-	-	-	190,107	190,107

* Investments in QICIT are not classified as interest bearing as the Fund receives a distribution of profits based on the earnings of units in the QICIT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

*Note 18
continued*

Financial Instruments

- (c) **Credit Risk Exposures** Credit exposure represents the extent of credit related losses that the Fund may be subject to on amounts to be received from financial assets. The Fund, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations.
- (d) **Net Fair Values** The carrying amounts of financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on QIC advice.

Note 19

Segment Information

The Nominal Defendant is a statutory body operating in the motor vehicle insurance industry in Queensland.

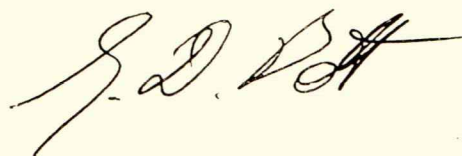
Certificate of the Nominal Defendant

The foregoing annual financial statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and we certify that-

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 2001 and of the financial position as at 30 June 2001.



J Hand
Acting Nominal Defendant



G Bott
Manager Systems and Finance

Dated: 21 September 2001

Independent Audit Report

The Nominal Defendant

Scope

I have audited the general purpose financial statements of the Nominal Defendant prepared by the statutory body for the year ended 30 June 2001 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Nominal Defendant and the Manager Systems and Finance.

The Nominal Defendant is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the entity's financial position and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year 1 July 2000 to 30 June 2001 and of the financial position as at the end of that year.



NP JACKSON
Assistant Auditor-General
(As delegate of the Auditor-General)

Queensland Audit Office
Brisbane

Dated: 28 September 2001

Appendix 1

Actuarial Certificate - Nominal Defendant - Section 31 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2001

Trowbridge Consulting was asked by Queensland Treasury to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2001 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled, "*Queensland Nominal Defendant Fund – Valuation of Outstanding Claims Liabilities as at 30 June 2001*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2001 is \$160 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, claim handling expenses, and a prudential margin. The prudential margin adopted by the Fund allows for the risk and uncertainty associated with the estimated liability. We believe that the level of prudential margin is appropriate for this type of business.

Reliances and Limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency. Reliance was placed on, but not limited to, the accuracy of the information described in our report.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and are to be expected. This is particularly relevant to the new Act years given the immaturity of the experience and the low level of payments made to date.

The limitations of the old Act data restricted the choice of valuation methods available to us and also restricts the analysis we can perform in arriving at some of the assumptions about the new Act experience.



Estelle Pearson

Fellows of the Institute of Actuaries of Australia



Adam Driussi

Appendix 2

Actuarial Certificate - Nominal Defendant - Section 33 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2001

Trowbridge Consulting was asked by Queensland Treasury to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI run-off as at 30 June 2001, and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled, "*Queensland Motor Accident Insurance Commission - Valuation of Outstanding Claims Liabilities for FAI Run-Off as at 30 June 2001*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2001 is \$374 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities and claim handling expenses. No prudential margin is included in the estimate.

Reliances and Limitations

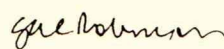
In preparing our advice we relied extensively on information supplied by FAI Allianz Ltd. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency. Reliance was placed on, but not limited to, the accuracy of the information described in our report.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and are to be expected. This is particularly relevant to the new Act years given the immaturity of the experience and the low level of payments made to date.



Ms Estelle Pearson

Fellows of the Institute of Actuaries of Australia



Gae Robinson

Appendix 3

Information Sources

Publications

The Commission has the following publications available to the public:

- The Motor Accident Insurance Commission Annual Reports (no charge)
- Work Training Guidelines for Rehabilitation Providers (no charge)
- Rehabilitation Procedures for Communication between Rehabilitation Service
- Providers and Compulsory Third Party Insurers (no charge)
- Review of Queensland Compulsory Third Party Insurance Scheme (no charge)

Community Participation in Policy-Making

The Commission operates a Claims Help Line which is accessible free of charge to the Queensland public. The Claims Help Line staff assist the public in understanding the operations of the CTP insurance scheme in Queensland and record complaints about the scheme and suggestions on how the scheme could be improved. The Claims Help Line number is 1300 302 568.

The Commission is involved in regular discussions with motoring organisations, licensed CTP insurers, the legal profession, and the medical and allied health professions to ensure the scheme operates effectively and is modified when necessary.

The major Review in 1999 involved wide consultation, with the Review Committee travelling to a number of major Queensland regional centres to conduct public meetings. An Issues Paper and a Draft Report were available to the public. Information on the Commission and the CTP Scheme are available on the MAIC website at www.maic.qld.gov.au

Freedom of Information (FOI)

Requests for general and publicly available documents may be made by telephoning (07) 3227 8088. Some documents may be restricted owing to personal privacy issues, or confidentiality requirements if the document is considered commercially sensitive.

FOI requests are handled by the Insurance Commissioner in the case of the Commission and by the Nominal Defendant for documents held by the Nominal Defendant.

How to obtain documents:

- 1 Ask if the document you require is publicly available.
- 2 Identify the documents you require. Where the request involves general information or a large number of documents, it is preferable to discuss the issue with the Commission or the Nominal Defendant to identify what is required.
- 3 To assist in the process, the request should also state the type of access sought (inspection of the document or a copy of the document).
- 4 Applications must be in writing and be accompanied by an application fee of \$31 if the request relates to matters which are not of a personal nature relating to the applicant. Copies of such documents are charged at 50 cents per page.
- 5 If the document to which access is sought relates to the applicant's personal affairs, the applicant must supply proof of identification. No application fee nor copy charge applies to such documents.
- 6 The FOI Act specifies time limits within which applications are dealt with and provides an applicant with the right of review should the applicant not be satisfied that his/her application has been dealt with in accordance with the Act.

Appendix 4

Grants and Funding

Grants from the Motor Accident Insurance Fund

	Future Grants	2000/01 \$	1999/00 \$
CONROD (Including the Chair of Rehabilitation Medicine)	9,808,000	3,069,000	588,000
CARRS-Q	0*	514,000	514,000
Road Accident Prevention and Road Safety Research Grant Scheme	0	0	400,000
University of Queensland Chair of Orthopaedic Medicine	0	54,168	53,002
Princess Alexandra Hospital Foundation Acquired Brain Injury Outreach Services	789,673*	0	759,301
Spinal Injury Outreach Team and Transitional Rehabilitation Program Service	1,722,223*	0	1,655,984
Royal Children's Hospital Foundation Statewide Paediatric Rehabilitation Service	1,920,000	0	1,600,000
James Cook University Distance Education for Disabled Project	200,000	100,000	0
Queensland University of Technology Fellowship in Clinical Biomechanics – additional funding	40,000	0	16,872
ARC SPIRT Grant – Alcohol Ignition Interlock Project	17,349	21,089	17,439
Department of Transport Road Safety Media Campaign	0	450,000	500,000
Queensland Police Service State Traffic Task Force	0	0	1,306,835
University of Tasmania Spinal Injury Project	0	0	87,994
Queensland Health and CONROD Trauma Register and Data Coordination Project	0	187,000	110,000
Queensland Ambulance Service Analysis and Evaluation of the Qld Trauma System	654,015	0	0
TOTAL	15,151,260	4,395,257	7,609,427

* Arrangements for renewed funding for a second five-year period for CARRS-Q have yet to be finalised.

2000/01 payments delayed to new financial year.

Ongoing Projects Funded in Previous Years

- **Royal Australian College of General Practitioners Research Fellowship**
- **Royal Australasian College of Physicians Research Fellowship**
- **Royal Australasian College of Surgeons Research Fellowship**
- **Queensland University of Technology**
- Clinical Biomechanics Research Fellowship
- **Griffith University**
- Rehabilitation Counselling/Nursing/Psychology Research Fellowship
- **University of Southern Queensland**
- Mechatronics and Biomedical Engineering Research Fellowship
- **University of Queensland**
- Speech Therapy/Audiology/Physiotherapy/Occupational Therapy – Research Unit
- Orofacial Trauma Research Unit
- Teaching and Community Services Rehabilitation Research Fellowship
- **Central Queensland University**
- Sociology/Social Work Research Project

Research Centres

The two MAIC-funded research centres (CONROD and CARRS-Q) produce reports covering research conducted within the centres and research projects funded through competitive grants. The current CONROD report relates to calendar year 2000 and is available by contacting the centre on (07) 3365 5560. The current CARRS-Q report relates to the half year ending 31 December 2000 and is available by telephoning (07) 3864 4589.

Appendix 5 Licensed Compulsory Third Party Insurers (at at 30 June 2001)

Allianz Australia Insurance Limited
(formerly MMI General Insurance Limited)
GPO Box 1028
Brisbane Qld 4001
Ph 1300 655 663
ABN 15 000 122 850

Australian Associated Motor Insurers Limited
GPO Box 1155
Brisbane Qld 4001
Ph 13 22 44
ABN 92 004 791 744

FAI Allianz Limited
(trading as FAI Insurance)
GPO Box 2226
Brisbane Qld 4001
Ph 13 10 00
ABN 80 094 802 525

NRMA Insurance Limited
GPO Box 5730
Brisbane Qld 4001
Ph 1800 244 013
ABN 11 000 016 722

QBE Insurance (Australia) Limited
GPO Box 1072
Brisbane Qld 4001
Ph 1800 112 472
ABN 78 003 191 035

RACQ-AMP General Insurance
Limited
(trading as RACQ Insurance)
PO Box 4
Springwood Qld 4127
Ph 3361 2444
ABN 50 009 704 152

Suncorp Metway Insurance Limited
GPO Box 1453
Brisbane Qld 4001
Ph 13 11 55
ABN 83 075 695 966

Previously Licensed Compulsory Third Party Insurers* (at at 30 June 2001)

CIC Insurance Limited
ACN 004 078 880
*Licence withdrawn 22/01/1996;
insurer became insolvent on 15 March 2001*

GIO General Limited
ACN 002 861 583
Licence withdrawn 30/06/1996

Mercantile Mutual Insurance
(Australia) Ltd
ACN 000 456 799
Licence withdrawn 01/11/1996

Commercial Union Assurance
of Australia Ltd
ACN 004 478 371
Licence withdrawn 01/03/1997

Zurich Australian Insurance
Limited
ACN 000 296 640
Licence withdrawn 15/11/1997

Fortis Insurance Limited
(formerly VACC Insurance Co.
Limited)
ACN 004 167 953
*Licence suspended 30/03/1999
pending withdrawal*

FAI General Insurance Company
Limited
ABN 15 000 327 855
*Licence suspended on 1/01/2001;
insurer became insolvent on 15 March 2001*

* For information regarding previously
licensed insurers, please contact the
Motor Accident Insurance Commission's
CTP Claims Helpline on 1300 302 568.

Motor Accident Insurance Commission

Address: Level 18 – 288 Edward Street, Brisbane Qld
 Postal Address: GPO Box 1083, Brisbane Qld 4001
 Ausdoc: DX 147 Brisbane Qld
 Telephone: (07) 3227 8088 Facsimile: (07) 3229 3214
 Email: maic@maic.qld.gov.au
 Website: www.maic.qld.gov.au

Insurance Commissioner Lesley Anderson (07) 3227 8105	Assistant Manager, Research & Compliance Wayne Saville (07) 3234 0598
Deputy Insurance Commissioner John Hand (07) 3227 8125	Industry Liaison Officer Lynne McCall-Marshall (07) 3227 8022
Executive Secretary Julie Ecimovic (07) 3227 7063	Acting Assistant Industry Liaison Officer Lisa Hopson (07) 3227 8022
Manager, Systems and Finance Greg Bott (07) 3227 8164	Data Analyst Beth Sanders (07) 3234 0598
Acting Senior Analyst Premium Analysis & Licensing Tulia Koroivawai-Gauna (07) 3234 0596	Manager, Policy and Liaison Neil Tomkins (07) 3227 8242
Acting Senior Finance Officer Gailene Jarman (07) 3224 5018	Senior Policy Officer Melissa Pignolet (07) 3224 4383
Acting Finance Officer Stephen Ferrier (07) 3224 4835	Acting Manager Injury Management/Claims Janette Archibald (07) 3227 8162
Policy Officer, Systems and Finance Debbie Davis (07) 3224 4562	Acting Senior Advisor, Claims John Foster (07) 3224 5001
Reception/Administrative Assistant Lisa Proctor (07) 3227 8088	Client Services Officer Kevin Lee (07) 3227 8432
Information Technology Support Andrew Rowe (07) 3224 5001	Acting Client Services Officer Natalie Pershouse (07) 3227 8250

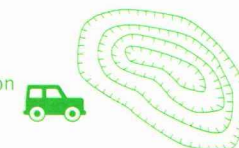
Nominal Defendant

Address: Level 18 – 288 Edward Street, Brisbane Qld
 Postal Address: GPO Box 2203, Brisbane Qld 4001
 Ausdoc: DX 147, Brisbane Qld
 Telephone: (07) 3227 7993 Facsimile: (07) 3221 4805
 Email: nd@maic.qld.gov.au

Nominal Defendant Lesley Anderson (07) 3227 8105	Acting Claim Manager Sherri Robinson (07) 3227 8353
Manager, Nominal Defendant Les Kilmartin (07) 3227 8213	Acting Claim Manager Michael Walpole (07) 3227 8284
Acting Assistant Manager Don Sacre (07) 3227 8908	Acting Assistant Claim Manager Graham Marshall (07) 3227 8402
Claim Manager Laurie Meteyard (07) 3227 8354	Acting Assistant Claim Manager Katie Gilmour (07) 3227 8412
Claim Manager Rex Mellifont (07) 3227 8387	Administration Officer Sandra Clifton (07) 3227 8596
Claim Manager Ian Evans (07) 3227 8359	

CTP Claims Helpline

Telephone: 1300 302 568





Motor Accident Insurance Commission