Motor Accident Insurance Commission

Annual Report 2006-07

About this Annual Report

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 policy holders, claimants, underwriters, legal and medical professionals, motoring and motor trade organisations, government, media and other regulatory organisations.

The Commission's Strategic Plan, statistical information relating to the scheme and the audited financial statements of both the Motor Accident Insurance Fund and the Nominal Defendant Fund are also included in this Report.

Further information on the CTP scheme and the Commission's operations can be found at www.maic.qld.gov.au or by telephoning the CTP Helpline on 1300 302 568.

The Honourable Andrew Fraser MP
Treasurer
Parliament House
Cnr George and 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 2006 to 30 June 2007.

Yours faithfully,

John Hand
Insurance Commissioner

Contents

About the Commission

What is the Motor Accident Insurance Commission?

The Motor Accident Insurance Commission (the Commission) is responsible for the regulation and ongoing management of Queensland's Compulsory Third Party (CTP) Insurance scheme and the Nominal Defendant Fund.

Established under the *Motor Accident Insurance Act 1994*, the Commission commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

What is our scheme?

Since 1936, Queensland has operated a common law fault-based CTP motor vehicle insurance scheme. The scheme provides motor vehicle owners with an insurance policy that covers their unlimited liability for personal injury caused by, through, or in connection with, the use of the insured motor vehicle in incidents to which the *Act* applies.

For those injured in motor vehicle accidents, the scheme provides modified access to the common law where the injured party can establish negligence against an owner or driver. As the scheme is fault-based, circumstances can arise where 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.

Six licensed insurers currently underwrite the Queensland CTP scheme.

The licensed insurers accept applications for insurance and manage claims on behalf of their policyholders.

A competitive premium model allows insurers to set their premiums for each class of motor vehicle within floor and ceiling premium bands set by the Commission. An efficient system of premium collection through the motor vehicle registry of Queensland Transport minimises administration costs within the scheme and provides motorists with a convenient form of transaction. Assistance is made available to motorists in deciding the insurer of their choice and in obtaining premium information.

The office of the Nominal Defendant acts as an 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 relative to other states and can be considered good value for money, as they provide injured persons with access to common law benefits and, while there are limits on certain heads of damage, there are no threshold entry levels.

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

Our Role

The Commission's role includes advising the Queensland Government on the ongoing suitability of the scheme and providing a balance between the needs of the stakeholders.

The primary activities of the Commission include:

- licensing Queensland CTP insurers and monitoring the financial strength of insurers in relation to their CTP operations. The overall financial strength of insurers is the responsibility of the industry regulator, the Australian Prudential Regulation Authority
- monitoring scheme trends and the performance of CTP insurers based on scheme data and independent actuarial analyses
- setting premium bands and recommending levies
- maintaining a claims helpline service for injured persons and a premium information line for Queensland motorists
- managing claims lodged against the Nominal Defendant and investment of claim reserves.

The Commission is also active in programs to minimise and mitigate the effects of motor vehicle accidents by providing funding for education and research.

Our Vision

The community of Queensland will benefit from a best practice insurance scheme and professional advice on personal injury insurance matters which will meet the needs of its people and government.

Our Mission

To provide an efficient, effective and economical insurance scheme which meets the needs of the people and Government of Queensland.

Our Core Values

Commitment
We are committed to accomplishing the organisation's mission and objectives.

Communication
We value effective communication and information sharing between the organisation, stakeholders and clients.

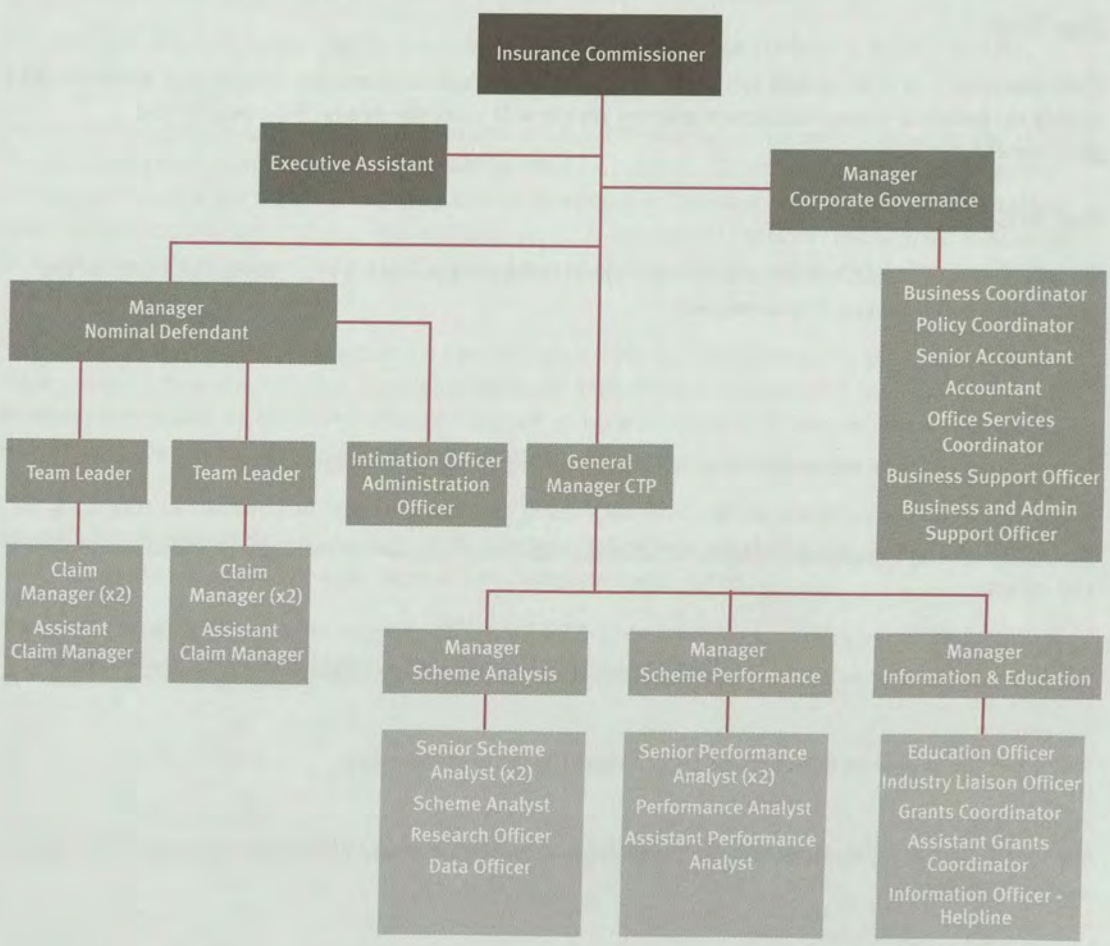
Achievement
We strive to achieve individual and organisational goals through teamwork, service and leadership.

Integrity
We serve the people of Queensland with honesty, trust and sincerity.

Innovation
We endeavour to be leading-edge in technological competence and effectively apply technology in performing tasks.

Management and Organisational Structure

Front row, from left: Lina Lee, John Hand, David Vincent. Back row, from left: Cathy Pilecki, Fanny Lau, Ashur Merza, Kim Birch.



Insurance Commissioner

John Hand, ANZIIF (Snr Assoc) CIP

Appointed to the Commission in 1993. John's roles with the Commission have encompassed executive management and high-level policy advice to government on a range of insurance issues including the development of new legislation and supporting systems. Overall, John has an insurance career spanning more than 40, years commencing with the State Government Insurance Office followed by a period with the Workers' Compensation Board of Queensland.

General Manager, CTP

Kim Birch, B.HSc. RN

Appointed as Manager, Injury Management and Claims in 2001 and General Manager, CTP in 2006, Kim has a nursing background covering all areas of clinical care and management and a further six years experience with the insurance industry, working with compulsory third party claims prior to her appointment to the Commission.

Manager, Scheme Analysis

Fanny Lau, B.Phty, MBA, M.Comm, AFACHSE, CHE, CPA

Appointed Manager, Scheme Analysis in 2006. Fanny has a Physiotherapy background and 10 years experience in program management, procurement of non-government health services and financial administration with the Department of Health.

Manager, Scheme Performance

David Vincent

Appointed Policy Advisor with the Commission in 2002 and Manager, Scheme Performance in 2006, David has over 14 years experience in the insurance industry, predominantly in compulsory third party claims including the management of a claims team.

Manager, Information and Education

Cathy Pilecki, B.Phty, Grad Dip Rehab Counselling

Appointed as Manager, Information and Education in 2006. Cathy has a health services background in Physiotherapy and Rehabilitation Counselling, with a further seven years experience in CTP insurance.

Manager, Corporate Governance

Lina Lee, B.Com, CA

Appointed as Manager, Corporate Governance in 2006. Lina's accountancy and auditing background covers the chartered profession, commerce and industry and, more recently, in the public sector. Lina's career included more than five years experience in management in both commerce and industry and the public sector, prior to her appointment to the Commission.

Manager, Nominal Defendant

Ashur Merza, Grad. Cert. Mgmt, MBA (Professional)

Appointed to Manager, Nominal Defendant in 2006. Ashur has over 15 years experience in operations and head office accounting, credit management and administration management, primarily within the general insurance industry. Ashur's career includes seven years with Queensland Treasury, including three years as Principal Procurement Advisor, providing strategic procurement and policy advice.

Commissioner's Report

John Hand
Insurance Commissioner

It's a great privilege to assume the role of Insurance Commissioner since my appointment in April this year and I'm relishing the challenges ahead as we continue to deliver an affordable and effective CTP scheme for all Queenslanders.

For most of the 2006–07 year however, the Commission was under the stewardship of the previous Commissioner, Ms Lesley Anderson, and I'd like to acknowledge the immense contribution Lesley made for over 10 years in that role. Lesley is now enjoying a well-earned break and travelling the world.

During the last couple of years, there has been significant internal change in the Commission, with an organisational review and a restructure aligned to better suit changing business needs. I'm happy to report that the difficulties and uncertainty for staff associated with this change are now a thing of the past and I'd like to thank all staff who endured this change process, which at times was quite arduous. It's easy to see now that it was well worth the effort and the business benefits are obvious. The Commission is now focusing on improving its processes and operations, based on the foundations of this new structure.

Underpinning this focus is a strong commitment to developing our staff across the Commission. A robust performance management process is now in place, affording opportunity and encouragement for staff to broaden their insurance knowledge, develop their skills and deepen their understanding of the legislation and policy which govern our operations.

Scheme Trends

This year has seen a continuing downward movement in the cost of premiums in Queensland as the effect of tort law reform becomes more apparent in claim trends.

There has also been an emergence of competition in the scheme. Recently undertaken market research indicates there has been an increased awareness and understanding of CTP since the previous research, with consumers now having high levels of awareness of their ability to switch CTP insurers. Cost is a growing concern for consumers, with many switching to a less expensive product, as well as seeking discounts on multiple insurance products when all purchased from the one insurer.

Ongoing collaboration with the Australian Prudential Regulation Authority

The Commission is maintaining a strong relationship with the Australian Prudential Regulation Authority (APRA) as the federal regulator for prudential supervision of the financial services industry. I'd like to acknowledge the assistance of APRA and the cooperation from all licensed insurers participating in the scheme. The cooperative relationships and information sharing between all stakeholders in the scheme are critical to its stability and performance.

It remains the intent of the Commission to maintain oversight of the scheme in collaboration with APRA, but as much as possible to eliminate duplication of the regulatory function.

Information and Education

Production of *Rehabilitation Standards for CTP insurers* and a *Guideline Arranging Medico-Legal Assessments* have been a major milestone for this year and a credit to all stakeholders involved in their development.

In particular, the *Rehabilitation Standards for CTP insurers* aim to:

- provide for the assessment of the nature and extent of an injured party's need for rehabilitation

Commissioner's Report Continued

- ensure that injured parties are properly informed about their obligations to undertake appropriate medical treatment and rehabilitation programs
- facilitate access to appropriate rehabilitation services for injured parties
- provide guidance to help insurers decide what rehabilitation services and costs of the service are reasonable and appropriate
- ensure the rehabilitation process for an injured party is appropriately managed
- monitor the effectiveness of rehabilitation services and the providers of rehabilitation services.

The standards became effective from 1 January 2007 and will support a consistent approach to rehabilitation for CTP insurers, which will ultimately benefit injured parties in the scheme.

Nominal Defendant

The Nominal Defendant Scheme remains fully funded and continues with the run-off of the FAI CTP claims. Dividends to date from the liquidator of the HIH estate total $95.873 million.

The operational efficiency of the Nominal Defendant was reviewed during the year. This resulted in a restructure of its claims management and administrative support functions, with the implementation of two teams, each consisting of a team leader, two claim managers and an assistant claim manager. This new structure, coupled with fully monitored and integrated performance measures, staff development initiatives and streamlined processes will allow for improved claim management and increased efficiencies.

I'd like to thank all Nominal Defendant staff for their contribution to designing and implementing this new structure.

Another milestone for the Nominal Defendant was the development of the performance monitoring and evaluation framework, with respect to the Nominal Defendant Legal Services Panel arrangement. This framework aims to improve claim management outcomes while ensuring compliance with the Services Standards Agreement. The framework became effective on 1 July 2007.

In closing ...

The Commission will continue to explore opportunities and make interventions to improve the efficiency and fairness of the scheme. It's vital to maintain appropriate levels of compensation particularly for the moderately and seriously injured victims of motor vehicle accidents in Queensland. The challenge for the Commission is to balance this imperative with maintaining affordability for all motorists.

I'd also like to thank stakeholders who participated in the various initiatives undertaken by the Commission during the year. Without the help of these people, improving the scheme and maintaining its balance would not have been possible.

Finally and sadly, I'd like to acknowledge a former Insurance Commissioner, Mr Pat Quinn, who passed away on 12 April this year and his contribution to the insurance industry. Pat started working as junior clerk in the Maryborough Branch of the State Government Insurance Office in 1937 and worked his way up to Insurance Commissioner for five years prior to his retirement in 1985. Pat was credited not only for his integrity and sense of fairness, but also for his wide knowledge of the industry. He was well known to many people in the Commission.

John Hand
Insurance Commissioner

Performance Review

Recent achievements - CTP Scheme

- Set quarterly CTP premium bands during 2006-07 and recommended levies and administration fees to apply in 2007-08.
- Continued downward trend in CTP premiums in 2006-07, attributed to amendments to the Scheme in 2000 and the introduction of the Injury Scale Value for general damages under the *Civil Liability Act 2003* as well as road safety initiatives.
- Effective from 1 July 2007, amended the *Motor Accident Insurance Regulation 2004* to split the classification of vehicle Class 10 into Class 10A and 10B for buses so that premiums better reflect the risk for each subgroup.
- Continued to improve links with the State Actuary and APRA to mitigate the Queensland Government's risk of insolvency of a CTP insurer.
- Facilitated a number of training activities including:
  - Psychiatric Impairment Rating Scale training for psychiatrists and psychologists
  - American Medical Association Guides to the Evaluation of Permanent Impairment 5th Edition training for doctors, insurers and lawyers;
  - injury code training for insurers.
- Implemented the *Rehabilitation Standards for CTP Insurers* including training and the development of a guide on factors to consider when making decisions for funding.
- Developed an information brochure for claimants on rehabilitation in the Scheme.
- Developed a brochure on conditional registration with Queensland Transport and contributed to their communication strategy on raising awareness of the Conditional Registration Scheme and its accompanying CTP insurance.
- Published and disseminated the *Guideline Arranging Medico-Legal Assessments* for lawyers and insurers.
- Facilitated a CTP insurer working party in the development of a new treatment plan for physiotherapists, chiropractors and osteopaths for the management of claimants' physical injuries.
- Continued enhancements to the Personal Injury Register (PIR), delivering significant reduction in processing time for uploading data and improving access to system-generated reports.
- Undertook an independent market research study to determine factors which affect a motorist's intention to change their CTP insurer. The research also explored how these factors impact on their decision to change.
- Continued monitoring insurers' CTP claim management practices and legislative compliance.
- Expended $4,120,355 on funding for various initiatives for road safety, injury prevention and rehabilitation.

Recent achievements – Nominal Defendant

- Outstanding claims liabilities for the Nominal Defendant (excluding FAI run-off claims) as at 30 June 2007 increased by $3.7 million to an estimated total of $160.7 million relative to the same time last year. By contrast, the number of open (managed) claims decreased by 13 to a total of 738 claims.
- Outstanding claims liabilities for FAI run-off as at 30 June 2007 decreased by $13 million to an estimated $52.1 million relative to same time last year. The number of managed and non-managed claims outstanding also decreased by 90 claims to a total of 264. Of these claims over 10 per cent have an estimate in excess of $0.5 million which represent serious and complex injuries. The HIH Schemes of Arrangement Agreement between the various HIH companies and their respective creditors (including the Nominal Defendant) was also finalised during the year.
- Implemented a new organisational structure following the review of the Unit's previous structure and the required resources relative to the proposed strategic direction.
- Reviewed the Nominal Defendant annual levy and reduced the levy to $17.85 per Class 1 policy (including the $5 HIH component) effective from 1 July 2007.
- Finalised 428 Nominal Defendant claims during the year.
- Finalised 101 FAI run-off claims during the year.
- Received $77,633,829 from HIH Liquidators representing a total of 15 cents in the dollar interim dividends in respect of agreed claims as at 31 March 2007 (making a total cumulative dividend received to date of 20 cents) and 5 cents in the dollar in respect of the HIH Guarantee Agreement.
- Recoveries action was concluded on 69 files during the year. Total claims recoveries for Nominal Defendant and FAI from debtors amounted to $328,441 for the year. (Recovery action continues on a further 388 files.)

Grant Funding Highlights

The Commission's continued investment in the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) has provided tangible benefits to the community, with the development of a comprehensive research agenda covering the continuum from acute care to disability management of traumatic injury, including:

- developing an early intervention strategy and resources that will reduce anxiety responses in children, adolescents and parents following accidental paediatric injury
- measuring the costs of road traffic crashes for each of the states and territories of Australia
- publishing several articles on whiplash and chronic pain following motor vehicle accidents.

An agreement with the Queensland University of Technology to fund the Centre for Accident Research and Road Safety – Queensland (CARRS-Q) was renewed until 2011. This investment will allow CARRS-Q to continue its internationally recognised research and education activities focused on reducing the impacts of road trauma on our communities in the following areas:

- illegal and high-risk behaviours
- vulnerable road users
- human behaviour and technology interface
- fleet and workplace safety
- school and community-based road safety education.

A pilot project undertaken by Griffith University to implement the Behaviour, Risk, Attitude and Knowledge Education (BRAKE) learner driver program was funded in the Logan area. Anticipated outcomes of this unique, community-initiated project include:

- exploring and developing an alternative to existing driver education models which tend to rely upon skills-based training alone or shock value
- targeting key aspects of young drivers' knowledge and behaviour, prior to obtaining a learner's permit, that have been attributed to increasing the risk of road accidents, such as attitude towards risk taking and ability to perceive hazards.

Pending the success of this pilot project, it is anticipated that a larger study will be commissioned with the ultimate aim of integrating the initiative into future driver education training models in other Queensland communities.

A number of seminars and activities were sponsored to improve community awareness and access to relevant information and to provide training and networking opportunities for health practitioners including:

- support for the Spinal Education Awareness Team program, whose trained volunteer presenters deliver key injury prevention messages to schools across Queensland. (All presenters in the team have sustained a spinal cord injury.)
- two presentations on the topics of pain and whiplash at the Australian Physiotherapy Association's national conference.

Investment in significant ongoing research projects also continued during the reporting period. One of these is a University of Queensland project on predicting outcomes following whiplash injury. Funded through an Australian Research Council linkage grant with the Commission as a participating partner, this project has been running for two years and will help early identification of CTP claimants at risk. It is anticipated that this project will make a significant contribution to the knowledge and consequent management of whiplash, which is the most frequently reported injury in Queensland's CTP scheme.

The Rural and Remote Research Program is a major collaborative investigation undertaken by James Cook University and CARRS-Q into reducing the impact of rural and remote road crashes in North Queensland. This research program has progressed to preparing an interim final report which will provide information on the behavioural and social factors contributing to crashes in the region and the development, identification and trialling of targeted counter-measures. It is anticipated that the results of this program will inform future research and policy development for road safety in rural and remote areas.

Our People

The Motor Accident Insurance Commission acknowledges the commitment and knowledge of its people who contribute to the overall performance of the Commission and Nominal Defendant.

As previously highlighted in the Commissioner's report, a new Insurance Commissioner was the most significant change to senior management within the Commission this year. John Hand, former Deputy Insurance Commissioner, assumed the role of Insurance Commissioner upon his appointment in April this year.

Former Insurance Commissioner Lesley Anderson with (the then) Deputy Insurance Commissioner John Hand (left) and Under Treasurer Gerard Bradley at her farewell in March.

The significant organisational change and restructure undertaken within the Commission's CTP Division and the introduction of a Corporate Governance division are now well bedded down. During the year, the Nominal Defendant finished implementing its new two-team structure and a new management team. A major portion of the year was spent on recruiting personnel with the introduction of a new layer in the organisational structure. The Commission would like to thank all staff in the Nominal Defendant Unit for their assistance and cooperation in facilitating a smooth transition to the new structure.

Above: Vicky Kostric, Executive Assistant to the Insurance Commissioner

The management team, comprising Ashur Merza (Manager), with David Judd and Don Sacre (Team Leaders), has been instrumental in developing and implementing a fully monitored and integrated performance measurement framework for staff and service providers in the Nominal Defendant Unit. This framework, coupled with staff development initiatives and streamlined processes, will allow for improved claims management and increased efficiency.

Above: Don Sacre, Pippa McWha and David Vincent at a team meeting

Above: Kim Dale and Lina Lee from Corporate Governance

The introduction of the Building People and Performance Framework was an integral part of the restructuring process for the Commission. This framework provides the foundation for individual performance management and support for all staff.

One of the most important initiatives within the framework is the Performance Partnership Plans which take place twice a year between all managers and staff. This process sets the parameters for work to be undertaken during the year, to what standard and by when. It provides a mechanism through which staff can receive feedback on their own performance and provide feedback to their manager on theirs. The process also provides an opportunity for staff to seek personal and professional development opportunities linked to their duties and to express interest in learning other roles within the Commission. This continuous learning cycle will eventually enable the Commission to develop its skills base and improve internal workforce capacity and capability.

Above: Ian Evans, David Judd and Ashur Merza from Nominal Defendant

This learning and development strategy is an important cornerstone of the Commission's Workforce Plan, which was consultatively developed and implemented during the year. A skills gap analysis was undertaken later in the year to identify the critical skills the Commission will need in its workforce to better address both current and future business needs. The findings of this analysis have now been integrated into the development strategy with staff actively encouraged to undertake professional development in those critical skills areas.

Other important initiatives within the Commission's Workforce Plan include strategies for recruitment and improved staff retention. This is in response to a tighter job market and the changing needs of the Australian workforce. These strategies will afford the Commission greater workforce stability and help maintain its skills and knowledge pool.

The Commission would like to acknowledge the contribution of long-serving officer Janette Archibald, who left during the year.

Above: Paul Taylor and Fanny Lau

Below: Claudine Ferguson and Marina Magnussen

Strategic Plan 2007-2012

Output description

The Commission is responsible for the ongoing management and improvement of the Queensland Compulsory Third Party (CTP) Insurance Scheme and the Nominal Defendant (ND) Fund under the *Motor Accident Insurance Act 1994.*

The Commission comprises the following business units:

CTP Division

Responsible for regulating the Queensland CTP Scheme, comprising three sub-units: Scheme Analysis, Scheme Performance and Information and Education.

Nominal Defendant

Acts as a CTP insurer under the *Motor Accident Insurance Act 1994* where damages are claimed for personal injury arising from the liability of unidentified and/or uninsured motor vehicles. In addition the Nominal Defendant, in the event of insolvency of a CTP insurer, has a legislative role to meet the cost of claims against the insurer.

Corporate Governance

Provides a support function to the Commission and the Nominal Defendant and is responsible for financial management, policy coordination, corporate reporting, strategic and business planning, business continuity planning, business support, information management and annual reporting activities.

Future developments and key focus areas for the Commission

- continuing data collection, processing and reporting enhancements to the Personal Injury Register (PIR) system
- improving processes that the Commission has adopted to strengthen its relationship with the Australian Prudential Regulation Authority (APRA) in the areas of prudential supervision and risk management
- continuing the development of appropriate information and education strategies targeted to stakeholders and identified as a priority for the Scheme's optimal performance
- improving planning, Key Performance Indicator (KPI) monitoring and performance management processes for staff
- continuing to refine grants management and assessment systems so that fund activities are targeted and made a priority for the Scheme
- continuing to build and achieve effective stakeholder relationships with insurers, CTP claimants, legal representatives and medical and allied health providers
- ongoing management of outstanding CTP claims following the insolvency of FAI and managing the proof-of-debt process
- developing and implementing a performance management framework for monitoring and evaluating providers of legal services to the Nominal Defendant

- transitioning Nominal Defendant claim files to a file imaging system
- using continuous improvement initiatives as a catalyst for increasing efficiencies in claims management activities within the Nominal Defendant
- reviewing and evaluating the effectiveness of the Nominal Defendant organisational structure which was adopted in early 2007.

Key result areas and supporting goals to achieve these include:

- Providing a regulated, viable and equitable personal injury CTP insurance scheme encompassing accident prevention and injury management
  - Set appropriate CTP premium bands that are commensurate with the underwriting risk
  - Develop a more comprehensive regulatory framework to effectively monitor insurers' claims management, data integrity and provision of rehabilitation
  - Monitor and manage any changes to the CTP scheme which may arise from emerging issues and trends.
- Providing an efficient Nominal Defendant Fund
  - Maintain a fully funded Nominal Defendant Fund
  - Maintain high-quality claims management
  - Maintain best practice in data and record keeping
  - Exchanging relevant information with other areas of the Commission including briefs on claim trends and legislative issues.
- Providing quality workforce planning and associated business benefits to the Commission
  - Develop whole-of-office Workforce Plan including staff development and succession plans.
- Providing for business planning and business continuity planning for the Commission
  - Business plans collaboratively developed in all business units
  - Business continuity plans collaboratively reviewed and updated regularly including risk registers.
- Implementing and maintaining best practice information management principles and procedures
  - Implement Electronic Document and Records Management System (eDRMS)
  - Provide information management practices that meet mandated standards.

Funding and Levies

The Commission is funded by a statutory insurance scheme levy as part of the CTP premium. From 1 July 2006 the levy was set at $1.60 per vehicle. For the year 2006-2007 the levy produced income of $5.09 million. 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 after operating expenses, help fund the Commission's research initiatives. The statutory insurance scheme levy from 1 July 2007 remained unchanged at $1.60 per policy.

The Nominal Defendant operation, which covers the liabilities of uninsured and unidentified vehicles, is funded by a levy within the CTP premium, which varies by vehicle class. The levy is set on the basis of an actuarial assessment of claim trends. From 1 July 2005, for Class 1 vehicles the levy was set at $17.95 and, during the reporting period, remained at this level. For the reporting period, the income from the levy totalled $54.944 million. The Nominal Defendant levy from 1 July 2007 was slightly reduced to $17.85 for Class 1 vehicles and reflected the stable claims environment.

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. The Nominal Defendant levy has included $5 from 1 October 2001 to assist with the funding of these CTP liabilities. Income from this component was $14.969 million over the reporting period (included in the total Nominal Defendant collection).

The *Motor Accident Insurance Act (MAIA)* provides for an administration fee to be paid to Queensland Transport for delivering services in the administration of the statutory insurance scheme. From 1 July 2006 the fee was set at $7.60 per policy. For the reporting period 2006-07 an estimated total levy of $27.043 million was collected by Queensland Transport. The administration fee from 1 July 2007 remained unchanged at $7.60.

The Hospital and Emergency Services levy is designed to cover a reasonable proportion of the estimated cost of providing public hospital and public emergency services to motor vehicle accident victims using such services and who are claimants or potential claimants under the Scheme. The levy amount calculated varies by vehicle class. For the reporting period commencing 1 July 2006, the Class 1 levy was an annual $10.05 per policy. The collected income from the levy for the financial year was $31.681 million, of which $22.782 million was allocated to hospitals and $8.899 million for emergency services. As of 1 July 2007, the Hospital and Emergency Services levy was set at $10.95 for Class 1 vehicles.

Corporate Governance

The operations of the 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 *Motor Accident Insurance Act 1994*, the Motor Accident Insurance Fund and the Nominal Defendant Fund.

The Insurance Commissioner reports to the State Parliament through the Treasurer and prepares an annual report required by the *Financial Administration and Audit Act 1977* and section 19 of the *Motor Accident Insurance Act 1994*. Regular status reports on the Commission's operations are also provided to the Under Treasurer.

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*.

Internal Audit

Corporate Solutions Queensland provides internal audit services to the Commission. When working with the Commission and the Nominal Defendant, the purpose of the internal audit 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.

Statistical Information
2006-07

Motor Accident Insurance Commission

Major legislative changes impacting on the Queensland CTP Scheme

The Queensland Compulsory Third Party (CTP) Scheme has undergone a number of legislative changes since 1994. When considering the statistics provided by the Commission in this report, reference should be made to how these amendments to legislation may have impacted on the data.

Legislation	Commencement	Key Features
Motor Accident Insurance Act 1994	1 September 1994	• Introduced a claim form and nine-month reporting • Encouraged the speedy resolution of claims • Promoted and encouraged the rehabilitation of injured persons
Motor Accident Insurance Amendment Act 1999	14 December 1999	• Prohibited touting
Motor Accident Insurance Amendment Act 2000	1 July 2000 & 1 October 2000	• Requirement to report accidents to Police • Competitive premium filing model • Simplified Notice of Accident Claim form • Introduction of a medical certificate • Requirement for insurers to make early decision on rehabilitation • Thresholds for recovery of legal costs • Compulsory pre-proceedings conference
Civil Liability Act 2003	2 December 2002	• Introduction of prescribed injury scale with points values – scale from 0 to 100 resulting in consistency between assessments for general damages awarded

The information represented in the statistical data section is based primarily on accidents occurring in the period 2 December 2002 to 30 June 2007, which is subsequent to the introduction of the *Civil Liability Act 2003*. Statistical data on prior accident periods is available on the Commission's website.

Insured Vehicles by Class

(Registrations as at 30 June 2007)

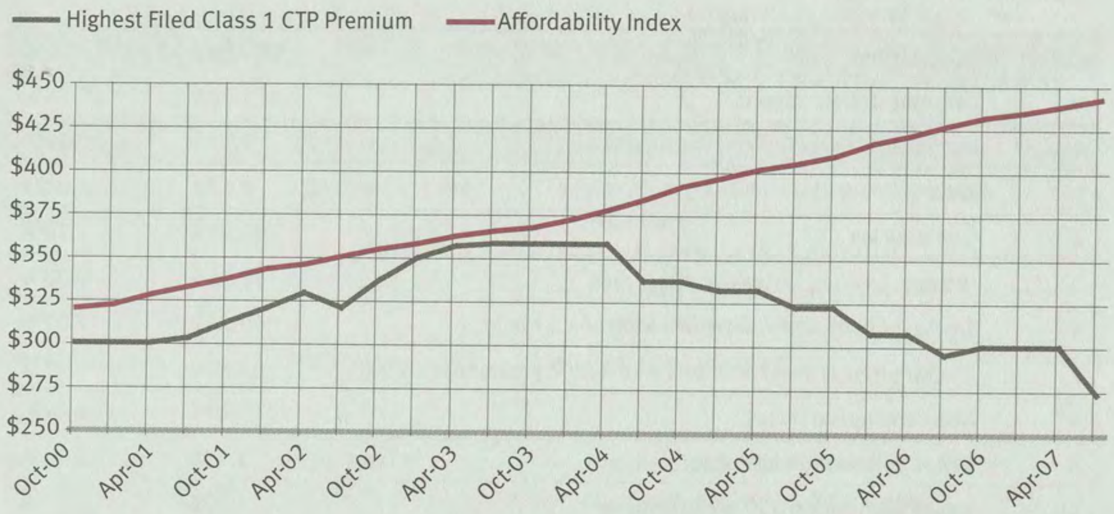
Class	Description	Vehicles	%
1	Cars and station wagons	2,215,528	69.75%
2	Motorised homes	9,315	0.29%
3	Taxis	2,629	0.08%
4	Hire vehicles	34,978	1.10%
5	Vintage, veteran, historic or street rods	12,184	0.38%
6	Trucks, utilities and vans with a GVM of 4.5 t or less	569,247	17.92%
7	Trucks, prime movers and vans with a GVM greater than 4.5 t	63,876	2.01%
8	Non-commercial buses	5,424	0.17%
9	Buses for school/health use	3,535	0.11%
10	Buses used within 350 km from base	3,926	0.12%
11	Buses that are not in Classes 8, 9 or 10	5,486	0.17%
12	Motorcycles with driver only	46,929	1.48%
13	Motorcycles with pillion passenger or side car	82,870	2.61%
14	Tractors	24,084	0.76%
15	Self-propelled machinery, fire engines	8,611	0.27%
16	Ambulances	864	0.03%
17	Motor vehicles used only for primary production	41,045	1.29%
19	Limited access registration	24,672	0.78%
20	Zone access registration	8,968	0.28%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	5,917	0.19%
23	Dealer plates	4,965	0.16%
24	Trailers	1,330	0.04%
Total		**3,176,383**	**100.00%**

Premium, Levy and Fee Collection

(1 July 2006 to 30 June 2007)

Description	$ ('000)
Total Premiums Collected	**1,012,723**
Nominal Defendant Levy	-56,287
Statutory Levy	-5,090
Hospital Levy	-22,782
Emergency Services Levy	-8,899
Transport Fee	-26,384
Insurers' Premiums	893,280

Affordability Index vs Highest Filed Class 1 CTP Premium



Note: The affordability index is 45% of the seasonally adjusted amount of Queensland full-time adult person ordinary time weekly earnings averaged over the last four quarters as declared by the Australian Bureau of Statistics.

Average Class 1 Filed Premium

Insurer	2002/03	2003/04	2004/05	2005/06	2006/07
AAMI	$339.75	$357.00	$322.80	$301.45	$290.95
Allianz	$339.75	$357.00	$326.05	$303.95	$292.20
NRMA	$339.75	$357.00	$320.80	$299.70	$281.90
QBE	$334.25	$353.25	$325.10	$301.78	$281.80
RACQI	$339.50	$357.00	$330.05	$305.70	$295.70
Suncorp	$337.50	$355.75	$324.30	$303.70	$292.20

Note: Average Class 1 filed premiums include levies.

Claim and Accident Frequency

(Accidents from 1 September 1994 to 30 June 2007)

Accident Year	Registered Vehicles at 30 June 2007	Claims	Claim Frequency *	Accidents ^	Claim Propensity ~
1994/95	1,924,108	7,169	3.7	5,468	0.7%
1995/96	2,144,564	8,870	4.1	6,839	0.7%
1996/97	2,194,471	8,884	4.0	6,787	0.7%
1997/98	2,264,086	9,420	4.2	7,092	0.8%
1998/99	2,343,820	11,165	4.8	8,122	1.0%
1999/00	2,390,744	10,738	4.5	7,986	0.9%
2000/01	2,452,849	10,498	4.3	8,021	0.8%
2001/02	2,529,256	10,172	4.0	7,979	0.7%
2002/03	2,629,702	8,926	3.4	7,034	0.6%
2003/04	2,758,280	7,723	2.8	6,267	0.5%
2004/05	2,893,849	6,814	2.4	5,576	0.5%
2005/06	3,026,987	5,801		4,782	
2006/07	3,176,383	3,858		3,245	

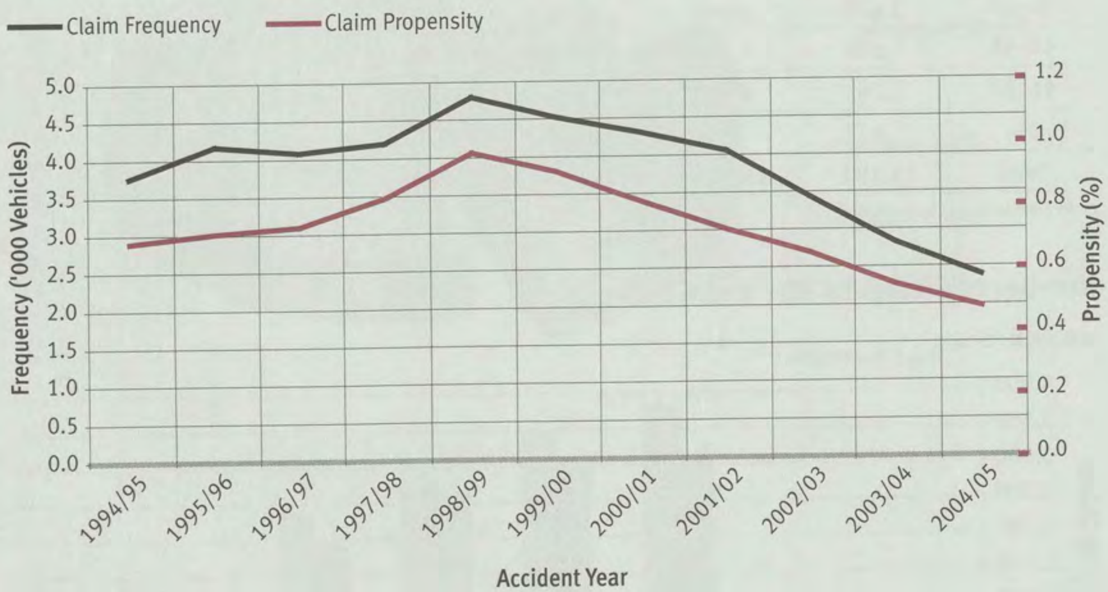
Note: * Claim frequency is calculated using number of CTP claims per '000 registered vehicles.

^ Accidents resulting in CTP claims

~ Claim propensity is measured as the percentage of claims against the number of overall casualties (casualty severity classification 1 to 3) recorded in Queensland as per the Webcrash statistics provided by Queensland Transport on 6 September 2007. Casualty data is immature for the recent accident years and is not included.

The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

Claim Frequency vs Claim Propensity



Number of Accidents by Region

(Accidents from 2 December 2002 to 30 June 2007)

Accident Date	2 Dec 2002 – 30 June 2003		1 July 2003 – 30 June 2004		1 July 2004 – 30 June 2005		1 July 2005 – 30 June 2006		1 July 2006 – 30 June 2007	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
Brisbane	2,059	52.2%	3,279	52.4%	2,818	50.6%	2,424	50.8%	1,626	50.1%
Other SE QLD Region	1,163	29.5%	1,807	28.9%	1,625	29.2%	1,380	28.9%	1,002	30.9%
Regional QLD Region	571	14.5%	946	15.1%	918	16.5%	767	16.1%	499	15.4%
Interstate	149	3.8%	223	3.6%	207	3.7%	202	4.2%	116	3.6%
Total	**3,942**	**100.0%**	**6,255**	**100.0%**	**5,568**	**100.0%**	**4,773**	**100.0%**	**3,243**	**100.0%**

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.
Other SE QLD Region includes Ipswich, Gold Coast, Sunshine Coast.
Regional QLD Region includes Toowoomba, Rockhampton, Mackay, Townsville, Mt Isa and Cairns.

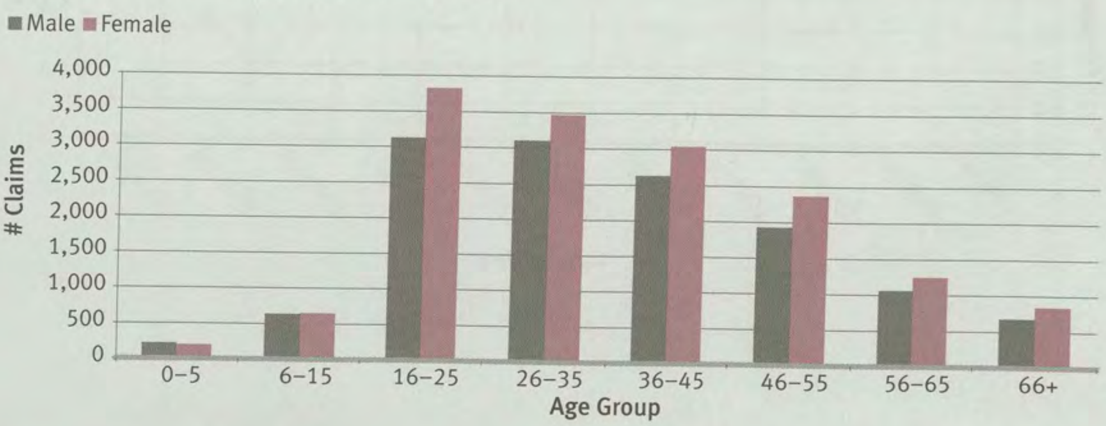
Age Group of Claimants

(All claims for accidents from 2 December 2002 to 30 June 2007 where relevant details are available)

Age Group	Male	Female	Total	%
0–5	219	195	414	1. 4%
6–15	636	652	1,288	4. 4%
16–25	3,127	3,828	6,955	23.9%
26–35	3,104	3,473	6,577	22.7%
36–45	2,633	3,047	5,680	19.5%
46–55	1,929	2,375	4,304	14.8%
56–65	1,065	1,250	2,315	8.0%
66+	677	849	1,526	5.3%
Total	**13,390**	**15,669**	**29,059**	**100.0%**

Note: Company claims excluded

Number of Claims by Age and Gender



Claim Severity

(Finalised claims for accidents from 2 December 2002 to 30 June 2007)

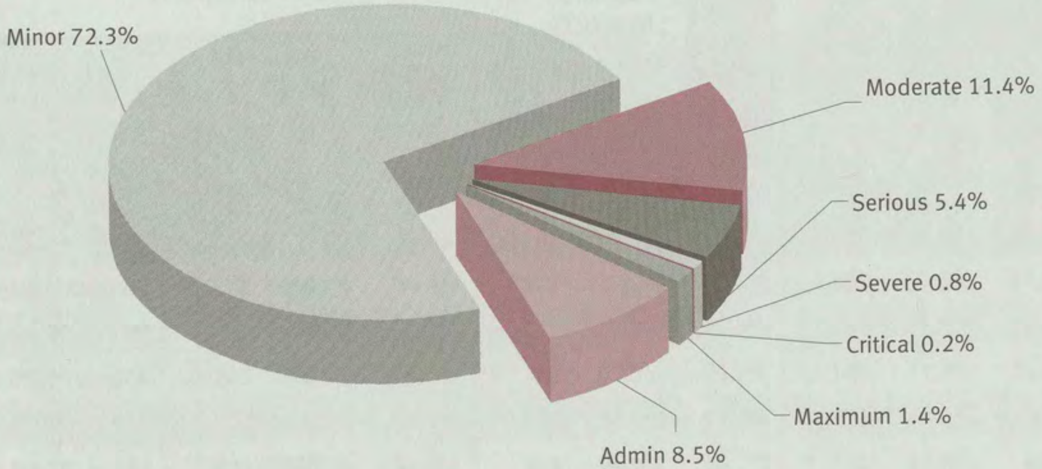
AIS Severity *	Description	Claims	%
1	Minor	11,891	72.3%
2	Moderate	1,870	11.4%
3	Serious	887	5.4%
4	Severe	128	0.8%
5	Critical	43	0.2%
6	Maximum ^	226	1.4%
9	Admin ~	1,396	8.5%
	Total	**16,441**	**100.0%**

Note: * The Abbreviated Injury Scale, 1985 edition (AIS 85) is an anatomically-based global severity scoring system that classifies each injury by body region according to its relative importance on a 6-point ordinal scale. This classification represents the 'threat to life' associated with each injury.

^ Maximum severity is predominantly fatalities

~ Admin Severity includes but is not limited to unconfirmed injuries, nervous shock and business claims

Severity of Claims Finalised



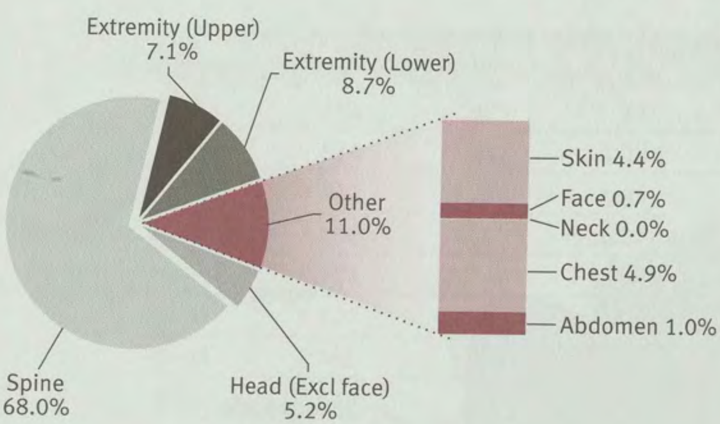
Statistical information 2006-07

Injury by Body Region

(Finalised claims for accidents from 2 December 2002 to 30 June 2007)

Body Region	Claims	%
Skin	657	4.4%
Head (Excl face)	773	5.2%
Face	105	0.7%
Neck *	7	0.0%
Chest	724	4.9%
Abdomen	151	1.0%
Spine	10,115	68.0%
Extremity (Upper)	1,055	7.1%
Extremity (Lower)	1,294	8.7%
Total	**14,881**	**100.0%**

Note: Body Regions are based on AIS 85.
Excludes claims with no Injuries reported and admin codes.
* Whiplash claims based on AIS 85 are reported under 'Spine'.



Notice of Claim Lodgements - Cumulative

(Accidents from 1 September 1994 to 30 June 2007)

Accident Year	1	2
1994/95	1,793	3,325
1995/96	2,686	4,826
1996/97	3,254	5,506
1997/98	3,988	6,247
1998/99	5,266	7,818
1999/00	5,082	7,376
2000/01	7,004	8,656
2001/02	7,375	8,709
2002/03	6,362	7,514
2003/04	5,309	6,360
2004/05	4,688	5,619
2005/06	4,299	5,113
2006/07	3,228	3,724

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

Claim Status

(Accidents from 2 December 2002 to 30 June 2007)

Accident Date	2 Dec 2002 - 30 June 2003		
	Claims Received	Liability Determined	Finalised Claims
AAMI	260	100.0%	91.9%
Allianz	1,088	99.2%	84.9%
QBE	182	100.0%	91.2%
Suncorp	2,548	99.0%	88.3%
RACQI	651	97.4%	90.3%
NRMA	110	100.0%	97.3%
Nom. Defend.	169	95.3%	83.4%
Total/ Average	**5,008**	**98.8%**	**88.1%**

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

Development Quarter									
3	4	5	6	7	8	9	10	11	12+
5,542	6,337	6,539	6,659	6,737	6,795	6,846	6,903	6,937	7,071
7,166	8,068	8,252	8,364	8,457	8,502	8,559	8,614	8,661	8,839
7,470	8,040	8,246	8,363	8,428	8,505	8,579	8,638	8,712	8,868
7,998	8,607	8,804	8,921	9,021	9,110	9,175	9,239	9,283	9,417
9,691	10,314	10,533	10,653	10,774	10,846	10,929	10,990	11,036	11,158
9,196	9,855	10,091	10,258	10,360	10,445	10,515	10,574	10,600	10,732
9,546	9,879	10,070	10,185	10,253	10,308	10,350	10,386	10,416	10,495
9,297	9,559	9,670	9,760	9,882	9,979	10,047	10,076	10,105	10,170
8,054	8,295	8,466	8,656	8,742	8,781	8,820	8,844	8,870	8,919
6,886	7,129	7,278	7,445	7,540	7,601	7,642	7,679	7,692	7,721
6,070	6,214	6,289	6,369	6,524	6,660	6,745	6,787	6,802	6,806
5,542	5,699	5,758	5,788	5,796	5,801				
3,842	3,856								

1 July 2003 - 30 June 2004			1 July 2004 - 30 June 2005			1 July 2005 - 30 June 2006			1 July 2006 - 30 June 2007		
Claims Received	Liability Determined	Finalised Claims	Claims Received	Liability Determined	Finalised Claims	Claims Received	Liability Determined	Finalised Claims	Claims Received	Liability Determined	Finalised Claims
363	99.7%	89.5%	377	99.5%	70.6%	368	100.0%	41.6%	281	92.9%	14.9%
1,638	98.8%	71.4%	1,400	98.6%	53.4%	1,268	97.9%	30.0%	754	79.7%	11.8%
294	99.7%	89.5%	240	96.7%	65.0%	206	92.7%	25.7%	185	71.9%	13.5%
4,022	99.1%	79.1%	3,566	98.5%	59.1%	2,913	96.5%	29.3%	1,839	59.3%	3.9%
1,043	97.3%	77.4%	878	96.5%	56.9%	722	94.0%	26.7%	531	57.6%	4.3%
112	100.0%	85.7%	133	98.5%	79.7%	147	94.6%	46.9%	119	68.1%	12.6%
249	94.8%	69.1%	212	93.9%	46.7%	177	85.9%	31.6%	147	44.2%	5.4%
7,721	**98.7%**	**77.9%**	**6,806**	**98.1%**	**58.5%**	**5,801**	**96.2%**	**30.3%**	**3,856**	**65.8%**	**7.1%**

Claims Status Breakdown

(Accidents from 2 December 2002 to 30 June 2007)

Accident Date	2 Dec 2002 - 30 June 2003	1 July 2003 - 30 June 2004	1 July 2004 - 30 June 2005	1 July 2005 - 30 June 2006	1 July 2006 - 30 June 2007
Claims	5,008	7,721	6,806	5,801	3,856
% Finalised	88.1%	77.9%	58.5%	30.3%	7.1%
% Legal Rep	82.1%	77.7%	74.3%	75.7%	74.9%
% Litigated	4.6%	2.6%	1.0%	0.2%	0.0%

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

Claim Payments on Finalised Claims

(Accidents from 2 December 2002 to 30 June 2007)

	Accident Date	2 Dec 2002 - 30 June 2003		1 July 2003 - 30 June 2004		1 July 2004 - 30 June 2005		1 July 2005 - 30 June 2006		1 July 2006 - 30 June 2007	
Payment Type	Code/s	Payments ($'000)	%	Payments ($'000)	%	Payments ($'000)	%	Payments ($'000)	%	Payments ($'000)	%
Aids & Appliances	A1 (inc. RJ)	336	0.2%	632	0 .3%	65	0.1%	9	0.0%	1	0.1%
Care	C1	7,623	5.2%	10,570	5.6%	3,453	3.5%	749	3.0%	3	0.3%
Economic Loss - Past	E1	18,427	12.5%	21,646	11.5%	11,660	11.9%	2,332	9.2%	147	16.1%
Economic Loss - Future	E2	50,655	34.4%	67,158	35.7%	39,054	39.7%	9,271	36.7%	97	10.5%
General Damages	G1	31,803	21.6%	39,899	21.2%	22,247	22.6%	7,210	28.6%	444	48.4%
Home & Vehicle Modifications	H1	64	0.0%	77	0.0%	16	0.0%	0	0.0%	0	0.0%
Investigation costs	L1	5,363	3.6%	6,352	3.4%	2,889	2.9%	644	2.6%	41	4.5%
Legal costs - Plaintiff	L2	10,577	7.2%	13,701	7.3%	6,593	6.7%	1,499	5.9%	3	0.3%
Legal costs - Defendant	L4, L5, L6	8,690	5.9%	8,276	4.4%	2,349	2.4%	308	1.2%	3	0.3%
Hospital, Medical, Pharmaceutical & Rehabilitation	M1, R1 (ex. RJ)	14,369	9.8%	20,763	11.0%	10,224	10.4%	3,280	13.0%	179	19.5%
Recoveries	V1, V2, V3	-586	-0.4%	-725	-0.4%	-158	-0.2%	-74	-0.3%	0	0.0%
Total		**147,322**	**100.0%**	**188,350**	**100.0%**	**98,393**	**100.0%**	**25,228**	**100.0%**	**918**	**100.0%**

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

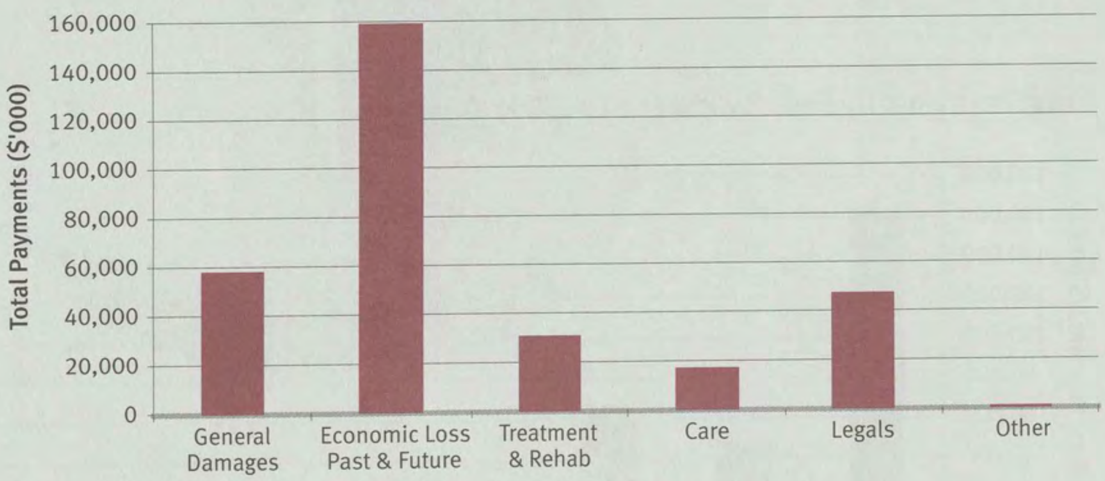
Heads of Damages Breakdown

(Finalised claims from 1 July 2006 to 30 June 2007 for accidents from 2 December 2002 to 30 June 2007)

	General Damages	Economic Loss Past & Future	Treatment & Rehab	Care	Legals	Other *	Total
Finalised Claims (excludes nil claims)	5,464	4,401	6,033	861	5,679	1,005	**6,595**
% Finalised Payments	18.5%	50.7%	9.8%	5.5%	15.1%	0.4%	**100.0%**
Total Payments ($'000)	58,169	159,283	31,066	17,292	47,649	1,084	**314,543**

Note: * 'Other' includes home and vehicle modifications, aids and appliances and any recoveries.

Total Payments for Claims Finalised in 2006-07



Severity Costs Breakdown

(Finalised claims from 1 July 2006 to 30 June 2007 for accidents from 2 December 2002 to 30 June 2007)

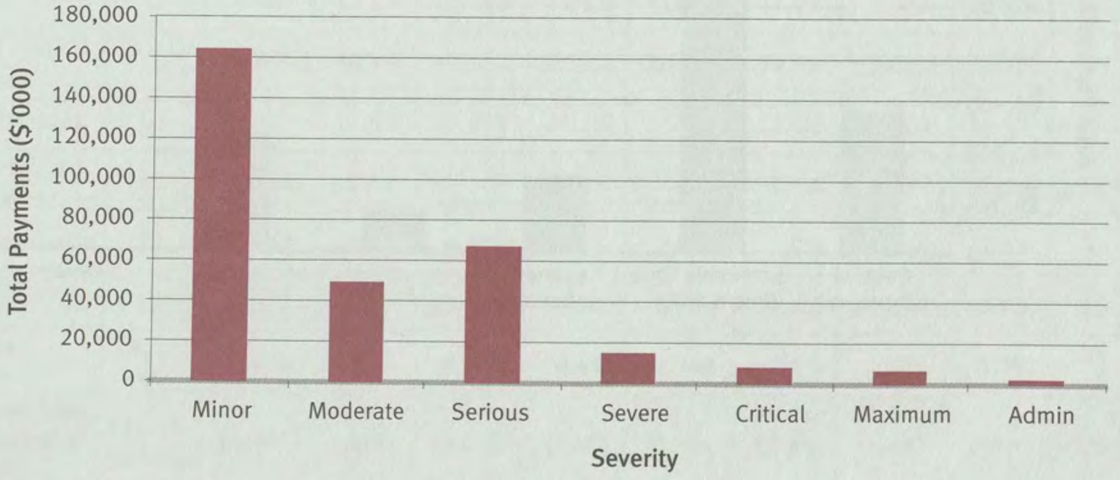
	AIS Severity Description							
	Minor	Moderate	Serious	Severe	Critical	Maximum *	Admin ^	Total
Finalised Claims	4,796	848	477	71	23	88	468	**6,771**
% Total Payments	52.2%	15.8%	21.4%	4.9%	2.7%	2.2%	0.8%	**100.0%**
Average Payment ($)	34,263	58,442	141,497	215,559	369,646	77,640	5,401	**46,455**
Total Payments ($'000)	164,324	49,559	67,494	15,305	8,502	6,832	2,527	**314,543**

Note: Due to minor claims generally settling in a shorter period, the above figures are not truly reflective of the relationship of total payments to severity.

* Maximum severity is predominantly fatalities.

^ Admin Severity includes but is not limited to unconfirmed injuries, nervous shock and business claims.

Total Payments by Severity finalised in 2006-07

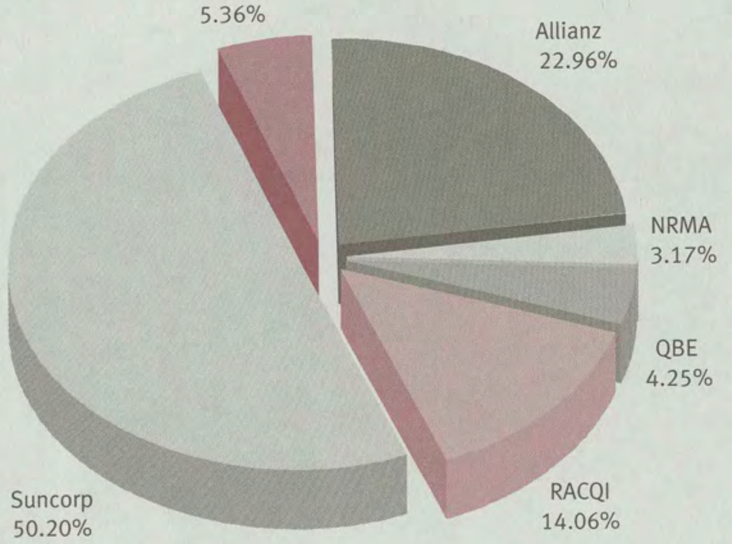


Market Share - Licensed Insurers

Insurer	30/6/03	30/6/04	30/6/05	30/6/06	30/6/07
AAMI	4.94%	4.65%	5.13%	5.69%	5.36%
Allianz	22.89%	22.76%	23.24%	23.02%	22.96%
NRMA	1.37%	1.82%	2.12%	2.47%	3.17%
QBE	3.80%	3.60%	3.49%	3.62%	4.25%
RACQI	12.65%	13.63%	13.22%	13.51%	14.06%
Suncorp	54.35%	53.54%	52.80%	51.69%	50.20%

Note: The market share figures are based on annual aggregate premium collection.

Market Share 30 June 2007

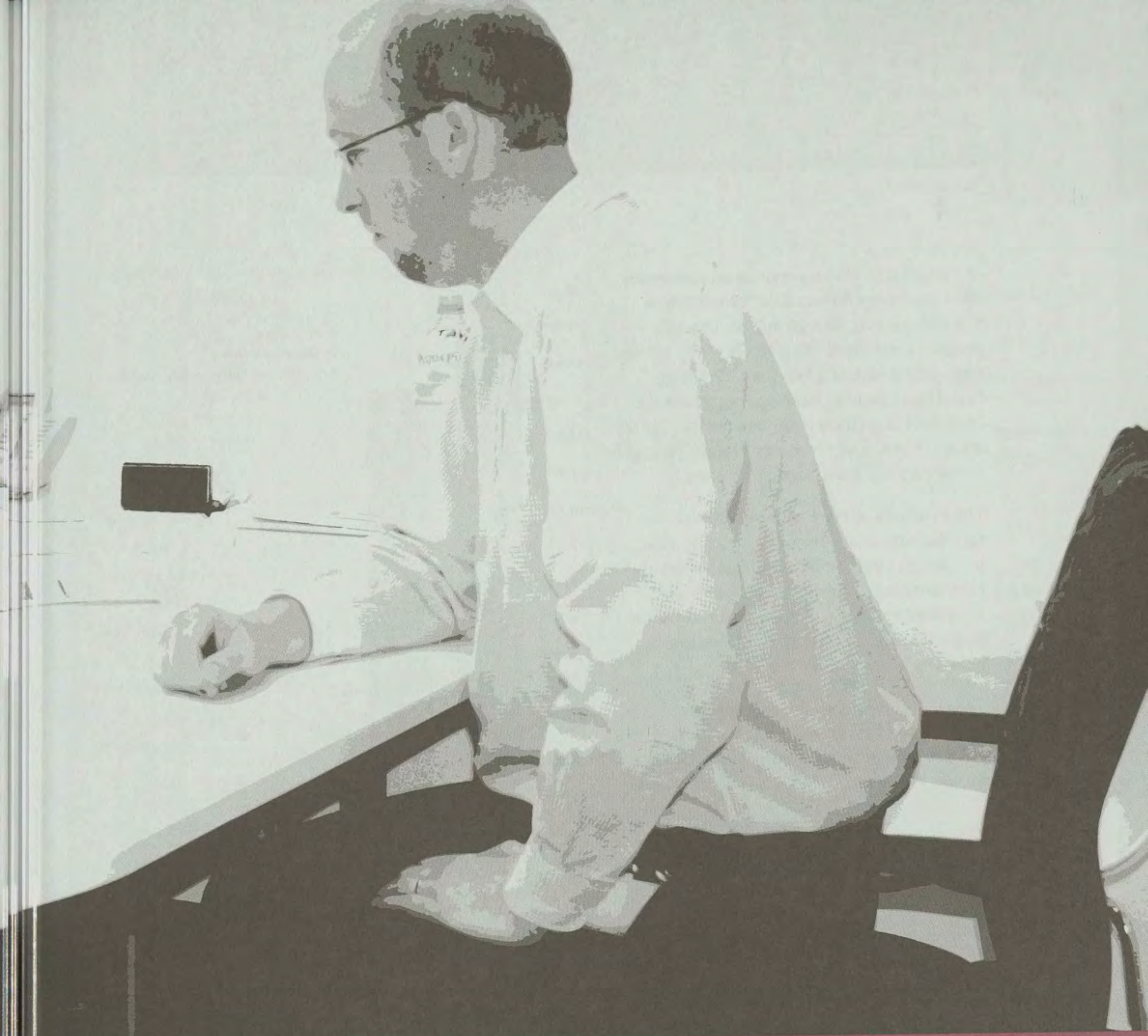


Claim Duration by Licensed Insurer

(Finalised claims for accidents from 2 December 2002 to 30 June 2007)

	AAMI	Allianz	QBE	Suncorp	RACQI	NRMA	Average
Notification to Compliance Date	0.6	0.6	0.5	1.0	0.6	0.7	**0.8**
Compliance Date to Liability Decision Date	0.5	2.9	2.2	3.7	3.1	3.1	**3.2**
Liability Decision Date to Settlement Date	14.8	13.0	14.5	12.8	12.5	10.8	**12.9**

Note: Timeframes = Average Months



Financial Information
2006-07

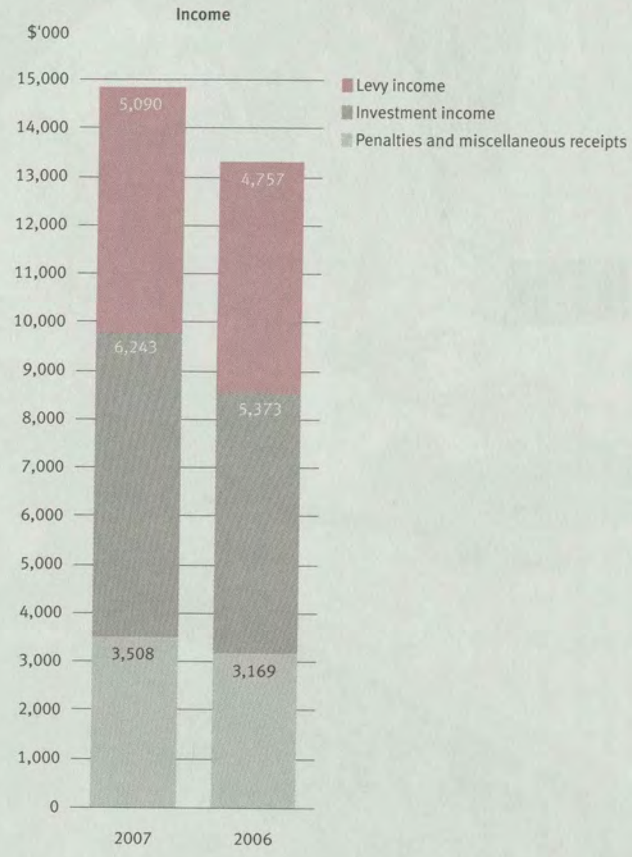
Motor Accident Insurance Commission

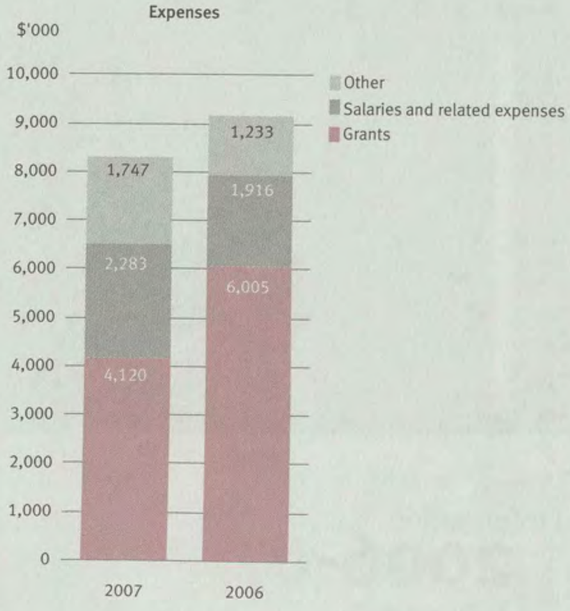
Financial Summary

In comparison to the previous year, revenue increased overall from $13.299 million to $14.840 million. $5.090 million of total revenue came from the statutory levy which was set at a rate of $1.60 per CTP policy. Investment income increased significantly from $5.373 million to $6.243 million for the 2006-07 year and there was a slight increase in the revenue from penalty receipts.

The expenses of the Commission were significantly lower than the previous year, primarily the result of a decrease in grant expenditure which was $4.120 million compared to $6.005 million in the 2005-06 financial year. Details of grant funding are provided in Appendix 5.

The resultant operating profit for the Commission for the year ended 30 June 2007 increased by approximately 38% to $6.690 million.





Motor Accident Insurance Commission
Income Statement
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Income			
Revenue			
Levy income	2	5,090	4,757
Investment income	3	6,243	5,373
Penalties and miscellaneous receipts		3,507	3,169
Total Income		**14,840**	**13,299**
Expenses			
Grants		4,120	6,005
Employee expenses	4	2,283	1,916
Depreciation and amortisation	5	77	43
Computer facilities management fee		367	209
Rent		198	125
Consultancy expenditure		373	271
Other	6	732	585
Total Expenses		**8,150**	**9,154**
Operating Surplus		**6,690**	**4,145**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Balance Sheet
As at 30 June 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash assets	16(i)	2,753	912
Receivables	7	312	517
Other financial assets	8	31,365	26,207
Prepayments		33	29
Total Current Assets		**34,463**	**27,665**
Non Current Assets			
Receivables	7	500	500
Other financial assets	8	10,500	10,500
Property, plant and equipment	9	31	54
Intangibles	10	194	248
Total Non Current Assets		**11,225**	**11,302**
Total Assets		**45,688**	**38,967**
Current Liabilities			
Payables	11	345	290
Accrued employee benefits	12	213	215
Total Current Liabilities		**558**	**505**
Non Current Liabilities			
Accrued employee benefits	12	43	32
Total Non Current Liabilities		**43**	**32**
Total Liabilities		**601**	**537**
Net Assets		**45,087**	**38,430**
Equity			
Reserves	13	15,875	15,300
Retained surpluses		29,212	23,130
Total Equity		**45,087**	**38,430**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Changes in Equity
For the year ended 30 June 2007

	Retained Profits		Reserves (Note 13)		Total Equity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance 1 July	23,130	20,231	15,300	14,096	38,430	34,327
Operating Surplus	6,690	4,145	-	-	6,690	4,145
Transfer to Reserves						
- Accident Prevention Initiatives	(2,600)	(2,476)	2,600	2,476	-	-
- Rehabilitation Initiatives	(2,429)	(2,299)	2,429	2,299	-	-
Transfer from Reserves						
- Accident Prevention Initiatives	2,276	1,441	(2,276)	(1,441)	-	-
- Rehabilitation Initiatives	2,178	2,130	(2,178)	(2,130)	-	-
Net leave liabilities transferred from other business units	(33)	(42)	-	-	(33)	(42)
Balance 30 June	29,212	23,130	15,875	15,300	45,087	38,430

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Cash Flows
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Inflows:			
Levy income		5,090	4,757
Investment income		6,193	5,361
Penalties and miscellaneous receipts		3,519	3,149
GST input taxes recovered from ATO		874	322
Outflows:			
Grants		(4,120)	(6,005)
Employee expenses		(2,307)	(1,842)
Computer facilities management fees		(367)	(121)
Other		(1,883)	(1,662)
Net cash provided by operating activities	16(ii)	**6,999**	**3,959**
Cash flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		-	(20)
Purchase of intangibles		-	(50)
Net cash used in investing activities		-	**(70)**
Net increase in cash held		**6,999**	**3,889**
Cash at the beginning of the financial year		37,619	33,730
Cash at the end of the financial year	16(i)	**44,618**	**37,619**

The accompanying notes form part of these financial statements.

Note 1 Summary of Significant Accounting Policies

(a) Reporting Entity

The Motor Accident Insurance Commission is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund.

Established under the Motor Accident Insurance Act 1994, the Commission commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

(b) Basis of Accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) where appropriate. They have also been prepared in accordance with the Financial Administration and Audit Act (1977), Financial Management Standard (1997) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(c) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision made for impairment. All known bad debts were written-off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities of the commission and are recognised at their assessed values.

(d) Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

(e) Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Plant & equipment	$5,000
Intangibles	$100,000

Items with a lesser value are expensed in the year of acquisition.

(f) Valuations of Non-Current Physical and Intangible Assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Note 1 Summary of Significant Accounting Policies (continued)

(g) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life less any anticipated residual value.

It has been determined that there is not an active market for any of the Commission's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Internally Generated Software
Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit, namely 5 years.

(h) Amortisation and Depreciation of Intangibles and Property, Plant and Equipment

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

Software under development is not amortised until it has been fully developed and utilised.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate%
Plant and Equipment	20 – 25
Intangibles	20

(i) Impairment of Non – Current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Commission determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a re-valued amount. When the asset is measured at a re-valued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(j) Other Financial Assets

All funds not required for the day to day management of the Motor Accident Insurance Commission are invested with the Queensland Investment Corporation ("QIC") and are recorded in these financial statements at net market value.

Note 1 Summary of Significant Accounting Policies (continued)

(k) Payables

Trade creditors are recognised upon receipt of goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

(l) Employee Benefits

Wages, Salaries, Recreation Leave and Sick Leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using the 1 year Commonwealth Government bond rate.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Commission's obligation is limited to its contribution to QSuper.

Therefore, no liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

Executive Remuneration

The executive remuneration disclosures in the employee expenses note (note 4) in the financial statements include:

- the aggregate remuneration of all senior executives whose remuneration for the financial year is $100,000 or more, and
- the number of senior executives, whose total remuneration for the financial year falls within each successive $20,000 band, commencing at $100,000.

Note 1 Summary of Significant Accounting Policies (continued)

(l) Employee Benefits (continued)

The remuneration disclosed is all remuneration received or receivable, directly or indirectly, from the Commission or any related party in connection with the management of the affairs of the Commission, whether as an executive or otherwise. For this purpose, remuneration includes:

- wages and salaries
- accrued leave (that is, the increase/decrease in the amount of annual leave owed to an executive, inclusive of any increase in the value of annual leave balances as a result of salary rate increases or the like)
- accrued superannuation contributions (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June 2007)
- Fringe benefits tax including motor vehicles and any other taxable allowances.

The remuneration disclosed does not include long service leave entitlements.

The disclosures apply to all senior executives appointed by Governor in Council and classified SES1 and above, with remuneration above $100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:

- paid to an executive by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed, or
- in payment or reimbursement of out of pocket expenses incurred for the benefit of the Commission.

In addition, separate disclosure of separation or redundancy / termination benefit payments is included.

(m) Reserves

The funds in equity have been sub-classified in the balance sheet, to fulfil our charter under Section 10(1) of the Motor Accident Insurance Act 1994. These funds are to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

The Income Maintenance reserve is required to give the Commission and its creditors an added measure of protection from the effects of losses.

(n) Contingent Assets

Under section 33(4) and 33(5) of the Motor Accident Insurance Act 1994, an amount of $57,818,000 was transferred from the Motor Accident Insurance Fund to the Nominal Defendant Fund on 22 January 2002 to be applied to outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited.

Under section 33(6) and 33(7) of the Motor Accident Insurance Act 1994, should circumstances give rise to a recovery from the liquidation of FAI General Insurance Company Limited, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding $57,818,000 to the Motor Accident Insurance Fund.

(o) 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.

Note 1 Summary of Significant Accounting Policies (continued)

(p) Levy Collection, Contributions and Penalties

Levies received in accordance with Section 27 of the Motor Accident Insurance Act 1994 are recognised as revenue at the time they are legally due to be paid by the Queensland Department of Transport to the Commission, upon receipt of monies from motorists.

Levies collected on behalf of the Queensland Department of Health and the Department of Emergency Services during the current year have not been included as revenue in the Income Statement as these amounts are not controlled. Similarly, remittances 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 are provided in Note 15.

Penalties imposed under Section 20 of the Motor Accident Insurance Act 1994 are recognised as revenue at the time they are legally due to be paid by the Queensland Department of Transport and Department of Justice and Attorney-General to the Commission, upon receipt of monies from uninsured motorists.

(q) Insurance

The Commission's non-current assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Commission pays premiums to Work Cover Queensland in respect of its obligations for employee compensation.

(r) Issuance of Financial Statements

The financial statements are authorised for issue by the Insurance Commissioner and the Manager, Corporate Governance at the date of signing the management certificate.

(s) Judgement and Assumptions

The Commission has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(t) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(u) New and Revised Accounting Standards

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the Motor Accident Insurance Commission had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. There was no material impact on adoption of the new and revised Standards and Interpretations.

Note 1 Summary of Significant Accounting Policies (continued)

(u) New and Revised Accounting Standards (continued)

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied. At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Operative for reporting periods beginning on/after
AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards	1 January 2008
AASB 2: Share-based Payment	1 March 2007
AASB 4: Insurance Contracts	1 January 2007
AASB 8: Operating Segments	1 January 2009
AASB 101: Presentation of Financial Statements	1 January 2007
AASB 114: Segment Reporting	1 January 2007
AASB 117: Leases	28 February 2007
AASB 118: Revenue	28 February 2007
AASB 120: Accounting for Government Grants and Disclosure of Government Assistance	28 February 2007
AASB 121: The Effects of Changes in Foreign Exchange Rates	28 February 2007
AASB 127: Consolidated and Separate Financial Statements	28 February 2007
AASB 131: Interests in Joint Ventures	28 February 2007
AASB 132: Financial Instruments: Presentation	1 January 2007
AASB 133: Earnings per Share	1 January 2007
AASB 139: Financial Instruments: Recognition and Measurement	28 February 2007
AASB 1023: General Insurance Contracts	1 January 2007
AASB 1038: Life Insurance Contracts	1 January 2007
AASB 1048: Interpretation and Application of Standards	31 March 2007
AASB 1049: Financial Reporting of General Government Sectors by	1 July 2008
AASB 2007-1: Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	1 March 2007
AASB 2007-2: Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	28 February 2007 1 January 2008

Note 1 Summary of Significant Accounting Policies (continued)

(u) New and Revised Accounting Standards (continued)

Title	Operative for reporting periods beginning on/after
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009
AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	1 July 2007
AASB 2007-5: Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	1 July 2007
AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12]	1 January 2007
AASB 2007-7: Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	1 July 2007
Interpretation 4: Determining whether an Arrangement contains a Lease [revised]	1 January 2008
Interpretation 10: Interim Financial Reporting and Impairment	1 November 2006
Interpretation 11: AASB 2 – Group and Treasury Share Transactions	1 March 2007
Interpretation 12: Service Concession Arrangements	1 January 2008
Interpretation 129: Disclosure – Service Concession Arrangements [revised]	1 January 2008

It is anticipated that the above Standards and Interpretations are either not applicable to the Commission or adoption of them in future periods will have no material impact on the Commission's financial statements.

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007	2006
Note 2	**Levy Income**	**$'000**	**$'000**
	Levies comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.		
	Statutory Insurance Scheme Levy	5,090	4,757

Note 3	**Investment Income**		
	Distributions received from Queensland Investment Corporation	5,928	5,161
	Interest received from funds held by Queensland Treasury	315	212
	Total	6,243	5,373

Note 4	**Employee Expenses**		
	Employee Benefits		
	Wages and salaries	1,701	1,430
	Employer superannuation contributions*	221	166
	Long service leave levy*	31	20
	Recreation leave expense	146	127
	Employee Related Expenses		
	Workers' compensation premium*	3	3
	Payroll Tax*	101	-
	Other employee related expenses	80	170
	Total	2,283	1,916

Note 4 Employee expenses (continued)	2007 $'000	2006 $'000

*Cost of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of Employees:	28.43	26.26

Executive Remuneration

The number of senior executives who received or were due to receive total remuneration of $100,000 or more:

$100,000 to $119,999	1	-
$120,000 to $139,999	-	1
The total remuneration of executives shown above ** ($'000).	106	123

**The amount calculated as executive remuneration in these financial statements includes the direct remuneration received, as well as items not directly received by senior executives, such as the movement in leave accruals and fringe benefits tax paid on motor vehicles. This remuneration received does not include remuneration in connection with the management of Nominal Defendant.

The total separation and redundancy/ termination benefit payments during the year to executives shown above ($'000).	5	–

Note 5 Depreciation and Amortisation

	2007 $'000	2006 $'000
Plant and equipment	23	21
Intangibles	54	22
Total	77	43

Note 6 Other Expenses

	2007 $'000	2006 $'000
Administration Fees	175	171
Legal and Barrister Fees	53	78
Insurance Premiums - QGIF	26	25
Audit Fees	16	12
Other	462	299
Total	732	585

Total external audit fees relating to the 2006-07 financial year are estimated to be $16,000 (2005-06: $12,000)

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 7	**Receivables**		
	Current		
	Accrued investment income	94	45
	Penalties receivable	93	105
	Other receivables	125	367
	Total	**312**	**517**
	Non-Current		
	Loan Receivable	500	500
	Total	**500**	**500**
Note 8	**Other Financial Assets**		
	Current		
	Queensland Investment Corporation	31,365	26,207
	Non-Current		
	Queensland Investment Corporation	10,500	10,500
	Total	**41,865**	**36,707**
Note 9	**Property, Plant and Equipment**		
	Plant and equipment:		
	At Cost	196	196
	Less: Accumulated depreciation	(165)	(142)
	Total	**31**	**54**

Plant and equipment is valued at cost in accordance with Queensland Treasury's Non-Current Asset Accounting Policies for the Queensland Public Sector.

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:

Reconciliation	2007 $'000	2006 $'000
Carrying amount at beginning of year	54	55
Additions	-	20
Disposals	-	-
Depreciation	(23)	(21)
Carrying amount at end of year	31	54

Motor Accident Insurance Commission
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Note 10 Intangibles

	2006 $'000	2006 $'000
Internally Generated Software:		
At cost	270	433
Less: Accumulated amortisation	(76)	(185)
Total	**194**	**248**
Reconciliation		
Carrying amount at beginning of year	248	220
Additions	-	50
Disposals	-	-
Transfers	-	-
Amortisation	(54)	(22)
Carrying amount at end of year	**194**	**248**

Note 11 Payables

Sundry creditors and accruals	**345**	**290**

Note 12 Accrued Employee Benefits

Current		
Wages outstanding	50	62
Recreation Leave	163	153
Total	**213**	**215**
Non-Current		
Recreation Leave	43	32
Total	**43**	**32**

The discount rates used to calculate the present value of non-current recreation leave is 6.385% (2006: 5.32%)

Note 13 Reserves

Composition and movements:

Income Maintenance		
Balance at beginning and end of year	**10,500**	**10,500**

		2007 $'000	2006 $'000
Note 13	**Reserves (continued)**		
	Accident Prevention Initiatives		
	Balance at beginning of year	2,476	1,441
	Transfer to retained profits	(2,276)	(1,441)
	Transfer from retained profits	2,600	2,476
	Balance at end of year	**2,800**	**2,476**
	Rehabilitation Initiatives		
	Balance at beginning of year	2,324	2,155
	Transfer to retained profits	(2,178)	(2,130)
	Transfer from retained profits	2,429	2,299
	Balance at end of year	**2,575**	**2,324**
	Total	**15,875**	**15,300**

Note 14 Commitments for Expenditure

(a) Maintenance Contract Commitments

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

	2007	2006
Due not later than one year	346	328
Due later than one year but not later than five years	-	-
Total	**346**	**328**

(b) Operating Lease Rental Commitments

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

	2007	2006
Due not later than one year	319	187
Due later than one year but not later than five years	-	187
Total	**319**	**374**

(c) Motor Vehicle Lease Commitments

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

	2007	2006
Due not later than one year	24	11
Due later than one year but not later than five years	19	-
Total	**43**	**11**

	2007 $'000	2006 $'000
Note 14 Commitments for Expenditure (continued)		

(d) 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 monies 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:

	2007 $'000	2006 $'000
Due not later than one year	3,465	2,654
Due later than one year but not later than five years	8,808	4,675
Total	12,273	7,329

Note 15 Agency Transactions

The Motor Accident Insurance Commission (MAIC) receives Hospital and Emergency Services Levy amounts from Queensland Transport for transfer payments to Queensland Department of Health and the Department of Emergency Services. 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 Queensland Transport on gross insurance premiums.

	2007 $'000	2006 $'000
Levies collected but not remitted in the previous year	2,545	2,310
Hospital levy	22,782	19,120
Emergency Services levy	8,899	8,575
Total	34,226	30,005

Contributions
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport.

	2007 $'000	2006 $'000
Hospital levy contributions	22,461	18,947
Emergency Services levy contributions	8,850	8,513
Total	31,311	27,460

	2007 $'000	2006 $'000
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:	2,915	2,545

Motor Accident Insurance Commission
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Note 16 Cash Flow Statement

		2007 $'000	2006 $'000
(i)	**Reconciliation of cash**		
	For the purposes of the of Cash Flow Statement, 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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
	Cash	2,753	912
	Investments	41,865	36,707
	Total	44,618	37,619
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**		
	Operating surplus	6,690	4,145
	Add non-cash items:		
	Depreciation	23	21
	Amortisation	54	22
	Direct changes to equity	(33)	(42)
	Changes in assets and liabilities:		
	Increase in payables	55	90
	Decrease / (Increase) in receivables	205	(394)
	(Increase) in prepayments	(4)	-
	Increase in accrued employee benefits	9	117
	Net cash provided by operating activities	6,999	3,959

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

Note 17 Financial Instruments

(a) Categorisation of Financial Instruments

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
Financial Assets			
Cash on hand	16 (i)	Recorded at book value, which approximates fair value. Interest is recognised in the Income Statement when earned.	Under the Cash Management Incentives Regime (CMIR) the Treasury Controlled Bank account earns interest on surplus funds and pays interest when in overdraft. The interest rate is changed quarterly and the June quarter rate is 5.5%.
Receivables			
Penalties receivable	7	Recognition - upon receipt of fines by Qld Transport and the Courts. Measurement - prescribed by the Motor Accident Insurance Act 1994. Recorded at book value.	Usually received within 30 days from the month due.
Loans receivable	7	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 prevention and rehabilitation. Repayments in accordance with individual loan agreements.
Other financial assets	8	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
Financial Liabilities			
Payables	11	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/ contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

Note 17 Financial Instruments (continued)

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

(b) Interest Rate Risk Exposure

The Commission 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 Commission's return on the investments will fluctuate in accordance with movements in the market interest rates.

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing 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*		2,753	-	-	-	-	2,753
Receivables	7	-	-	-	-	812	812
Investments	8	-	-	-	-	41,865**	41,865
		2,753	-	-	-	42,677	45,430
Financial Liabilities							
Payables	11	-	-	-	-	345	345
Net Financial Assets		2,753	-	-	-	42,332	45,085

***Weighted average Interest rate** 5.26%

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing 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*		912	-	-	-	-	912
Receivables	7	-	-	-	-	1,017	1,017
Investments	8		-	-	-	36,707*	36,707
		912	-	-	-	37,724	38,636
Financial Liabilities							
Payables	11	-	-	-	-	290	290
Net Financial Assets		912	-	-	-	37,434	38,346

*Weighted average Interest rate 4.63%

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

Note 17 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) 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.

Financial assets past due but not impaired

Contractual repricing / maturity date:

	Not overdue $'000	Less than 30 days $'000	Overdue 30 – 60 days $'000	61 – 90 days $'000	More than 90 days $'000	Total $'000	Total financial assets $'000
Financial assets							
Receivables	312	-	-	-	500	812	812
Total	312	-	-	-	500	812	812

Note 18 Segment Information.

The Commission operates within one primary and one geographical segment that being the administration of the Queensland compulsory third party motor vehicle insurance scheme.

Note 19 Events Occurring after Balance Date

No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

Certificate of the Motor Accident Insurance Commission

The foregoing general purpose financial statements have been prepared pursuant to section 46F (1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with section 46F (3) of the Act we certify that:

(a) the 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 for establishing and keeping the accounts have been complied with in all material respects; and

(ii) the statements have been drawn up 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 2007 and of the financial position of the Commission at the end of that year.

John Hand
Insurance Commissioner

L Lee
Manager Corporate Governance

Dated: 26 September 2007

Independent Audit Report

To the Motor Accident Insurance Commission

Report on the Financial Report

I have audited the accompanying financial report of the Motor Accident Insurance Commission which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Commission and officer responsible for the financial administration of the Motor Accident Insurance Commission.

The Commission's Responsibility for the Financial Report

The Commission is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act (1977)* and the *Financial Management Standard (1997)*, including compliance with applicable *Australian Accounting Standards* (including the *Australian Accounting Interpretations*). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Financial Administration and Audit Act (1977)* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.46G of the *Financial Administration and Audit Act (1977)*:

(a) I have received all the information and explanations which I have required; and

(b) in my 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 financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2006 to 30 June 2007 and of the financial position as at the end of that year.

J A LATIF (CA)
Delegate of the Auditor-General of Queensland

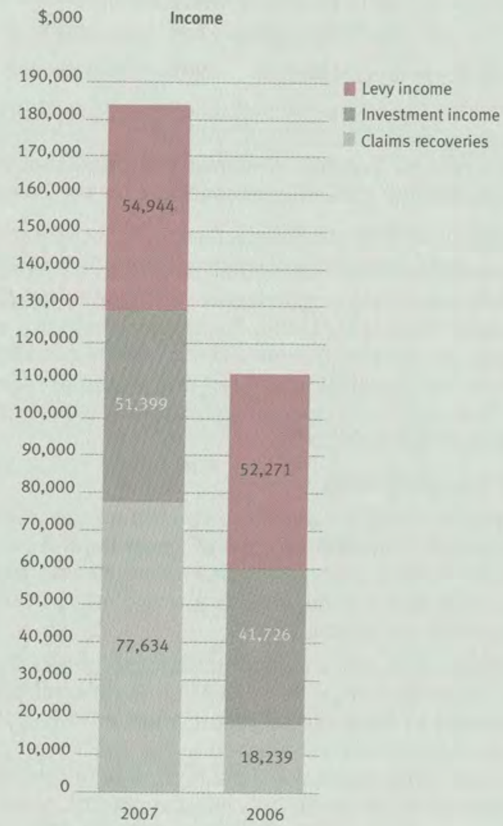
26 September 2007
Brisbane

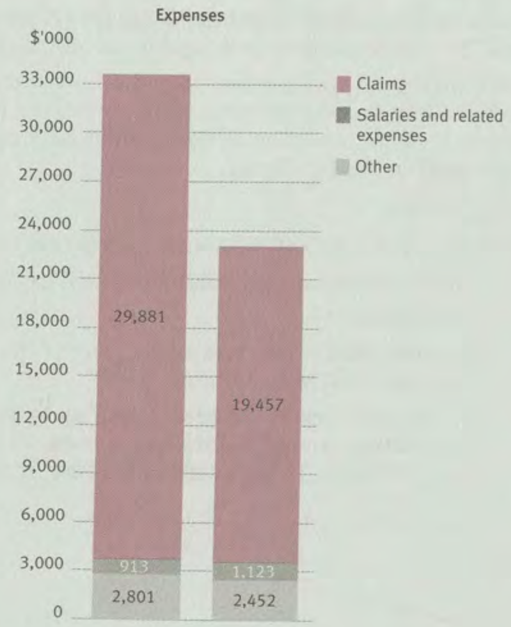
Nominal Defendant
Financial Summary

The operating surplus of the Nominal Defendant for the year ended 30 June 2007 was approximately $153.4 million compared to the prior year's operating surplus of $92.458 million. In accordance with the Deed of Indemnity between the Queensland Government and the Nominal Defendant with respect to the CTP liabilities of FAI Insurance, $78.201 million was reimbursed to the Treasury Department during 2006-07. This amount was funded primarily by $77.634 million received in dividends from the HIH Liquidator during 2006-07 and proceeds from the CTP levy surcharge.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the *Motor Accident Insurance Act*), payments on claims and associated costs during the financial year increased from $16.667 million to $25.038 million. The provisions for outstanding claim liabilities were actuarially assessed and were increased by $3.975 million.

The income from the levy for the normal business of the Nominal Defendant increased to $39.560 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at $12.95 per Class 1 policy, plus the $5 HIH levy which raised $1.384 million in the year. Claims recoveries were $3.017 million during the year, down from $3.254 million in the previous year. The increase in Other Expenses predominantly reflects an increase in the 2006-07 reinsurance premium and Queensland Investment Corporation (QIC) management fees. The performance of the QIC investments improved significantly from $41.726 million to $51.399 million for the 2006-07 year.





Nominal Defendant
Income Statement
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Income			
Revenue			
Levy income	1(o), 2	54,944	52,271
Investment income	5	51,399	41,726
Dividends from liquidator	6	77,634	18,239
Total Income		183,977	112,236
Expenses			
Claims expense	2	29,881	19,457
Claims recoveries		(3,017)	(3,254)
Net claims incurred	3	26,864	16,203
Other expenses	4	3,714	3,575
Total Expenses		30,578	19,778
Operating Surplus		153,399	92,458

The accompanying notes form part of these financial statements.

Financial information 2006-07

Nominal Defendant
Balance Sheet
As at 30 June 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash assets	15(i)	959	1,122
Receivables	7	3,492	1,023
Other financial assets	8	80,133	89,662
Prepayments		1	3
Total Current Assets		**84,585**	**91,810**
Non-Current Assets			
Other financial assets	8	287,301	226,477
Property, plant and equipment	9	3	9
Intangibles	10	127	171
Total Non-Current Assets		**287,431**	**226,657**
Total Assets		**372,016**	**318,467**
Current Liabilities			
Payables	11	4,438	17,784
Accrued employee benefits	12	70	211
Future claims and associated costs	13	47,074	47,314
Unearned levies		27,843	26,500
Total Current Liabilities		**79,425**	**91,809**
Non-Current Liabilities			
Accrued employee benefits	12	14	14
Future claims and associated costs	13	168,775	178,034
Total Non-Current Liabilities		**168,789**	**178,048**
Total Liabilities		**248,214**	**269,857**
Net Assets		**123,802**	**48,610**
Equity			
Contributed equity		148,810	227,011
Accumulated losses		(25,008)	(178,401)
Total Equity		**123,802**	**48,610**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Changes in Equity
For the year ended 30 June 2007

	Contributed Equity		Accumulated Losses		Total Equity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance 1 July	227,011	245,537	(178,401)	(270,857)	48,610	(25,320)
Operating Surplus	-	-	153,399	92,458	153,399	92,458
State Government Equity withdrawal (Note 1(c))	(78,201)	(18,526)	-	-	(78,201)	(18,526)
Net leave liabilities transferred from other business units	-	-	(6)	(2)	(6)	(2)
Balance 30 June	148,810	227,011	(25,008)	(178,401)	123,802	48,610

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Cash Flows
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Inflows:			
Levy income		56,287	53,549
Claims recoveries		2,134	3,344
Investment income		51,399	41,736
Dividends from liquidator		76,048	18,239
GST recovered from ATO		566	696
Outflows:			
Claims paid		(38,817)	(37,331)
Salaries and related expenses		(1,239)	(990)
Other		(3,082)	(3,094)
Net cash provided by operating activities	15(ii)	**143,296**	**76,149**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(92,164)	(1,096)
Net cash used in financing activities		**(92,164)**	**(1,096)**
Net increase in cash held		**51,132**	**75,053**
Cash at the beginning of the financial year		317,261	242,208
Cash at the end of the financial year	15(i)	**368,393**	**317,261**

The accompanying notes form part of these financial statements.

Note 1 Summary of Significant Accounting Policies

(a) Reporting Entity

The Nominal Defendant was established under the Motor Accident Insurance Act 1994 to act as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

(b) Basis of Accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) where appropriate. They have also been prepared in accordance with the Financial Administration and Audit Act (1977), Financial Management Standard (1997) and Australian Accounting Standards (including the Australian Accounting Interpretations).

The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(c) Deed of Indemnity

Under section 33(2) of the Motor Accident Insurance Act 1994, the Nominal Defendant (the Fund) has assumed the Queensland Compulsory Third Party liabilities of the insolvent insurer, FAI General Insurance Company Limited (FAI).

The Queensland Government has agreed to indemnify the Nominal Defendant for any shortfalls relating to the above. Any funds to be advanced to the Nominal Defendant are determined after taking into consideration a component of the levy, recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission.

The funds provided by the State are to be recorded by the Nominal Defendant as equity injections in its financial statements. Where cash receipts from the CTP levy surcharge and/or recoveries from the liquidator of HIH exceed outflows from HIH CTP claims, that amount will be remitted back to the Queensland Government and recorded as an equity withdrawal.

(d) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed at each reporting date with provision made for impairment. All known bad debts were written-off as at 30 June.

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 financial statements in the period in which they are received. This policy is under constant review by the Nominal Defendant.

(e) Acquisition of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

Note 1 Summary of Significant Accounting Policies (continued)

(f) Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Plant and equipment	$5,000

Items with a lesser value are expensed in the year of acquisition.

(g) Valuations of Non-Current Physical and Intangible Assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

(h) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life less any anticipated residual value.

It has been determined that there is not an active market for any of the Nominal Defendant's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation.

Purchased Software

The purchase cost, together with any internal developments costs, of this software has been capitalised and is being amortised on a straight-line basis over the period of expected benefit, namely 5 years.

(i) Amortisation and Depreciation of Intangibles and Property, Plant and Equipment

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

Software under development is not amortised until it has been fully developed and utilised.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rates%
Plant and Equipment	20-25
Software	20

Note 1 Summary of Significant Accounting Policies (continued)

(j) Impairment of Non–Current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Nominal Defendant determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a re-valued amount. When the asset is measured at a re-valued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(k) Other Financial Assets

All funds not required for the day to day management of the Nominal Defendant are invested with the Queensland Investment Corporation (QIC) and are recorded in the financial statements at net market value.

(l) Payables

Trade creditors are recognised upon receipt of goods or services at the contracted amount to be paid for the goods and services rendered. Amounts owing are unsecured and are generally settled on 30 day terms.

(m) Future Claims and Associated Costs

Provisions for outstanding claims have been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office (2006 – Finity Consulting Pty Ltd).

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 claims files and estimating un-notified claims and settlement costs using statistics based on past experiences and trends.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all 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 and superimposed inflation.

Note 1 Summary of Significant Accounting Policies (continued)

(n) Funding of Nominal Defendant

Funding is by way of levies, as explained at Note 1(o); 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 funded by the Queensland Government as detailed at Note 1(c).

(o) Levies

In order to comply with the provisions of Australian Accounting Standard AASB 1023 General Insurance Contracts, 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 AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

Levy revenue is recognised in the Income Statement only when it has been earned in accordance with the accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levies) in the Balance Sheet and then systematically transferred to revenue in the Income Statement as the levy is earned over time. In accordance with AASB 1023 the recognition of earned levy is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Queensland Department of Transport.

Levy revenue is received from motorists via the Queensland Department of Transport in accordance with Section 29 of the Motor Accident Insurance Act 1994 based on a levy on 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 fixed each year by regulation in accordance with Section 14A (1) of the Motor Accident Insurance Act 1994.

The Motor Accident Insurance Commission makes a recommendation to the Minister on the levy rate after obtaining and considering actuarial advice.

(p) Employee Benefits

Wages, Salaries, Recreation Leave and Sick Leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using the 1 year Commonwealth Government bond rate.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Note 1 Summary of Significant Accounting Policies (continued)

(p) Employee Benefits (continued)

Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Nominal Defendant's obligation is limited to its contribution to QSuper.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

(q) 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.

(r) Insurance

The Nominal Defendant's non-current assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Nominal Defendant pays premiums to Work Cover Queensland in respect of its obligations for employee compensation.

(s) Issuance of Financial Statements

The financial statements are authorised for issue by the Nominal Defendant and the Manager, Corporate Governance at the date of signing the management certificate.

(t) Judgement and Assumptions

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office (2006 - Finity Consulting Pty Limited), in calculating the Future Claims and Associated Costs as at the end of the financial year. Refer to Note 1(m) and 13. The Nominal Defendant has made no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Note 1 Summary of Significant Accounting Policies (continued)

(u) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(v) New and Revised Accounting Standards

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the Nominal Defendant had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. There was no material impact on adoption of the new and revised Standards and Interpretations.

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied. At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Operative for reporting periods beginning on/after
AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards	1 January 2008
AASB 2: Share-based Payment	1 March 2007
AASB 4: Insurance Contracts	1 January 2007
AASB 8: Operating Segments	1 January 2009
AASB 101: Presentation of Financial Statements	1 January 2007
AASB 114: Segment Reporting	1 January 2007
AASB 117: Leases	28 February 2007
AASB 118: Revenue	28 February 2007
AASB 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
AASB 121: The Effects of Changes in Foreign Exchange Rates	28 February 2007
AASB 127: Consolidated and Separate Financial Statements	1 July 2007
AASB 131: Interests in Joint Ventures	28 February 2007
AASB 132: Financial Instruments: Presentation	1 January 2007
AASB 133: Earnings per Share	1 January 2007
AASB 139: Financial Instruments: Recognition and Measurement	28 February 2007

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Title	Operative for reporting periods beginning on/after
AASB 1023: General Insurance Contracts	1 January 2007
AASB 1038: Life Insurance Contracts	1 January 2007
AASB 1048: Interpretation and Application of Standards	31 March 2007
AASB 1049: Financial Reporting of General Government Sectors by Governments	1 July 2008
AASB 2007-1: Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	1 March 2007
AASB 2007-2: Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	28 February 2007; 1 January 2008
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009
AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	1 July 2007
AASB 2007-5: Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	1 July 2007
AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12]	1 January 2009
AASB 2007-7: Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	1 July 2007
Interpretation 4: Determining whether an Arrangement contains a Lease [revised]	1 January 2008
Interpretation 10: Interim Financial Reporting and Impairment	1 November 2006
Interpretation 11: AASB 2 – Group and Treasury Share Transactions	1 March 2007
Interpretation 12: Service Concession Arrangements	1 January 2008
Interpretation 129: Disclosure – Service Concession Arrangements [revised]	1 January 2008

It is anticipated that the above Standards and Interpretations are either not applicable to the Nominal Defendant or adoption of them in future periods will have no material impact on the Nominal Defendant financial statements.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Note 2 Claims Expense

	2007 $000	2006 $000

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.

	2007 $000	2006 $000
Decrease in provision for outstanding claims	(9,499)	(17,784)
Claims and associated settlement costs	39,380	37,241
Total	**29,881**	**19,457**

Claims attributable to FAI

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

	2007 $000	2006 $000
Decrease in provision for outstanding claims	(13,474)	(32,278)
Claims and associated settlement costs	14,342	20,574
Total	**868**	**(11,704)**

Underwriting Result

	2007 $000	2006 $000
Levy income	54,944	52,271
Outward reinsurance premium expense	(1,481)	(1,338)
Net premium revenue	**53,463**	**50,933**
Claims expense	(29,881)	(19,457)
Claims recoveries	3,017	3,254
Net claims incurred	**(26,864)**	**(16,203)**
Dividends from liquidator	77,634	18,239
Underwriting result	**104,233**	**52,969**

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.

Claims attributable to Nominal Defendant

	2007			2006		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	50,673	(30,481)	20,192	47,911	(2,037)	45,874
Reinsurance and other recoveries - undiscounted	-	2,447	2,447	(1,191)	(1,351)	(2,542)
Net claims incurred - undiscounted	50,673	(28,034)	22,639	46,720	(3,388)	43,332
Discount and discount movement - gross claims incurred	(11,573)	16,450	4,877	(12,177)	(974)	(13,151)
Discount and discount movement - reinsurance and other recoveries	-	769	769	304	326	630
Net discount movement	(11,573)	17,219	5,646	(11,873)	(648)	(12,521)
Net Claims Incurred - discounted	**39,100**	**(10,815)**	**28,285**	**34,847**	**(4,036)**	**30,811**

Claims attributable to FAI

	2007			2006		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	-	1,372	1,372	-	(13,299)	(13,299)
Reinsurance and other recoveries - undiscounted	-	(2,288)	(2,288)	-	(2,904)	(2,904)
Net claims incurred - undiscounted	-	(916)	(916)	-	(16,203)	(16,203)
Discount and discount movement - gross claims incurred	-	(505)	(505)	-	1,594	1,594
Discount and discount movement - reinsurance and other recoveries	-	-	-	-	-	-
Net discount movement	-	(505)	(505)	-		1,594
Net Claims Incurred - discounted	-	**(1,421)**	**(1,421)**	-	**(14,608)**	**(14,608)**
Total Net Claims Incurred - discounted	**39,100**	**(12,236)**	**26,864**	**34,847**	**(18,644)**	**16,203**

		Note	2007 $000	2006 $000
Net Claims Incurred				
Net Claims Incurred – discounted			28,285	30,811
Claims Recoveries			729	350
			29,014	31,161
Add:	Claims attributable to FAI		(1,421)	(14,608)
	Claims Recoveries – FAI		2,288	2,904
		2	867	(11,704)
Total Claims		2	29,881	19,457

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

	2007 $'000	2006 $'000
Note 4 Other Expenses		
Employee expenses		
Employee benefits		
Salaries and wages	591	757
Employer superannuation contributions*	83	99
Long service leave levy*	7	13
Recreation leave expense	36	71
Other employee benefits	139	129
Employee related expenses		
Workers' compensation premium*	1	2
Payroll tax*	50	45
Other employee related expenses	6	7
Depreciation – Property, Plant and Equipment	6	6
Amortisation – Intangibles	44	46
Rent	73	89
Consultancy Expenditure	84	112
Reinsurance	1,481	1,338
Administration Fees	641	539
Audit Fees	29	23
Insurance Premiums – QGIF	1	1
Other	442	298
Total	3,714	3,575

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of Employees:	12.6	11.77

Total external audit fees relating to the 2006-07 financial year are estimated to be $29,000 (2005-06: $23,000). There are no non-audit services included in this amount.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

	2007 $'000	2006 $'000
Note 4 Other Expenses (continued)		
Other expenses attributable to FAI are included in the figures listed above:		
Employee expenses		
Employee benefits		
Salaries and wages	140	188
Employer superannuation contributions*	19	25
Long service leave levy*	2	3
Recreation leave expense	13	20
Other employee benefits	(2)	7
Employee related expenses		
Workers' compensation premium*	-	1
Payroll tax*	9	11
Rent	6	21
Consultancy Expenditure	12	10
Audit Fees	12	9
Other	108	80
Total	**319**	**375**

* Cost of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2007	2006
Number of Employees:	3.1	1.95

Note 5 Investment Income

	2007 $'000	2006 $'000
Distributions received from Queensland Investment Corporation	51,250	41,614
Interest received from funds held by Queensland Treasury	149	112
Total	**51,399**	**41,726**

Note 6 Dividends from Liquidator

	2007 $'000	2006 $'000
Dividends received from FAI Liquidator	77,634	18,239

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

	2007 $'000	2006 $'000
Note 7 Receivables		
Current		
Accrued investment income	32	31
Claims recoveries receivable	1,819	936
Dividend from FAI Liquidator	1,585	-
Other receivables	56	56
Total	3,492	1,023
Note 8 Other Financial Assets		
Current		
Queensland Investment Corporation	80,133	89,662
Non-Current		
Queensland Investment Corporation	287,301	226,477
Total	367,434	316,139
Note 9 Property, Plant and Equipment		
Plant and equipment:		
At Cost	65	65
Less: Accumulated depreciation	(62)	(56)
Total	3	9

Plant and equipment is valued at cost in accordance with Queensland Treasury's Non-Current Asset Accounting Policies for the Queensland Public Sector.

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:

	2007 $'000	2006 $'000
Carrying amount at beginning of year	9	15
Additions	-	-
Disposals	-	-
Depreciation	(6)	(6)
Carrying amount at end of year	3	9

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 10	**Intangibles**		
	Purchased Software:		
	At Cost	218	388
	Less: Accumulated amortisation	(91)	(217)
	Total	127	171
	Carrying amount at beginning of year	171	217
	Additions	-	-
	Disposals	-	-
	Amortisation	(44)	(46)
	Carrying amount at end of year	127	171
Note 11	**Payables**		
	Sundry Creditors and accruals	972	354
	Equity Withdrawal	3,466	17,430
	Total	4,438	17,784
	The following amounts attributable to FAI are included in the payables figures listed above:		
	Sundry Creditors and accruals	33	41
Note 12	**Accrued Employee Benefits**		
	Current		
	Wages outstanding	17	143
	Recreation Leave	53	68
		70	211
	Non-Current		
	Recreation Leave	14	14
	Total	84	225

Note 12 Accrued Employee Benefits (continued)

The following amounts attributable to FAI are included in the payables figures listed above:

	2007 $'000	2006 $'000
Current		
Wages outstanding	4	10
Recreation Leave	15	22
	19	32
Non-Current		
Recreation Leave	-	-
Total	19	32

The discount rate used to calculate the present value of non-current recreation leave is 6.39% (2006: 5.32%)

Note 13 Future Claims and Associated Costs

The total provision is as follows:

	2007 $'000	2006 $'000
Current	47,074	47,314
Non – current	168,775	178,034
Total	215,849	225,348

The consulting actuaries have recommended an allowance for reinsurance recoveries in the valuation of the outstanding claims liabilities of the FAI-Tail claims. While there has been no diminution in the legal standing of the Nominal Defendant to these Reinsurance monies it has been recognised that the actual receipt of these funds may be protracted. As a consequence and out of prudence it has been decided to no longer recognise the following allowance in the provision for outstanding claims valuation from 30 June 2005:

	2007 $'000	2006 $'000
Reinsurance recoveries allowance (undiscounted)	4,399	3,545
Discount to present value	(1,395)	(340)
Reinsurance recoveries allowance (discounted)	3,004	3,205
Outstanding Claims attributable to the Nominal Defendant		
Expected future claims payments (undiscounted)	202,817	207,664
Expected recoveries (undiscounted)	(6,397)	(9,573)
Discount to present value	(35,702)	(41,348)
Liability for outstanding claims	160,718	156,743

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 13	Future Claims and Associated Costs (continued)		
	Current	31,635	25,999
	Non – Current	129,083	130,744
	Total	**160,718**	**156,743**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.40 years (2006 – 3.74 years).

(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

	2007	2006
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.0%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.0%

	2007	2006
Outstanding Claims attributable to FAI		
Expected future claims payments (undiscounted)	67,788	76,699
Discount to present value	(12,657)	(8,094)
Liability for outstanding claims	**55,131**	**68,605**
Current	15,439	21,315
Non – Current	39,692	47,290
Total	**55,131**	**68,605**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.63 years (2006 – 2.04 years).

(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

	2007	2006
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.00%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.00%

Note 13 Future Claims and Associated Costs (continued)

Nature and Extent of Risks Arising from Insurance Contracts

The objective of the Nominal Defendant is to ensure the Fund is fully funded to enable it to meet its obligations under the Motor Accident Insurance Act 1994. This is facilitated by an actuarially derived levy which is incorporated in the Compulsory Third Party (CTP) premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

A suitably qualified insurance broker is engaged in a consultancy capacity to provide the Nominal Defendant with the most cost effective plan to protect the Fund against major and catastrophic loss, and provide ongoing insurance risk advice. To this end, the Broker facilitates an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurance underwriters from both local and overseas markets to provide reinsurance cover at various layers.

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 87 of the Queensland Government Financial Management Standards 1997) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2006-07 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of $6.0 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

Prudential Margin

Nominal Defendant - The provision for outstanding claims includes a 10% prudential margin (2006: 10%) to increase the probability that the overall provision for claims will be adequate. Based on accounting standard AASB1023 (General Insurance Contracts) the provision also includes an allowance of 7% of outstanding payments for future internal claims handling expenses.

FAI - The provision for outstanding claims includes a 13% prudential margin (2006: 13%) to increase the probability that the overall provision for claims will be adequate. Based on accounting standard AASB1023 (General Insurance Contracts) the provision also includes an allowance of 4% of outstanding payments for future internal claims handling expenses.

	Note	2007 $'000	2006 $'000
Note 14 Commitments for Expenditure			
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		110	123
Due later than one year but not later than five years		-	123
Total		110	246
Maintenance Contract Commitments			
Total expenditure contracted for at balance date but not provided for in the financial statements:			
Due not later than one year		248	248
Due later than one year but not later than five years		-	-
Total		248	248

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Note 15 Cash Flow Statement			
(i) Reconciliation of cash			
For the purposes of the Cash Flow Statement, 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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:			
Cash		959	1,122
Other financial assets	8	367,434	316,139
Total		**368,393**	**317,261**
(ii) Reconciliation of operating surplus with net cash provided by operating activities			
Operating surplus		153,399	92,458
Add non-cash items:			
Depreciation		6	6
Amortisation		44	46
Direct changes to equity		(6)	(2)
Changes in assets and liabilities:			
Decrease in prepayments		2	3
(Increase) / Decrease in receivables		(2,469)	91
Increase / (Decrease) in payables		617	(80)
Increase in unearned levies		1,343	1,278
(Decrease) in provisions		(9,499)	(17,784)
(Decrease) / Increase in accrued employee benefits		(141)	133
Net cash provided by operating activities		**143,296**	**76,149**

(iii) The Nominal Defendant Fund has no unused borrowing or overdraft facility.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Note 16 Financial Instruments

(a) Categorisation of Financial Instruments

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
Financial Assets			
Cash on hand	15 (i)	Recorded at book value, which approximates fair value. Interest is recognised in the Income Statement when earned.	Under the Cash Management Incentives Regime (CMIR) the Treasury Controlled Bank account earns interest on surplus funds and pays interest when in overdraft. The interest rate is changed quarterly and the June quarter rate is 4.59%.
Receivables			
Claims recoveries receivable	7	Recognition – at their assessed value. Measurement – based on actuarial assessment.	No interest is charged and no security is obtained.
Other financial assets	8	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
Financial Liabilities			
Payables	11	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/ contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

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

(b) Interest Rate Risk Exposure

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.

Note 16 Financial Instruments (continued)

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: Over 1 to 5 years $'000	Fixed interest rate maturing: More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		959	-	-	-	-	959
Receivables	7	-	-	-	-	3,492	3,492
Investments	8	-	-	-	-	367,434**	367,434
		959	-	-	-	370,926	371,885
Financial Liabilities							
Payables	11	-	-	-	-	4,438	4,438
Net Financial Assets		959	-	-	-	366,488	367,447

***Weighted average Interest rate 5.26%**

2006	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: Over 1 to 5 years $'000	Fixed interest rate maturing: More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		1,122	-	-	-	-	1,122
Receivables	7	-	-	-	-	1,023	1,023
Investments	8	-	-	-	-	316,139**	316,139
		1,122	-	-	-	317,162	318,284
Financial Liabilities							
Payables	11	-	-	-	-	17,784	17,784
Net Financial Assets		1,122	-	-	-	299,378	300,500

***Weighted average Interest rate 4.63%**

**Investments in QIC are not classified as interest bearing as the Nominal Defendant receives a distribution of profits based on the earnings of units in investments in QIC.

Note 16 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) 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.

The Nominal Defendant is unable to comply with the disclosure requirements in AASB 7 Financial Instrument disclosures paragraph 37(a) and (b) for the Nominal Defendant's financial assets. The difficulty for disclosure relates to the inability to age the receivable for sharing recoveries on claims due to the difficulty in accurately predicting the finalisation period of a claim.

Note 17 Segment Information

The Nominal Defendant operates in one primary and geographical segment and operates as a statutory body in the motor vehicle insurance industry in Queensland.

Note 18 Contingent Liabilities

(a) Indemnity for liabilities of FAI General Insurance Company Limited ("FAI")

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, funding is provided by the Queensland Government for shortfalls relating to liabilities of FAI.

In accordance with the Deed of Indemnity, where the cash receipts of the Compulsory Third Party ("CTP") levy surcharge and any amounts received from the liquidator of the HIH Group exceed the amount paid for the claims liabilities and management costs, as a result of the insolvency of FAI, the Nominal Defendant will pay the excess to the Treasurer.

(b) Funds transferred from Motor Accident Insurance Fund (MAIC)

Under section 33(6) and 33(7) of the Motor Accident Insurance Act 1994, should circumstances give rise to a recovery from the liquidation of FAI, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding $57,818,000 to the Motor Accident Insurance Fund.

Note 19 Contingent Asset

On 15 March 2001 FAI General Insurance Company Limited was placed into provisional liquidation. The Nominal Defendant has by law become entitled to monies arising from Reinsurance Treaties held by FAI General Insurance Company Limited. While there has been no diminution in the legal standing of Nominal Defendant to these Reinsurance monies it has been recognised that the actual receipt of these funds may be protracted. As a consequence and out of prudence it has been decided to no longer recognise these monies in the balance sheet.

Note 20 Events Occurring after Balance Date

No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

Certificate of the Nominal Defendant

The foregoing general purpose financial statements have been prepared pursuant to section 46F (1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with section 46F (3) of the Act we certify that:

(a) the financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and

(c) in our opinion:

   (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

   (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2007 and of the financial position of the Nominal Defendant at the end of that financial year.

John Hand	L Lee
Insurance Commissioner	Manager Corporate Governance

Dated: 26 September 2007

Independent Audit Report

To the Nominal Defendant

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Nominal Defendant and officer responsible for the financial administration of the Nominal Defendant.

The Nominal Defendant's Responsibility for the Financial Report

The Nominal Defendant is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act (1977)* and the *Financial Management Standard (1997)*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Nominal Defendant, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Financial Administration and Audit Act (1977)* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.46G of the *Financial Administration and Audit Act (1977)*:

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

(iii) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

(iv) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Nominal Defendant for the financial year 1 July 2006 to 30 June 2007 and of the financial position as at the end of that year.

J A LATIF (CA)
Delegate of the Auditor-General of Queensland

26 September 2007
Brisbane


"J"
34280
to
44037

Appendices
2006-07

Motor Accident Insurance Commission

Actuarial Certificate – Nominal Defendant – Section 31 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2007

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2007 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 *"Nominal Defendant Outstanding Claims Liability Review 30 June 2007"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2007 is $160.7 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 of 10% recommended for the Fund allows for the risk and uncertainty associated with the estimated liability.

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.

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 to be expected.

Wayne Cannon

A van den Berg

W.H. Cannon B.Sc. (Hons) FFin

A.A. van den Berg B.E. (Hons)

Fellows of the Institute of Actuaries of Australia

24 August 2007

Actuarial Certificate – Nominal Defendant – Section 33 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2007

The State Actuary's Office was asked by the Nominal Defendant 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 2007 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 *"Nominal Defendant – FAI Run-Off Outstanding Claims Liability Review 30 June 2007"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2007 is $52.1 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, future reinsurance recoveries, claim handling expenses, and a prudential margin. The prudential margin of 13% recommended for the Fund allows for the risk and uncertainty associated with the estimated liability.

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.

We have assumed for the purpose of our estimates that all reinsurance recoveries under the treaties covering FAI's Queensland CTP, as well as sharing recoveries on this portfolio, will be fully recoverable.

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 to be expected.

Wayne Cannon A van den Berg

W.H. Cannon B.Sc. (Hons) FFin A.A. van den Berg B.E. (Hons)
Fellows of the Institute of Actuaries of Australia

24 August 2007

Information Sources

Publications

The following publications are available to the public at no charge and can be accessed online at the Commission's website www.maic.qld.gov.au

- The Motor Accident Insurance Commission Annual Report
- Work Training Guidelines for CTP Rehabilitation Providers
- Guidelines for CTP Rehabilitation Providers
- Review of Queensland Compulsory Third Party Insurance Scheme 1999
- Mitigating State Government Risk in Compulsory Third Party Insurance Papers (Published February 2002 and December 2002)
- Whiplash Injury Recovery – A Self-Management Guide
- Road to Recovery – Rehabilitation following a motor vehicle accident
- Guideline, Arranging Medico-Legal Assessments
- Rehabilitation Standards for CTP Insurers.

Website

The following information is also available at the Commission's website www.maic.qld.gov.au

- CTP claims information
- Information on the CTP premium setting process
- Forms for claimants, legal practitioners and medical practitioners
- Information for medical practitioners, rehabilitation providers, and legal practitioners
- Guidelines and information for insurers
- Motor Accident Insurance Commission funding initiatives
- A CTP premium calculator to assist motorists in obtaining information on premium rates
- 2007–2012 Strategic Plan

Telephone Services and Community Participation

The Commission operates a helpline which is readily accessible to the community. Helpline staff can provide interested parties with information about the operations of the CTP scheme and the claim process. The helpline number is 1300 302 568.

The Commission also operates a CTP premium information line (1300 735 404) to provide Queensland motorists with information about premium rates for the different insurers.

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 balance is maintained between the needs of injured parties and premium paying motor vehicle owners.

Information Sources

Freedom of Information

Requests for Freedom of Information documents should be made in writing to the Manager, Freedom of Information, Queensland Treasury.

How do I make an application?

A formal application for documents under the *Freedom of Information Act 1992* may be made on an application form or by letter. The application must:

- be in writing
- state an address to which a notification of the decision may be sent
- be accompanied by a $36 application fee, if the information relates to non-personal affairs (there is no application fee to look at documents about your personal affairs)
- be addressed to the Manager, Freedom of Information.

If the documents you require relate to personal affairs, you must provide proof of identification.

Are there any charges for processing the application?

Processing of non-personal documents is charged at the rate of $5.40 for each 15 minutes or part thereof. There may be further charges for you to inspect documents. Photocopies of documents regarding a non-personal application are available at 20 cents per photocopied page.

There is no charge for processing applications or photocopies of information regarding an applicant's personal affairs.

Treasury is now able to provide electronic copies of information released under an application which will reduce costs for non-personal applications. This involves the use of software specifically designed for Freedom of Information processing. Details about this initiative can be obtained from the Manager, Freedom of Information.

Treasury provides access to a reading room for use by applicants or members of the community where copies of a number of publications will also be made available for viewing. This must be organised by prior arrangement.

Post or deliver applications to:

Post:
Manager, Freedom of Information
Queensland Treasury
GPO Box 611
BRISBANE QLD 4001

Deliver:
Manager, Freedom of Information
Queensland Treasury
Level 7, Executive Building
100 George Street
BRISBANE QLD 4000

Brochures and application forms for Freedom of Information requests are available from Treasury's Freedom of Information Unit on 61 7 3224 4171. Alternatively application forms may be obtained from the Treasury website www.treasury.qld.gov.au or by email foi@treasury.qld.gov.au

Compulsory Third Party Insurers

Currently Licensed CTP Insurers

Allianz Australia Insurance Limited
GPO Box 9863
BRISBANE QLD 4001
Ph 13 1000
ABN 15 000 122 850

Australian Associated Motor Insurers Limited (trading as AAMI)
GPO Box 1155
BRISBANE QLD 4001
Ph 13 22 44
ABN 92 004 791 744

Insurance Australia Limited (trading as NRMA Insurance)
GPO Box 5730
BRISBANE QLD 4001
Ph 13 21 32
ABN 11 000 016 722

QBE Insurance (Australia) Limited
GPO Box 1072
BRISBANE QLD 4001
Ph 61 7 3031 8444
ABN 78 003 191 035

RACQ Insurance Limited
PO Box 3313
TINGALPA DC QLD 4173
Ph 13 19 05
ABN 50 009 704 152

Suncorp Metway Insurance Limited
GPO Box 1453
BRISBANE QLD 4001
Ph 13 11 60
ABN 83 075 695 966

Previously Licensed CTP Insurers

CIC Insurance Limited
ACN 004 078 880
Licence withdrawn 22/01/1996
Insurer became insolvent on 15/03/2001

GIO General Limit
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 Limited)
ACN 004 167 953
Licence withdrawn 30/03/1999

FAI General Insurance Company Limited
ABN 15 000 327 855
Licence suspended on 01/01/2001
Insurer became insolvent on 15/03/2001

FAI Allianz Limited (trading as FAI Insurance)
ABN 80 094 802 525
Licence withdrawn 01/07/2002

NB: For further information regarding the above listed insurers please contact the Motor Accident Insurance Commission's helpline on 1300 302 568.

Grants and Funding

Organisation	Future Commitment* $	2006-07 $	2005-06 $
Centre of National Research on Disability and Rehabilitation Medicine (CONROD)	4,907,290	1,895,377	4,254,000
Centre for Accident Research and Road Safety Queensland (CARRS-Q)	7,200,000	1,960,000	1,136,000
Road Accident Prevention and Road Safety – Rural and Remote Research Project	0	146,181	304,765
University of Queensland Australian Research Council (ARC) Linkage Grant – Prediction of Outcome following Whiplash Injury	0	50,000	150,000
Queensland Police Service – Assistance for purchase of Traffic Investigation Equipment	0	170,000	0
Injury Prevention and Control Australia Ltd Member contribution to NHMRC Partnerships in Injury Research	0	0	100,000
Griffith University Centre for Human Services	0	0	60,000
University of Queensland – To produce parents' booklet and a children's website following paediatric accidental injury	0	10,750	0
University of Sydney – PEDro database	75,000	0	0
Griffith University – BRAKE pilot project	90,245	0	0
University of Southern Queensland		(111,953)~	
TOTAL	12,272,535	4,120,355	6,004,765

* Indicates all grant funding committed for expenditure from 1 July 2007 onwards

~ Refund of residual grant funding.

Grants and Funding

Ongoing Projects Funded in Previous Years

The following projects were previously funded by the Commission in the majority of cases through the provision of a one-off payment which is held in trust with the interest used to fund the ongoing operations of each project. The progress of these projects is monitored through regular activity reporting.

- 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
- University of Queensland
  - School of Health and Rehabilitation Sciences Research Unit
  - Teaching and Community Services Rehabilitation Research Fellowship.

Research Centres

CONROD and CARRS-Q produce regular reports covering research conducted within the centres and details on projects funded through other competitive grant processes.

Further information on CARRS-Q and CONROD's research and activities is available by visiting www.carrsq.qut.edu and www.uq.edu.au/conrod

Committees as at 30 June 2007

Section 11 of the *Motor Accident Insurance Act 1994* enables the Commission to establish advisory committees to advise on exercising its statutory functions including the setting of premium bands and aspects of affordability and scheme efficiency.

The structure of the 2006-07 committee was:

Chairperson: Bernard Rowley

Members: Henry Smerdon, Noel Mason and Shauna Tomkins

The Advisory Committee has the benefit of long industry experience, both within government and the insurance industry. The areas of expertise of individual members are:

Committee member	Area of expertise
Bernard Rowley, former CEO of Suncorp	Insurance industry and actuarial experience
Henry Smerdon, former Under Treasurer	Public policy experience
Noel Mason, former CEO of RACQ and former insurance executive	Insurance industry and general community perspective
Shauna Tomkins, formerly with the Australian Financial Institutions Commission	Financial system regulatory experience

From 1 July 2006 to 30 June 2007, a total of 10 meetings of the Advisory Committee were held with no special assignments. The total remuneration to the Committee for the year was $17,512. These payments were made within the framework of the *Government's Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Employment and Industrial Relations.

Contact Details

Motor Accident Insurance Commission

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Website	www.maic.qld.gov.au

Insurance Commissioner	John Hand	61 7 3227 8125
Manager, Corporate Governance	Lina Lee	61 7 3227 8162
General Manager, CTP	Kim Birch	61 7 3224 5954
Manager, Scheme Analysis	Fanny Lau	61 7 3227 8242
Manager, Scheme Performance	David Vincent	61 7 3836 0135
Manager, Information and Education	Cathy Pilecki	61 7 3227 8164

CTP Claims Helpline 1300 302 568
CTP Premium Information Line 1300 735 404

Nominal Defendant

Address	Level 9, 33 Charlotte Street BRISBANE QLD 4000
Postal Address	GPO Box 2203 BRISBANE QLD 4001
Ph	61 7 3227 7993
Fax	61 7 3221 4805
Email	nd@maic.qld.gov.au
Website	www.maic.qld.gov.au

Manager, Nominal Defendant	Ashur Merza	61 7 3227 8213

Queensland Government

Motor Accident Insurance Commission
www.maic.qld.gov.au

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