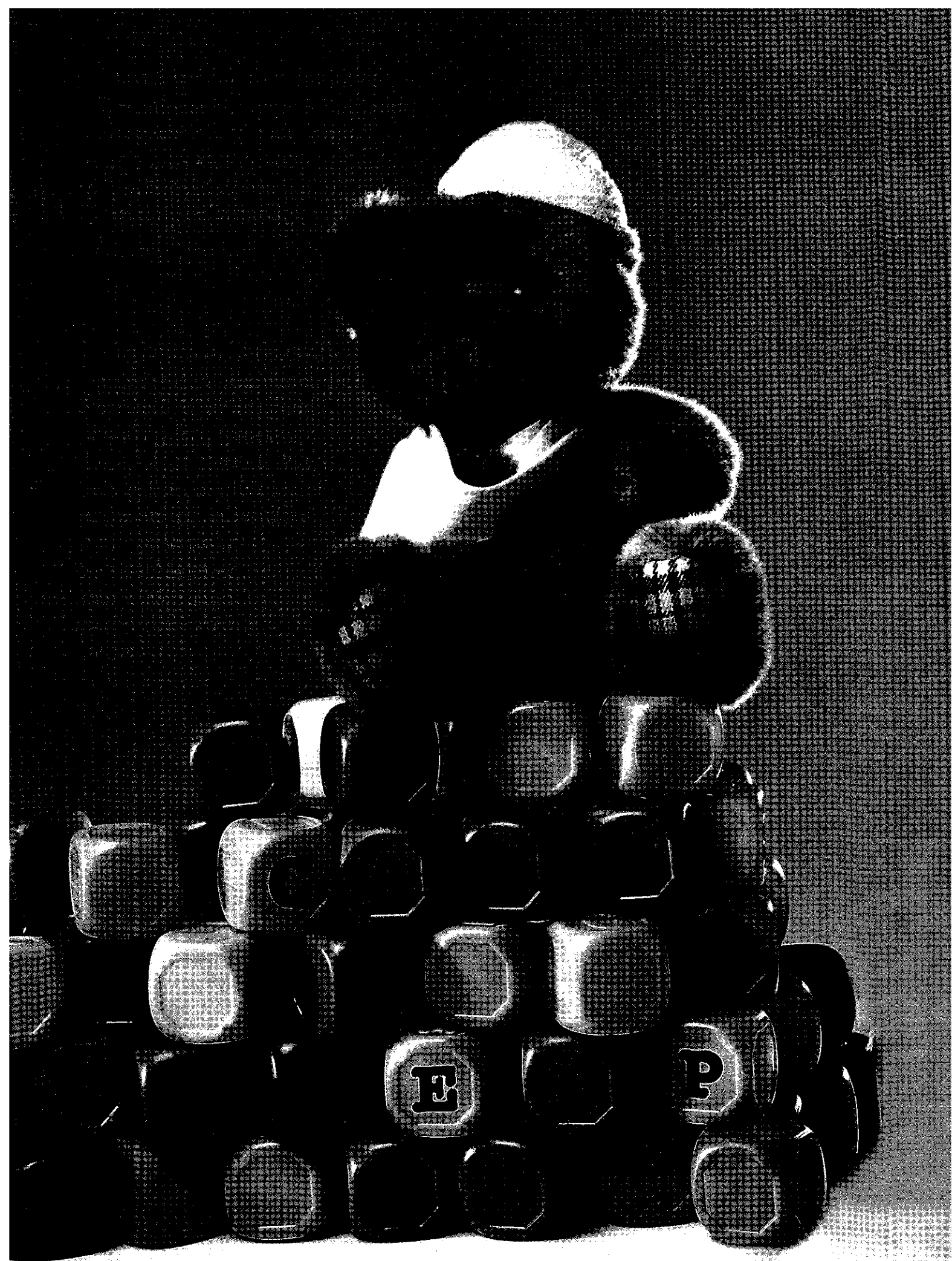


Annual Report

'95-'96



putting the pieces together...



3	Highlights
4	Overview
7	Performance Indicators - Motor Accident Insurance Commission
8	Corporate Profile - Motor Accident Insurance Commission
9	Performance Indicators - Nominal Defendant
10	Corporate Profile - Nominal Defendant
11	Rehabilitation
13	Nominal Defendant
15	Looking to the Future
16	People
17	Organisation Structure
18	Statistics - Insurance
22	Statistics - Claims
28	Financial Summary
30	Financial Information - Motor Accident Insurance Commission
44	Financial Information - Nominal Defendant
	Appendices -
58	1. Actuarial Certificate
59	2. Grants
60	3. Licensed CTP Insurers

Our Cover:

For those tragically injured in motor vehicle accidents, picking up the pieces of their lives is often very difficult. A major intention of the Motor Accident Insurance Act 1994 is to maximise the opportunity for optimal recovery and quality of life.

This intent is of utmost importance when an injured child is involved. "Mac", the MAIC bear (previous page), represents this facet of care. Mac was presented to the Commission by the Royal Children's Hospital Foundation in appreciation of financial assistance granted by the Motor Accident Insurance Commission to establish a Statewide Paediatric Rehabilitation Service. (See pages 11 & 12)

The care provided by such initiatives helps in putting the pieces together.

The Hon. J M Sheldon
Deputy Premier, Treasurer and
Minister for The Arts
Parliament House
Cnr George & Alice Streets
BRISBANE QLD 4000

Dear Minister

In accordance with Section 19(1) of the Motor Accident Insurance Act 1994, the Motor Accident Insurance Commission is pleased to present the following report on the operation of the statutory insurance scheme established by the Act and on the financial statements of the Commission from 1 July 1995 to 30 June 1996.

Yours faithfully



Graham Hughes
Insurance Commissioner

HIGHLIGHTS

- Development of favourable trends with respect to the early lodgment of CTP claims and the early admission of liability by insurers.
- Emergence of many cases of prompt response in the provision of rehabilitation services to third party insurance claimants.
- Maintenance of the "fully funded" status of the scheme with the establishment of new premium rates, levies and fees effective from 1 July 1996.

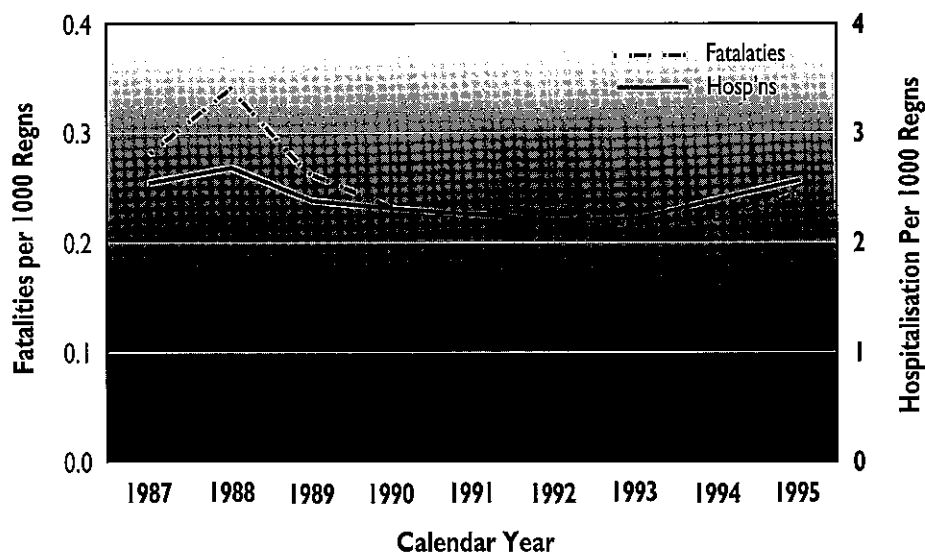


▲ Actuary Colin Brigstock, Trowbridge Consulting (left), and State Actuary Charles Harrison (right) discuss elements of the scheme with Assistant Insurance Commissioner John Hand.

- Provision of a grant to the Royal Children's Hospital Foundation of \$1.6 million each year for five years (\$8 million) to establish a Statewide Paediatric Rehabilitation Service.
- Provision of funding of \$450,000 to Queensland Emergency Services to assist in the maintenance and fit-out of community-based rescue helicopters.
- Assistance with funding of \$400,000 to Queensland Transport for the print and broadcast media road safety campaigns - *The Dangerous Dozen* and *Are you driving too fast for the unexpected?*
- Provision of various other research grants totalling \$1,031,650 to address rehabilitation, injury management and accident prevention.
- Introduction of an audit program to ensure the integrity of data transferred by insurers to the Commission's claims register and statistical data base.
- Establishment of management reporting systems within the Nominal Defendant operation and expansion of the computer claims management system to encompass electronic payments.

The Motor Accident Insurance Commission commenced operation in September 1994 with a clear focus on improving the operation of the Compulsory Third Party (CTP) motor vehicle insurance scheme in Queensland. The Commission is constantly aware of its role in protecting the interests of the Queensland community and, for this reason, no function or activity is undertaken, or change pursued, unless there is a foreseeable benefit to the scheme's stakeholders.

The CTP scheme enjoyed relative stability over many years, aided by improving accident and claim statistics. Consequently, there had been no adjustment to premiums in six years. However, an actuarial analysis undertaken during the year highlighted the need for an increase in premium following some deterioration in road fatality and casualty



Casualty Experience (Source: Trowbridge Consulting)

statistics and a marked increase in the number of claims made against insurers. The increase, which affects the CTP premium rates of all vehicle classes, raised the premium for renewals and new insurance by a general 39 percent from 1 July 1996. The Class 1 premium moved from \$169.00 to \$235.50.

The increase was based on an independent actuarial analysis of the scheme. The actuaries in their advice recommended this level of increase to maintain a "fully funded" premium - thereby ensuring benefit entitlements can be delivered to people tragically injured in motor vehicle accidents.

During the year, amendments to the Motor Accident Insurance Act 1994 were prepared and are expected to be considered by Parliament in the coming year. The proposed amendments will clarify the intent of the legislation in respect of the scope of cover under the policy of insurance and the application of the Act. The



▲ Ian Evans, Senior Claims Officer, Suncorp (left), and Mike Jarrett, CTP Claims Manager, AAMI (right), discuss claim data issues with MAIC Industry Liaison Officer Des Richardson.

OVERVIEW

amendments will also extend responsibilities to owners and drivers in relation to the use of uninsured vehicles on a road or in a public place.

GOAL ONE:

To administer an effective and efficient CTP system by ensuring adherence to established standards and by monitoring the viability of licensed insurers and the Nominal Defendant Fund.

Compliance with the prudential standards and guidelines established by the Commission was satisfactorily achieved by all eleven licensed insurers and the Nominal Defendant. No new applications for entry into the market were received and at their request CIC and GIO had their licences withdrawn from 22 January 1996 and 30 June 1996 respectively - reducing the number of scheme underwriters licensed to operate in 1996-97 to nine.

Suncorp and FAI maintained market dominance with a combined share of more than 80 percent with only one other underwriter - VACC - holding a market share in excess of five percent.

The scheme provides for all licensed insurers and the Nominal Defendant to submit claims data to the Commission's claims register and statistical data base, which enables close monitoring of claim trends and the meeting of objectives of the legislation in the settlement of claims. Additionally, the data submitted is used by the Commission as a basis for analysing issues related to the setting of premium rates. Further, by utilising matching techniques fraudulent activities within the scheme may be detected.

An ongoing process of auditing licensed insurers' claims data has been commenced by the Commission's industry liaison officers. The audit procedure aims at ensuring the validity of data recorded by insurers, and its input into the

Commission's claims register and statistical data base.

Following the commencement of the audit process, some deficiencies in the level and quality of data reporting were noted which could have impacted on the Commission's ability to provide reliable analysis and management of the scheme. Since the audit process and accompanying training started, improvement in quality of data being received has been evident.

GOAL TWO:

To provide benefits for the community by reducing the incidence, severity and costs of motor vehicle accidents through educational initiatives or other programs and the optimum use of available accident and claims data.

The Commission continues to develop and implement the structure for the support of research initiatives relevant to the CTP system with grants to the Royal Australian College of General Practitioners (\$380,000) and the Queensland University of Technology (\$300,000) - creating research fellowship funds in perpetuity. Griffith University was provided with a funding arrangement of \$300,000 and the University of Queensland's Division of Orthopaedics received an annual grant of \$51,650. Areas of research currently being undertaken include: medical treatment, orthopaedics, biomechanics, psychology, sociology and rehabilitation.

Paediatric rehabilitation was enhanced with a grant to the Royal Children's Hospital Foundation to establish a Statewide Paediatric Rehabilitation Service. This project involves recurrent funding of \$1.6 million per annum for five years. The project aims at achieving "best practice" in the rehabilitation of children injured or disabled as a result of road trauma.

OVERVIEW

Pursuing the objective of reducing the incidence and severity of road accidents, the Commission, in a joint venture with Queensland Transport, contributed to funding *The Dangerous Dozen* and *Are you driving too fast for the unexpected?* road safety campaigns. Four hundred and fifty thousand was granted to the Queensland Emergency Services for community-based helicopter rescue services to provide for maintenance, advanced medical equipment and a fit-out of the fleet. The service plays a vital role in reducing the severity of injury through timely intervention, recovery and treatment.

GOAL THREE:

To recommend to the government premium rates including levies and fees to ensure a fully funded CTP system is maintained.

In the early part of the year it became apparent that there had been a marked increase in claims made against insurers with indications that the premium level was insufficient to maintain a "fully funded" scheme. Trowbridge Consulting was engaged by the Commission to undertake an independent actuarial analysis of the scheme with both Suncorp and FAI having actuarially reviewed their particular claims experience. The outcome of these reviews was consistent in that a significant rise in premiums was necessary to maintain a "fully funded" premium.

Trowbridge noted that even though the provisions of the legislation advanced the claim reporting, there had been a marked increase in claim frequency. This was attributed to a greater awareness in the community of rights at common law and an underlying increase in road casualty levels.

On the recommendation of the Commission, the government approved a general 39 percent increase in premiums. This change took effect from 1 July 1996.

On a personal note, I will be retiring in August 1996 after three and a half years as Insurance Commissioner, a role which began with the drafting of new legislation and the establishment of the operation. I am very proud of the Commission's achievements in such a short period, but this would not have been possible without the assistance and support of my dedicated and very experienced staff. Additionally, I acknowledge the support and goodwill of the various stakeholders - legal, medical, allied health professionals, and the underwriters. I believe the Motor Accident Insurance Commission is well prepared for the challenges that lie ahead in the sometimes difficult environment prevailing in "long tail" liability insurance and in the administration of the CTP scheme generally.



G N Hughes
Insurance Commissioner

*Performance
Indicators*

GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR
1 To administer an effective and efficient CTP system by ensuring adherence to established standards and by monitoring the viability of licensed insurers and the Nominal Defendant Fund.	1. To ensure the continued viability of the CTP system and the Nominal Defendant Fund by: ensuring compliance; analysing each insurer's financial and operational data; appropriate legislation; coordinating strategies to combat fraudulent activities.	1.1 To establish, review, promote prudential standards and guidelines.	1.1 The timely review of prudential standards and guidelines; ensuring compliance with standards and communication of any request for amendments.
		1.2 To audit, examine and address: licence issue; licence continuation; CTP scheme; and Nominal Defendant Fund viability.	1.2 The examination of and audit of supplied information.
		1.3 To monitor community concerns, consult stakeholders and review legislation.	1.3 The addressing of issues through the CTP scheme and resultant outcomes.
		1.4 To establish, develop and review systems for the prevention and detection of fraud.	1.4 The identification of and action on fraudulent activity. Development and promotion of prevention and detection systems.
2 To provide benefits for the community by reducing the incidence, severity and costs of motor vehicle accidents through educational initiatives or other programs and the optimum use of available accident and claims data.	2.1 To collect and analyse accident and claims data.	2.1.1 To determine the relevant data for collection. 2.1.2 To inform insurers of the specifications, methods, time frames and media for the transfer of data. 2.1.3 To record, analyse and report on the data supplied.	2.1.1 - 2.1.3 The timely production and analysis of relevant data.
	2.2 To promote educational initiatives and engage in and/or support research projects.	2.2.1 To identify, by analysis, opportunities to promote, arrange and support educational and research programmes relevant to CTP motor vehicle insurance. 2.2.2 To engage organisations/ providers to conduct research on specific issues and provide access to funding from the MAIC.	2.2.1 - 2.2.2 The identification of relevant issues for education or research initiatives.
	2.3 To establish and utilise advisory committees as required.	2.3.1 To determine issues which the commission might refer to an advisory committee. 2.3.2 To establish relevant committees and make determinations on their reports.	2.3.1- 2.3.2 The effective and efficient operation of appointed advisory committees.
	2.4 To develop initiatives to reduce the incidence and severity of motor vehicle accidents.	2.4 To seek initiatives to reduce the incidence and severity of motor vehicle accidents and assist where practical in the development, implementation and support of such initiatives.	2.4 The effective and efficient implementation and support of initiatives proposed.
3 To recommend to the Government premium rates including levies and fees to ensure a fully funded CTP system is maintained.	3. To undertake an actuarial analysis at least annually of the CTP scheme and recommend to Government necessary premium rates.	3.1.1 To collect data to enable an actuarial analysis and arrange an annual actuarial analysis of the Queensland CTP scheme. 3.1.2 To invite written submissions in accordance with the requirements of legislation. 3.1.3 To consider the outcome of the actuarial analysis and establish the CTP premium rates for the ensuing year.	3.1.1 The timely production of actuarial data and appointment of an actuary. 3.1.2 Issue of requests for submissions relevant to the actuarial analysis. 3.1.3 The release of a recommendation on CTP premiums to the Treasury for preparation of a regulation setting premium rates.

ICE

BENCHMARKS

OUTCOMES

al g idelines ements	<p>1.1.1 The finalisation of the review by 31 July each year with subsequent advice to CTP insurers by 15 August.</p> <p>1.1.2 Twice yearly monitoring of insurers.</p>	<p>1.1.1 No amendments have been made to prudential standards and guidelines.</p> <p>1.1.2 All licensed insurers and the Nominal Defendant have satisfactorily complied with the standards, guidelines and legislative requirements.</p>
on on	<p>1.2 The completion of the examination and resultant action within an appropriate time frame.</p>	<p>1.2.1 No further applications for licences have been received.</p> <p>1.2.2 Eleven insurers were granted continuation of their licence, however two insurers have since withdrawn their licence.</p> <p>1.2.3 Trowbridge Consulting have confirmed the "fully funded" status of the scheme following their analysis establishing increased premium from 1 July 1996.</p> <p>1.2.4 Coopers & Lybrand Actuarial and Superannuation Services Pty Ltd have advised that the Nominal Defendant scheme is "fully funded" at 30 June 1996.</p>
erning view.	<p>1.3 The regular monitoring of media outlets. Meeting at least twice per year with organisations representing:</p> <ul style="list-style-type: none"> - the insurance industry - the legal profession - consumers. 	<p>1.3.1 Regular contact in the form of correspondence, presentations and consultations with organisations representing the insurance industry, the legal profession and consumers has been maintained.</p> <p>1.3.2 Relevant amending legislation has been introduced to Parliament.</p>
on taken nt and ction	<p>1.4.1 The monthly production of relevant matching data.</p> <p>1.4.2 The awareness in the community of penalty provisions for fraudulent activity.</p> <p>1.4.3 The meeting with other jurisdictions at least once per year on prevention strategies.</p> <p>1.4.4 The annual review of the adequacy of the legislation in addressing fraudulent activity.</p>	<p>1.4.1 Relevant matching data has been provided monthly to insurers for action.</p> <p>1.4.2 CTP brochure detailing penalty provisions included with each Queensland motor vehicle registration renewal.</p> <p>1.4.3 Regular correspondence and meetings with other regulatory authorities and insurers have been maintained.</p> <p>1.4.4 Review completed, no amendments were made as the legislation was considered adequate.</p>
on and	<p>2.1.1 - 2.1.3 The data to 30 June to be available by 30 September.</p>	<p>2.1.1 - 2.1.3 Relevant statistics have been supplied by licensed insurers to the claims register and statistical database in compliance with the requirements of the legislation. Scheme data is issued to each licensed insurer on a quarterly basis.</p>
search	<p>2.2.1 - 2.2.2 The issues for attention to be identified by 31 December and resultant activities established within set time frames.</p>	<p>2.2.1 - 2.2.2 Research fellowship grants in perpetuity awarded to:</p> <ul style="list-style-type: none"> Queensland University of Technology - \$300,000. Royal Australian College of General Practitioners - \$380,000. Research funding arrangement awarded to Griffith University - \$300,000. Grant to Royal Children's Hospital Foundation (\$1.6m). Annual grant of \$51,650 awarded to Division of Orthopaedic Surgery, University of Queensland.
cient	<p>2.3.1 - 2.3.2 The advisory committees to report and commission to make resultant recommendations within set time frames.</p>	<p>2.3.1 - 2.3.2 There were no issues requiring appointment of an advisory committee.</p>
sed.	<p>2.4 The determination on relevant initiatives to be made within set time frames.</p>	<p>2.4 Grant to Queensland Emergency Services of \$450,000 for the support of the community-based rescue helicopter fleet. Grant of \$400,000 to Queensland Transport to complement accident prevention campaigns targeting dangerous driving practices and speed reduction in driver behaviour.</p>
levant fan	<p>3.1.1 The data to 30 June available by 30 September. Actuary appointed by 31 October for analysis completion by 31 January.</p>	<p>3.1.1 All licensed insurers have reasonably complied with legislative requirements and the appointment of Trowbridge Consulting was made on 28 August 1995 for analysis completion by 24 January 1996.</p>
sions	<p>3.1.2 The request for submissions to be issued by 30 September for response by 14 November.</p>	<p>3.1.2 Requests for submissions issued 14 August 1995 for response by 14 September 1995.</p>
ation on nd g	<p>3.1.3 The recommendation on CTP premium rates to be made by 31 March and regulation for CTP premium rates to be completed by 30 April.</p>	<p>3.1.3 Recommendation on CTP premium rates made on 10 January 1996 and premium rates, levies and fees for the year commencing 1 July 1996 were fixed, based on the actuarial review undertaken by Trowbridge Consulting. The regulation was approved by Executive Council on 24 April 1996.</p>

CORPORATE PROFILE

MOTOR ACCIDENT INSURANCE COMMISSION

The Motor Accident Insurance Commission is responsible for the ongoing management of the Compulsory Third Party (CTP) motor vehicle insurance scheme in Queensland. The Commission is funded by a levy on CTP premiums and its budget for 1995-96 was \$13.51 million.

Since 1936, Queensland has operated a "fault" based compulsory third party insurance scheme. On 1 September 1994, with the commencement of the Motor Accident Insurance Act 1994 the Motor Accident Insurance Commission was established. The Commission has responsibility for:

- licensing and supervising compulsory third party motor vehicle insurers;
- recommending premium rates and levies to government;
- helping research, education, and the provision of rehabilitation services;
- developing and maintaining a claims register and statistical data base for the purpose of providing management information; and
- administering the Nominal Defendant Fund.



▲ Motor Accident Insurance Commission staff - (left to right) Mike Hancock, Neil Tomkins, John Hand, Graham Hughes, Greg Bott, Wayne Saville, Julie Williams and Gary Leckie.

*Performance
Indicators*

GOALS

OBJECTIVES

STRATEGIES

1

To ensure the effective and efficient operation of the Nominal Defendant Fund.

1.1 To maintain an ongoing review of the Motor Accident Insurance Act 1994 and provide appropriate technical advice relevant to policy and legislative changes.

1.1 To be aware of relevant court decisions and legal opinion in regard to liability, quantum, out of time matters, legal costs and the operating environment and make recommendations when necessary.

1.1 The review of court decisions, legal opinions and the making of recommendations regarding action to legislation, procedures and

1.2 To ensure cost effectiveness of the Nominal Defendant's office.

1.2.1 To maintain an ongoing review of office systems and procedures and monitor cash flow budgets to ensure commitments are met and to maximise investment income.

1.2.1 The review of Nominal Defendant's systems and procedures and monitor cash flows.

1.2.2 To gather and analyse all available information relating to claims, cost effectiveness of legal and rehabilitation providers, judgements and settlements and fraud prevention and detection.

1.2.2 The timely provision and analysis of information on the Nominal Defendant's operation.

1.3 To improve the efficiency and effectiveness of the Nominal Defendant operation through job satisfaction and recognition and appreciation of staff.

1.3.1 To maintain a high standard of skilled and experienced staff and record and report achievements.

1.3.1 The review of staff skills taken to improve or maximise the quality of information on major achievements.

1.3.2 To review the operational structure, job design and internal relationships.

1.3.2 The review of Nominal Defendant's structure, job design and internal relationships.

1.3.3 To identify and develop staff career paths and opportunities internally and externally through training and interchange.

1.3.3 The review of staff and management action to address needs and development.

2

To manage claims against the Nominal Defendant.

2. To efficiently and effectively investigate claims to determine liability and quantum and settle claims on the best possible terms.

2.1 To undertake investigations and engage appropriate external providers to: obtain expert advice on liability; assist in the assessment of quantum; and provide representation.

2.1 - 2.2 The collection, consolidation, investigation and analysis of information relevant to a CTP claim leading to finalisation.

2.2 To enter into negotiations to provide best possible terms, prepare and proceed to court in matters which cannot be resolved and consider appeal prospects and appeal where appropriate.

3

To maximise amounts recoverable to the Nominal Defendant Fund.

3. To institute recovery action where applicable.

3. To reserve recovery rights; investigate financial circumstances; make recovery demands on settlement of claim; establish and maintain a database of recovery actions; negotiate terms of repayment; and instigate appropriate legal action - against uninsured owners/drivers/and others.

3. The completion of an analysis of recovery to the Nominal Defendant's account with policy guidelines on recovery.

BENCHMARKS

OUTCOMES

nd lments r.	1.1 The review and recommendations to be completed within three months of a court decision and six months of a legal opinion.	1.1 A Motor Accident Insurance Legislation Amendment Bill 1996 has been prepared with a view to ensuring cover is provided under the Nominal Defendant Scheme for persons injured in places such as on a beach.
ndant ring of	1.2.1 The review to be completed each April and cash flow estimations made monthly.	1.2.1 Ongoing enhancement of computerised claims management system. Cash position reconciled weekly with surplus invested to maximise return.
lysis of dant	1.2.2 Completion of analysis to 30 June by 30 September.	1.2.2 Computerised claims management system provides relevant monthly data on the Nominal Defendant operation.
action vision nts.	1.3.1 The reviews to be completed annually with action completed within set time frames. Quarterly major achievement reports.	1.3.1 Review completed of the positions, roles and job design. Ongoing succession planning, training and development have been maintained. Quarterly reports confirming claims management efficiency have been submitted to the Insurance Commissioner and Under Treasurer.
ndant	1.3.2 Review to be completed each April. Holding of monthly staff meetings.	1.3.2 Review completed and adjustments made as required within the existing structure. Monthly staff meetings continue to foster open communication and harmonious staff relationships.
lking of	1.3.3 The reviews to be completed annually with resultant action completed within time frames.	1.3.3 Continued active training program both internal and external. Regular staff rotation within the commission to enhance multi-skilling and to develop career paths.
ion, ation claim	2.1 - 2.2 The meeting of deadlines set by legislation, Nominal Defendant policy or procedures.	2.1 - 2.2 Demonstrated compliance with requirements and deadlines set by legislation, Nominal Defendant policy or procedures.
lating iance i.	3. The analysis to each 30 June to be available by 30 September.	3. Demonstrated compliance with the Nominal Defendant Policy Guidelines on recoveries.

CORPORATE PROFILE

NOMINAL DEFENDANT

The Nominal Defendant is a body corporate established under the Motor Accident Insurance Act 1994. It is the insurer where damages are claimed for personal injury arising from the liability of:

- uninsured motor vehicles
- unidentified motor vehicles
- insolvent licensed CTP insurers.

The Nominal Defendant operation is funded by a three percent levy on CTP premiums with claims expenditure for 1995-96 amounting to \$10.1 million.



▲ Nominal Defendant staff - (left to right) Barry Sturdy, Jenny Hancott, Rex Mellifont, Debbie Davis, Les Kilmartin, Don Sacre, Sandra Clifton, Mike Hogan and Laurie Meteyard.

REHABILITATION

The compulsory third party insurance scheme covers people in all stages of life from prenatal to geriatric. Because of the wide variations among people, rehabilitation of a motor vehicle accident victim is an individualised process. Each motor vehicle accident victim is a person who is unique in skills, limitations, resources and desires. This is particularly true where the injured person is a child in the process of evolving a lifestyle which becomes his or her way of life. Consequently, the Commission, in its first full year of operation, has specifically identified the injured child for its rehabilitation initiatives.

Children are sensitive to their environment, react to it, and are dependent on it for physical and psychological survival and growth. The normal protective and nurturing surroundings experienced by a child are sadly invaded by any environmental disruption such as a motor vehicle accident. An injury incident for a child may mean exposure to physical, emotional and psychological effects. These effects not only impact on the child but also on the family of the child. The family usually generates the sense of belonging for a child. A child's capacity to integrate the totality of the motor vehicle accident experience is influenced not only by the medical treatment received but also by the

child's family's ability to cope with the injury circumstances.

The family is a powerful force in the determination of human behaviour. It is also a crucial factor in paediatric rehabilitation. A major incident, such as road trauma, impacts deeply on the family of the injured child, particularly the parents. This impact is more profound if one or both parents have contributed to the accident.

Paediatric rehabilitation integrates the principles of rehabilitation medicine with those of child development. As such, this new and developing specialty, based on advanced clinical, technological, diagnostic and therapeutic methods, will be increasingly available to Queensland children and adolescents with disabilities. Rehabilitation is aimed at preventing and reducing disability arising from injury or disease, allowing the person to achieve the highest possible level of ultimate independence (physical, emotional, social, educational). A properly functioning Statewide Paediatric Rehabilitation Service is essential to ensure the integration and coordination of medical, nursing and allied health professional skills and to achieve the best possible outcome for these children.



◀ "There's a bear, a chair,games, and stories...."
Emily Taylor participates in rehabilitation treatment at the Royal Children's Hospital from (left to right) Physiotherapist Bernadette Taylor, Occupational Therapist Leanne Sakzewski, Physiotherapist Sally Carr and Speech Pathologist Jill Cross.

REHABILITATION

Realising this, the Commission identified the range of services available to children who are motor vehicle accident victims and recognised that it could assist by providing funding for training and the delivery of expertise in paediatric rehabilitation in country areas. The Royal Children's Hospital is Queensland's major critical care hospital for children, treating more than 50,000 young patients from all parts of the State each year. After negotiating with the Royal Children's Hospital Foundation, the hospital's community support arm, the Commission provided funds for the staff required to establish Queensland's first Statewide Paediatric Rehabilitation Service. This service will have a critical role in providing services, liaison and information to local medical practitioners, community health services and regional hospitals throughout the State.

Paediatric rehabilitation and rehabilitation in general terms is required when functional abilities are impaired or lost. The goal of rehabilitation is to help people injured in motor vehicle accidents to regain optimal health through a restorative process



▲ Queensland University of Technology research fellow Dr Robyn Grote conducting scientific analyses for prosthetic management needs of a rehabilitation client.



▲ Emily Taylor at the Royal Children's Hospital receiving treatment from Occupational Therapist Leanne Sakzewski (right) and Physiotherapist, Bernadette Taylor.

combining therapeutic extension and paralleled medical care. Identifying and successfully dealing with issues as they arise in the rehabilitation process is vital to ensure the most favourable outcome of any rehabilitation program. This involves the combined efforts of the victim, insurer, legal representative, treating doctor, rehabilitation provider and therapist.

The Commission's financial support of the Statewide Paediatric Rehabilitation Service is just one of the initiatives being developed to assist in reducing the incidence and severity of motor accident injuries.

NOMINAL DEFENDANT

GOAL ONE:

To ensure the effective and efficient operation of the Nominal Defendant Fund.

A full actuarial valuation of the provision for outstanding claims liabilities for the Nominal Defendant was undertaken by Coopers & Lybrand Actuarial and Superannuation Services Pty Ltd. The valuation confirmed the adequacy of the provision for outstanding claims liabilities and consequently the "fully funded" status of the fund.

Claim notifications to the Nominal Defendant under the provisions of the Motor Accident Insurance Act 1994 numbered 1931 for the year. This compared with 1494 for the ten-month period 1 September 1994 to 30 June 1995.

Although the second year of operation of the current Act has been completed, a further 62 claims for the period covered by the former legislation were received during the financial year. Currently, 552 active claims are being processed under the provisions of the former legislation.

The Nominal Defendant staff development strategy focused on the maintenance and development of skills in management, negotiation, rehabilitation and information technology.

During the year, Les Kilmartin, who has extensive experience in CTP insurance, was appointed to the position of Manager, Nominal Defendant.

The Nominal Defendant has introduced information technology as a key element of claims management. Modifications and

enhancements of the computerised Claims Management System continued to provide productivity gains in claims management. Ongoing development of the system's reporting functions has further expanded the capabilities of this management tool. The addition of an electronic cheque requisition facility contributed to the efficiency of claim processing and settlement.



▲ Manager, Nominal Defendant, Les Kilmartin (left), and Assistant Claim Manager Debbie Davis meet with Biggs & Biggs solicitor Greg Moroney.

GOAL TWO:

To manage claims against the Nominal Defendant.

Subsequent to the issue of guidelines by the Motor Accident Insurance Commission on rehabilitation, the Nominal Defendant contracted the services of various rehabilitation providers to advise claim managers in the construction of rehabilitation plans to assist those in need. In the financial year Nominal Defendant claim managers referred 60 cases to rehabilitation advisers and incurred expenditure of \$64,300 on the provision of rehabilitation services.

NOMINAL DEFENDANT



▲ *Nominal Defendant Rehabilitation Adviser Ninetta Rigoli discusses rehabilitation goals with client Gary Kirwan and Physiotherapist Simon Bassingthwaite at the Springwood Physiotherapy and Sports Injuries Centre.*

Claim management statistics confirm the positive effect of the new Act in expediting claim reporting and claim resolution. However, impacting on the ability of the Nominal Defendant (and other insurers) to expedite claim settlement was the February commencement of new Commonwealth legislation in the form of the Health and Other Services (Compensation) Act 1995. This legislation requires that prior to the settlement of all personal injury damages claims, the insurer must gain clearance from the Health Insurance Commission for all claimant incurred injury payments. It is hoped that following more recent changes introduced by the Health Insurance Commission the long delays which were being experienced in this process will be reduced substantially.

GOAL THREE:

To maximise amounts recoverable to the Nominal Defendant Fund.

Policy development within the Nominal Defendant has resulted in the documentation of guidelines:

- for the pursuit of recoveries; and
- costs to be incurred in pursuit of recoveries.

Recoveries from the drivers/owners of uninsured vehicles returned \$183,200 to the

Nominal Defendant Fund. Debts to the Fund were written off in accordance with the Nominal Defendant guidelines for the pursuit of recoveries and within delegated levels of authority.



▲ *Claim Manager Bernie Clark (left) and Freemans Loss Adjuster Greg McCosker inspect an accident site.*

LOOKING TO THE FUTURE

The Compulsory Third Party (CTP) motor vehicle insurance scheme underwent significant change in 1994, leading to a better system carefully balanced between the needs of the stakeholders. As we look to the future, it is important that the objectives of the legislation are achieved and in this regard the legislation must keep pace. The Commission, in its ongoing review of the legislation, will continue to recommend changes to the legislation as the need arises. Proposed amendments to the Motor Accident Insurance Act 1994 which have been introduced to Parliament will clarify the intention of the legislation and the wording of the "policy of insurance". This action will ensure that the scheme remains viable. In accordance with the set legislative time frame, a full review of the operation of the legislation will be undertaken in 1999.

Commission grants totalling \$4.1 million were approved over the past two years. Medical, rehabilitation and educational research grants already approved are showing promise and it is anticipated that as this research progresses the positive outcomes for road injury victims will increase. Further research developments addressing issues involving human movement, acquired brain damage, spinal injury, education, social work, accident prevention and allied health treatment and rehabilitation are planned for 1996-97.

The Commission's grant to the Royal Children's Hospital Foundation - Statewide Paediatric Rehabilitation Service is focused on the rehabilitation of children incapacitated through road trauma. These funds will provide, over the next five years, individual inpatient and outpatient assessment, parental support programs and discharge planning, as well as providing essential professional staffing.

With the implementation of the medical treatment and rehabilitation grant scheme nearing completion, the year ahead will see the Commission turn its attention to the objective of continuing its research grant development initiatives to reduce the incidence and severity

of motor accidents and injuries. Areas of research which may be considered in this process include driver education, vehicle design, driver first aid training and behaviour modification, road rules design, road signage and traffic violation deterrents.

The auditing of licensed insurers' data will receive closer scrutiny as the year progresses. Initial auditing revealed some deficiencies in the standard and timeliness of reporting. The data reported and its validity are crucial to the accuracy of premium calculation and general management of the scheme. For these reasons, additional budget resources have been allocated to this important facet.



Graham HUGHES
Insurance Commissioner



John HAND
Assistant Insurance Commissioner



Greg BOTT
Principal Policy Adviser



Mike HANCOCK
Principal Rehabilitation Adviser



Des RICHARDSON
Industry Liaison Officer



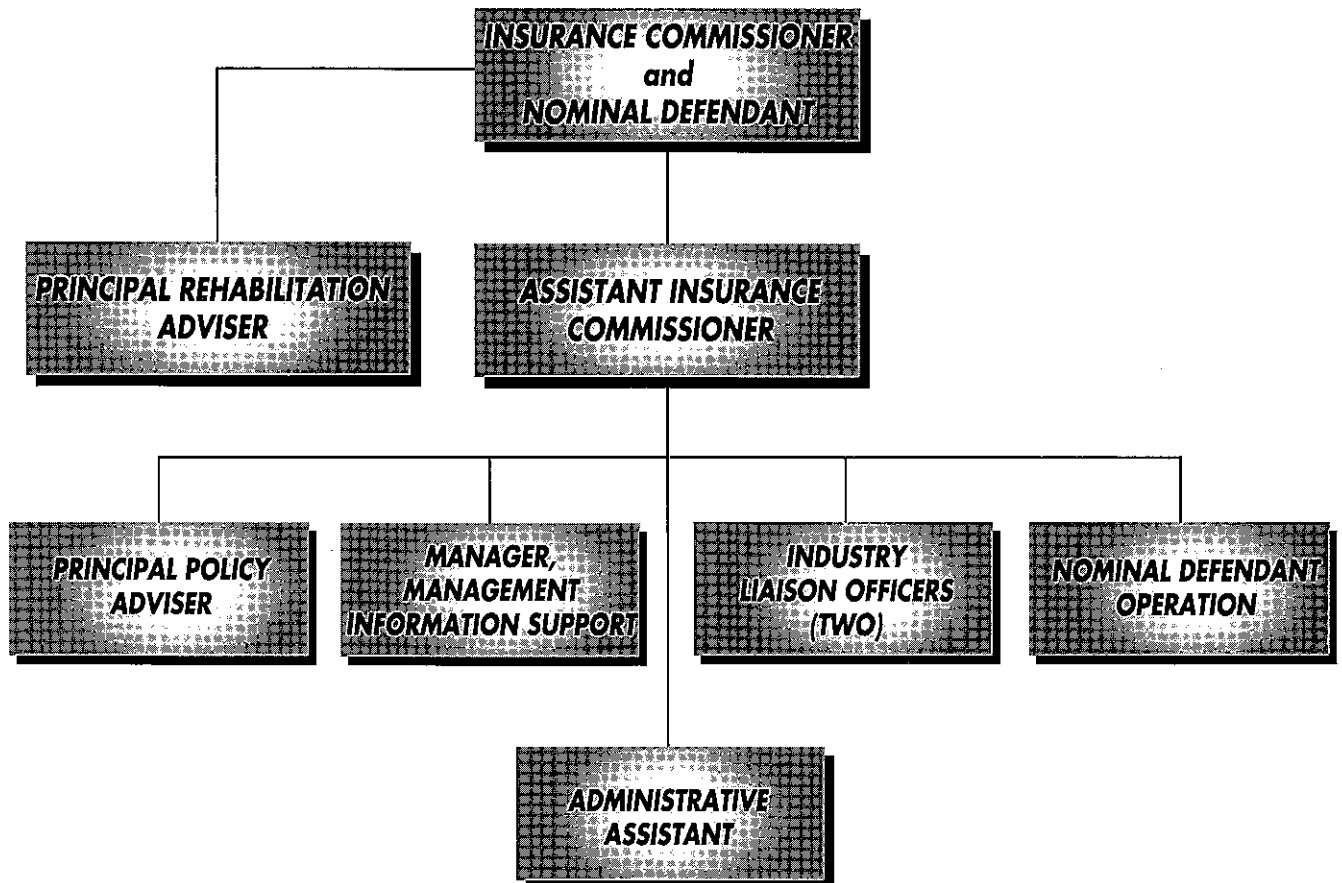
Les KILMARTIN
Manager, Nominal Defendant



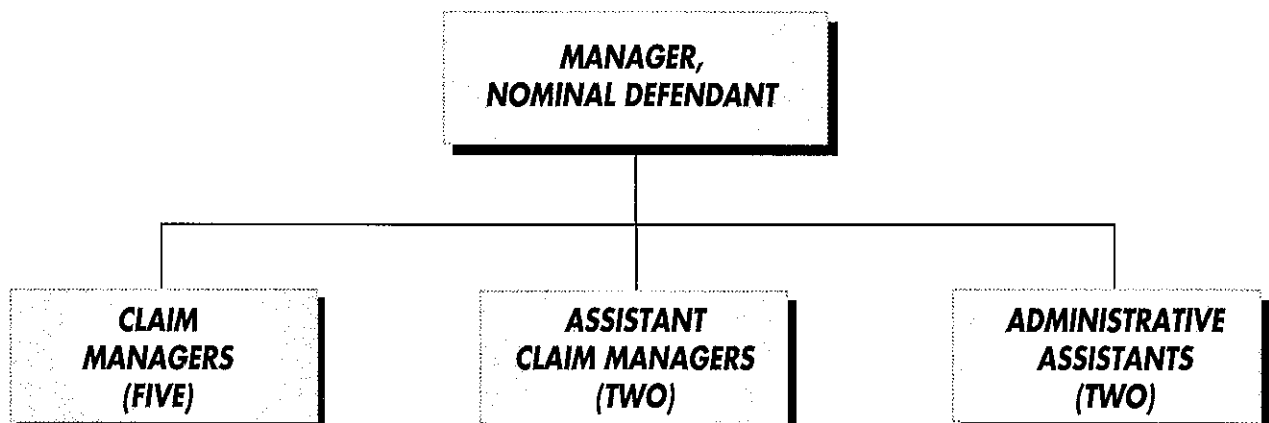
Julie WILLIAMS
Administrative Assistant

ORGANISATION STRUCTURE

MOTOR ACCIDENT INSURANCE COMMISSION



NOMINAL DEFENDANT



STATISTICS - Insurance

VEHICLES INSURED AS AT 30 JUNE 1996 *





INSURANCE CLASS	NUMBER OF VEHICLES		PERCENTAGE	
	1996	1995	1996	1995
1	1,540,110	1,374,287	71.82	71.42
2	4,306	3,788	0.20	0.20
3	2,729	3,053	0.13	0.16
4	14,648	11,644	0.68	0.61
5	3,224	2,661	0.15	0.14
6	357,140	322,829	16.65	16.78
7	44,758	41,983	2.09	2.18
8	4,585	3,863	0.21	0.20
9	2,437	2,413	0.11	0.13
10	2,154	1,637	0.10	0.08
11	2,866	2,233	0.13	0.12
12	25,609	24,061	1.20	1.25
13	42,673	39,280	1.99	2.04
14	27,405	25,045	1.28	1.30
15	8,616	8,116	0.40	0.42
16	726	746	0.04	0.04
17	55,946	52,426	2.61	2.72
19	438	148	0.02	0.01
20	397	310	0.02	0.02
21	55	55	0.00	0.00
23	3,689	3,483	0.17	0.18
24	53	47	0.00	0.00
Totals	2,144,564	1,924,108	100.00	100.00

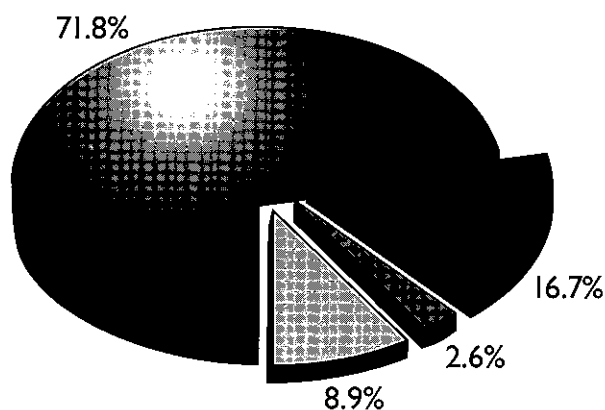
► *Classes 18, 22 and 25 are not relevant to this data.

VEHICLE CLASSES

Percent Insured by Class

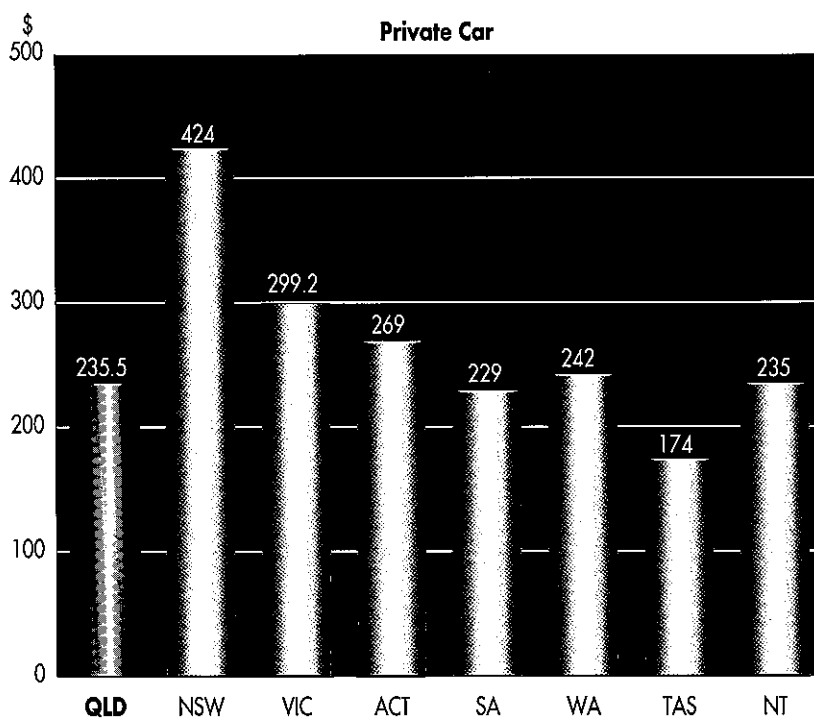
Vehicle classes are divided into 25 categories for differentiation.
The major classes by number of units are Classes 1, 6 and 17.

-  Class 1 (Cars and station wagons)
-  Class 6 (Trucks, Utilities and vans 4.5 t or less)
-  Class 17 (Primary production use only)
-  Others



STATISTICS - Insurance

CTP PREMIUM COMPARISON BY STATE - 1 JULY 1996



► Premium figures include applicable stamp duty in each State.

NSW = Estimated Average Market Rate

Where States have different rates by regions comparison is on metropolitan rates.

CTP AFFORDABILITY (as % of full-time adults' total weekly earnings - Queensland)

Class I Vehicle (cars and station wagons)		
1 September 1994	1 July 1995	1 July 1996
27.20%	26.20%	35.97%

STATISTICS - Insurance

PREMIUM, LEVY AND FEE COLLECTION PERIOD 1 JULY 1995 TO 30 JUNE 1996

	\$
Gross Premium	391,025,924
Hospital Levy *	(6,842,953)
Ambulance Levy *	(1,368,591)
Department of Transport Fee	(7,214,456)
Nominal Defendant Levy *	(11,730,778)
MAIC (Statutory Insurance Scheme) Levy *	(2,923,820)
Net Premium	360,945,326

* Includes June 1996 levies payable by 14 July 1996

INSURERS' NET PREMIUM COLLECTION PERIOD 1 JULY 1995 TO 30 JUNE 1996

Insurer	\$
AAMI	11,493,376
CIC	277,883
Commercial Union	5,977,732
FAI	95,769,203
GIO	1,465,471
Mercantile Mutual	3,312,830
MMI	14,864,295
QBE	898,476
Suncorp	203,814,932
VACC	22,392,447
Zurich	678,681
Total	360,945,326

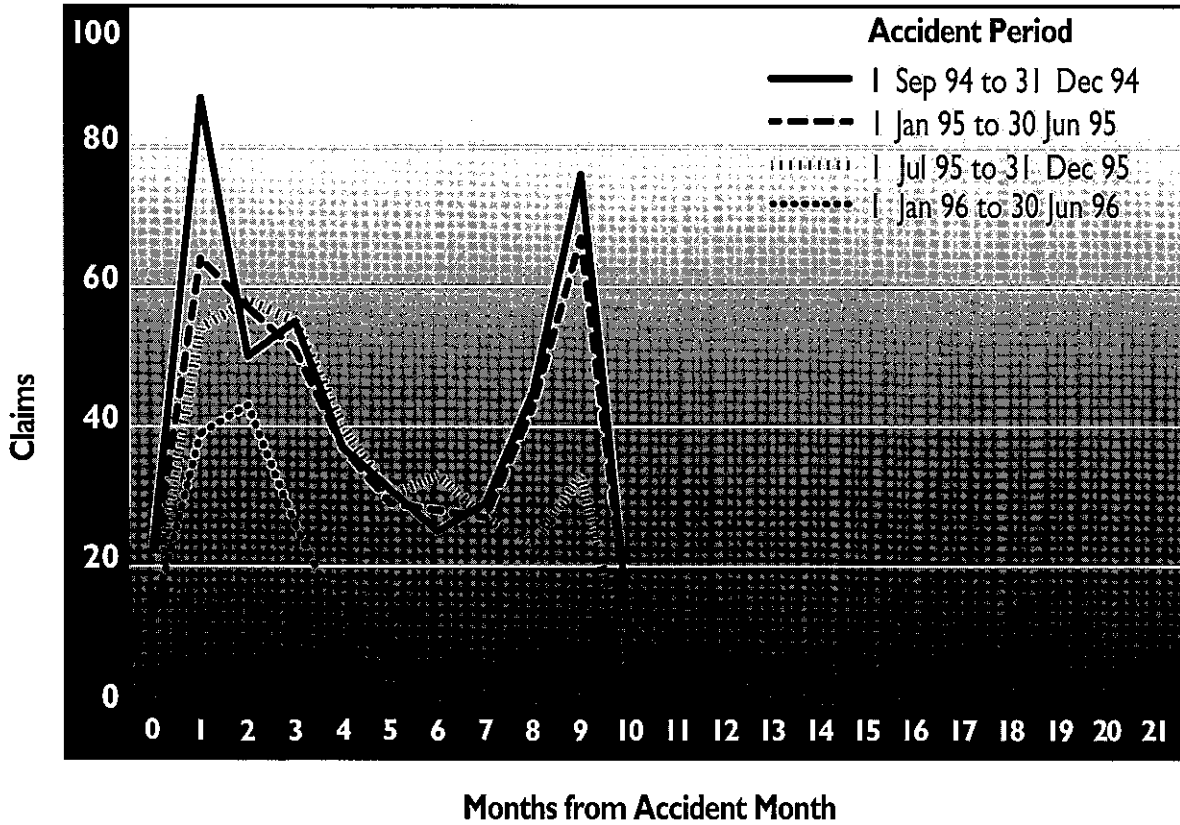
STATISTICS - Insurance

MARKET SHARE - LICENSED INSURERS (BASED ON UNITS)

INSURER	% 1/9/94	% 30/6/95	% 30/6/96
AAMI	2.27	2.74	3.36
CIC (Licence withdrawn 22/1/96)	0.02	0.11	0.08
Commercial Union	1.27	1.57	1.63
FAI	30.62	29.45	27.21
GIO (Licence withdrawn 30/6/96)	0.12	0.28	0.43
Mercantile Mutual	0.79	0.82	0.84
MMI	2.28	2.96	3.38
QBE	0.01	0.09	0.22
Suncorp	57.15	56.1	56.4
VACC	5.13	5.73	6.28
Zurich	0	0.08	0.17

STATISTICS - Claims

NOTICE OF CLAIM - REPORTING PATTERN



NOTICE OF CLAIM LODGMENTS TO 30 JUNE 1996

(All Insurers) Accidents 1 September 1994 to 30 June 1996

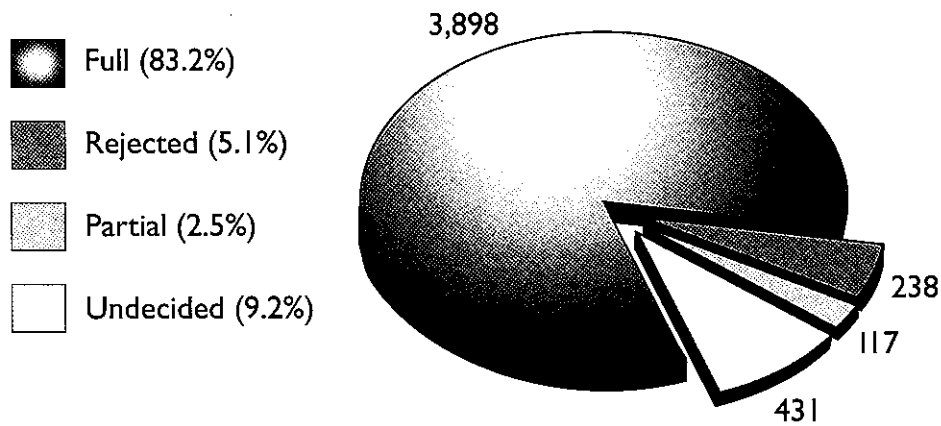
Injury Quarter	Development Quarter							Total
	1	2	3	4	5	6	7	
Dec 94 *	858	368	596	87	61	16	5	1,991
Mar 95	550	281	414	56	22	4		1,327
Jun 95	610	279	408	64	5			1,366
Sep 95	593	287	414	25				1,319
Dec 95	503	327	84					914
Mar 96	572	94						666
Jun 96	145							145

* This period includes the four months September - December 1994

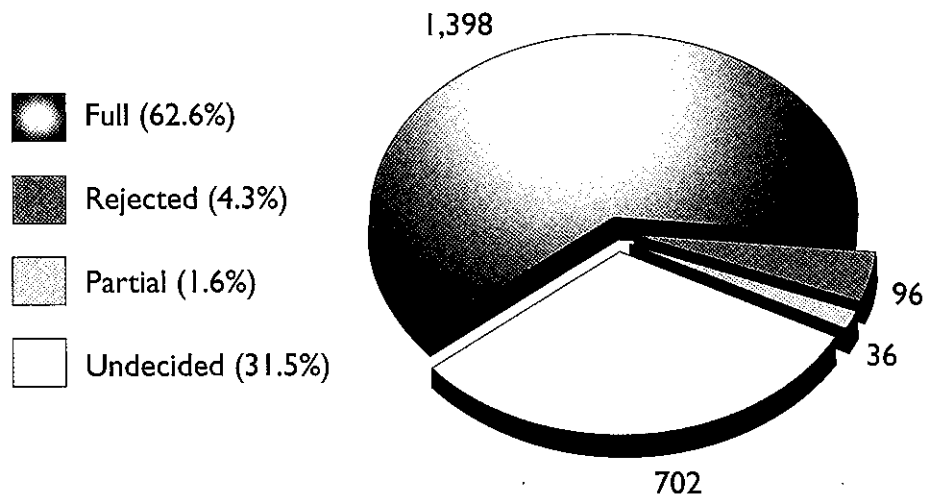
STATISTICS - Claims

LIABILITY DETERMINATIONS

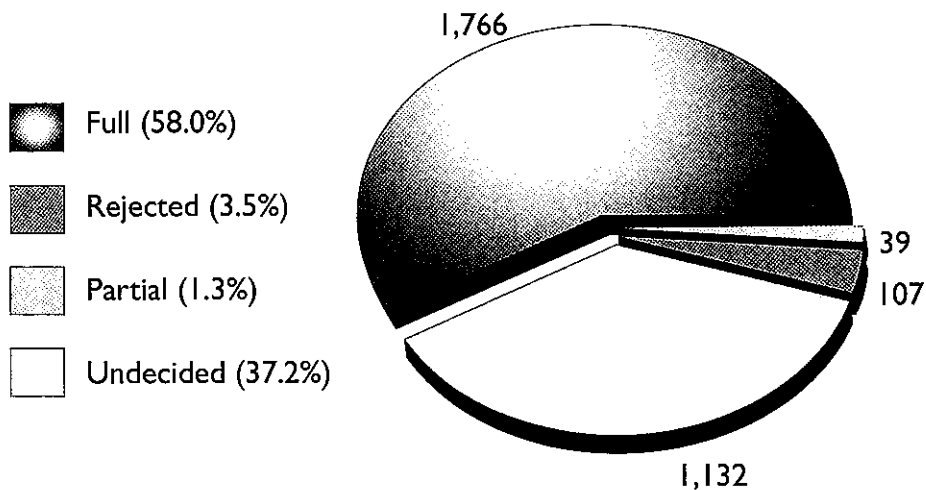
Accidents 1 September 1994 to 30 June 1995



Accidents 1 July 1995 to 31 December 1995



Accidents 1 July 1995 to 30 June 1996



STATISTICS - Claims

CLAIMS RECEIVED, LIABILITY DETERMINED, CLAIMS FINALISED

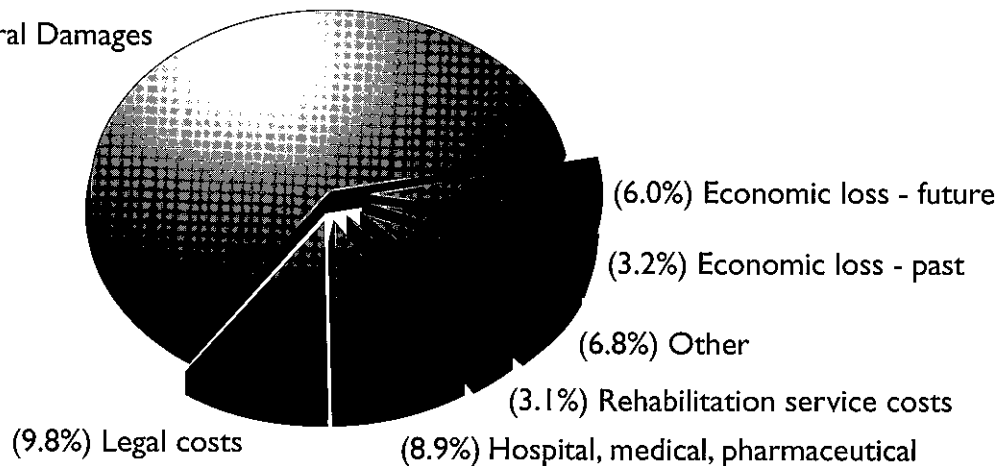
Accidents 1 September 1994 to 30 June 1996

Insurer	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc. Mutual	QBE	Zurich	Suncorp	Nom. Defendant	VACC	TOTAL
Claims Received *	217	11	156	1,619	37	511	86	7	7	3,977	479	621	7,728
Liability Determined	199	5	143	1,214	18	353	75	6	0	3,376	383	393	6,165
(%) Determined	(92)	(45)	(92)	(75)	(49)	(69)	(87)	(86)	(-)	(85)	(80)	(63)	(80)

* Claims received only includes satisfactory Notice of Claim lodgments.

CLAIMS PAYMENT DISSECTION FROM 1 SEPTEMBER 1994 TO 30 JUNE 1996

(62.2%) General Damages



NOMINAL DEFENDANT CLAIM ACTIVITY UNDER FORMER ACT (since 1 July 1995)

Carried Forward	Received	Reopened	Settled	Withdrawn	Under Attention
853	62	2	157	227	552

STATISTICS - Claims

AGE GROUPS OF CLAIMANTS AT 30 JUNE 1996*

Age	Male	Female	Unknown	Total
Unknown	30	29	10	69
0 - 5 years	72	68		140
6 - 15 years	193	214	2	409
16 - 25 years	1,040	1,206	8	2,254
26 - 35 years	843	923	5	1,771
36 - 45 years	573	680	4	1,257
46 - 55 years	374	512	2	888
56 - 65 years	208	276	1	485
66 +	183	272		455
Total	3,516	4,180	32	7,728

* Relates to claims made since 1 September 1994.

ACCIDENT LOCATIONS INVOLVING NOTIFIED CLAIMS

Div. No.*	Location	Postcode No.	No. of Accidents** 1996
1	Brisbane Area	4000 - 4072	495
		4500 - 4549	101
		4073 - 4209	667
4	Gold Coast Region	4210 - 4299	346
5	Ipswich Region	4300 - 4349	101
6	Toowoomba Region	4350 - 4499	89
		4602 - 4618	13
7	Mt Isa Region	4825 - 4834	6
8	Sunshine Coast Region	4550 - 4601	156
		4619 - 4689	101
9	Rockhampton Region	4690 - 4736	47
10	Mackay Region	4737 - 4805	69
11	Townsville Region	4806 - 4824	82
		4835 - 4850	6
12	Cairns Region	4851 - 4899	121
Total			2,400

* Australia Post Postcode Divisions (modified)

** Refers to accidents occurring in the period 1 July 1995 to 30 June 1996.

STATISTICS - Claims

PREMIUM RECEIVED - CORRESPONDING PAYMENTS

Premium Year - 1 September 1994 to 30 June 1995. Accident Date - 1 September 1994 to 30 June 1995.

Insurer	AAMI	CIC	Com. Union	FAI	GIO
Premium Received	\$6,968,485	\$348,370	\$4,534,729	\$78,430,912	\$821,986
Payments Made	\$370,897	\$7,014	\$494,114	\$7,117,848	\$25,254
Number of Claims Open	103	2	70	770	12

This table does not take account of claims yet to be made (incurred but not reported) and appropriately illustrates the "long tail" liability feature of Compulsory Third Party business.

PAYMENT DISSECTION BY INSURER - ALL NEW ACT CLAIMS (PAYMENTS 1 SEPTEMBER 1994 - 30 JUNE 1996)

Payment Type	AAMI	CIC	Com. Un	FAI	GIO	MMI
Aids and appliances	3,647			47,878		6,169
Long-term care and home care	8,032			26,450		19,213
Economic loss - past	21,100			82,577	402	72,601
Economic loss - future	29,173			145,997		2,000
General damages	245,610	6,333	519,154	6,156,981	18,110	406,442
Home and vehicle modifications				72,395		245,432
Investigation costs	15,609	5,238	1,173	106,795	841	106,944
Legal costs	78,396	240	25,918	312,497	7,103	112,069
Hospital, medical, pharmaceutical	120,089	6,574		725,091	2,903	62,294
Other	5,480			16,868	625	13,778
Rehabilitation service costs	16,330	2,786		320,235		32,487
TOTAL	543,466	21,171	546,245	8,013,764	29,984	1,079,429

STATISTICS - Claims

MMI	Merc. Mutual	QBE	SUNCORP	VACC	Zurich	TOTAL
\$10,052,125	\$2,395,119	\$306,779	\$151,494,730	\$15,671,830	\$297,367	\$271,322,432
\$701,370	\$259,870	\$5,899	\$10,750,938	\$1,282,942	\$2,897	\$21,019,043
188	37	1	1,304	293	5	2,785

Merc.	QBE	Zurich	Suncorp	Nom Def	VACC	TOTAL	%
			119,959		40	177,693	0.70
2,155			221,490	9,430	5,100	291,870	1.15
2,086			576,411	56,501	6,146	817,824	3.24
			1,313,015	20,504		1,510,689	5.98
235,851	5,899		6,793,331	449,691	885,738	15,723,140	62.18
			32,943			350,770	1.39
12,850		2,937	184,987	143,511	74,712	655,597	2.59
64,712			1,504,659	174,688	185,232	2,465,514	9.75
13,137			1,133,806	54,550	141,344	2,259,788	8.94
6,559			190,874	3,113	18,533	255,830	1.01
436			259,740	57,606	87,413	777,033	3.07
337,786	5,899	2,937	12,331,215	969,594	1,404,258	25,285,748	100.00

FINANCIAL SUMMARY

The 1995-96 year represents the first full financial year of operation of the Motor Accident Insurance Commission and the Nominal Defendant under the Motor Accident Insurance Act 1994 (the 1994-95 reporting period consisted of a period of ten months). The financial results are summarised as follows:

MOTOR ACCIDENT INSURANCE COMMISSION

Compared to the prior reporting period the Motor Accident Insurance Commission operating profit for the financial year has increased by 49% to \$5,286,309. A 92% increase in investment income to \$6,515,799 is a major contributing factor to this result. The increased level of investment income compared to the prior period reflects the impact of higher investment returns and the fact that the prior reporting period consisted of only ten months.

The Motor Accident Insurance Commission has provided grants totalling \$3,481,650 to various strategic accident prevention and rehabilitation initiatives during the year and a further \$5,635,000 has been transferred to reserves at year end in order to fulfil grant commitments expected in the 1996-97 year. The relative low balance of retained profits at year end of \$45,726 is indicative of the Commission's commitment to fulfil its charter of providing funding for accident prevention and rehabilitation initiatives as provided under Section 10 of the Motor Accident Insurance Act 1994.

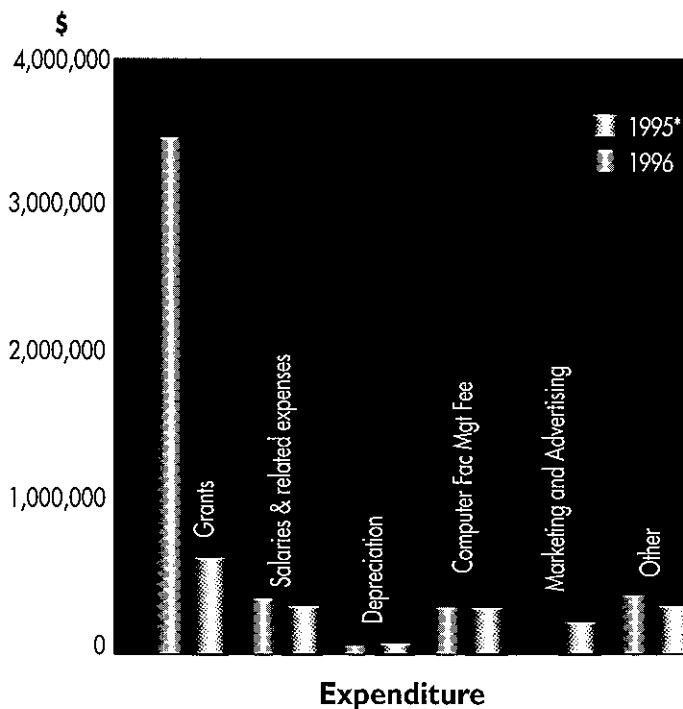
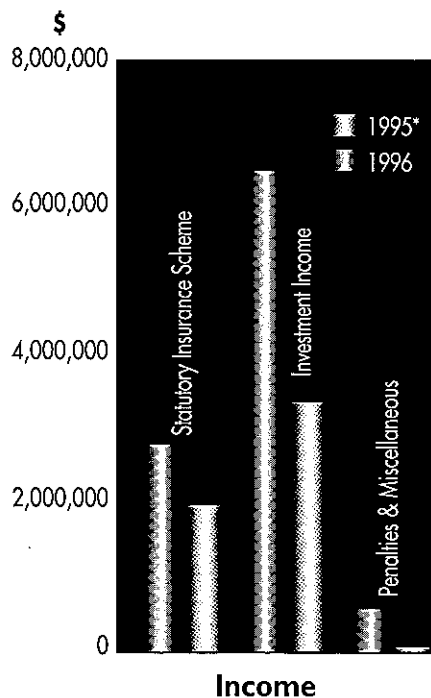
THE NOMINAL DEFENDANT

The Nominal Defendant achieved an operating profit of \$11,007,935 for the year ended 30 June 1996 which is a substantial increase on the prior period's operating profit of \$1,199,297. In addition to the fact that the prior reporting period consisted of only ten months, the increase in operating profit is also attributable to:

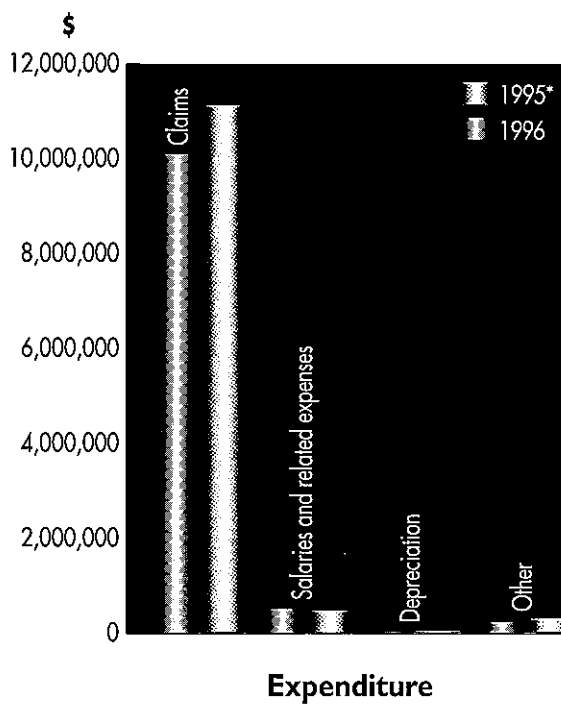
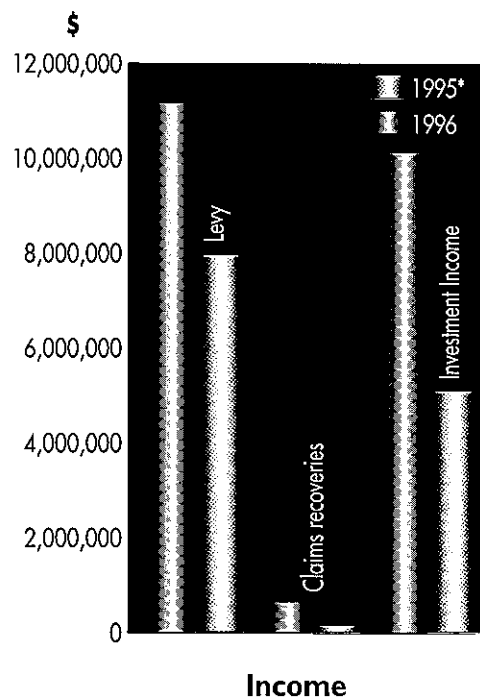
- a 99% increase in investment income this year compared to the prior year, which reflects higher investment returns and increased level of funds invested;
- the Nominal Defendant levy revenue totalling \$11,175,707 - an increase of 41% compared to the prior period reflecting an increase in the number of vehicles insured and a change in the basis for the recognition and recording of levy income in accordance with Australian Accounting Standard AAS 26 - Financial Reporting of General Insurance Activities (levy income is now recognised and recorded when "earned" as opposed to when receipted, as was the case for the prior year); and
- a reduction in claim settlements and related costs by 9% to \$10,117,353 for the year which reflects efficiencies resulting from the implementation of a computerised claims management system.

FINANCIAL SUMMARY

MOTOR ACCIDENT INSURANCE COMMISSION



THE NOMINAL DEFENDANT



* 1995 relates to the period 1 September 1994 to 30 June 1995 (10 months).

FINANCIAL INFORMATION

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
OPERATING REVENUES			
Levies	2	2,820	1,987
Investment income		6,516	3,386
Penalties and miscellaneous receipts		596	72
Total operating revenue		9,932	5,445
OPERATING EXPENSES			
Grants		3,482	650
Salaries and related expenses	3	379	325
Depreciation		61	72
Computer facilities management fee		320	314
Marketing and advertising		2	215
Other		401	325
Total operating expense		4,645	1,901
OPERATING PROFIT	2	5,287	3,544
Retained profits at the beginning of the financial year		394	-
Aggregate of amounts transferred to reserves	9	(5,635)	(3,150)
Retained profits at the end of the financial year		46	394

The accompanying notes form part of these financial statements.

MOTOR ACCIDENT INSURANCE COMMISSION

BALANCE SHEET AS AT 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
CURRENT ASSETS			
Cash		36	280
Receivables	4	6,396	5,501
Investments	5	1,994	3,135
Prepayments		6	-
Total current assets		8,432	8,916
NON-CURRENT ASSETS			
Property, plant and equipment	6	105	155
Investments	5	58,298	52,461
Total non-current assets		58,403	52,616
Total assets		66,835	61,532
CURRENT LIABILITIES			
Creditors		46	41
Provisions	7	35	29
Total current liabilities		81	70
NON-CURRENT LIABILITIES			
Provisions	7	136	131
Total non-current liabilities		136	131
Total liabilities		217	201
Net assets		66,618	61,331
EQUITY			
Capital	8	57,787	57,787
Reserves	9	8,785	3,150
Retained Profits		46	394
Total equity		66,618	61,331

The accompanying notes form part of these financial statements.

FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		2,820	1,987
Investment income		5,694	13
Penalties and miscellaneous receipts		523	62
Outflows:			
Grants		(3,482)	(650)
Salaries and related expenses		(364)	(287)
Computer facilities management fee		(320)	(288)
Marketing and advertising		(2)	(215)
Other		(406)	(317)
Net cash provided by operating activities	15(ii)	4,463	991
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(11)	(125)
Purchase of investments		(5,837)	(52,461)
Net cash used in investing activities		(5,848)	(52,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Transfer from Nominal Defendant (Queensland)		-	55,010
Net cash provided by financing activities		-	55,010
Net (decrease)/increase in cash held		(1,385)	3,415
Cash at the beginning of the financial year		3,415	-
Cash at the end of the financial year	15(i)	2,030	3,415

The accompanying notes form part of these financial statements.

MOTOR ACCIDENT INSURANCE COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Background

The Motor Accident Insurance Commission, established on 1 September 1994 under the provisions of the Motor Accident Insurance Act 1994, is constituted as a body corporate under that Act. The Insurance Commissioner constitutes the Commission. Transactions relating to the Commission are processed through the Motor Accident Insurance Fund, a Trust Fund established and maintained within the Public Accounts of Queensland.

Under Section 106 of the Motor Accident Insurance Act 1994, the Motor Vehicle Insurance Nominal Defendant Fund was closed on 31 August 1994 and the amount that was, in the State Actuary's opinion, enough to meet the liabilities of the Nominal Defendant was required to be transferred to the Nominal Defendant Fund. The remaining balance was required to be transferred to the Motor Accident Insurance Fund.

In addition, the Insurance Act 1960 which established the former Insurance Commissioner was repealed by Section 103 of the Motor Accident Insurance Act 1994. The assets and liabilities of the former Insurance Commissioner, which were financed through Consolidated Fund, were transferred to the Commission on 1 September 1994.

The comparative figures in the financial statements cover the period of operation from 1 September 1994 to 30 June 1995.

(b) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the Financial Administration and Audit Act 1977 and applicable Australian Accounting Standards and Concepts. Excepting for operating assets, the financial statements have been prepared on the basis of net market values. Operating assets have been valued at deprival values.

In preparing the financial statements the accounting policies adopted are consistent with those of the previous year, except as indicated in Note 1(c) and (j). Some prior year figures have been recast to reflect the change in accounting policies at Note 1(c) and (j).

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant and Equipment

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

The recording of property, plant and equipment at deprival values is a change in accounting policy. In previous years property, plant and equipment were recorded at historical costs and then depreciated, on a time basis, over their useful lives.

There is no financial impact as a result of this change in accounting policy.

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

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (continued)

(d) Depreciation

Depreciation is calculated on the diminishing value method at standard rates set out in the Schedule under the Income Tax Assessment Act 1936. These rates are considered to be a reasonable approximation of expected useful lives of the underlying assets.

(e) Funding of Motor Accident Insurance Fund

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

(f) Investments

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

(g) Employee Leave Entitlements

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1996 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as these entitlements do not vest in the employee.

(2) Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to 30 June 1996. The long service leave provision is discounted to present values based on guidelines set out in Accounting Policy Guideline No. 7 Accounting for Employee Entitlements issued by Queensland Treasury for the use of Government entities. The applicable rates and assumptions are disclosed in note 14.

Due to its nature annual leave has been classified as current. Long service leave has been classified as a current or non-current liability based on a determination by each employee as to the proposed timing of such leave.

(h) Superannuation

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

MOTOR ACCIDENT INSURANCE COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (continued)

(i) Contingent Assets and Liabilities

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

There were no other known contingent assets and liabilities of the Commission at 30 June 1996.

(j) Levy Collection and Contribution - Change in Accounting Policy

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

Similarly, contributions made to Queensland Department of Health and the Department of Emergency Services have not been included as expenses.

In the previous year the levies were reported as revenue and the contributions as expenses in the Profit and Loss Statement.

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services are provided by way of Note 13.

The financial impact of the change in accounting policy is as follows:

- there is no financial impact on retained profits; and
- the levy figure in the Profit and Loss Statement at the end of the financial year does not include hospital and ambulance levies (as disclosed at Note 13). Similarly the contributions made in respect of the hospital and ambulance levy are no longer disclosed as expenses in the Profit and Loss Statement. Comparative figures have been recast to reflect a consistent policy of disclosure with regard to levies, as noted above.

(k) Leases

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

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 2 OPERATING PROFIT			
Operating profit is arrived at after crediting and charging the following specific items:			
Credits			
Levies - comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums			
Statutory insurance scheme levy		2,820	1,987
Total		2,820	1,987
NOTE 3 SALARIES AND RELATED EXPENSES			
Salaries and wages		368	294
Amounts set aside to provide for employee entitlements		11	31
Total		379	325
NOTE 4 RECEIVABLES			
Accrued investment income		6,323	5,501
Penalties receivable		73	-
Total		6,396	5,501
NOTE 5 INVESTMENTS			
At net market value			
Queensland Investment Corporation - current		1,994	3,135
Queensland Investment Corporation - non-current		58,298	52,461
Total		60,292	55,596
NOTE 6 PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment - at cost		289	280
Accumulated depreciation		(184)	(125)
Total		105	155
NOTE 7 PROVISIONS			
Employee entitlements - current	14,1(g)	35	29
Employee entitlements - non-current	14,1(g)	136	131
Total		171	160

MOTOR ACCIDENT INSURANCE COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 8 CAPITAL			
Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994 from:			
Nominal Defendant (Queensland)		57,818	57,818
Consolidated fund		(31)	(31)
Total capital	1(a)	57,787	57,787
NOTE 9 RESERVES			
(a) Composition and movements:			
Income maintenance			
Balance at beginning of year		1,000	=
Transfer from retained profits		1,700	1,000
Balance at end of year		2,700	1,000
Accident prevention initiatives			
Balance at beginning of year		400	=
Transfer to retained profits		(400)	=
Transfer from retained profits		750	400
Balance at end of year		750	400
Research initiatives			
Balance at beginning of year		300	=
Transfer to retained profits		(300)	=
Transfer from retained profits		1,780	300
Balance at end of year		1,780	300
Statewide paediatric rehabilitation reserve			
Balance at beginning of year		=	=
Transfer from retained profits		1,600	=
Balance at end of year		1,600	=
Rehabilitation initiatives			
Balance at beginning of year		1,000	=
Transfer to retained profits		(1,000)	=
Transfer from retained profits		1,755	1,000
Balance at end of year		1,755	1,000

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 9 (continued)			
Emergency infrastructure			
Balance at beginning of year		450	-
Transfer to retained profits		(450)	-
Transfer from retained profits		200	450
Balance at end of year		200	450
Total reserves		8,785	3,150
(b) Summary of transfers from/(to) retained profits			
Income maintenance		1,700	1,000
Accident prevention initiatives		350	400
Research initiatives		1,480	300
Statewide paediatric unit reserve		1,600	-
Rehabilitation initiatives		755	1,000
Emergency infrastructure		(250)	450
Total		5,635	3,150
NOTE 10 AUDITOR'S REMUNERATION			
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		5	6
NOTE 11 COMMITMENTS FOR EXPENDITURE			
(a) Maintenance contract commitment			
Total expenditure contracted for at balance date but not provided for in the accounts:			
Due not later than one year		100	300
Due later than one year but not later than two years		-	100
Due later than two years but not later than five years		-	-
Due later than five years		-	-
Total		100	400
(b) Operating lease rental commitments			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		58	58
Due later than one year but not later than two years		58	58
Due later than two years but not later than five years		19	96
Due later than five years		-	-
Total		135	212

MOTOR ACCIDENT INSURANCE COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 11 (continued)			
(c) Grant commitments			
The Motor Accident Insurance Act 1994 provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant moneys is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.			
Future grant commitments not provided for in the financial statements are payable as follows:			
Due not later than one year		1,655	52
Due later than one year but not later than two years		1,658	55
Due later than two years but not later than five years		3,324	182
Due later than five years		-	-
Total		6,637	289
NOTE 12 CONSULTANCY EXPENDITURE			
Communications		-	10
Professional/Technical		149	72
Information technology		2	-
Management/Human resources		4	-
Total		155	82
NOTE 13 ADMINISTERED TRANSACTIONS			
(Hospital and Ambulance levy)			
The Motor Accident Insurance Commission (MAIC) receives hospital and ambulance levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Amounts relating to these transfer payments are not controlled by MAIC and are therefore not recognised in the Profit and Loss Statement or Balance Sheet. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:			
Levies			
Comprise amounts collected from licensed CTP insurers on gross insurance premiums.			

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 13 (continued)			
Hospital levy		6,580	4,637
Ambulance levy		1,316	928
Total		7,896	5,565
Contributions			
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from licensed CTP insurers.			
Hospital levy contributions		4,939	4,637
Ambulance levy contributions		988	928
Total		5,927	5,565
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 ambulance levies as at 30 June 1996: (This amount is held in the QIC - Operating Account).			
		1,969	-
NOTE 14 EMPLOYEE ENTITLEMENTS			
Employee entitlement liabilities			
Accrued wages and salaries		10	7
Provision for employee entitlements			
Current	7	35	29
Non-current	7	136	131
Aggregate employee entitlement liability		181	167
As explained at note 1(g), the amounts for long service leave are measured at their present value. The present value calculation is in accordance with Accounting Policy Guideline No. 7 issued by Queensland Treasury which includes assumptions advised by the State Actuary as follows:			
Weighted average rates of increase in annual employee entitlements to settlement of the liabilities		6.0 %p.a.	-
Weighted average discount rate		8.5 %p.a.	-
Weighted average term to settlement of the liabilities		14 years	-

MOTOR ACCIDENT INSURANCE COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 14 (continued)			
In the previous year the long service leave provision was calculated at nominal amounts based on current salary rates in accordance with AAS 30.			
NOTE 15 STATEMENT OF CASH FLOWS			
(i) Reconciliation of cash			
For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:			
Cash		36	280
Investments	5	1,994	3,135
Total		2,030	3,415
(ii) Reconciliation of operating profit with net cash provided by operating activities			
Operating profit		5,287	3,544
Add/(less) non-cash items			
Depreciation		61	72
Increase in provisions		11	31
Changes in assets and liabilities			
Increase in creditors		5	41
Increase in receivables		(895)	(2,697)
Increase in prepayments		(6)	-
Net cash provided by operating activities		4,463	991
NOTE 16 SEGMENT INFORMATION			
The organisation administers the Queensland compulsory third party motor vehicle insurance scheme.			

FINANCIAL INFORMATION

CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 1996 and of the financial position of the Commission as at 30 June 1996.



Dr. Doug McTaggart
Under Treasurer



G N Hughes
Insurance Commissioner

MOTOR ACCIDENT INSURANCE COMMISSION

AUDIT CERTIFICATE

Scope

I have audited the financial statements of the Motor Accident Insurance Commission for the year ended 30 June 1996 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the accountable officer and person responsible for financial administration as required by the Financial Administration and Audit Act 1977.

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

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

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

Audit Opinion

In accordance with the provisions of the Financial Administration and Audit Act 1977, I certify that I have received all the information and explanations I have required in respect of the financial statements of the Motor Accident Insurance Commission and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 1996 and of the financial position as at the end of that year.



E A Muir

Executive Director - Audit
(As delegate of the Auditor-General)

FINANCIAL INFORMATION

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
Underwriting Revenue			
Levy income	1(g)	11,176	7,949
Underwriting Expenditure			
Claims	2	(10,117)	(11,138)
Claims recoveries		653	150
Other underwriting expenses	3	(830)	(851)
Total underwriting expenditure		(10,294)	(11,839)
UNDERWRITING RESULT		882	(3,890)
Investment income		10,126	5,089
OPERATING PROFIT		11,008	1,199
Retained profits at the beginning of the financial year		1,199	-
Adjustment resulting from a change in accounting policy	1(g)	(3,939)	-
Retained profits at the end of the financial year		8,263	1,199

The accompanying notes form part of these financial statements.

NOMINAL DEFENDANT

BALANCE SHEET AS AT 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
CURRENT ASSETS			
Cash		240	16
Receivables	4	11,418	8,730
Investments	5	15,096	8,635
Prepayments		6	-
Total current assets		26,760	17,381
NON-CURRENT ASSETS			
Property, plant and equipment	6	76	107
Investments	5	80,433	77,714
Total non-current assets		80,509	77,821
Total assets		107,269	95,202
CURRENT LIABILITIES			
Creditors		33	20
Provisions	7	14,793	9,419
Unearned levies	1(g)	5,363	-
Total current liabilities		20,189	9,439
NON-CURRENT LIABILITIES			
Provisions	7	78,691	84,443
Total non-current liabilities		78,691	84,443
Total liabilities		98,880	93,882
Net assets		8,389	1,320
EQUITY			
Capital	8	121	121
Retained profits		8,268	1,199
Total equity		8,389	1,320

The accompanying notes form part of these financial statements.

FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1996

	NOTE	1996 \$'000	1995 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		11,281	7,949
Claims recoveries		653	150
Investment income		8,757	(29)
Outflows:			
Claims		(10,434)	(7,485)
Salaries and related expenses		(590)	(425)
Other		(251)	(304)
Net cash provided by/(used in) operating activities	11(ii)	9,416	(144)
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(12)	(40)
Proceeds from investments		(2,719)	(77,714)
Net cash used in investing activities		(2,731)	(77,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Transfer from Nominal Defendant (Queensland)	1(a)	-	86,549
Net cash provided by financing activities		-	86,549
Net increase in cash held		6,685	8,651
Cash at the beginning of the financial year		8,651	-
Cash at the end of the financial year	11(i)	15,336	8,651

The accompanying notes form part of these financial statements.

NOMINAL DEFENDANT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Background

The Nominal Defendant, established on 1 September 1994 under the provisions of the Motor Accident Insurance Act 1994, is constituted as a body corporate under that Act. Transactions relating to the Nominal Defendant are processed through the Nominal Defendant Fund, a Trust Fund established and maintained within the Public Accounts of Queensland.

Following the enactment of the Motor Accident Insurance Act 1994, the Nominal Defendant succeeds to the rights and liabilities of the Nominal Defendant (Queensland) established under the Motor Vehicles Insurance Act 1936.

Under Section 106 of the Motor Accident Insurance Act 1994, the Motor Vehicle Insurance Nominal Defendant Fund was closed on 31 August 1994 and the amount that was, in the State Actuary's opinion, enough to meet the liabilities of the Nominal Defendant was transferred to the Nominal Defendant Fund. The remaining balance was transferred to the Motor Accident Insurance Fund.

The comparative figures in the financial statements cover the period of operation from 1 September 1994 to 30 June 1995.

(b) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the Financial Administration and Audit Act 1977 and applicable Australian Accounting Standards and Concepts. Excepting for operating assets, the financial statements have been prepared on the basis of net market values. Operating assets have been valued at deprival values.

In preparing the financial statements the accounting policies adopted are consistent with those of the previous year, except as indicated in Note 1(c) and 1(g). Certain prior year amounts have been reclassified in order to maintain a valid comparison with current year amounts.

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant and Equipment - Change in Accounting Policy

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

The recording of property, plant and equipment at deprival values is a change in accounting policy. In previous years property, plant and equipment were recorded at historical costs and then depreciated, on a time basis, over their useful lives.

There is no financial impact as a result of this change in accounting policy. The threshold for the recording of property, plant and equipment assets is \$2,000.

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (continued)

(d) Depreciation

Depreciation is calculated on the diminishing value method at standard rates set out in the Schedule under the Income Tax Assessment Act 1936. These rates are considered to be a reasonable approximation of expected useful lives of the underlying assets.

(e) Funding of Nominal Defendant Fund

Funding is by way of levies, as explained at Note 1(g); interest on investments; and moneys recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants.

(f) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at 30 June 1996 by an independent actuarial firm, Coopers & Lybrand Actuarial and Superannuation Services Pty Ltd, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate which is attached.

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

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are then discounted to a present value at the reporting date using discount rates based on investment opportunities available to the organisation on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 12.

(g) Levies - Change in Accounting Policy

In the previous year levy revenue was recognised when receipted by the Nominal Defendant from the CTP insurers, paying in accordance with Section 9 of the Motor Accident Insurance Regulation 1994.

In order to comply with the provisions of Australian Accounting Standard AAS 26 Financial Reporting of General Insurance Activities, the Nominal Defendant levy, as stated in Section 12 of the Motor Accident Insurance Act 1994, is to be treated as "premium" as defined in AAS 26 and is accounted for as such in accordance with the provisions of AAS 26.

From 1 July 1995 levy revenue is recognised in the Profit and Loss Statement only when it has been earned in accordance with accounting principles set out in AAS 26. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levy revenue) in the Balance Sheet and then systematically transferred to

NOMINAL DEFENDANT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (continued)

revenue in the Profit and Loss Statement as the levy is earned over time. In accordance with AAS 26 the recognition of earned levy revenue is on the basis of the passage of time, commencing from the month in which motorists remit their CTP premiums to the Queensland Department of Transport.

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

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

The financial impact of the change in accounting policy is as follows:

- a decrease in retained profits of \$3,939,076 at the beginning of the financial year;
- a recognition at the end of the current financial year of a liability for unearned levies of \$5,362,517; and
- a recognition at the end of the current financial year of a receivable for June levies of \$1,318,295.

(h) Investments

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

(i) Employee Leave Entitlements

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1996 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as sick leave entitlements do not vest in the employee.

(2) Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to 30 June 1996. The long service leave provision is discounted to present values based on guidelines set out in Accounting Policy Guideline No. 7 Accounting for Employee Entitlements issued by Queensland Treasury for the use of Government departments and agencies. The applicable rates and assumptions are disclosed in Note 14.

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (continued)

Due to its nature annual leave has been classified as current. Long service leave has been classified as a current or non-current liability based on a determination by each employee as to the proposed timing of such leave.

(j) Superannuation

The Nominal Defendant contributes to superannuation funds for the purpose of providing benefits for employees and their dependants on retirement, disability or death, and meets or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by the Public Sector Superannuation Fund (QSuper) and the Government Officers' Superannuation Fund (Gosuper).

(k) Receivables

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

(l) Contingent Assets and Liabilities

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

There were no other known contingent assets and liabilities of the Nominal Defendant at 30 June 1996.

(m) Leases

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

NOMINAL DEFENDANT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 2 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.			
Increase/(Decrease) in provision for outstanding claims	1(f)	(317)	3,653
Claims and associated settlement costs		10,434	7,485
Total		10,117	11,138
NOTE 3 OTHER UNDERWRITING EXPENSES			
Salaries and wages		591	436
Amounts set aside to provide for employee entitlements		(61)	56
Depreciation		42	51
Other		258	308
Total		830	851
NOTE 4 RECEIVABLES			
Accrued investment income		10,100	8,730
Levies receivable		1,318	-
Total		11,418	8,730
NOTE 5 INVESTMENTS			
At net market value			
Queensland Investment Corporation - current		15,096	8,635
Queensland Investment Corporation - non-current		80,433	77,714
Total		95,529	86,349
NOTE 6 PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment - at cost		208	204
Accumulated depreciation		(132)	(97)
Total		76	107

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 7 PROVISIONS			
Current			
Employee entitlements	1(i),14	52	59
Outstanding claims	1(f),12	14,741	9,360
Total		14,793	9,419
Non-Current			
Employee entitlements	1(i),14	149	203
Outstanding claims	1(f),12	78,542	84,240
Total		78,691	84,443
NOTE 8 CAPITAL			
Assets and liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994:			
		121	121
Total Capital	1(a)	121	121
NOTE 9 AUDITOR'S REMUNERATION			
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services			
		8	8
NOTE 10 OPERATING LEASE RENTAL COMMITMENTS			
The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993-94 financial year.			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		58	57
Due later than one year but not later than two years		58	58
Due later than two years but not later than five years		19	77
Due later than five years		-	-
Total		135	192

NOMINAL DEFENDANT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 11 STATEMENT OF CASH FLOWS			
(i) Reconciliation of Cash			
For the purposes of this statement, cash includes cash on hand, cash at bank and short-term investments. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Cash		240	16
Investments	5	15,096	8,635
Total		15,336	8,651
(ii) Reconciliation of operating profit with net cash used in operating activities			
Operating profit		11,008	1,199
Add/(less) non-cash items			
Depreciation		42	51
Decrease/increase in provisions		(378)	3,709
Changes in assets and liabilities			
Increase in prepayments		(6)	-
Increase in receivables		(1,820)	(5,114)
Increase in creditors		14	11
Increase in unearned levies		556	-
Net cash provided by/(used in) operating activities		9,416	(144)
NOTE 12 OUTSTANDING CLAIMS			
Expected future claims payments		132,587	-
Discount to present value		(39,304)	-
Liability for outstanding claims		93,283	93,600
Current	7	14,741	9,360
Non-current	7	78,542	84,240
Total		93,283	93,600
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.6 years			
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:			

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE	1996 \$'000	1995 \$'000
NOTE 12 (continued)		
Claims expected to be paid:		
Not later than one year		
Inflation rate	5.0%	=
Discount rate	7.9%	=
Later than one year		
Inflation rate	5.0%	=
Discount rate	8.9%	=

Certain comparative rates and figures in the above note were not available for the previous year.

In the previous year the provision was based on the estimated value of present and future claims, using actuarially assessed estimated average values of claims. This calculation was undertaken and certified in the financial statements by the State Actuary.

NOTE 13 NET CLAIMS DEVELOPMENT TABLE

This table presents the liability for outstanding claims net of reinsurance and other recoveries receivable, on the basis of the amounts reported in the Balance Sheet since 1993 (four years), and the change to those net amounts from remeasuring as at the current reporting date the liability for outstanding claims net of reinsurance and other recoveries receivable as at the end of each of those four years.

	Reported Net Liability \$'000	Cumulative (under)/over Estimation \$'000
1996	93,283	=
1995	93,600	20,366
1994	100,000	39,947
1993	102,000	44,572

NOMINAL DEFENDANT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1996 \$'000	1995 \$'000
NOTE 14 EMPLOYEE ENTITLEMENTS			
Employee entitlement liabilities			
Accrued wages and salaries		13	12
Provision for employee entitlements			
Current	7	52	59
Non-current	7	149	203
Aggregate employee entitlement liability		214	274

As explained at note 1(i), the amounts for long service leave are measured at their present value. The present value calculation is in accordance with Accounting Policy Guideline No. 7 issued by Queensland Treasury which includes assumptions advised by the State Actuary as follows:

Long Service Leave

Weighted average rates of increase in annual employee entitlements to settlement of the liabilities
 Weighted average discount rate
 Weighted average term to settlement of the liabilities

6.0% p.a.
 8.5% p.a.
 14 years

In the previous year the long service leave provision was calculated at nominal amounts based on current salary rates in accordance with AAS 30.

NOTE 15 SEGMENT INFORMATION

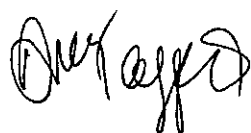
The Nominal Defendant is a statutory body operating in the motor vehicle insurance industry in Queensland.

FINANCIAL INFORMATION

CERTIFICATE OF THE NOMINAL DEFENDANT

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 1996 and of the financial position as at 30 June 1996.



Dr. Doug McTaggart
Under Treasurer



G N Hughes
Nominal Defendant

NOMINAL DEFENDANT

AUDIT CERTIFICATE

Scope

I have audited the financial statements of the Nominal Defendant for the year ended 30 June 1996 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the accountable officer and person responsible for financial administration as required by the Financial Administration and Audit Act 1977.

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

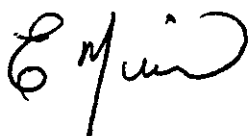
The audit has been conducted in accordance with QAO Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures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

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

Audit Opinion

In accordance with the provisions of the Financial Administration and Audit Act 1977, I certify that I have received all the information and explanations I have required in respect of the financial statements of the Nominal Defendant and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year ended 30 June 1996 and of the financial position as at the end of that year.



E A Muir

Executive Director - Audit

(As delegate of the Auditor-General)

APPENDIX 1

ACTUARIAL CERTIFICATE ON OUTSTANDING CLAIMS LIABILITY AS AT 30 JUNE 1996

Coopers & Lybrand Actuarial and Superannuation Services was requested by the Nominal Defendant to advise on the provisions for its outstanding claims liabilities at 30 June 1996.

Valuation Report

Full details of data, methodology and assumptions are set out in our report dated August 1996. This report was prepared, to the best of our knowledge, in compliance with the requirements of Professional Standard 300 of the Institute of Actuaries of Australia.

Basis of Estimates

The adopted provision as at 30 June 1996 is \$93.3 million, comprising my central estimate of the liability for outstanding claims and a prudential margin. In principle all of the valuation assumptions have been selected so as to yield a central estimate which is not knowingly above or below the ultimate cost of claims.

The central estimate:

- is discounted - i.e. allows for investment income to be earned on assets supporting the liabilities;
- allows for future claims inflation;
- includes a loading for claims handling expenses; and
- complies with the requirements of Australian Accounting Standard AAS 26.

A prudential margin has been included in the provision to allow for the risk and uncertainties inherent in the estimation of outstanding claims liabilities. The extent of this margin is, in my view, reasonable.

Qualifications

It is not possible to estimate the outstanding claims liabilities with certainty. Deviations from the estimates are normal and are to be expected. The outcome is dependent on events which are yet to occur and which are impossible to predict, including legislative, social and economic forces. The provisions recommended are based on assumptions which I believe to be reasonable in current circumstances.



Chris Latham

Fellow of the Institute of Actuaries (London)

Fellow of the Institute of Actuaries of Australia

APPENDIX 2

GRANTS FROM THE MOTOR ACCIDENT INSURANCE FUND

New Grants

Grants from the Motor Accident Insurance Fund awarded to organisations involved in research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those injured in motor vehicle accidents totalled \$3,481,650 for the financial year and \$4,131,650 since the program commenced in 1995.

Royal Children's Hospital Foundation ¹	\$1,600,000
Royal Australian College of General Practitioners ²	\$380,000
Queensland University of Technology ²	\$300,000
Griffith University ³	\$300,000
Queensland Emergency Services ⁴	\$450,000
Division of Orthopaedics Department of Surgery University of Queensland ⁵	\$51,650
Department of Transport ⁶	\$400,000
Total 1995-96	\$3,481,650

Previous Grants

Royal Australasian College of Physicians ²	\$300,000
Royal Australasian College of Surgeons ²	\$300,000
Division of Orthopaedics Department of Surgery University of Queensland ⁵	\$50,000
Total	\$4,131,650

1. The Royal Children's Hospital Foundation grant is recurrent funding for five years.
2. These grants have been matched by similar amounts from the recipient entity to provide research fellowships in perpetuity.
3. Represents a funding arrangement with the entity.
4. The grants to the Queensland Emergency Services community - based rescue helicopter fleet are one-off payments.
5. The grant to the Division of Orthopaedics is indexed recurrent funding for five years.
6. The grant to the Queensland Department of Transport is a one-off payment.

APPENDIX 3

LICENSED CTP INSURERS AS AT 30 JUNE 1996

AAMI	13 22 44
Commercial Union Insurance	1800 773 688
FAI Insurance	13 10 00
Mercantile Mutual Insurance (Aust) Ltd	(07) 3859 5555
MMI	008 816 868
QBE Insurance Limited	13 13 03
Suncorp	13 11 55
VACC Insurance Co. Limited	1800 816 027
Zurich	1800 811 099

CIC Insurance Limited - Licence withdrawn 22 January 1996

GIO Australia Ltd - Licence withdrawn 30 June 1996



MOTOR ACCIDENT INSURANCE COMMISSION

Level 18 - 288 Edward Street BRISBANE QLD 4000

Postal Address:

GPO Box 1083

BRISBANE QLD 4001

Telephone: (07) 3227 8088

Facsimile: (07) 3229 3214

Insurance Commissioner and Nominal Defendant	Graham Hughes
Assistant Insurance Commissioner	John Hand
Principal Rehabilitation Adviser	Mike Hancock
Principal Policy Adviser	Greg Bott
Manager, Management Information Support	Lynne McCall-Marshall
Industry Liaison Officers	Des Richardson Wayne Saville
Administrative Assistant	Julie Williams

NOMINAL DEFENDANT

Level 18 - 288 Edward Street BRISBANE QLD 4000

Postal Address:

GPO Box 2203

BRISBANE QLD 4001

Telephone: (07) 3227 7993

Facsimile: (07) 3221 4805

Nominal Defendant	Graham Hughes
Manager	Les Kilmartin
Claim Managers	Bernie Clark Mike Hogan Rex Mellifont Laurie Meteyard Barry Sturdy
Assistant Claim Managers	Debbie Davis Neil Tomkins
Administrative Assistants	Sandra Clifton Jenny Hancott



QUEENSLAND
GOVERNMENT