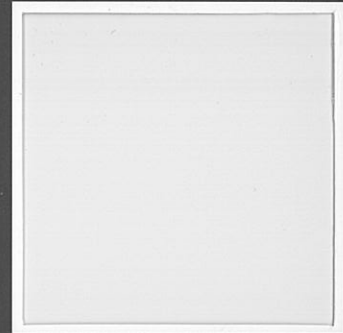
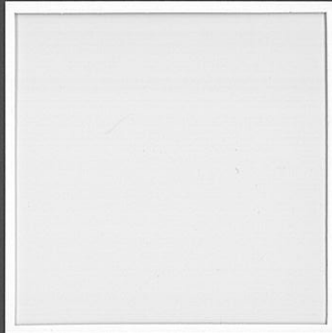
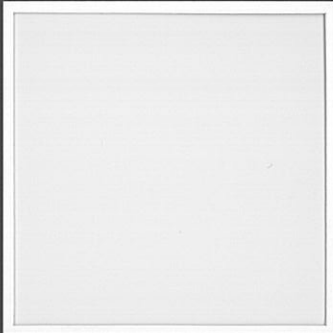


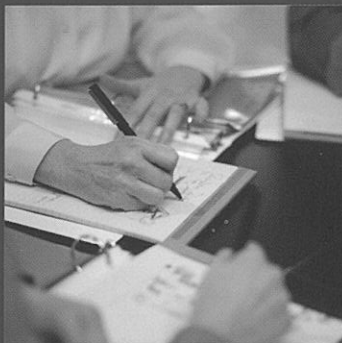


## MOTOR ACCIDENT INSURANCE COMMISSION



*Our mission is to provide  
a viable and equitable  
Compulsory Third Party  
scheme for Queensland  
and to develop and support  
initiatives aimed at  
reducing the incidence  
of road accidents and the  
severity of road trauma.*

**ANNUAL REPORT 1997-1998**



## *Communications* STRATEGY

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

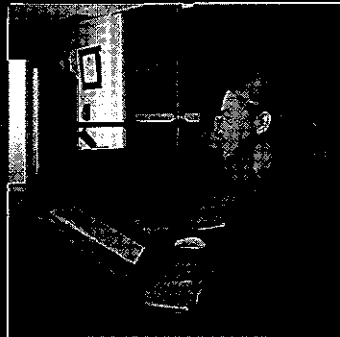
*The report addresses the informational needs of a diverse group of readers including: policyholders, claimants, underwriters, legal and medical professionals, motoring and motoring trade organisations, government, media, and other regulatory organisations.*

*Included in this document are the corporate plans of the Commission and the Nominal Defendant, statistical information relating to the scheme and the audited financial statements of both the Motor Accident Insurance Fund and the Nominal Defendant Fund.*

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# *The* COMMISSION



## *Profile*

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

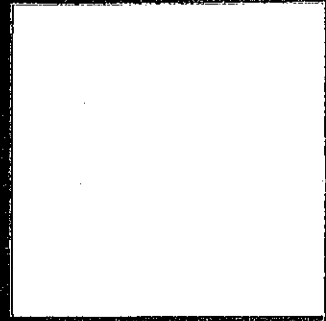
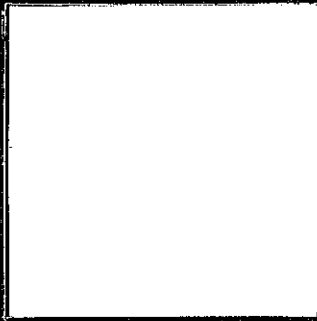
It provides recommendations to the Queensland Government on premiums and independently licenses and supervises insurers in accordance with the *Motor Accident Insurance Act 1994*.

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

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

## *Values*

- ◆ Leadership for staff and clients
- ◆ Technical expertise in our staff
- ◆ Service through a client focus with commitment to excellence
- ◆ Teamwork through participation and consultation
- ◆ Results within an environment of achievement



## *Cover*

These photographs represent staff of the Motor Accident Insurance Commission and Nominal Defendant.

Photo 1 - Deputy Insurance Commissioner John Hand discussing annual report financials with Senior Finance Officer Tulia Koroiwawai-Gauna.

Photo 2 - Administrative Assistant Katie Gilmour at MAIC reception area.

Photo 3 - Claim Manager Don Sacre discussing a new claim with Sherri Robinson.

The Hon. David Hamill

Treasurer

Parliament House

George Street

BRISBANE QLD 4000

Dear Minister

I am pleased to present the Annual Report on the performance of the Motor Accident Insurance Commission for the financial year ended 30 June 1998. In accordance with Section 19 of the Motor Accident Insurance Act 1994, the report includes detail on the operation of the Compulsory Third Party (CTP) scheme established by the Act, and the financial statements of the Commission and the Nominal Defendant.

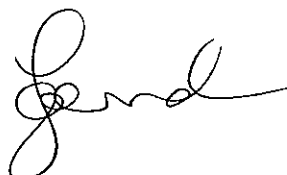
Highlights of the year were as follows:

- Enhancements to scheme monitoring activities through examination of trends in claims data and through forums and informal discussions with participants in the scheme;
- A recommendation to government for a 6% increase in premiums to maintain the fully funded status of the premium from 1 July 1998;
- A review of the efficacy of rehabilitation in the scheme;
- The launch of the Centre for Accident Research and Road Safety – Queensland (CARRS-Q); and
- Strategic participation in CTP authority forums at a national level.

The overall focus of the Commission is to regulate and monitor a CTP scheme which ensures a balance between the needs of stakeholders – the motorists of Queensland and those persons who are unfortunately injured on our roads through no fault of their own.

In the past year the Commission has continued to develop strategies and systems in order to meet this objective.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lesley', with a stylized flourish extending to the right.

Lesley Anderson

Insurance Commissioner



# *Objects* OF THE MOTOR ACCIDENT INSURANCE COMMISSION

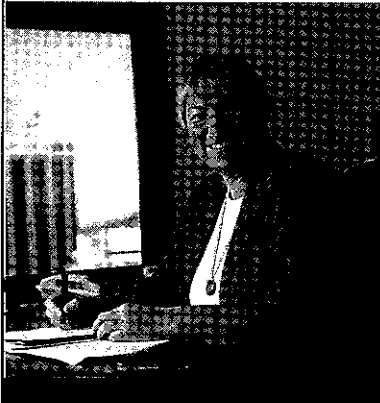
- ◆ to continue and improve the system of Compulsory Third-Party motor vehicle insurance and the scheme of statutory insurance for uninsured and unidentified vehicles operating in Queensland;
- ◆ to provide for the licensing and supervision of insurers providing insurance under policies of compulsory Third-Party motor vehicle insurance;
- ◆ to encourage the speedy resolution of personal injury claims resulting from motor vehicle accidents;
- ◆ to promote and encourage, as far as practicable, the rehabilitation of claimants who sustain personal injury because of motor vehicle accidents;
- ◆ to establish and keep a register of motor vehicle accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
- ◆ to promote measures directed at eliminating or reducing causes of motor vehicle accidents and mitigating their results.



*Above: Participation in a Human Movements project at the University of Queensland.*

*Left: MAIC staff in discussion with researchers from CARRS-Q.*

# Commissioner's REPORT



Lesley Anderson,  
Insurance Commissioner.

As the *Motor Accident Insurance Act 1994* enters its fifth year of operation, the Commission has concentrated on enhancing strategies for monitoring the scheme towards the overall objective of providing injured persons with compensation at a cost which is reasonable for the premium-paying motorist. The Queensland scheme remains relatively affordable, particularly considering that it continues to provide unlimited access to common law.

## ◆ Scheme Monitoring

Regulation and monitoring of the scheme is the key role of the Commission. Monitoring arrangements cover a broad range of activities, including analysis of claim trends, discussions with the various participants with a focus on achieving a balance and keeping up to date with developments in comparable schemes elsewhere in Australia.

During the year a number of forums and informal discussions were held with the key participants in the scheme - motorist associations, the insurance industry and the legal profession. The representatives expressed an interest in examining the efficacy of rehabilitation, a key feature of the 1994 Act. A consultancy is under way to gather information and report on the operation of these provisions. Guidelines have also been prepared for issue to legal practitioners, insurers and medical practitioners to clarify the various roles.

The Commission's monitoring of developments in claim reporting and claim settlements serves as input to the premium

setting process and assists in the ongoing assessment of the appropriateness or otherwise of the legislation.

The legislative framework was amended in two minor respects during the year: a set of technical amendments to the Act in October 1997 and an amendment to the Regulation in March 1998 to allow refunds on change of vehicle class in certain circumstances.

On a continuing basis the Commission seeks and receives information on possible non-compliance with the Act by the various participants. During the year attention has been given to compliance by insurers to provisions relating to determination of liability between insurers and the requirement to notify the Commission of any disputes within specified time frames.

As part of its role of co-ordinating strategies to identify and combat fraud in the scheme, in March 1998 the Commission arranged and sponsored a CTP Fraud Conference in association with the Insurance Council of Australia. The conference was attended by 120 delegates from around Australia, with some sessions held conjointly with Workers' Compensation managers.

The Commission continues its involvement in the regular national forums of CTP authorities looking at a range of issues, including cross-border issues. The sharing of experiences with the various schemes is also of potential value for future analysis of Queensland's scheme.



## ◆ Prudential Supervision

With the establishment of the Australian Prudential Regulation Authority, MAIC is developing a new set of relationships with the national regulator, including possible changes to flows of information. MAIC's prudential role currently comprises two layers: the supply of specified periodic documents by insurers to MAIC and the obligation on insurers to advise MAIC of any relevant discussions being held with the national regulator.

There are currently six licensed insurers. During the year Zurich Insurance voluntarily withdrew as an underwriter of the scheme. VACC (Fortis) Insurance transferred a proportion of its business to QBE Insurance as at 12 January 1998.

## ◆ Premium Review

In accordance with the established timetable, the Commission called for submissions from interested parties and engaged expert actuaries in October 1997 to commence the premium review for the 1998-99 financial year. The Insurance Commissioner's recommendation was made to government in February 1998 for a Class 1 premium of \$243. There were delays in the government process and the regulation was not made until 24 July 1998, with the premium increase becoming effective on 24 September 1998. The Class 1 premium of \$246 includes a loading to make up for the delay in the implementation of the rise. In this way the CTP premium remains fully funded for the financial year as a whole.

The overall conclusion of the 1998-99 premium review was that claim frequency has remained steady. The increase in the premium reflected the impact of wage inflation on claims costs and lower projections for the investment return on premium collections. The premium relativities of four vehicle classes were increased - taxis, short-haul (class 10) buses, large trucks and driver only motor cycles.

In this review the MAIC Claims Database was sufficiently mature to be able to be used to examine claim frequency for the industry as a whole. Although the old Act data of Suncorp and FAI is still crucial for the assessment of trends in claim settlements and average claim size, around 60% of claims by number from the first year of the new Act have been settled and thus reliance on the old Act data is steadily diminishing.

## ◆ Nominal Defendant

The Nominal Defendant staff continued to develop policies and procedures to ensure the efficient and effective management of claims lodged in relation to uninsured and unidentified vehicles. Particular emphasis was placed on training new staff in the role of claim manager. Communication links were also updated in line with technology opportunities. The Nominal Defendant levy was reviewed and, in recognition of a slight increase in costs for the fund, the levy was lifted from 3% to 3.16% effective 24 September 1998. The fully funded status of the Nominal Defendant Fund as at 30 June 1998 was confirmed.



*Les Kilmartin, Manager Nominal Defendant, Graham Jones, Manager for Queensland, Insurance Council of Australia, and Cassandra Burke, Manager - Major Claims, FAI, discuss issues with the Insurance Commissioner, Lesley Anderson, at a recent industry meeting.*

## ◆ COMMISSIONER'S REPORT ◆



*Recipients of CARRS-Q competitive grants.*

### ◆ Research Initiatives

This aspect of the Commission's operations was consolidated over the past year, with the bedding down of the two research centres CONROD (Centre of National Research on Disability and Rehabilitation Medicine) and CARRS-Q (Centre for Accident Research and Road Safety - Queensland).

The CARRS-Q centre was officially launched on 22 July 1998, after commencing operations in early 1997. Associated with the launch, \$800,000 in competitive grants was awarded to twelve researchers for a diverse range of projects. All of these projects have the potential to ultimately contribute to a reduction in the incidence and/or severity of motor vehicle accidents.

Another significant initiative in the area of accident prevention was the approval of funding support for the State Traffic Task Force in Queensland Police. This funding provides an analytical unit to assist in the deployment of resources across the State, the supply of three motor cycles and pilot programs for breath test and radar equipment.

CONROD is still searching for an appointee for the Chair of Rehabilitation Medicine, which is crucial to the long-term direction of the centre. It is hoped that an appointment will be made before the end of 1998. In the meantime, the centre is conducting valuable research with its core funding and has also awarded competitive grants of \$200,000 to nine researchers in a variety of fields.

Two specific projects in the area of treatment and rehabilitation have also been funded by the Commission - a project for basic research into the possibilities of spinal cord repair at the University of Tasmania and the establishment of a normative data set for the purposes of a Whiplash Assessment Clinic at the University of Queensland. This latter project also attracted funding from Suncorp-Metway.

Spanning the areas of both injury prevention and control is a data coordination project being conducted by CONROD. This project involves joint funding with Queensland Health for trauma registries at two Brisbane hospitals



*Alan Terry, Chief Executive Officer, RACQ, launches the Centre for Accident Research and Road Safety - Queensland.*

## ◆ COMMISSIONER'S REPORT ◆

and research into the available statewide sources of information on the incidence and severity of injuries.

An important priority of the Commission is to act as overseer of projects in terms of financial accountability and research outcomes. Reference committees have been established for the three major statewide programs of paediatric rehabilitation, spinal injury and acquired brain injury services. Members of these reference committees come from the insurance industry, health services industry, Queensland Health and client groups.

### ◆ Outlook

Over the next two years the scheme will be the subject of two reviews. The first is the Legislation Review under the Competition Principles Agreement which involves applying a Public Benefit Test to the various provisions of the legislation which restrict competition. The review will be conducted by the Structural Policy Division of Queensland Treasury and is due to commence in October 1998 for conclusion by June 1999. The conclusions of this review will form the central basis of the statutory review of the *Motor Accident Insurance Act 1994*, which is due to commence no earlier than 1 September 1999 and conclude no later than 1 September 2000. In both reviews all interested parties will be fully consulted.

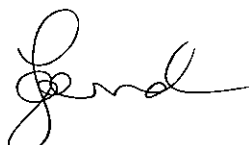
The next premium review will commence in October 1998, with a recommendation expected to be made to government in February 1999. Consideration needs to be

given to some aspects of the premium-setting process in the legislation in order to maintain the independence and credibility of the process. Some other amendments to the Act are being examined, including provisions to facilitate early advice to insurers of the injured person's medical diagnosis.

Apart from the road toll, one of the critical impacts on claim frequency is scheme utilisation and a project has commenced to improve our understanding of trends.

In the area of research initiatives, the strongest emphasis will be placed on the activities of the two research centres (CONROD and CARRS-Q), although other projects may be funded according to their connection to accident prevention or treatment/rehabilitation of motor accident victims. The two research centres will jointly host the Third National Conference on Injury Prevention and Control in Brisbane from 9-12 May 1999.

In conclusion, I would like to thank all of the staff of the Commission and Nominal Defendant for their contributions over the past year. I would also like to thank all of the participants in the scheme who willingly contributed to the various forums, working groups and informal discussions initiated by the Commission towards the overall aim of ensuring a balance in the scheme.



Lesley Anderson  
Insurance Commissioner



*Commission funding for the Transitional Rehabilitation Program assists accident victims back into the community.*

# Corporate GOVERNANCE

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

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

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

## ◆ Freedom of Information

During the reporting period, no applications were received by the Commission or the Nominal Defendant for the release of information under the provisions of the *Freedom of Information Act 1992*.

## ◆ Internal Audit

The Internal Audit Branch of Queensland Treasury provides internal audit services to the Motor Accident Insurance Commission. The audit aims to improve

financial and administration control systems and seeks to improve the organisation's management of, and accountability for, the use of resources.

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

The most recent internal audit of the Commission's operations was completed in March 1998. The focus of this audit was on control evaluation within the offices of the Motor Accident Insurance Commission and the Nominal Defendant with a principal objective to advise on the adequacy of the key controls in place that ensure the accomplishment of the offices' objectives. The scope of the audit was limited to identifying the key controls that are operating and providing an opinion on the level of confidence that can be placed on those controls.

In the opinion of the internal auditors, adequate internal controls are in place and operating to ensure the Motor Accident Insurance Commission and the Nominal Defendant meet their objectives.

# Corporate PROFILE

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

## ◆ Scheme Description

Since 1936, Queensland has operated a common law "fault" based compulsory third party motor vehicle insurance scheme. The scheme provides motor vehicle owners with a "policy of insurance" which covers their unlimited liability for personal injury caused by, through or in connection with the use of the insured motor vehicle anywhere in Australia. For those injured in motor accidents, the scheme provides access to the common law without constraint where the injured party can establish negligence against an owner or driver. It should be noted that, as the scheme is a "fault" based system, circumstances can arise where, for example, a driver who is solely at fault in an accident cannot obtain compensation because there is no negligent party against whom he or she can bring an action.

The Queensland CTP scheme is currently underwritten by six licensed private insurers. The licensed insurers accept applications for insurance and manage

claims on behalf of their policyholders. Premiums are set by regulation and cannot be varied by the insurer. An efficient system of premium collection through the motor registry of Queensland Transport minimises administration costs within the scheme.

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

The CTP schemes across Australia differ in benefit structures with only a few offering unlimited common law opportunity. Despite these differences, there are also a number of commonalities and these are discussed at regular meetings and conferences with participation from all CTP authorities in Australia.

The 1936 legislation ensured Queenslanders injured in motor vehicle accidents through no fault of their own received compensation, resulting in the removal of a significant cost burden on the community. This was enhanced by the 1994 legislation which allows for the provision of funds to meet ongoing medical and rehabilitation costs prior to the settlement of a claim. The current scheme provides community protection and reduces an accident victim's reliance on publicly funded services.



*Insurers and representatives from the Insurance Council of Australia at one of the regular meetings with the Commission.*

## ◆ CORPORATE PROFILE ◆



*Motor Accident Insurance Commission and Nominal Defendant staff in discussions with the Insurance Commissioner.*

### ◆ Funding

The Motor Accident Insurance Commission is funded by a statutory levy within the Compulsory Third Party premium. The levy for the year 1997-98 was set at 0.675% of gross premium resulting in an income from the levy of \$3.643M. The Commission also has available the interest earned on investment of the Motor Accident Insurance Fund and revenue from compliance fines. These amounts, combined with a small surplus from the statutory levy, fund the Commission's research initiatives.

The Nominal Defendant operation is funded by a levy on gross Compulsory Third Party premiums. The levy, set at 3% for the reporting period, resulted in an income of \$16.306M during 1997-98.

### ◆ Key Activities

The primary activities of the Commission cover:

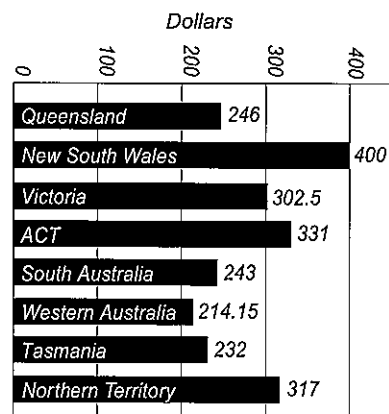
- licensing and supervising compulsory third party motor vehicle insurers;
- independent actuarial analysis of the scheme resulting in the recommending of premium rates and levies to government;
- promoting research, education and the provision of rehabilitation services;
- developing and maintaining a claims register and statistical database for the purpose of providing management information; and
- administration of the Nominal Defendant Fund.

### ◆ Organisational Arrangements

The Commission has undertaken an organisational review and restructured its operation to accommodate increased demands in particular areas. Two distinct business units have been established within the Commission. These are Systems and Finance, and Policy and Liaison. These units, as well as the Nominal Defendant operation, will report directly to the Deputy Insurance Commissioner.

Following the Coopers & Lybrand "Year 2000 Review" conducted for Treasury the Commission has formulated an approach and timetable for achieving Year 2000 compliance. The strategy involves the Treasury Year 2000 Project Team for the attainment of compliance for the generic Treasury applications, with the Commission being responsible for ensuring its own applications comply. Significant upgrading of hardware has been undertaken to achieve compliance. Key data relationships, such as those between the Commission and the licensed insurers, are also being examined. Target for completion of this project is March 1999.

### Premiums for all States



Premiums as at 24 September 1998 include applicable Stamp Duty.

NSW Premium = estimated average market rate.

Comparison is based on metropolitan rates.

# Staff AND PERSONNEL POLICIES

The staffing level of the Commission and Nominal Defendant has remained constant over the reporting period, averaging 20 full-time employees. The year saw the retirement of Des Richardson, the Commission's Industry Liaison Officer. Des, with a long career in insurance, was well known and well respected and made a significant contribution to the improvement in the quality of claims data lodged by insurers.

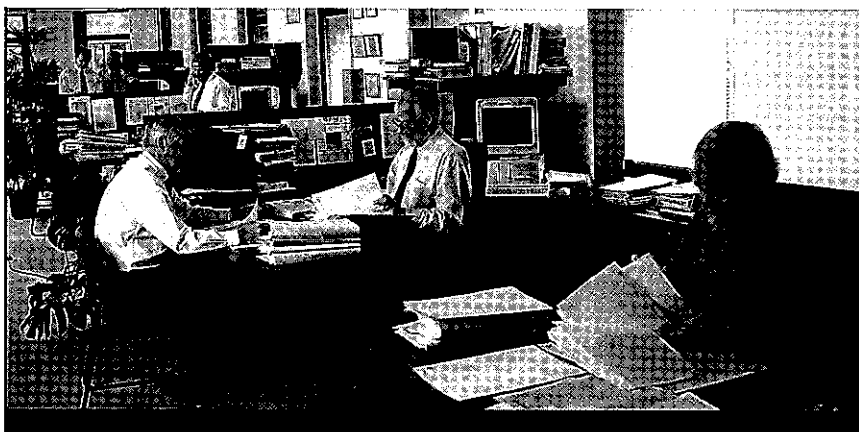
In April 1998 Don Sacre was appointed Claims Manager, Nominal Defendant, replacing Barry Sturdy, who retired some months earlier. Don's experience and expertise in claim management carries on the tradition of professionalism that has become a trademark of the Nominal Defendant operation.

Permanent appointments associated with the two new distinct business units, namely Policy and Liaison, and Systems and Finance, should be finalised in the near future.

## ◆ Personnel Policies

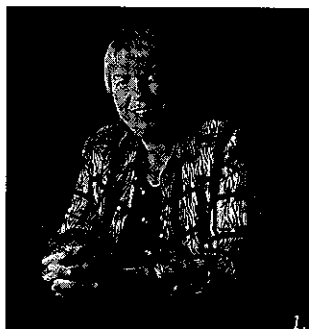
A goal of the Motor Accident Insurance Commission is to create an effective working environment which is safe, equitable, free from discrimination and conducive to the achievement of high quality outcomes. The strategies adopted to achieve this goal include reviewing delegations, authorities, responsibilities and accountability of the Commission. These functions have been devolved where appropriate.

Quality outcomes depend on the skills and quality of the staff. The Commission aims to provide its staff with the highest level of technical expertise by promoting continuous development of individual skills through the provision of training and study facilities and staff rotation. This is enhanced by encouraging a team approach throughout the workplace.

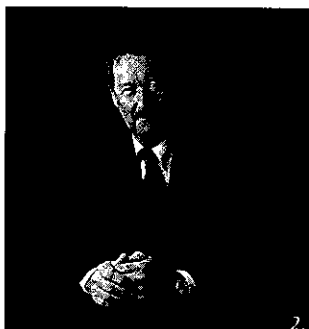


*Nominal Defendant staff workstations. The Nominal Defendant manages CTP Claims associated with unidentified and uninsured vehicles.*

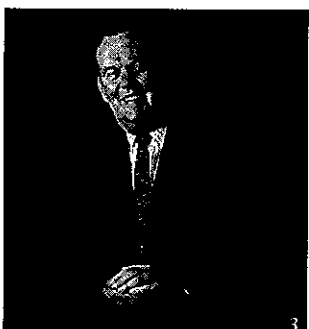
# Management AND ORGANIS



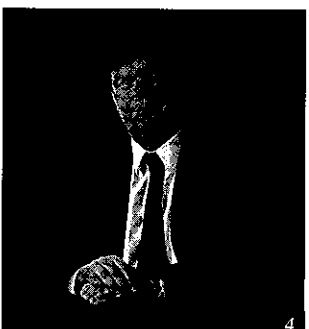
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## 1. Insurance Commissioner

### *Lesley Anderson*

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

## 2. Deputy Insurance Commissioner

### *John Hand*

Appointed as the Assistant Insurance Commissioner in 1993. Responsibilities included the development of the new legislation and supporting systems. Insurance career spanning over 30 years, predominant in personal injury, encompassing high-level policy advice to government and management at senior levels.

## 3. Principal Rehabilitation Adviser

### *Mike Hancock*

Appointed as Principal Rehabilitation Adviser in 1993. Extensive background in rehabilitation counselling and rehabilitation management both in the public and private sectors.

## 4. Manager Systems and Finance

### *Greg Bott*

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

## 5. Manager Nominal Defendant

### *Les Kilmartin*

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

Assistant Rehabilitation Adviser

*Janette Archibald*

Manager Systems and Finance

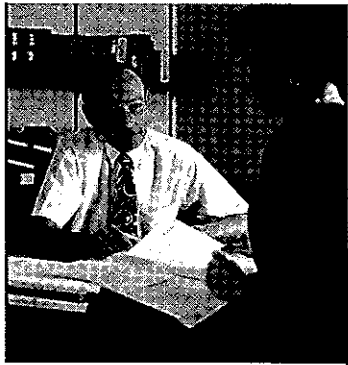
*Greg Bott*

Senior Finance Officer

*Tulia Koroivawai-Gauna*



# ATIONAL STRUCTURE



Above left - Policy Officer Insurance, John Foster working with Assistant Claim Manager Debbie Davis.

Above - Neil Tomkins and Lynne McCall-Marshall in discussion with Tulia Koroivawai-Gauna.

Insurance Commissioner  
and Nominal Defendant  
**Lesley Anderson**

Deputy Insurance Commissioner  
**John Hand**

Principal Rehabilitation Adviser  
**Mike Hancock**

Manager, Nominal Defendant  
**Les Kilmartin**

Manager Policy and Liaison  
**Vacant**

Claim Managers  
**Rex Mellifont**  
**Bernie Clark**  
**Mike Hogan**  
**Laurie Meteyard**  
**Don Sacre**

Assistant Industry  
Liaison Officer  
**Wayne Saville**

Policy Officer Insurance  
**John Foster**

Assistant Claim Managers  
**Debbie Davis**  
**Neil Tomkins**  
**Sherri Robinson**  
**Michael Walpole**

Coordinator Information  
Systems  
**Lynne McCall-Marshall**

Administrative  
Assistant - Insurance  
**Katie Gilmour**

Executive Secretary  
**Julie Williams**

Administration Officers  
**Sandra Clifton**  
**Julie Ecimovic**

# Corporate PLAN AND PROGI

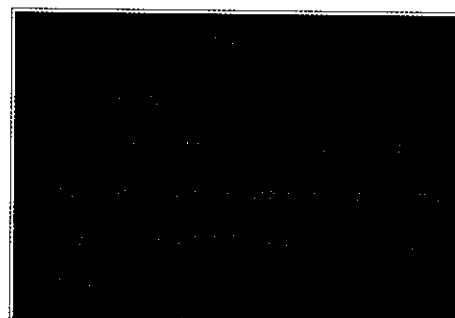
◆ *Mission* ◆ To provide a viable and equitable Compulsory Third Party scheme for Queensland, including a Nominal Defendant scheme, and to develop and support initiatives aimed at reducing the incidence of road accidents and the severity of road trauma.

◆ *Outcome* ◆ A level of protection for Queensland road users by a personal injury insurance scheme, rehabilitation initiatives and accident prevention measures.

The Commission has three key areas of operation: regulation of the CTP scheme, provision of a Nominal Defendant scheme and research and project initiatives. Details of activities, targets and performance measures for each of the areas are set out in the following pages.

## ◆ One: Regulate the Compulsory Third Party Scheme

### Performance Measures



### Activities

- License and prudentially supervise insurers.
- Review and promote prudential standards and guidelines.
- Determine appropriate data for scheme analysis and fraud detection to be collected from insurers and maintained on the Personal Injury Register database.
- Analyse and report on each insurer's operational data.
- Monitor community concerns, consult stakeholders and amend legislation if appropriate.
- Analyse claims trends on a monthly basis and arrange a quarterly actuarial review of the data.
- Annually invite written submissions on premium levels and arrange an actuarial analysis of the CTP scheme.
- On an annual basis recommend to the Minister fully funded premium rates including levies and fees.
- Monitor and review the operation of the Nominal Defendant.
- Prosecute cases of fraud.
- Participate in national forums on CTP issues.

# AM ACHIEVEMENTS

## ◆ *Outcome Indicators* ◆

- Existence of a Compulsory Third Party scheme.
- Actuarial basis for premium rates.
- Compliance with legislative claims management requirements.
- Fully funded Nominal Defendant scheme.
- Financial contributions to initiatives aimed at reducing the incidence of road accidents and the severity of road trauma.

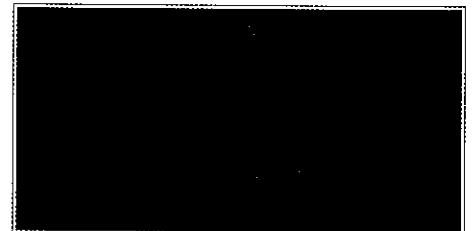
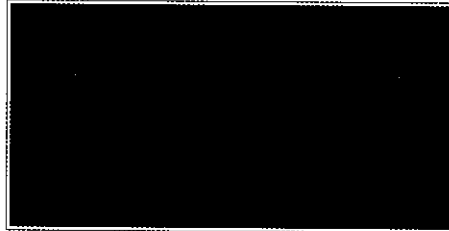
## **Program Achievements 1997/98**

- Ensured the six insurers participating in the scheme met licencing requirements and complied with their responsibilities under the legislation.
- Developed discussions with the Insurance and Superannuation Commission (now Australian Prudential Regulation Authority) on prudential standards and guidelines, and ensured compliance by insurers.
- Participated in forums and informed discussions with stakeholders to ensure the legislation is on balance meeting their needs.
- MAIC Claims Database appropriate for analysis of claim frequency as part of the actuarial review.
- Monitored developments in claim costs through court precedents and analysis of claims data.
- Reviewed premium rates commencing in October 1997 with invitations for written submissions. Commission's recommendation on premiums made to government in February 1998 and the regulation gazetted on 24 July 1998 for implementation effective 24 September 1998.
- Organisation of and participation in National Fraud Conference in relation to accident compensation insurance.
- Year 2000 strategies developed.
- Assessment of outstanding claims liability of the Nominal Defendant Fund as at 30 June 1998 received on 3 September 1998.
- Amendment Regulation in March 1998 allowing a refund when a permanent change of insurance class resulted in a lower premium.
- *Motor Accident Insurance Act* amended in October 1997 to provide for recovery of contribution by or from the Nominal Defendant in certain cases.
- Ongoing liaison with Queensland Transport on issues relating to premium collection, systems and operations.
- Implementation of a stakeholder forum and consultancy on rehabilitation.
- Review of Information Technology systems conducted and recommendations implemented.
- All Queensland Treasury reporting requirements were met.

## ◆ CORPORATE PLAN AND PROGRAM ACHIEVEMENTS ◆

### ◆ Two: Provision of a Nominal Defendant Scheme

#### Performance Measures



#### Activities

- Analyse claim trends on a monthly basis.
- Annual actuarial review of outstanding claims liabilities.
- Annual review to determine appropriate Nominal Defendant levy.
- Monitor cash flow budgets to meet commitments and optimise investment income.
- Manage claims against the Nominal Defendant.
- Maximise amounts recoverable to the Nominal Defendant Fund.
- Provide appropriate technical advice relevant to policy and legislative changes.
- Claims data reporting to MAIC.

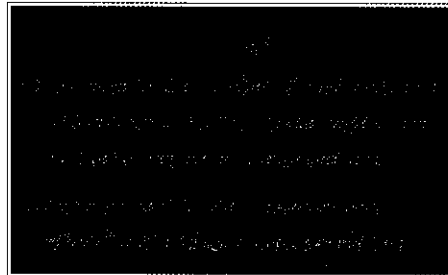
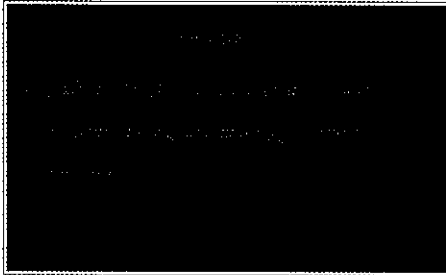
#### Program Achievements 1997/98

- Regular reporting to the Insurance Commissioner on trends in claim lodgment and settlements, and information submitted to the actuaries for annual review of outstanding claim liabilities.
- Complete and accurate data supplied to the MAIC database within the required time frames.
- Ongoing advice provided to the MAIC on technical aspects of the legislation as it relates to the Nominal Defendant function.
- Claims Management System (CMS) application relocated to Price Waterhouse Urwick in Sydney to facilitate ease of operation and provide enhanced resilience in the event of breakdown.
- Cash and investment position reviewed twice a week. Funds invested in a balanced Queensland Investment Corporation Investment Trust.
- Nominal Defendant levy reviewed and increased to 3.16 percent ensuring a fully funded Nominal Defendant operation.
- Fraud monitoring resulted in the notification of five suspected fraudulent claims to MAIC.
- During the year 160 new Act claims and 112 old Act claims were finalised as resolved. 1,020 new Act claims and 175 old Act claims remain active.
- Nominal Defendant average claim cost comparable with industry.
- Recovery action was concluded on 80 files during the year. Recovery action is continuing on a further 182 files.
- All legislative time frames relating to Nominal Defendant claims were met.

## ◆ CORPORATE PLAN AND PROGRAM ACHIEVEMENTS ◆

### ◆ Three: Research and Project Initiatives ◆

#### Performance Measures



#### Activities

- Identify initiatives for more effective rehabilitation of motor vehicle accident victims.
- Seek initiatives to reduce the incidence, severity and costs of motor vehicle accidents and assist where practical in the development, implementation and support of such initiatives.
- Collect and analyse accident and claims data for research opportunities.
- Promote educational initiatives and other programs and use accident and claims data.
- Monitor research grants.

#### Program Achievements 1997/98

- Queensland Transport statistics showed hospitalisations reduced from 4290 in 96-97 to 4135 in 97-98, a decrease of 3.6%.
- Launched the Centre of Accident Research and Road Safety – Queensland (CARRS-Q), a collaborative centre with the Queensland University of Technology.
- Established reference committees comprising representatives from relevant community groups, to advise on issues related to the implementation, development, ongoing effectiveness and evaluation of MAIC funded rehabilitation programs.
- Ensured all recipients of MAIC funding grants comply with accountability requirements.
- Four new projects were directly funded by MAIC during the year. Three of these projects related to treatment and rehabilitation and one to accident prevention.
- Allocation of funding through CONROD to nine research projects relating to rehabilitation and treatment.
- Twelve accident prevention projects were funded through CARRS-Q.



*Manager Nominal Defendant,  
Les Kilmartin discussing  
investigation outcomes with Loss  
Adjuster Greg McCosker.*

# Claims MANAGEMENT

The Motor Accident Insurance Act 1994 introduced a number of new approaches to claims management, specifically in response to concerns in the areas of:

- lengthy delays in the resolution of claims; and
- lack of rehabilitation services for injured parties.

This article reports on the implementation and performance of these legislative provisions and the evolution of related practices and procedures in these areas by the insurance industry and the legal profession over the past four years.

## ◆ Early Reporting

Under the old scheme, it was often the case that the first time an insurer knew of a claim was upon receipt of a *Plaint* or *Writ* from the claimant's solicitor, possibly years after the accident. Delays were inevitable as the insurer attempted to investigate the circumstances of the accident long after it had taken place. The 1994 legislation introduced maximum time frames applying to both the claimant and insurer. Under section 34 an intending claimant is required to notify the insurer within one month of consulting a lawyer and is required to provide basic information to enable the insurer to consider preliminary investigation. The claimant is then required under section 37 to lodge a formal Notice of Claim within nine months of injury or the date the symptoms

first became apparent (three months from the date of accident in the case of an unidentified vehicle). Within one month of receiving a Notice of Claim, the insurer is required to advise the claimant that the notice complies with the legislation, or give details of non-compliance.

Cumulative claim lodgments are shown in the table on page 24 of this report. It is evident that the majority of claims are lodged within the nine month time frame, or shortly thereafter. It is also evident that, as experience with the new Act grows, a higher proportion of claims are being submitted well before the statutory time frames. For example, in the six months to June 1995, 35% of claims were received within four months of the accident, while in the six months to June 1997, 53% of claims were received within four months.

## ◆ Exchange of Information

In the spirit of early resolution, the 1994 Act requires open exchange of documentation between insurers and claimants. This contrasts with the former scheme, in which insurers needed to rely heavily on the information provided by their insured. Under the 1994 Act, the Notice of Claim provides the insurer with information pertaining to the claimant including details of employment and earnings, and the nature and extent of injuries. Importantly, it also gives the insurer an account of the accident from the claimant's perspective. The form is to contain an offer of settlement, or a

statement of reasons why an offer cannot yet be made. Written permission is to be provided for the insurer to access medical, hospital or other records relating to the claimant of relevance to the claim. If the insurer uses the authority, the insurer is to provide a copy of any information to the claimant within one month of obtaining that information (although information may be withheld if there are genuine grounds to suspect fraud; the Commission needs to be advised of these situations).

From discussions with the insurance industry and the legal profession, it appears that these provisions are working quite well. There is a proposal at present to extend the provisions to introduce an authority to seek medical information at the section 34 stage, primarily for the purpose of initiating rehabilitation services.

### ◆ Procedural Time Frames

Under the previous Act, disputes between insurers over apportionment of liability were a significant factor affecting claim settlements. The 1994 Act requires that where a claim involves two or more insurers, one insurer is to act as claim manager. An Industry Deed, which forms part of the Regulation, outlines the process to be followed. In essence, the insurers are obligated to determine within two months of the receipt of the Notice of Claim who will act as claim manager and on what basis the claim costs are to be shared. If

agreement cannot be reached, the matter is to be decided in accordance with the process set out in the Deed, or by a referee appointed by the Commission. Since inception of the scheme, 40 claims have been referred to the Commission, with 36 of these resolved without the involvement of a referee, and the remaining 4 cases determined by the referee process.

The 1994 Act also introduced time frames for the insurer to determine liability. Irrespective of complexity, the insurer must make a determination on liability within six months of the Notice of Claim. The status of claims in relation to determination of liability is shown in the table on page 25 of this report.

### ◆ Rehabilitation

Under the previous legislation, rehabilitation was not regarded as an essential component for the injured person's recovery, and was undertaken only on the claimant's own initiative and at the claimant's expense. It was generally not part of a claim manager's function.

Community expectations today demand that rehabilitation support must be an integral part of personal injury management. The 1994 Act highlights the provision of rehabilitation where reasonable as a key feature of claim management. Once liability is admitted in whole or part, the insurer is obligated to make rehabilitation services available to the claimant.



*Deputy Commissioner John Hand discussing claims issues with Robert Mathers from QBE and Mike Jarrett from AAMI.*

## ◆ CLAIMS MANAGEMENT ◆

Irrespective of the legislative requirements, an effective rehabilitation program increases the prospect of an injured person achieving early return to gainful employment (if relevant), or to his/her role in society. This has implications for the level of compensation required, in addition to the overall improvement in individual health and wellbeing. So that an injured party is not out of pocket for medical and other related expenses, the 1994 Act provides for ongoing reimbursement of those expenses, ultimately taking into account the percentage of liability admitted by the insurer.

Since September 1994, approximately 10% of claims (ie 2672) have been identified as having a rehabilitation category payment, which is defined as a payment made under a rehabilitation plan. A total of \$4.5 million, or 1.52% of all claim payments, has been paid out under this expense category, although additional payments that could broadly be considered as relating to rehabilitation (such as physiotherapy) would have been paid out under other categories.

Because the rehabilitation provisions were such an important part of the 1994 Act, the Commission has engaged consultants to review the application of rehabilitation in claim management and examine current practices. The results of this review should be available in late 1998.

### ◆ Fraud

Insurance fraud is a major cost to the community. Whilst the 1994 Act aims at early resolution of claims, appropriate

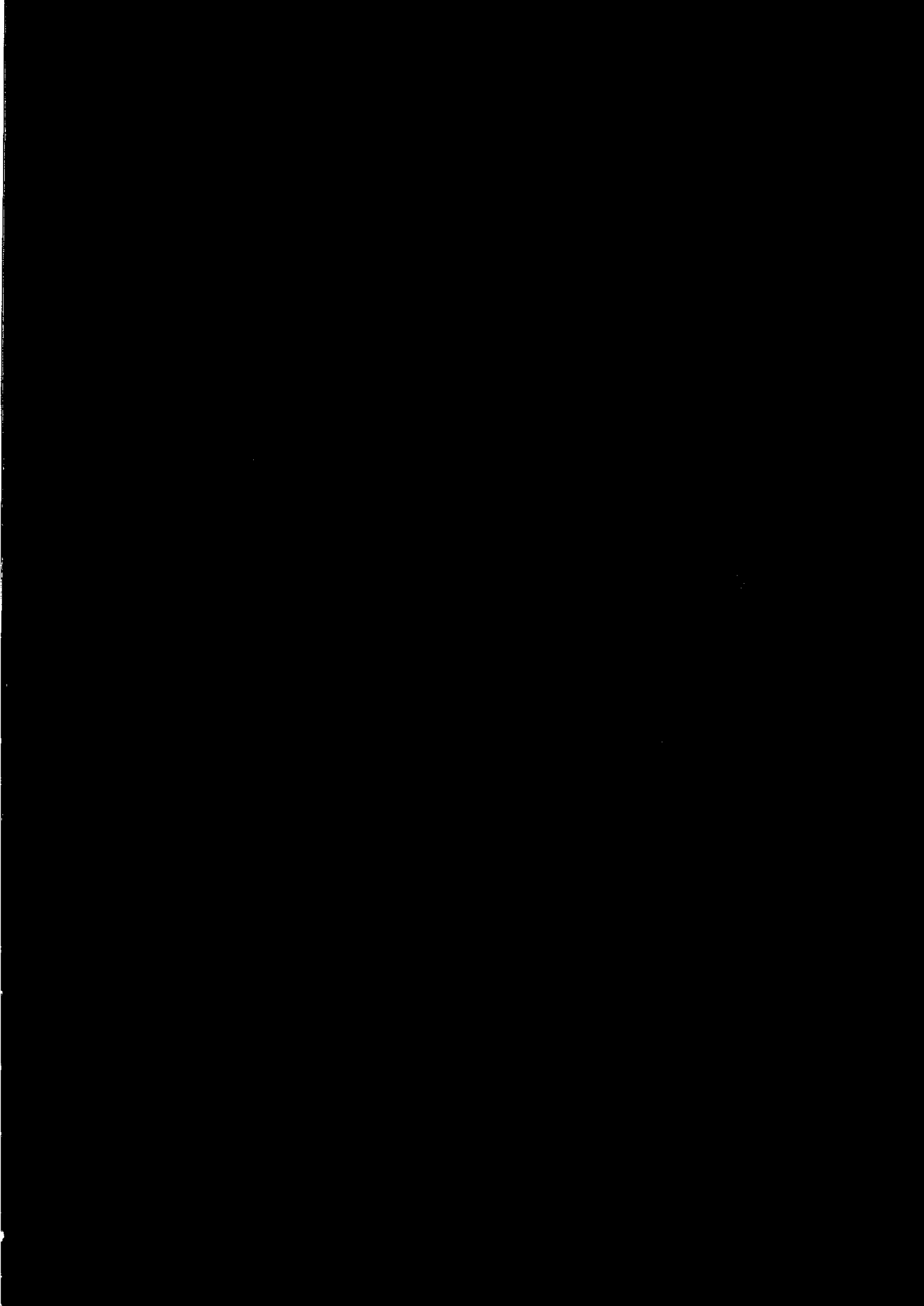
provision is made for the administration of claims where fraud is suspected. Heavy penalties including possible imprisonment for conviction of fraud are included.

Under the provisions of the legislation, insurers are required to notify the Commission if they have withheld information regarding a claim on the suspicion of fraud. In the main, fraudulent activity detected within the scheme has been in the categories of misstatement, non-disclosure and exaggeration of injury. Since 1994, six claims have been referred to the Commission for further investigation, and two of these cases have been referred to the Courts.

### ◆ Data for Scheme Monitoring

To facilitate monitoring of the scheme, many aspects of the claim process are recorded and provided to the Commission in electronic format for compilation in an industry-wide claims register. This information is used by the Commission and its consulting actuaries for premium determination, research and fraud detection and is provided in aggregate form to interested parties including the insurance industry and the legal profession. The data also assists the Commission in monitoring the insurer's compliance with their obligations under the Act. Considerable efforts have been made by the Commission and insurers over the past two years to improve the quality of this data for the overall benefit of the scheme.





# Queensland COMPULSORY

## Vehicles Insured as at 30 June 1998

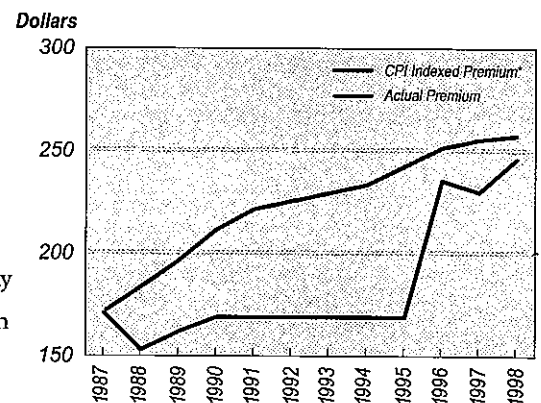
Insurance Class	Number of Vehicles	Percentage	Premium from 24/9/98
1	1,634,601	72.20	\$246
2	4,715	0.21	\$246
3	2,560	0.1	\$1,107
4	16,007	0.71	\$836
5	4,170	0.18	\$22
6	376,795	16.64	\$246
7	46,046	2.03	\$738
8	5,327	0.24	\$246
9	2,387	0.11	\$246
10	3,296	0.15	a
11	3,886	0.17	b
12	28,078	1.24	\$69
13	41,346	1.83	\$246
14	28,035	1.24	\$69
15	9,174	0.41	\$69
16	752	0.03	\$246
17	52,564	2.32	\$110
19	456	0.02	\$22
20	80	0.00	\$22
21	43	0.00	\$123
23	3,740	0.17	\$246
24	28	0.00	\$246
<b>Totals</b>	<b>2,264,086</b>	<b>100</b>	

a \$270 + \$26 per adult passenger seat in excess of 7.

b \$250 + \$47 per adult passenger seat in excess of 7.

## ◆ CTP Premium

Although the fundamentals which influence the calculation of CTP insurance premiums (i.e. claims frequency and average claim size) differ from the fundamentals contributing to growth in the CPI, the accompanying graph highlights the relative affordability of CTP premiums since 1987. This graph plots actual Class 1 premiums against the 1987 Class 1 premium inflated by the CPI over the relevant period.



\* CPI calculation based on Brisbane Metropolitan Index.

## Premium, Levy and Fee Collection 1 July 1997 to 30 June 1998

	Dollars
Gross Premium	545,091,168
Hospital Levy*	(9,535,892)
Emergency Services Levy*	(1,907,178)
Department of Transport Fee	(9,103,023)
Nominal Defendant Levy*	(16,352,735)
MAIC (Statutory Insurance Scheme) Levy*	(3,678,130)
Net Premium	504,514,210

\* Includes June 1998 levies payable by 14 July 1998.

# THIRD PARTY SCHEME

## Market Share - Licensed Insurers

Insurer	1/9/94 units	30/6/95 units	30/6/96 units	30/6/97 premium	30/6/98 premium
AAMI	2.27	2.74	3.36	4.06	4.61
CIC (Licence withdrawn 22/1/96)	0.02	0.11	0.08	0.00	0.00
Commercial Union (Licence withdrawn 1/3/97)	1.27	1.57	1.63	0.96	0.00
FAI	30.62	29.45	27.21	25.56	25.39
GIO (Licence withdrawn 30/6/96)	0.12	0.28	0.43	0.00	0.00
Mercantile Mutual (Licence withdrawn 1/11/96)	0.79	0.82	0.84	0.28	0.00
MMI	2.28	2.96	3.38	4.15	4.25
QBE	0.01	0.09	0.22	0.42	3.61
Suncorp	57.15	56.10	56.40	57.53	58.40
VACC	5.13	5.73	6.28	6.78	3.65
Zurich (Licence withdrawn 15/11/97)	0.00	0.08	0.17	0.26	0.09

\*Following the transfer of a section of CTP business from VACC to QBE on 12 January 1998, the premium based market shares for these two companies are distorted as at June 1998.

In accordance with the Motor Accident Insurance Regulation 1994, an insurer's share of the market for CTP insurance business is calculated by adding the insurance premiums received by the insurer during the relevant financial year for all classes of CTP insurance business (as shown in Transport Administration's records) and expressing the total amount as a percentage of the total insurance premiums received by all licensed insurers during the same financial year for the insurance of Class 1, Class 6 and Class 7 motor vehicles. Licensed insurers are subject to the condition that the Commission must withdraw the licence if the licensee does not, at the end of the financial year in which the fifth anniversary of the grant of the licence falls, have a share of the market for CTP insurance equal to or greater than 5%. The insurer must maintain this minimum

level of market share in subsequent financial years.

Prior to the 1996-97 financial year, this premium-based calculation was not available and therefore market share was reported based on number of vehicles insured, i.e. units.

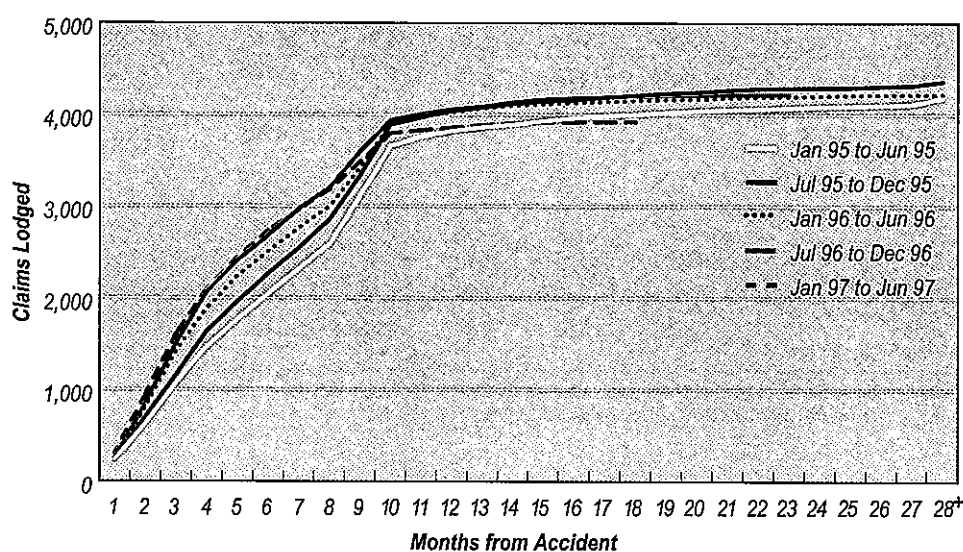
## ◆ QUEENSLAND COMPULSORY THIRD PARTY SCHEME ◆

### ◆ Cumulative Claims Lodgment

In accordance with the *Motor Accident Insurance Act 1994*, a notice of claim must be given to the insurer within 9 months

after the motor accident or the first appearance of symptoms of the injury.

This graph demonstrates that the majority of claims have been lodged within the nine month time frame to comply with the Act.



### Notice of Claim Lodgments

(All insurers) Accidents 1 September 1994 to 30 June 1998

Injury Quarter	Development Quarter												Total
	1	2	3	4	5	6	7	8	9	10	11	12+	
Sep 94 – Dec 94*	717	568	982	277	102	51	29	25	26	25	14	32	2,848
Jan 95 – Mar 95	500	464	723	189	57	37	23	14	10	14	12	15	2,058
Apr 95 – Jun 95	613	512	598	233	47	36	26	17	15	10	5	14	2,126
Jul 95 – Sep 95	665	491	689	205	54	42	31	15	17	13	7	8	2,237
Oct 95 – Dec 95	555	587	666	192	43	29	23	8	10	8	4		2,125
Jan 96 – Mar 96	697	551	613	146	40	19	10	14	3	3			2,096
Apr 96 – Jun 96	779	513	512	223	43	20	22	8	6				2,126
Jul 96 – Sep 96	846	535	535	132	71	20	9	3					2,151
Oct 96 – Dec 96	742	596	551	137	32	17	3						2,078
Jan 97 – Mar 97	757	561	505	94	37	5							1,959
Apr 97 – Jun 97	898	549	395	105	16								1,963
Jul 97 – Sep 97	933	515	410	55									1,913
Oct 97 – Dec 97	876	560	123										1,559
Jan 98 – Mar 98	860	209											1,069
Apr 98 – Jun 98	324												324
<b>Totals</b>	<b>10,762</b>	<b>7,211</b>	<b>7,302</b>	<b>1,988</b>	<b>542</b>	<b>276</b>	<b>176</b>	<b>104</b>	<b>87</b>	<b>73</b>	<b>42</b>	<b>69</b>	<b>28,632</b>

\* This period covers accidents for four months.

## ◆ QUEENSLAND COMPULSORY THIRD PARTY SCHEME ◆

### Claims Status

#### Accident Period 1 September 1994 to 30 June 1995 (10 months)

	INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defend.	VACC	TOTAL
Claims Received		150	7	111	1901	15	282	71	2	5	3766	261	461	7032
Liability Determined		148	3	111	1828	15	263	71	1	5	3728	257	438	6868
(%) Determined		99	43	100	96	100	93	100	50	100	99	98	95	98
Finalised		101	4	82	1432	13	230	60	1	4	2918	192	324	5361
(%) Finalised		67	57	74	75	87	82	85	50	80	77	74	70	76

#### Accident Year 1 July 1995 to 30 June 1996

	INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defend.	VACC	TOTAL
Claims Received		222	8	120	2220	30	421	88	15	9	4565	361	525	8584
Liability Determined		209	5	120	2162	29	342	79	15	7	4511	349	494	8322
(%) Determined		94	63	100	97	97	81	90	100	78	99	97	94	97
Finalised		110	4	59	1470	27	295	53	5	5	2814	191	310	5343
(%) Finalised		50	50	49	66	90	70	60	33	56	62	53	59	62

#### Accident Year 1 July 1996 to 30 June 1997

	INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defend.	VACC	TOTAL
Claims Received		262	0	121	1984	14	419	57	30	14	4405	289	556	8151
Liability Determined		252	0	120	1863	14	366	52	25	7	4238	275	479	7691
(%) Determined		96	(-)	99	94	100	87	91	83	50	96	95	86	94
Finalised		102	0	43	863	10	194	24	8	3	1760	95	212	3314
(%) Finalised		39	(-)	36	43	71	46	42	27	21	40	33	38	41

#### Accident Year 1 July 1997 to 30 June 1998

	INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defend.	VACC	TOTAL
Claims Received		153	0	12	1180	0	278	2	90	1	2721	209	219	4865
Liability Determined		130	0	12	873	0	184	2	25	1	2054	103	118	3502
(%) Determined		85	(-)	100	74	(-)	66	100	28	100	75	49	54	72
Finalised		19	0	2	134	0	39	1	6	0	351	13	29	594
(%) Finalised		12	(-)	17	11	(-)	14	50	7	(-)	13	6	13	12

(This table is not indicative of the full claims experience of this accident year due to the relatively short time frames between the cut-off of data and this accident period in comparison to the earlier accident periods above.)

## ◆ QUEENSLAND COMPULSORY THIRD PARTY SCHEME ◆

### Payment Dissection by Insurer - All New Act Claims (Payments 1 September 1994 to 30 June 1998)

Code	Payment Type	AAMI	CIC	CU	FAI	GIO
A1	Aids and appliances	91,486		55,170	266,186	3,489
C1	Long-term care and home care	276,542		83,953	2,773,401	60,989
E1	Economic loss - past	386,173	11,192	27,236	5,676,961	23,782
E2	Economic loss - future	802,021		52	7,160,804	25,000
G1	General damages	2,541,681	97,056	4,819,766	36,216,069	248,070
H1	Home and vehicle modifications	375			281,181	
L1	Investigation costs	148,492	11,468	13,919	2,203,881	4,292
L2	Legal costs - plaintiffs	666,874	2,500	106,564	7,043,993	70,351
L4	Legal costs - defendants (solicitors)	300,072	4,627	289,339	1,774,202	58,890
L5	Legal costs - defendants (barristers)	37,987			159,221	
L6	Legal costs - defendants (other outlays)	39,086		31,902	102,603	10,734
M1	Hospital, medical, pharmaceutical	688,036	10,907	77,078	6,520,925	50,228
N1	Payments to interstate and non CTP insurers			1,965	269	
P1	Other	63,284		10,324	259,076	1,625
R1	Rehabilitation service costs	114,594	10,995	59,475	1,456,813	22,072
V1	Recoveries from Insured					
V2	Other party (other than through sharing)	(4,904)				
V3	Nominal Defendant recovery					
<b>Totals</b>		<b>6,151,799</b>	<b>148,745</b>	<b>5,576,743</b>	<b>71,895,585</b>	<b>579,522</b>

Compulsory Third Party insurance is "long tail" in nature. Premiums collected by insurers in any one financial year may take a number of years to distribute to claimants in the form of claim payments to compensate for personal injury sustained as a result of motor vehicle accidents.

◆ QUEENSLAND COMPULSORY THIRD PARTY SCHEME ◆

MMI	Merc. Mut.	QBE	ZURICH	SUNCORP	Nom. Def.	VACC	TOTAL	%
59,857	541			865,815	2,669	6,473	1,351,686	0.46
1,918,928	40,658			13,147,513	351,500	157,200	18,810,684	6.35
1,278,437	203,449	2,720	10,482	11,845,576	874,812	399,125	20,739,945	7.01
2,233,112	740	5,000		27,422,657	1,466,064	500,118	39,615,568	13.38
7,321,975	1,091,707	194,250	85,292	72,152,401	3,935,242	8,159,129	136,862,638	46.23
284,786				794,418	530	21,000	1,382,290	0.47
429,618	77,789	8,682	6,968	1,941,564	555,452	212,748	5,614,873	1.90
1,548,882	280,482	20,740	22,968	16,982,177	881,377	1,541,142	29,168,050	9.85
637,676	246,294	6,797	4,593	4,483,761	935,180	866,513	9,607,944	3.25
48,769	12,278		967	389,080	75,950	61,561	785,813	0.27
14,885	2,041		393	946,472	247,734	88,220	1,484,070	0.50
1,460,636	146,777	39,472	10,394	12,668,862	682,264	1,331,647	23,687,226	8.00
323,966	110,306					4,642	441,148	0.15
57,171	1,220	6,842	845	3,475,887	25,321	373,980	4,275,575	1.44
387,213	13,299	13,197		1,784,188	244,563	395,826	4,502,235	1.52
						(8,120)	(8,120)	(0.00)
(160,165)				(2,039,408)	(11,683)	(17,052)	(2,233,212)	(0.75)
					(30,200)		(30,200)	(0.01)
17,845,746	2,227,581	297,700	142,902	166,860,963	10,236,775	14,094,152	296,058,213	100.00

As an illustration, the net premium collected by insurers from 1 September 1994 to 30 June 1995 was \$271M, while the net premium collected in 1995-96 was \$361M and for 1996-97 was \$496M. Claim payments to date are \$141M for the first accident period, \$102M for the second accident period and \$47M for the third accident period.

◆ QUEENSLAND COMPULSORY THIRD PARTY SCHEME ◆

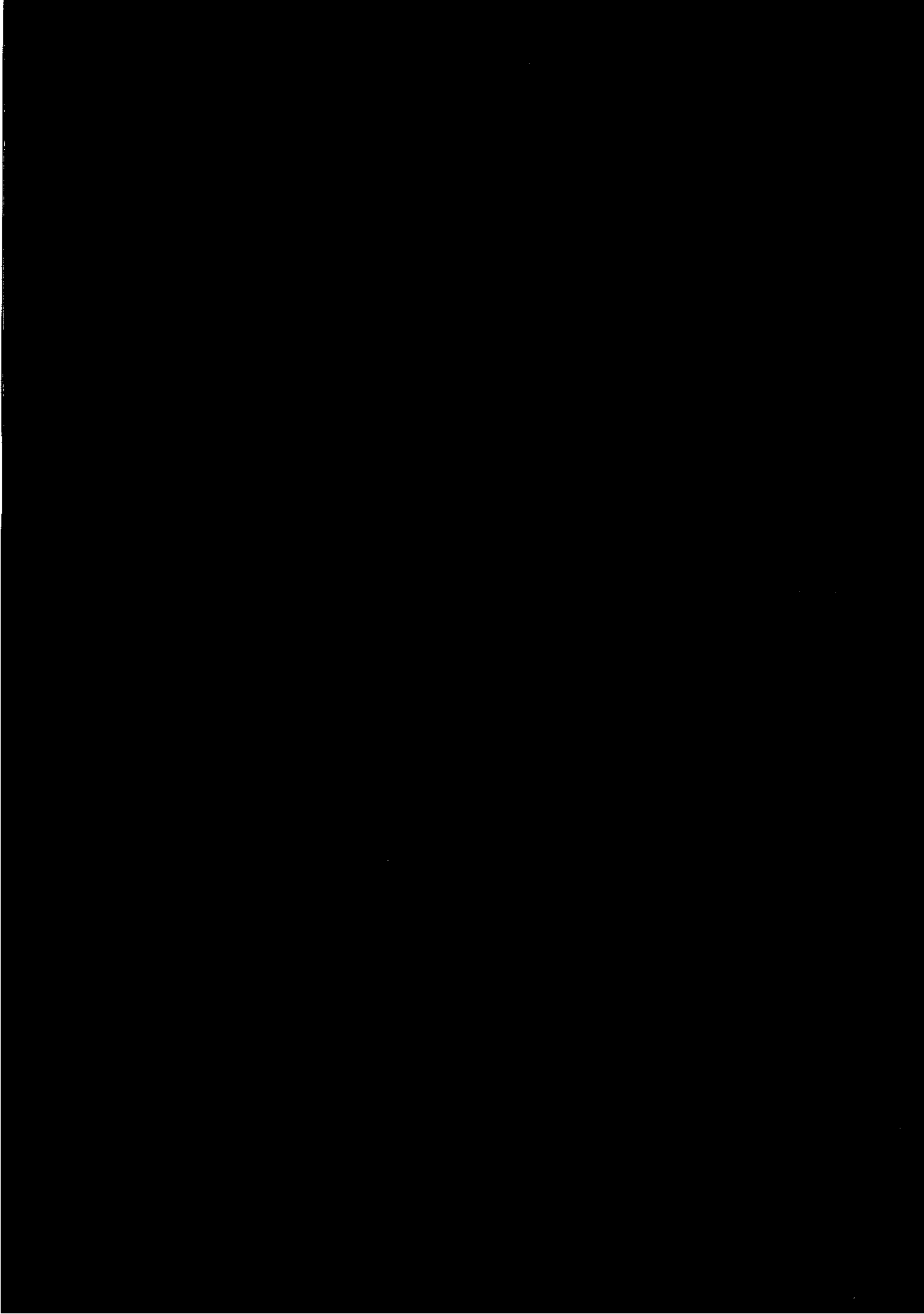
◆ **Age Group of Claimants for Accidents  
1 September 1994 to 30 June 1998**

<i>Age Group</i>	<i>Male</i>	<i>Female</i>	<i>Unknown</i>	<i>Total</i>
<i>Unknown</i>	95	107	60	262
<i>0 - 5 years</i>	146	159	1	306
<i>6 - 15 years</i>	652	633	2	1,287
<i>16 - 25 years</i>	3,016	3,270	13	6,299
<i>26 - 35 years</i>	3,578	3,842	10	7,430
<i>36 - 45 years</i>	2,512	2,702	5	5,219
<i>46 - 55 years</i>	1,747	2,041	5	3,793
<i>56+</i>	1,760	2,273	3	4,036
	<b>13,506</b>	<b>15,027</b>	<b>99</b>	<b>28,632</b>

**Number of Accidents by Postcode Division  
1 September 1994 to 30 June 1998**

<i>Location</i>	<i>Postcode</i>	<i>Number of Accidents</i>
<i>Brisbane City</i>	4000-4072	4,312
	4500-4549	942
	4073-4209	5,605
<i>Gold Coast Region</i>	4210-4299	3,105
<i>Ipswich Region</i>	4300-4349	922
<i>Toowoomba Region</i>	4350-4499	934
	4602-4618	75
<i>Mt Isa Region</i>	4825-4834	69
<i>Sunshine Coast Region</i>	4550-4601	1,430
	4619-4689	1,009
<i>Rockhampton Region</i>	4690-4736	490
<i>Mackay Region</i>	4737-4805	654
<i>Townsville Region</i>	4806-4824	714
	4835-4850	51
<i>Cairns Region</i>	4851-4899	1,070
		<b>21,382</b>





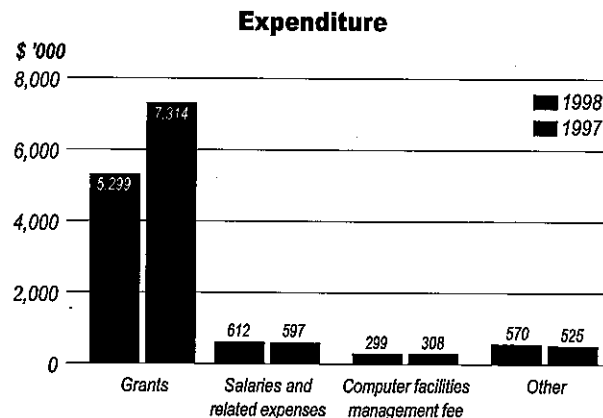
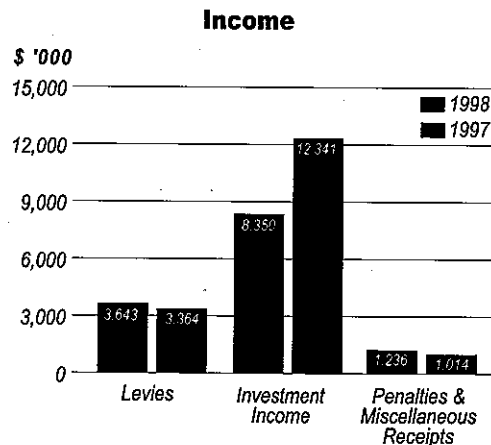
# Financial SUMMARY

The 1997-98 year represents the third full financial year of operation of the Motor Accident Insurance Commission and the Nominal Defendant under the *Motor Accident Insurance Act 1994*. The financial results are summarised as follows:

## ◆ Motor Accident Insurance Commission

Compared to the previous financial year the operating profit for the Motor Accident Insurance Commission for the financial year has decreased by 19% to \$6.45 million. A 32% decrease in investment income to \$8.35 million is a major contributing factor to this result, reflecting the impact of lower investment returns.

The Motor Accident Insurance Commission has provided grants totalling \$5.3 million to various strategic accident prevention and rehabilitation initiatives during the year. A further \$9.39 million has been transferred to reserves at year end, earmarked for future grant commitments.



## ◆ The Nominal Defendant

The Nominal Defendant incurred an operating loss of \$0.24 million for the year ended 30 June 1998 compared to the prior year's operating loss of \$1.49 million. This improved operating result represents a decrease in claims expenditure from the previous financial year of \$35.05 million to total \$29.84 million for the year. The total comprises:

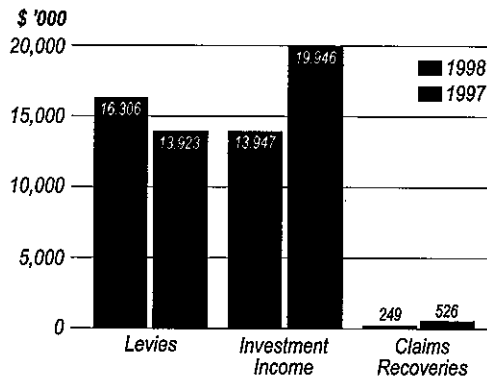
- \$15.06 million increase in provisions for outstanding claims. The increase reflects anticipated claims cost inflation, plus a combination of changes in economic assumptions and some deterioration in claims frequency.

- \$14.78 million claims and associated costs incurred for the financial year.

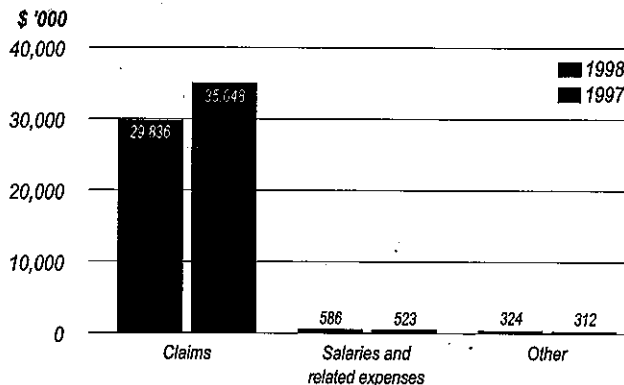
Levy income of \$16.31 million has increased on the prior year by 17%, reflecting an increase in motor vehicle registrations during the year, and some timing differences. A 30% decrease in investment income compared to the prior year reflects the impact of lower investment returns.

The Nominal Defendant scheme remains fully funded with net assets of \$6.70 million after allowing for outstanding claim provisions of \$126.16 million supported by an actuarial assessment undertaken by Trowbridge Consulting.

### Income



### Expenditure



# *Motor* ACCIDENT INSURANCE

## ◆ Profit and Loss Statement for the year ended 30 June 1998

	NOTE	1998 \$'000	1997 \$'000
Operating Revenues			
Levies	2	3,643	3,364
Investment income		8,350	12,341
Penalties & miscellaneous receipts		1,236	1,014
Total operating revenue		13,229	16,719
Operating Expenses			
Grants		5,299	7,314
Salaries and related expenses	3	612	597
Depreciation	14	65	54
Computer facilities management fee		299	308
Marketing and advertising		16	3
Other		489	468
Total operating expense		6,780	8,744
Operating Profit		6,449	7,975
Retained profits at the beginning of the financial year		940	46
Aggregate of amounts transferred from reserves	9	5,886	3,380
Aggregate of amounts transferred to reserves	9	(9,393)	(10,461)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		3,882	940

*The accompanying notes form part of these financial statements.*

# COMMISSION

## ◆ Balance Sheet as at 30 June 1998

	NOTE	1998 \$'000	1997 \$'000
<b>Current Assets</b>			
Cash		152	118
Receivables	4	8,481	12,330
Investments	5	6,904	974
Prepayments		27	21
<b>Total current assets</b>		<b>15,564</b>	<b>13,443</b>
<b>Non-Current Assets</b>			
Receivables	4	1,050	750
Property, plant and equipment	6	60	102
Investments	5	64,568	60,518
<b>Total non-current assets</b>		<b>65,678</b>	<b>61,370</b>
<b>Total assets</b>		<b>81,242</b>	<b>74,813</b>
<b>Current Liabilities</b>			
Creditors		34	69
Provisions	7	47	59
<b>Total current liabilities</b>		<b>81</b>	<b>128</b>
<b>Non-Current Liabilities</b>			
Provisions	7	119	92
<b>Total non-current liabilities</b>		<b>119</b>	<b>92</b>
<b>Total liabilities</b>		<b>200</b>	<b>220</b>
<b>Net assets</b>		<b>81,042</b>	<b>74,593</b>
<b>Equity</b>			
Capital	8	57,787	57,787
Reserves	9	19,373	15,866
Retained profits		3,882	940
<b>Total equity</b>		<b>81,042</b>	<b>74,593</b>

*The accompanying notes form part of these financial statements.*

◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

◆ Statement of Cash Flows for the year ended 30 June 1998

	NOTE	1998 \$'000	1997 \$'000
Cash Flows from Operating Activities			
Inflows:			
Levies		3,643	3,364
Investment income		12,285	6,416
Penalties & miscellaneous receipts		1,150	1,005
Outflows:			
Grants		(5,599)	(7,314)
Salaries and related expenses		(604)	(627)
Computer facilities management fee		(299)	(310)
Marketing and advertising		(16)	(3)
Other		(516)	(447)
Net cash provided by operating activities	15(ii)	10,044	2,084
Cash Flows from investing activities			
Outflows:			
Loans to other entities		-	(750)
Purchase of property, plant and equipment		(30)	(52)
Purchase of investments		(4,050)	(2,220)
Net cash used in investing activities		(4,080)	(3,022)
NET INCREASE/(DECREASE) IN CASH HELD		5,964	(938)
Cash at the beginning of the financial year		1,092	2,030
CASH AT THE END OF THE FINANCIAL YEAR	15(i)	7,056	1,092

*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.

(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 property, plant and equipment, the financial statements have been prepared on the basis of net market values. Property, plant and equipment have been valued at deprival values.

With the exception of the change in the depreciation method used in preparing the financial statements (Refer Note 1(d)), the accounting policies adopted are consistent with those of the previous year. Some prior year figures have been recast, where appropriate, to enhance comparability.

Amounts shown have been rounded to the nearest thousand dollars.

(c) *Property, Plant & Equipment*

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

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

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

(d) *Depreciation*

The Commission changed its accounting policy from 1 July 1997 and commenced depreciation using the straight line method, to write off the net cost of each item of plant and equipment over its expected useful life.

The expected useful lives are as follows:

Plant & Equipment	3 years
Computer Software	5 years

This change has had no material effect on the depreciation charge on plant & equipment brought to account in the operating profit for the period. Thus, comparatives from 30 June 1997 have not been altered to reflect this change.

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE 1 continued.

#### (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 1998 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 calculated using the Queensland State Actuary's shorthand method where the liability is calculated as 95% of the nominal liability for all employees. Salary oncosts are incorporated in this method. This is in accordance with Accounting Policy Guideline No. 7 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of Government entities.

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 QSuper.

#### (i) *Contingent Assets and Liabilities*

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

There were no other known contingent assets and liabilities of the Commission at 30 June 1998.



# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE 1 continued.

#### (j) Levy Collection and Contribution

In accordance with Section 9 of the Motor Accident Insurance Regulation 1994 levies are recognised as revenue at the time they are legally due to be paid by the insurers to the Commission.

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

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services are provided in note 13.

#### (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.

#### (l) Receivables

Receivables for the period includes an amount of \$300,000 that is in relation to a loan made in the prior period, which was initially treated as grants expense.

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 2 Levies</b>			
Levies - comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums			
Statutory insurance scheme levy		3,643	3,364
Total		3,643	3,364

### NOTE 3 Salaries and Related Expenses

Salaries and wages	597	627
Amounts set aside to provide for employee entitlements	15	(30)
Total	612	597

### NOTE 4 Receivables

Current		
Accrued investment income	8,313	12,248
Penalties receivable	168	82
Total	8,481	12,330
Non-Current		
Loan receivable	1,050	750
Total	1,050	750

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## ◆ NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 5 Investments</b>			
At net market value			
Queensland Investment Corporation - Current		6,904	974
Queensland Investment Corporation - Non-current		64,568	60,518
Total		<u>71,472</u>	<u>61,492</u>
<b>NOTE 6 Property, Plant and Equipment</b>			
Property, Plant and Equipment - at cost		328	337
Accumulated depreciation		(268)	(235)
Total		<u>60</u>	<u>102</u>
As represented by:			
Plant and Equipment - at cost		168	177
Accumulated depreciation		(123)	(109)
Total		<u>45</u>	<u>68</u>
Computer Software - at cost		160	160
Accumulated depreciation		(145)	(126)
Total		<u>15</u>	<u>34</u>
<b>NOTE 7 Provisions</b>			
Current			
Employee entitlements	1(g)	47	59
Non-current			
Employee entitlements	1(g)	119	92
Total		<u>166</u>	<u>151</u>
<b>NOTE 8 Capital</b>			
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(i)	<u>57,787</u>	<u>57,787</u>

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 9 Reserves</b>			
Composition and movements:			
Income Maintenance			
Balance at beginning of year		6,750	2,700
Transfer from retained profits		3,750	4,050
Balance at end of year		10,500	6,750
Accident Prevention Initiatives			
Balance at beginning of year		3,228	750
Transfer to retained profits		(1,528)	-
Transfer from retained profits		1,232	2,478
Balance at end of year		2,932	3,228
Research Initiatives			
Balance at beginning of year		-	1,780
Transfer to retained profits		-	(1,780)
Balance at end of year		-	-
Statewide Paediatric Rehabilitation Reserve			
Balance at beginning of year		-	1,600
Transfer to retained profits		-	(1,600)
Balance at end of year		-	-
Rehabilitation Initiatives			
Balance at beginning of year		5,568	1,755
Transfer to retained profits		(4,238)	-
Transfer from retained profits		4,374	3,813
Balance at end of year		5,704	5,568
Emergency Infrastructure			
Balance at beginning of year		320	200
Transfer to retained profits		(120)	-
Transfer from retained profits		37	120
Balance at end of year		237	320
Total Reserves		19,373	15,866
<b>NOTE 10 Auditor's Remuneration</b>			
Remuneration received or due and receivable by the		5	6
Auditor-General of Queensland for external audit services			

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## ◆ NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 11 Commitments for Expenditure</b>			
(a) Maintenance Contract Commitment			
Total expenditure contracted for at balance date but not provided for in the accounts:			
Due not later than one year		279	116
Due later than one year but not later than two years		93	-
Total		<u>372</u>	<u>116</u>
(b) Operating Lease Rental Commitments			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		21	62
Due later than one year but not later than two years		-	21
Total		<u>21</u>	<u>83</u>
(c) Grant Commitments			
The <i>Motor Accident Insurance Act 1994</i> 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		8,034	5,505
Due later than one year but not later than two years		5,439	5,222
Due later than two years but not later than five years		3,938	9,148
Total		<u>17,411</u>	<u>19,875</u>

## **NOTE 12 Consultancy Expenditure**

Professional/technical	152	138
Information technology	16	-
Management/human resources	42	1
Total	<u>210</u>	<u>139</u>

## ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE	1998 \$'000	1997 \$'000
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#### **NOTE 13 Administered Transactions (Hospital and Emergency Services Levy)**

The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Amounts relating to these transfer payments are not controlled by MAIC and are therefore not recognised in the 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.

Levies collected but not remitted in the previous year	3,037	1,969
Hospital levy	9,521	9,271
Emergency Services levy	1,904	1,854
	14,462	13,094

##### 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	9,686	8,381
Emergency Services levy contributions	1,937	1,676
	11,623	10,057

Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June 1998:

2,839	3,037
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(This amount is held in QIC investments).

#### **NOTE 14 Depreciation**

Plant and Equipment	46	31
Computer Software	19	23
Total	65	54

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 15 Statement of Cash Flows</b>			
(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		152	118
Investments	5	6,904	974
Total		7,056	1,092
(ii) Reconciliation of operating profit with net cash provided by operating activities			
Operating profit		6,449	7,975
Add/(Less) non cash items:			
Depreciation		65	54
Increase/(Decrease) in provisions		15	(30)
Loss on disposal of equipment		7	1
Changes in assets and liabilities:			
(Decrease)/Increase in creditors		(35)	33
Decrease/(Increase) in receivables		3,549	(5,934)
Increase in prepayments		(6)	(15)
Net cash provided by operating activities		10,044	2,084

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

## NOTE 16 Year 2000

The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In February 1998 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 June 1999.

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	1998	1997
NOTE	\$'000	\$'000

### NOTE 16 Year 2000 continued.

The project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. The contingent liability in relation to the Year 2000 activities will be able to be quantified at the end of this review.

### NOTE 17 Financial Instruments

#### (a) Terms, Conditions and Accounting Policies

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

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

# ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE 17 Financial Instruments continued.

#### (b) Interest Rate Risk Exposures

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

	Note	Floating interest rate \$'000	Fixed interest rate maturing in 1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non interest bearing \$'000	Total \$'000
<i>Financial assets</i>							
Cash		-	-	-	-	152	152
Receivables	4	-	-	-	-	9,531	9,531
Investments	5	-	-	-	-	71,472*	71,472
		-	-	-	-	81,155	81,155
<i>Financial liabilities</i>							
Creditors		-	-	-	-	34	34
Net financial assets (liabilities)		-	-	-	-	81,121	81,121

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

#### (c) Credit Risk Exposures

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

#### (d) Net Fair Values

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

### NOTE 18 Segment Information

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

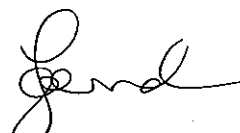


## ◆ MOTOR ACCIDENT INSURANCE COMMISSION ◆

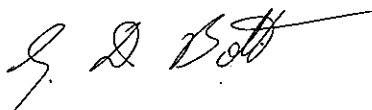
### ◆ Certificate of the Motor Accident Insurance Commission ◆

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 1998 and of the financial position of the Commission as at 30 June 1998.



L Anderson  
Insurance Commissioner



G Bott  
Manager Systems and Finance

## ◆ 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 1998 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 Insurance Commissioner 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.

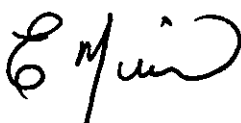
The audit has been conducted in accordance with *QAO Auditing Standards* to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures 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, the results of its operations and cash flows.

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 the prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 1998 and of the financial position as at the end of that year.



E A Muir  
Assistant Auditor-General - Audit  
(As delegate of the Auditor-General)

Queensland Audit Office  
Brisbane

16 October 1998

# Nominal DEFENDANT

## ◆ Profit and Loss Statement for the year ended 30 June 1998

		1998	1997
	NOTE	\$'000	\$'000
Underwriting Revenue			
Levy income	1(g)	16,306	13,923
Underwriting Expenditure			
Claims	2	(29,836)	(35,048)
Claims recoveries		249	526
Net Claims Incurred	3	(29,587)	(34,522)
Other underwriting expenses	4	(910)	(835)
		(30,497)	(35,357)
Underwriting Result		(14,191)	(21,434)
Investment income		13,947	19,946
Operating Loss		(244)	(1,488)
Retained profits at the beginning of the financial year		6,780	8,268
Retained profits at the end of the financial year		6,536	6,780

*The accompanying notes form part of these financial statements.*

◆ NOMINAL DEFENDANT ◆

◆ Balance Sheet as at 30 June 1998

	NOTE	1998 \$'000	1997 \$'000
<b>Current Assets</b>			
Cash		509	141
Receivables	5	15,406	21,345
Investments	6	23,239	20,433
Prepayments		7	0
<b>Total current assets</b>		<b>39,161</b>	<b>41,919</b>
<b>Non-Current Assets</b>			
Operating Assets	7	88	109
Investments	6	101,260	83,700
<b>Total non-current assets</b>		<b>101,348</b>	<b>83,809</b>
<b>Total assets</b>		<b>140,509</b>	<b>125,728</b>
<b>Current Liabilities</b>			
Creditors		31	52
Provision for employee entitlements	13	60	54
Provision for outstanding claims	12	23,549	21,800
Unearned levies	1(g)	7,527	7,480
<b>Total current liabilities</b>		<b>31,167</b>	<b>29,386</b>
<b>Non-Current Liabilities</b>			
Provision for employee entitlements	13	78	141
Provision for outstanding claims	12	102,607	89,300
<b>Total non-current liabilities</b>		<b>102,685</b>	<b>89,441</b>
<b>Total liabilities</b>		<b>133,852</b>	<b>118,827</b>
<b>Net assets</b>		<b>6,657</b>	<b>6,901</b>
<b>Equity</b>			
Capital	8	121	121
Retained profits		6,536	6,780
<b>Total equity</b>		<b>6,657</b>	<b>6,901</b>

*The accompanying notes form part of these financial statements.*

◆ NOMINAL DEFENDANT ◆

◆ Statement of Cash Flows for the year ended 30 June 1998 ◆

	NOTE	1998 \$'000	1997 \$'000
Cash Flows from Operating Activities			
Inflows:			
Levies		16,321	15,893
Claims recoveries		249	526
Investment income		19,918	10,166
Outflows:			
Claims		(14,780)	(17,231)
Salaries and related expenses		(648)	(542)
Other		(295)	(253)
Net cash provided by operating activities	11(ii)	20,765	8,559
Cash Flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		(31)	(54)
Proceeds from investments		(17,560)	(3,267)
Net cash used in investing activities		(17,591)	(3,321)
NET INCREASE IN CASH HELD		3,174	5,238
Cash at the beginning of the financial year		20,574	15,336
CASH AT THE END OF THE FINANCIAL YEAR	11(i)	23,748	20,574

*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.

(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.

With the exception of the change in the depreciation method used in preparing the financial statements (Refer Note 1(d)), the accounting policies adopted are consistent with those of the previous year. Some prior year figures have been recast, where appropriate, to enhance comparability.

Amounts shown have been rounded to the nearest thousand dollars.

(c) *Operating Assets*

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

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

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

(d) *Depreciation*

The Fund changed its accounting policy from 1 July 1997 and commenced depreciation using the straight line method, to write off the net cost of each item of operating assets over its expected useful life.

The expected useful lives are as follows:

Plant & Equipment	3 years
Computer Software	5 years

This change has had no material effect on the depreciation charge on operating assets brought to account in the operating profit for the period. Thus, comparatives from 30 June 1997 have not been altered to reflect this change.

## ◆ NOMINAL DEFENDANT ◆

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### NOTE 1 continued.

(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 1998 by an independent actuarial firm, Trowbridge Consulting, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate 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 13.

(g) *Levies*

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

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

## ◆ NOMINAL DEFENDANT ◆

### ◆ NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### NOTE 1 continued.

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*.

#### (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 percentage 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 1998 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 calculated using the Queensland State Actuary's shorthand method where the liability is calculated as 95% of the nominal liability for all employees. Salary oncosts are incorporated in this method. This is in accordance with Accounting Policy Guideline No. 7 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of Government departments and agencies.

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 QSuper.



## ◆ NOMINAL DEFENDANT ◆

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### NOTE 1 continued.

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

There were no other known contingent assets and liabilities of the Nominal Defendant at 30 June 1998.

##### (m) Leases

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

	1998	1997
NOTE	\$'000	\$'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 in provision for outstanding claims	1(f) 15,056	17,817
Claims and associated settlement costs	14,780	17,231
Total	<u>29,836</u>	<u>35,048</u>

#### NOTE 3 Net Claims Incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

◆ NOMINAL DEFENDANT ◆

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE**      **1998**      **1997**  
**\$'000**      **\$'000**

**NOTE 3 Net Claims Incurred continued..**

	<b>Current Year \$'000</b>	<b>1998 Prior Years \$'000</b>	<b>Total \$'000</b>	<b>Current Year \$'000</b>	<b>1997 Prior Years \$'000</b>	<b>Total \$'000</b>
Gross Claims incurred and related expenses - undiscounted	39,724	(10,767)	28,957	27,650	781	28,431
Reinsurance and other recoveries - undiscounted	(592)	(528)	(1,120)	(287)	(1,739)	(2,026)
Net claims incurred - undiscounted	39,132	(11,295)	27,837	27,363	(958)	26,405
Discount and discount movement - gross claims incurred	(9,281)	10,911	1,630	(6,027)	13,815	7,788
Discount and discount movement - reinsurance and other recoveries	139	(19)	120	63	266	329
Net discount movement	(9,142)	10,892	1,750	(5,964)	14,081	8,117
Net Claims Incurred - discounted	29,990	(403)	29,587	21,399	13,123	34,522

**NOTE 4 Other Underwriting Expenses**

Salaries and wages	643	542
Amounts set aside to provide for employee entitlements	(57)	(19)
Depreciation		
Plant and equipment	33	20
Computer software	20	27
Other	271	265
Total	910	835

**NOTE 5 Receivables**

Accrued investment income	13,910	19,880
Levies receivable	1,496	1,465
Total	15,406	21,345

**NOTE 6 Investments**

At net market value		
Queensland Investment Corporation - current	23,239	20,433
Queensland Investment Corporation - non-current	101,260	83,700
Total	124,499	104,133

**NOTE 7 Operating Assets**

Operating assets - at cost	270	280
Accumulated depreciation	(182)	(171)
Total	88	109

# ◆ NOMINAL DEFENDANT ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 7 Operating Assets</b>			
As represented by:			
Plant and Equipment - at cost		125	135
Accumulated depreciation		(88)	(97)
Total		37	38
Computer Software - at cost		145	145
Accumulated depreciation		(94)	(74)
Total		51	71

## **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		9	8
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## **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		18	53
Due later than one year but not later than two years		-	18
Total		18	71

## **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		509	141
Investments	6	23,239	20,433
Total		23,748	20,574

◆ NOMINAL DEFENDANT ◆

◆ **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 11 Statement of Cash Flows continued.</b>			
(ii) Reconciliation of operating (loss)/profit with net cash used in operating activities			
Operating loss		(244)	(1,488)
Add/(Less) non cash items:			
Depreciation		53	47
Increase in provisions		14,999	17,798
(Gain)/Loss on disposal of equipment		(1)	2
Changes in assets and liabilities:			
(Increase)/Decrease in prepayments		(7)	6
Decrease/(Increase) in receivables		5,939	(9,927)
(Decrease)/Increase in creditors		(21)	4
Increase in unearned levies		47	2,117
Net cash provided by operating activities		<u>20,765</u>	<u>8,559</u>

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

**NOTE 12 Outstanding Claims**

Expected future claims payments (undiscounted)	155,606	143,800
Discount to present value	(29,450)	(32,700)
Liability for outstanding claims	<u>126,156</u>	<u>111,100</u>
Current	23,549	21,800
Non-current	102,607	89,300
	<u>126,156</u>	<u>111,100</u>

- (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.64 years (1997 - 3.4 years)
- (ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:

Claims expected to be paid:

Not later than one year

Inflation rate	7.5%	4.5%
Discount rate	5.5%	7.0%

Later than one year

Inflation rate	7.5%	4.5%
Discount rate	5.5%	7.0%

# ◆ NOMINAL DEFENDANT ◆

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
<b>NOTE 13 Employee Entitlements</b>			
Employee entitlement liabilities			
Accrued wages and salaries		1	12
Provision for employee entitlements			
Current		59	42
Non-current		78	141
Aggregate employee entitlement liability		138	195

## **NOTE 14 Year 2000**

The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In February 1998 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 June 1999.

The project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. The contingent liability in relation to the Year 2000 activities will be able to be quantified at the end of this review.

## **NOTE 15 Financial Instruments**

### (a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
<b>Financial Assets</b>			
Cash on hand		Recorded at book value, which approximates fair value.	
Receivables	5		
Levies Receivable		Recognition - applying from the first day of the following month. Measurement - based on levy rates fixed by regulation. Recorded at book value.	Received within 14 days from the month due.
Interest on investments		Recognition - at the end of the financial year. Measurement - based on the preliminary distribution provided by QIC.	Interest is normally paid in November of the following year.
Investments	6		
		Recognition - on the day funds are invested. Measurement - at net market value.	Can be drawn upon as and when required.
<b>Financial Liabilities</b>			
Creditors		Recognition - upon receipt of goods or services irrespective of whether an invoice has been received. Recognition - based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

# ◆ NOMINAL DEFENDANT ◆

## ◆ NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1998 \$'000	1997 \$'000
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### NOTE 15 Financial Instruments continued.

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

#### (b) Interest Rate Risk Exposures

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

	Note	Floating interest rate \$'000	Fixed interest rate maturing in 1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non interest bearing \$'000	Total \$'000
<i>Financial assets</i>							
Cash		-	-	-	-	509	509
Receivables	5	-	-	-	-	15,406	15,406
Investments	6	-	-	-	-	124,499*	124,499
		-	-	-	-	140,414	140,414
<i>Financial liabilities</i>							
Creditors		-	-	-	-	31	31
Net financial assets (liabilities)		-	-	-	-	140,383	140,383

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

#### (c) Credit Risk Exposures

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

#### (d) Net Fair Values

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

### NOTE 16 Segment Information

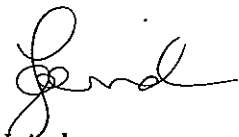
The Nominal Defendant is a statutory body operating in the motor vehicle insurance industry in Queensland.

## ◆ NOMINAL DEFENDANT ◆

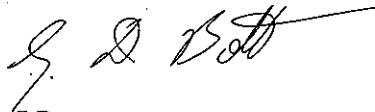
### ◆ Certificate of the Nominal Defendant

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 1998 and of the financial position as at 30 June 1998.



L Anderson  
Nominal Defendant



G Bott  
Manager Systems and Finance

## ◆ NOMINAL DEFENDANT ◆

### ◆ Audit Certificate

#### Scope

I have audited the financial statements of the Nominal Defendant for the year ended 30 June 1998 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 Nominal Defendant 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, the results of its operations and cash flows.

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 the prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year ended 30 June 1998 and of the financial position as at the end of that year.

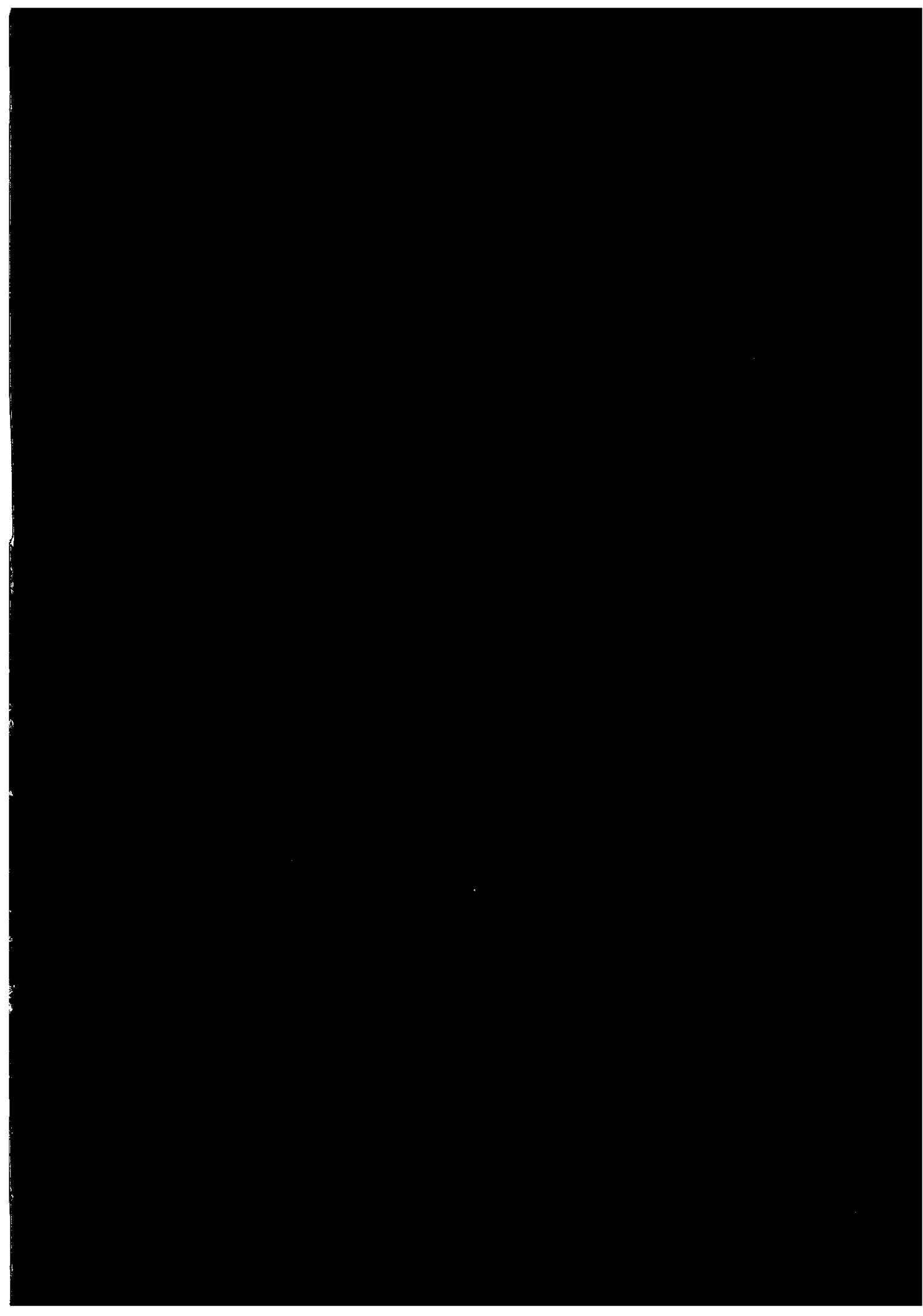


E A Muir  
Assistant Auditor-General - Audit  
(As delegate of the Auditor-General)

Queensland Audit Office  
Brisbane

16 October 1998





# Appendix 1

## ◆ Actuarial Certificate - Nominal Defendant

### Actuarial Certificate on Outstanding Claims Liability as at 30 June 1998

1. Trowbridge Consulting was asked by Queensland Treasury to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 1998 and to advise on an appropriate balance sheet provision for these liabilities.
2. The data, assumptions, approach and results of this valuation are described in detail in our report entitled "*Queensland Nominal Defendant Fund - Valuation of Outstanding Claims Liabilities as at 30 June 1998*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

### Results

3. The provision adopted by the Nominal Defendant as at 30 June 1998 is \$126 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, claim handling expenses and a prudential margin. The prudential margin adopted by the Fund allows for the risk and uncertainty associated with the estimated liability. We believe that the level of prudential margin is appropriate for this type of business.

### Reliances and Limitations

4. In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency. Reliance was placed on, but not limited to, the accuracy of the information described in our report.
5. Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and are to be expected. This is particularly relevant to the new Act years given the immaturity of the experience and the low level of payments made to date.
6. The limitations of the old Act data restricted the choice of valuation methods available to us and also restricts the analysis we can perform in arriving at some of the assumptions about the new Act experience.



Estelle Pearson



Karen Johnston

Fellows of the Institute of Actuaries of Australia

# Appendix 2

## ◆ Grants from the Motor Accident Insurance Fund

	Future Commitment	1997/98 \$	1996/97 \$
CONROD <sup>1</sup> (Including the Chair of Rehabilitation Medicine)	2,352,000		588,000
University of Queensland Chair of Orthopaedic Medicine <sup>2</sup>	120,911	52,476	-
Speech Therapy/Audiology/Physiotherapy/ Occupational Therapy - Research Unit <sup>3</sup>	-	-	300,000
Orofacial Trauma Research Unit <sup>3</sup>	-	-	300,000
Teaching and Community Services Rehabilitation Research Fellowship <sup>3</sup>	-	-	378,000
Princess Alexandra Hospital Foundation Acquired Brain Injury Outreach Services <sup>4</sup>	2,279,071	702,017	809,516
Spinal Injury Outreach and Transitional Rehabilitation Service <sup>5</sup>	4,970,497	1,531,048	1,863,712
Royal Children's Hospital Foundation Statewide Paediatric Rehabilitation Service <sup>6</sup>	3,200,000	1,600,000	1,600,000
James Cook University Distance Education for Disabled Project <sup>7</sup>	500,000	-	300,000
Central Queensland University Sociology/Social Work Research Project <sup>8</sup>	-	-	300,000
University of Southern Queensland Mechatronics and Biomedical Engineering - Research Fellowship	-	-	300,000
Road Crash Project	-	-	275,000
Royal Australasian College of Surgeons Gregg Hansford Appeal	-	25,000	-
CARRS-Q <sup>9</sup>	1,546,000	510,000	300,000
Road Accident Prevention and Road Safety Research Grant Scheme	1,750,000	-	-
Department of Transport Road Safety Media Campaigns	500,000	500,000	750,000
Queensland Police Service State Traffic Task Force	328,694	432,459	-
University of Queensland Whiplash Research Project	160,200	47,749	-
University of Queensland Occupational Therapy Driver Assessment Training & Rehabilitation Research Centre	59,500	-	-
University of Tasmania Spinal Injury Project	87,994	87,994	-
Queensland Health and CONROD Trauma Register and Data Coordination Project	160,000	110,000	-
<b>TOTAL</b>	<b>18,014,867</b>	<b>5,598,743</b>	<b>8,064,228</b>

1 Recurrent funding for 5 years

2 Indexed recurrent funding for 5 years

3 \$250,000 of this amount is capital on loan to UQ

4 Establishment funding and recurrent funding for 5 years

5 Establishment funding and recurrent funding for 5 years

6 Recurrent funding for 5 years

7 Establishment funding and recurrent funding for a further 5 years

8 Capital on loan to CQU

9 Recurrent funding for 5 years

### Ongoing Projects Funded in Previous Years

- ◆ Queensland University of Technology - Clinical Biomechanics Research Fellowship
- ◆ Griffith University - Rehabilitation Counselling/Nursing/Psychology Research Fellowship
- ◆ Royal Australian College of General Practitioners Research Fellowship
- ◆ Royal Australasian College of Physicians Research Fellowship
- ◆ Royal Australasian College of Surgeons Research Fellowship

# Appendix 3

## ◆ Licensed Compulsory Third Party Insurers (as at 30 June 1998)

### Australian Associated Motor Insurers Limited

GPO Box 1155  
Brisbane QLD 4001  
Ph. 13 22 44  
ACN 004 791 744

### FAI General Insurance Company Limited

GPO Box 2226  
Brisbane QLD 4001  
Ph. 13 10 00  
ACN 000 327 855

### MMI General Insurance Limited

GPO Box 1028  
Brisbane QLD 4001  
Ph. 1800 816 868  
ACN 000 122 850

### QBE Insurance Limited

GPO Box 417  
Brisbane QLD 4001  
Ph. 13 13 03  
ACN 000 157 899

### Suncorp General Insurance Limited

GPO Box 1453  
Brisbane QLD 4001  
Ph. 13 11 55  
ACN 075 695 966

### Fortis Insurance Limited

(formerly VACC Insurance Co. Limited)  
PO Box 1166  
Milton Business Centre QLD 4064  
Ph. 1800 816 027  
ACN 004 167 953

## ◆ Previously Licensed Insurers (as at 30 June 1998)

### CIC Insurance Limited

GPO Box 9814  
Brisbane QLD 4001  
Ph. (07) 3815 1222  
ACN 004 078 880  
*Licence withdrawn 22/01/1996*

### GIO General Limited

GPO Box 244  
Brisbane QLD 4001  
Ph. 13 10 10  
ACN 002 861 583  
*Licence withdrawn 30/06/1996*

### Mercantile Mutual Insurance (Australia) Ltd

GPO Box 705  
Brisbane QLD 4001  
Ph. (07) 3859 5555  
ACN 000 456 799  
*Licence withdrawn 01/11/1996*

### Commercial Union Assurance of Australia Ltd

PO Box 1495  
Milton QLD 4064  
Ph: (07) 3212 7878  
ACN 004 478 371

*Licence withdrawn 01/03/1997*

### Zurich Australian Insurance Limited

PO Box 684  
Spring Hill QLD 4000  
Ph. 1800 811 099  
ACN 000 296 640

*Licence withdrawn 15/11/1997*

# Contact DETAILS

## MOTOR ACCIDENT INSURANCE COMMISSION

Level 18 - 288 Edward Street, BRISBANE QLD

Postal Address: GPO Box 1083, BRISBANE QLD 4001

Ausdoc: DX 147 BRISBANE QLD

Telephone: (07) 3227 8088 Facsimile: (07) 3229 3214

E-mail: lesley.anderson @ maic.treasury.qld.gov.au

<i>Insurance Commissioner</i>	<i>Lesley Anderson</i>	<i>(07) 3227 8105</i>
<i>Deputy Insurance Commissioner</i>	<i>John Hand</i>	<i>(07) 3227 8125</i>
<i>Manager, Systems and Finance</i>	<i>Greg Bott</i>	<i>(07) 3227 8164</i>
<i>Principal Rehabilitation Adviser</i>	<i>Michael Hancock</i>	<i>(07) 3227 8162</i>
<i>Assistant Rehabilitation Adviser</i>	<i>Janette Archibald</i>	<i>(07) 3224 5001</i>
<i>Co-ordinator, Information Systems</i>	<i>Lynne McCall-Marshall</i>	<i>(07) 3227 8022</i>
<i>Senior Finance Officer</i>	<i>Tulia Koroivawai-Gauna</i>	<i>(07) 3224 5018</i>
<i>Manager, Policy and Liaison</i>	<i>Vacant</i>	<i>(07) 3227 8242</i>
<i>Assistant Industry Liaison Officer</i>	<i>Wayne Saville</i>	<i>(07) 3227 8432</i>
<i>Policy Officer Insurance</i>	<i>John Foster</i>	<i>(07) 3227 8250</i>
<i>Executive Secretary</i>	<i>Julie Williams</i>	<i>(07) 3227 8088</i>
<i>Administrative Assistant - Insurance</i>	<i>Katie Gilmour</i>	<i>(07) 3227 8088</i>

## NOMINAL DEFENDANT

Level 18 - 288 Edward Street, BRISBANE QLD

Postal Address: GPO Box 2203, BRISBANE QLD 4001

Ausdoc: DX 147 BRISBANE QLD

Telephone: (07) 3227 7993 Facsimile: (07) 3221 4805

E-mail: les.kilmartin @ maic.treasury.qld.gov.au

<i>Nominal Defendant</i>	<i>Lesley Anderson</i>	<i>(07) 3227 8105</i>
<i>Manager</i>	<i>Les Kilmartin</i>	<i>(07) 3227 8213</i>
<i>Claim Manager</i>	<i>Rex Mellifont</i>	<i>(07) 3227 8387</i>
<i>Claim Manager</i>	<i>Bernie Clark</i>	<i>(07) 3227 8359</i>
<i>Claim Manager</i>	<i>Mike Hogan</i>	<i>(07) 3227 8353</i>
<i>Claim Manager</i>	<i>Laurie Meteyard</i>	<i>(07) 3227 8354</i>
<i>Claim Manager</i>	<i>Don Sacre</i>	<i>(07) 3227 8284</i>
<i>Assistant Claim Manager</i>	<i>Neil Tomkins</i>	<i>(07) 3227 8402</i>
<i>Assistant Claim Manager</i>	<i>Debbie Davis</i>	<i>(07) 3227 8402</i>
<i>Assistant Claim Manager</i>	<i>Sherri Robinson</i>	<i>(07) 3227 8412</i>
<i>Assistant Claim Manager</i>	<i>Michael Walpole</i>	<i>(07) 3227 8412</i>
<i>Administration Officer</i>	<i>Sandra Clifton</i>	<i>(07) 3227 8596</i>
<i>Administration Officer</i>	<i>Julie Ecimovic</i>	<i>(07) 3227 7993</i>



*Motor Accident Insurance Commission  
Level 18, 288 Edward Street, Brisbane, Queensland  
GPO Box 1083, Brisbane, Queensland 4001  
General enquiries: 3227 8088*

