Motor Accident Insurance Commission

Annual Report 2005-06

Communication Strategy

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

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

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

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

The Honourable Anna Bligh MP
Deputy Premier, Treasurer and Minister for Infrastructure
Parliament House
Cnr George and Alice Streets
BRISBANE QLD 4000

Dear Minister

In accordance with Section 19 of the *Motor Accident Insurance Act 1994*, the Motor Accident Insurance Commission submits the following report on the operation of the statutory insurance scheme established by the Act, and on the financial statements of the Commission and the Nominal Defendant from 1 July 2005 to 30 June 2006.

Yours faithfully

Lesley Anderson
Insurance Commissioner

Contents

About the Commission

What is the Motor Accident Insurance Commission?

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

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

What is our scheme?

Since 1936, Queensland has operated a common law fault based CTP motor vehicle insurance scheme. The scheme provides motor vehicle owners with an insurance policy that covers their unlimited liability for personal injury caused by, through or in connection with the use of the insured motor vehicle in incidents to which the *Motor Accident Insurance Act 1994* applies.

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

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

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

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

CTP premiums in Queensland remain relative to other states and can be considered good value for money as they provide injured persons with access to common law benefits and, whilst there are limits on certain heads of damage, there are no threshold entry levels.

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

Our role

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

The primary activities of the Commission include:

- licensing Queensland CTP insurers and monitoring the financial strength of insurers in relation to their CTP operations. Insurers' overall financial strength is the responsibility of the industry regulator, the Australian Prudential Regulation Authority
- monitoring scheme trends and the performance of CTP insurers based on scheme data and independent actuarial analysis
- setting premium bands and recommending levies
- liaising and coordinating the government process and providing advice on the CTP scheme and other insurance matters
- maintaining a claims helpline service and a premium information line for Queensland motorists
- managing claims lodged against the Nominal Defendant and investment of claim reserves.

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

Our vision

To lead the way in the provision of effective and efficient personal injury insurance schemes.

Our mission

Provide the most viable and equitable personal injury compensation scheme, including a Nominal Defendant Scheme. In pursuit of our mission we will provide and regulate, for Queensland, a CTP scheme encompassing accident prevention and injury management.

Our core values

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

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

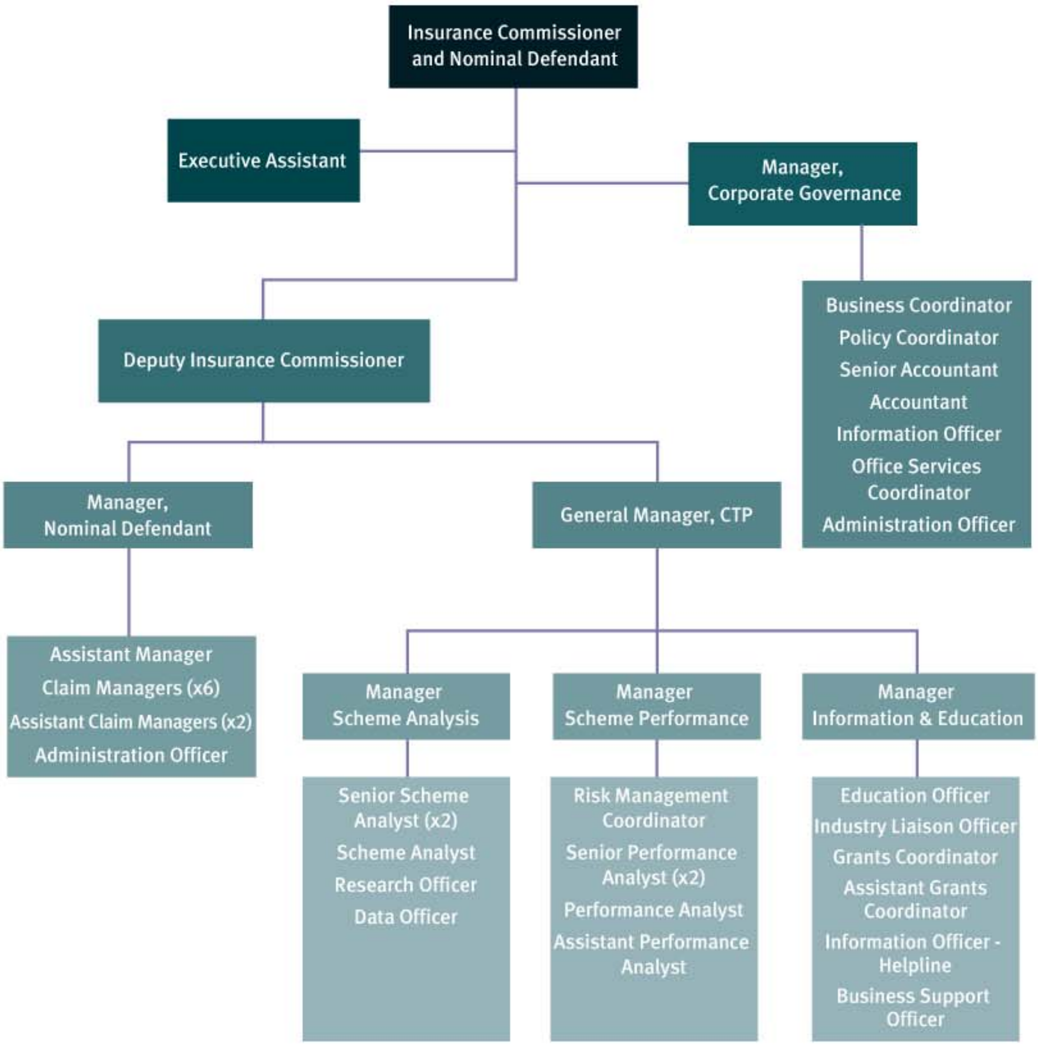
Achievement
We strive to achieve individual and organisational goals through teamwork, service and leadership.

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

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

Management and Organisational Structure

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



Insurance Commissioner

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

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

Deputy Insurance Commissioner

John Hand, AAII, CIP

Appointed to the Commission in 1993. Responsibilities include the development of new legislation and supporting systems. Insurance career spanning over 35 years, predominantly in personal injury, encompassing high-level policy advice to government and management at senior levels.

General Manager, CTP

Kim Birch, B.HSc. RN

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

Manager, Scheme Analysis

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

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

Manager, Scheme Performance

David Vincent

Appointed Policy Advisor with MAIC in 2002 and Manager, Scheme Performance in 2006. Over 14 years experience in the insurance industry predominantly in CTP Claims including the management of a claims team.

Manager, Information and Education

Cathy Pilecki, B.Phty, Grad Dip Rehab Counselling

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

Manager, Corporate Governance

Lina Lee, B.Com, CA

Appointed as Manager, Corporate Governance in 2006. Accountancy and auditing background covering the chartered profession, commerce and industry and the public sector, including more than five years experience in management.

Manager, Nominal Defendant

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

Appointed to Manager, Nominal Defendant 1 September 2006. Over 15 years experience in operations and accounting within the general insurance industry and seven years with Queensland Treasury providing strategic procurement and policy advice.

Commissioner's Report

Lesley Anderson

Insurance Commissioner

Review of strategic direction and priorities

The Commission was established in 1994 and over the years the scheme has been subject to many changes. The past 12 months has represented a period of internal change, with the Commission embarking on a review of how it conducts its business. This resulted in some changes in strategic direction and a rearrangement of resourcing.

In the review, the Commission recognised its strengths on which to build for future improvement and opportunities to enhance its efficiency and effectiveness. The review also aimed to strengthen the capacity of the office to address its key functions in light of changing requirements and challenges.

The Commission's role as a regulator has been enhanced with a focus on scheme performance and the development of frameworks that will provide mechanisms for measuring insurer performance such as legislative compliance as well as promoting process improvement strategies. The critical role of data quality and integrity in effectively monitoring the scheme will continue to be a major emphasis with the adoption of strategies such as compliance models that promote graduated and consistent responses to non-compliance issues.

The Commission is responding to the increase in the numbers of claimants who are not legally represented by working on information and education strategies that will assist claimants who are legally and not legally represented in understanding the claims process. Gathering evidence of claimants' current needs will be the first step in devising those strategies. Enhancing the website to accommodate the information needs of a range of stakeholders is also being undertaken.

One of the Commission's functions is to identify ways to improve the scheme. We do this by staying abreast of the current issues within the Queensland CTP scheme and researching possible future scheme design including considering national and international developments. For example, NSW has recently introduced Lifetime Care and Support Scheme which aims to provide care and support to those seriously injured as a result of a motor vehicle accident, irrespective of fault. The Commission will monitor developments in that jurisdiction.

Scheme trends

The CTP scheme continues to maintain the sensitive balance between affordability for the motorists and compensation to those injured where negligence can be established.

Queensland's scheme is underwritten by private sector insurers with premium pricing operating within a competitive premium filing system. In the 12 months to 30 June 2006, the lowest filed premium (Class 1 vehicles – cars and station wagons) has saved motorists $12. Since the start of the fall in premiums, in July 2004, the total saving for the lowest filed premiums is around $38.

Much of these savings are the result of a fall in claim frequency, mainly attributed to tort law reform associated with the introduction of the *Civil Liability Act 2003* and notably the Injury Scale Values (Civil Liability Regulation 2003). The Scale has effectively aligned claims costs with the severity of an injury, leading to a reduction in overall claims costs in the scheme, and has provided a degree of stability to the CTP scheme. However, the Commission continues to watch closely, through analysis of our data, claims settlement trends and court decisions for the development of trends that may add unaffordable/unsustainable pressure on the scheme.

Arrangements with APRA

As a result of the Nominal Defendant insolvency provision in the Motor Accident Insurance Act 1994, there is a potential multi-billion dollar risk to the State Government should there be a major market failure amongst CTP insurers. Of the six general insurers licensed to underwrite CTP in Queensland, most are Australia's biggest general insurers. The contagion risk to the CTP scheme from other elements of an insurer's business can be very significant. Mitigating this risk primarily rests with the Australian Prudential Regulation Authority (APRA), which has significantly strengthened its prudential and supervisory framework since the collapse of HIH. Within this context, the Commission has moved to implement initiatives to ensure a greater flow of information with APRA and increase its capability for more rigorous analysis of prudential issues.

A cornerstone of the Commission's new approach has been the finalisation of a Memorandum of Understanding (MOU) between APRA and the Commission. The MOU formally recognises and strengthens the positive duties of cooperation and assistance which exist between the two regulators and provides for a freer exchange of information on a routine basis. Better information exchange with APRA should improve the Commission's understanding of, and confidence in, APRA's processes. It will also enable the Commission to better understand, and keep pace with, the risks that insurance companies are exposed to beyond CTP. The MOU provides for APRA and the Commission to develop a coordinated response plan in the event an insurer does come under pressure. The MOU recognises that the two agencies can and do cooperate to promote the efficient regulation of those general insurers licensed to write CTP business in Queensland and thus formalises cooperation arrangements.

The Commission intends to augment the information it exchanges with APRA with a greater flow of information directly from insurers. In determining what additional information the Commission will require from its licensed insurers, the Commission is mindful of the cost burden regulation imposes on insurers. However, the Commission's first consideration should be its obligation to the community that the premiums collected by insurers from Queensland motorists will be available to pay the claims.

Performance management framework for insurers

The Commission continues to strengthen its role as the regulator through monitoring the compliance to legislation of the CTP insurers. A key feature is the Commission's focus on influencing insurer, lawyer and health practitioner behaviours toward achieving scheme performance outcomes through legislated and/or voluntary compliance. The building of performance frameworks is a critical step in achieving this objective. Further, more detailed analysis of our data and evidence gathered through monitoring claims management practices of the CTP insurers, as well as working with industry (insurers and lawyers), will assist in resolving procedural issues.

Information and Education

The Commission is building on its commitment to providing stakeholders with access to clear, concise and accurate information on the CTP scheme by developing targeted information and education strategies driven by stakeholder consultation and evidence based research. These strategies overarch the Commission's CTP telephone helplines, the Commission's involvement in establishing and revising standards and guidelines, the Commission's website and the Commission's funding initiatives.

The Commission continues to fund research initiatives on the causes and prevention of motor vehicle accidents and on injury rehabilitation. This funding strategy continues to evolve to best meet the priorities and strategic needs of the CTP scheme.

Over the past 10 years, the Commission has been instrumental in the development and funding of two research centres: the Centre of National Research on Disability and Rehabilitation Medicine (CONROD), a partnership with the University of Queensland; and the Centre for Accident Research and Road Safety-Queensland (CARRS-Q), a partnership with the Queensland University of Technology. These two centres have now built research teams with considerable expertise on the injury continuum and are successfully competing for external funding.

In addition to funding the two centres, the Commission is now exploring other ways of investing in research activity, such as commissioned research into targeted areas.

To facilitate this, the Commission will undertake a range of activities such as focus groups, data analysis, regular consultation with providers and scheme monitoring so that research funding is aligned to the scheme's needs.

The Commission signed a new contract with CONROD on 2 June 2006 for rehabilitation research for the period 2005-10. The contract amount is $9.257 million contributing to five research projects covering:

- Trauma care;
- Clinical aspects of rehabilitation;
- Economic outcomes for people injured in motor vehicle accidents;
- Psychological outcomes for people injured in motor vehicle accidents; and
- Vocational and community rehabilitation.

Nominal Defendant (including FAI liabilities)

The Nominal Defendant is established under the *Motor Accident Insurance Act 1994* and acts as insurer for claims arising from unidentified and uninsured vehicles. In accordance with Section 33 of this Act the Nominal Defendant becomes the insurer under CTP policies in force if the insurer under those CTP insurance policies becomes insolvent and thereby unable to meet the cost of claims.

The collapse of the HIH group had a major effect on the Queensland scheme with a total liability in excess of $400 million transferring to the Nominal Defendant. The Nominal Defendant has managed the claims as if it were the insurer.

Outstanding claims liabilities for the Nominal Defendant (excluding FAI run-off claims) as at 30 June 2006 increased by $13 million to an estimated total of $157 million relative to the same time last year. By contrast, the number of open (managed) claims decreased by 128 to a total of 751 claims.

Outstanding claims liabilities for FAI run-off as at 30 June 2006 decreased by $20 million to an estimated total of $65 million relative to the same time last year. The number of claims outstanding decreased by 161 claims to a total of 354 claims. A Scheme of Arrangement for the liquidation of the HIH group was approved by the court in May 2006, and an initial insolvency dividend of 5 cents in the dollar was paid to creditors in June 2006.

Future outlook

The Commission continues to monitor ways to improve scheme design with a key focus on maintaining a balance. Affordability to the motorist is extremely important at the same time as maintaining reasonable compensation levels, especially for the moderately and seriously injured.

The year has had its challenges for the Commission, with the realignment and transition to the new business model. I would like to thank all staff for their commitment and efforts during a period of major review and directional change. I would also like to thank all participants in the various workshops, forums and working groups initiated by the Commission towards the overall aim of ensuring a balance and improvement in the scheme.

Lesley Anderson
Insurance Commissioner

Performance Review

Recent achievements – CTP scheme

- Undertook a major review and restructure of the Commission's CTP Division with all positions fully recruited by the end of this reporting period. The new structure has three teams comprising Scheme Performance, Scheme Analysis and Information and Education with a General Manager heading the division.
- Continued downward trend in CTP premiums in 2005-06 attributed to amendments to the scheme in 2000 and the introduction of the Injury Scale Value for general damages under the *Civil Liability Act 2003*.
- Set quarterly CTP premium bands during 2005-06 and recommended levies and administration fees to apply in 2006-07.
- Improved links with the State Actuary and APRA to mitigate the Queensland Government's risk of insolvency of a CTP insurer.
- Convened a focus group comprising rehabilitation providers and insurer representatives to identify issues that impact on rehabilitation outcomes for claimants with minor to moderate injuries. The results of this focus group are used to ensure that current and future activities facilitated by the Commission are well targeted to meet the CTP scheme's needs.
- Convened a working party between insurers and Australian Lawyers Alliance to discuss issues affecting the CTP scheme.
- Continued to provide a telephone Helpline and premium line service with an average of 104 calls per week, of which 31% were related to the premium line.
- Attracted more than 53,000 visits to the Commission's website. This number represents an increase of more than 100 per cent from 2004-05. The average visit rate is 4,447 visits a month, of which 75 per cent of visits are attributed to the Premium Calculator.
- The new Personal Injury Register (PIR) went live in January 2006 enabling a significant reduction in the processing time for uploading data and improving the access to system generated reports. Extensive training was conducted by the Commission to over 200 insurer PIR users.
- Ongoing PIR systems development to increase functionality and reporting.
- Continued monitoring of CTP claims management practices and legislative compliance.
- During 2005-06 the Commission received three referrals from insurers to consider for fraud prosecution. The Commission investigated all three matters and will proceed further with one of these.

Recent achievements – Nominal Defendant

- Conducted annual review of outstanding claim liabilities in relation to the Nominal Defendant and FAI Run-off claims in conjunction with the consulting actuaries.
- Reviewed Nominal Defendant annual levy and given the continued shortfall in liabilities relating to the HIH collapse it was decided to retain the levy at $17.95 per class 1 policy (including the $5 HIH component) effective from 1 July 2006.
- Finalised 480 Nominal Defendant claims during the year; 751 remain open.
- Finalised 529 FAI Run-off claims during the year; 354 including managed and non-managed remain open.
- Representation on the Committee of Inspection and Scheme Creditors' Committees in relation to the HIH liquidation.
- Received a payment of $18.2 million representing a 5 cent in the dollar interim dividend from HIH liquidators in respect of agreed claims as at 31 December 2005.
- Recoveries action was concluded on 70 files during the year. Claims recoveries from debtors amounted to $168,631 for the year. Recovery action continues on a further 194 files.
- Appointed a new broker and advisor for the provision of reinsurance.
- Negotiated a reinsurance contract on favourable terms (unlimited cover at all layers) to the Nominal Defendant.
- Successfully completed four sharing cycles for FAI tail claims.
- Completed a review of the Nominal Defendant structure and resource requirements relative to the organisational strategic direction.

Recent achievements – grants

- The Rural and Remote Road Safety Study is in its fourth year of funding from the Commission as it investigates the impact and incidence of road crashes in rural and remote Queensland. CARRS-Q and James Cook University are undertaking this five year project.
- The Commission renewed its funding agreement on 2 June 2006 with the University of Queensland to provide funds until 2010 to the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) to undertake targeted research into improving outcomes for people injured in motor vehicle accidents.
- The Commission is participating as an industry partner in a research grant on whiplash awarded to the University of Queensland by the Australian Research Council. The current project is aiming to confirm predictive factors for whiplash outcomes in a larger study across several centres in different countries with varying compensation schemes. This study will take three years to complete and is currently in its first year of funding.
- A number of seminars and activities were sponsored by the Commission covering a range of topics including Spinal Cord Injury, Acquired Brain Injury and rehabilitation outcomes. By sponsoring these activities, the Commission hopes to contribute to the sharing of information in the community as well as the translation of research-acquired knowledge into clinical practice.
- Through its grants administration, the Commission is seeking to develop flexibility into its funding program, so that activities and projects are funded based on their priority to the CTP scheme and strategic need. The Commission is working on a framework where funding priorities and criteria will be developed based on CTP scheme data, consultation with stakeholders and strategic direction.
- The Commission has approved funding to the Queensland Police Service for the purchase of a laser scanner. This tool will be used by the Queensland Police Service to assist in determining the causes of serious injury road crashes as well as returning the roadway to its pre-accident condition as quickly as possible.

Our People

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

It has been more than 10 years since the Commission was set up and with a scheme demanding greater interface with key stakeholders, the Commission undertook a fundamental review of its operations late last year. The purpose of the review was to ensure our staffing capabilities were aligned to our business and community needs and more specifically to provide a structure that is able to meet future demands and fulfil its statutory functions in the most efficient and effective manner.

As a result of the review, an expanded and highly skilled CTP Division was created. Kim Birch as General Manager, CTP heads the new division which aims to deliver a robust and contemporary CTP scheme through three teams, Scheme Performance, Scheme Analysis and Information and Education.

The Scheme Performance team led by David Vincent employs a collaborative approach with insurers, monitoring risk to build performance frameworks that are fair, equitable, transparent, responsive and value adding to both the Commission and the scheme providers. Through the development, maintenance and management of information systems, the Scheme Analysis team led by Fanny Lau ensures continuous improvement to quality and integrity of the data as well as effective and timely reporting and data analysis. This team is also responsible for the premium filing and levy determination processes which help to support an affordable, fair, efficient and effective scheme. The Information and Education team led by Cathy Pilecki identifies and communicates best practice industry standards and cutting-edge research by partnering with the State's leading research institutions.

A dedicated Corporate Governance unit with Lina Lee as Manager was established to help the Commission pursue strategic and operational goals and fulfil its corporate governance obligations. With strong customer focus and responsive services, the Corporate Governance team maintains a sound and cost-effective corporate governance structure designed to reduce risks to the Commission, while allowing it the flexibility to respond to change.

Corporate Governance delivers important administrative, operational and strategic services and advice to the Commission. By facilitating a people and performance management framework, the Corporate Governance unit is assisting the Commission to deliver positive outputs that contribute to achieving Commission and government priorities whilst providing our people with career path and development opportunities.

Our People Continued

People already working in the Commission fill most of the positions in the new units, complemented by recruitment of experienced people from industry and other areas of government.

The former Manager, Nominal Defendant, Mark Allsopp, has taken up a position in the CTP Division and the position of Manager, Nominal Defendant is now held by Ashur Merza.

In response to trends within the Scheme and a number of other departures from Nominal Defendant, a review of the Nominal Defendant Unit was undertaken to determine the appropriate organisational structure and resource requirements going forward. The new structure of the Nominal Defendant includes a Nominal Defendant Management Team comprising the Manager, Nominal Defendant and two Team Leaders. This team will be responsible for leadership, coaching, mentoring and continuous improvement initiatives. In a realignment of two positions, two new Assistant Claims Manager positions have been created at entry level to provide support to Claims Managers.

The Commission would like to record its appreciation of the significant contributions made by the four staff who are leaving the Nominal Defendant in the first half of 2006-07. Rex Mellifont has worked for the Government for 40 years, most of these years with Nominal Defendant; John Foster for nine years; Michael Walpole for seven years and Rob Lee for five years. This represents the loss of significant claims management experience from the Nominal Defendant team.

The Commission also wishes to acknowledge the contributions of Les Kilmartin and Lynne McCall who retired from the Commission during the year and to the following staff members who have moved on to different roles – Neil Tomkins, Phu Pham, Ursula Hauser and Esther Lewis. We wish these people well in their new endeavours.

> In accordance with the legislation, this report covers only operations relating to the CTP scheme, although the Office has a broader role in providing insurance advice to the Government, especially in relation to the oversight of the Queensland Government Insurance Fund (QGIF) and issues relating to public liability insurance. Formal and financial reporting in relation to QGIF and liability insurance matters is included in Queensland Treasury's Annual Report.

Strategic Plan 2006-2011

Output description

The Motor Accident Insurance Commission is responsible for the ongoing management of the CTP insurance scheme and the Nominal Defendant Fund under the *Motor Accident Insurance Act 1994*.

The Commission comprises the following business units:

CTP Division

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

Nominal Defendant

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

Corporate Governance

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

Key issues facing the Commission

- Continuing enhancement of the Commission's regulatory and monitoring roles.
- Implementing legislative requirements and information standards in relation to information management.
- Finalising FAI claims and recovery of insolvency dividends.
- Managing the risk to the Queensland Government of potential CTP insurer failure.
- Ongoing pursuit of data integrity and quality assurance over scheme performance information.
- Implementing a performance management framework.

Strategic Plan 2006-2011 Continued

Strategic business priorities and strategies for achieving these include:

- Regulate and enhance a viable and equitable personal injury CTP insurance scheme encompassing accident prevention and injury management.
  - Set appropriate CTP premium bands that are affordable and competitive.
  - Develop a framework for mitigating risk for the Government of CTP insurer failure.
  - Develop a more comprehensive regulatory framework (including standards) to effectively monitor insurer's claims management and provision of rehabilitation.
  - Monitor and manage any changes to the CTP scheme which may arise from emerging issues and trends.
  - Develop an information and education framework for scheme stakeholders including research initiatives that are aligned to the scheme needs.
- Provide an efficient Nominal Defendant Scheme.
  - Ensuring the Nominal Defendant Fund is fully funded.
  - Maintain high quality claims management.
  - Maintain best practice in data and recordkeeping.
  - Exchanging relevant information with other areas of the Commission including briefing on claim trends and legislative issues.

Strategic capability priorities and strategies for achieving these include:

- Ensure the organisational structure and culture are aligned with the business objectives of the Commission.

- Develop and implement an effective people and performance management framework and workforce plan. This includes:

    - individual development and achievement plan

    - staff induction

    - succession plans

    - training and developmental gap analysis.

- Undertake business planning and business continuity planning in a timely manner.

  - Regular review and update of business plans and Business Continuity Plans including a risk register.

- Implement and maintain best practice information management principles and practices in accordance with whole-of-Government and departmental framework.

    - Implement Electronic Document and Records Management System (eDRMS)

    - Provision of information management practices that meet mandated standards.

Funding and Levies

The Motor Accident Insurance Commission is funded by a statutory insurance scheme levy as part of the CTP premium. From 1 July 2005 the levy was set at $1.55 per vehicle. For the year 2005-06 the levy produced income of $4.757 million. The Commission also has available the interest earned on investment of the Motor Accident Insurance Fund and revenue from compliance fines. These amounts, combined with any surplus after operating expenses from the statutory insurance scheme levy, fund the Commission's research initiatives. As of 1 July 2006, the statutory insurance scheme levy will be $1.60 per policy.

The Nominal Defendant operation, which covers the liabilities of uninsured and unidentified vehicles, is funded by a levy within the CTP premium which varies by vehicle class. The levy is set on the basis of an actuarial assessment of claim trends. From 1 July 2005, for Class 1 vehicles the levy was set at $17.95. For the reporting period, the earned income from the levy totalled $52.271 million. The Nominal Defendant levy from 1 July 2006 will remain unchanged at $17.95 for Class 1 vehicles.

Upon the insolvency of FAI General Insurance Company Ltd on 15 March 2001, the Nominal Defendant assumed responsibility for claims against FAI policies that had expired as at 31 December 2000. The Nominal Defendant levy includes $5 from 1 October 2001 to assist with the funding of these CTP liabilities. Earned income from this component was $14.524 million over the reporting period (included in the above amount of $52.271 million).

The Hospital and Emergency Services levy is designed to cover a reasonable proportion of the estimated cost of providing public hospital and public emergency services to motor vehicle accident victims using such services who are claimants or potential claimants under the CTP scheme. The levy amount calculated varies by vehicle class. For the reporting period commencing 1 July 2005, the Class 1 levy was an annual $9.20 per policy. The collected income from the levy for the financial year was $27.695 million, which was split into $19.120 million for Hospital and $8.575 million for Emergency Services. As of 1 July 2006, the Hospital and Emergency Services levy is set at $10.05 for Class 1 vehicles.

The Act provides for an administration fee to be paid to Queensland Transport for delivering services in the administration of the statutory insurance scheme. The current fee of $7.50 per vehicle has been maintained for the last three years. As of 1 July 2006, the fee will increase to $7.60 per policy. For the reporting period 2005-06 an estimated total levy of $23.123 million was collected by Queensland Transport.

Corporate Governance

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

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

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

Internal Audit

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

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

Statistical information

2005-06

Motor Accident Insurance Commission

Statistical information 2005-06

Insured vehicles by Class as at 30 June 2006

Class	Total vehicles	Percentage
01	2,132,427	70.45
02	8,302	0.27
03	2,563	0.08
04	29,961	0.99
05	11,180	0.37
06	535,845	17.70
07	59,200	1.96
08	5,360	0.18
09	3,477	0.11
10	3,744	0.12
11	5,038	0.17
12	42,668	1.41
13	72,094	2.38
14	23,857	0.79
15	8,503	0.28
16	821	0.03
17	41,839	1.38
19	20,290	0.67
20	8,514	0.28
21	5,240	0.17
23	4,729	0.16
24	1,335	0.04
Total	**3,026,987**	**100.00**

Premium, levy and fee collection

1 July 2005 to 30 June 2006	Dollars ('000)
Insurance Premiums	980,732
Nominal Defendant Levy	-53,549
Statutory Levy	-4,757
Hospital Levy	-19,120
Emergency Services Levy	-8,575
Transport Fee	-24,903
Insurers Premiums	869,828

Market share – licensed insurers

Insurer	30/6/02	30/6/03	30/6/04	30/6/05	30/6/06
AAMI	5.14	4.94	4.65	5.13	5.69
Allianz	4.64	22.89	22.76	23.24	23.02
FAI Allianz	18.63	–	–	–	–
NRMA	1.12	1.37	1.82	2.12	2.47
QBE	4.16	3.80	3.60	3.49	3.62
RACQ	11.99	12.65	13.63	13.22	13.51
Suncorp	54.32	54.35	53.54	52.80	51.69

Method: The market share figures are based on annual aggregate premium collection rather than on the number of policies.
Note: FAI Allianz business transferred to Allianz on 1 July 2002.

Notice of claim lodgements – cumulative

(All Insurers) Accidents 1 July 1995 to 30 June 2006

	Development Quarter											
Injury Year	1	2	3	4	5	6	7	8	9	10	11	12+
July 95 – June 96	2,691	4,825	7,162	8,064	8,247	8,359	8,452	8,496	8,552	8,607	8,653	8,829
July 96 – June 97	3,253	5,503	7,465	8,035	8,240	8,356	8,421	8,498	8,572	8,631	8,705	8,855
July 97 – June 98	3,985	6,241	7,992	8,600	8,796	8,913	9,013	9,102	9,167	9,231	9,275	9,404
July 98 – June 99	5,261	7,811	9,681	10,302	10,521	10,641	10,761	10,833	10,916	10,977	11,023	11,140
July 99 – June 00	5,073	7,358	9,172	9,826	10,058	10,224	10,325	10,410	10,479	10,537	10,563	10,689
July 00 – June 01	6,984	8,627	9,515	9,845	10,035	10,150	10,218	10,273	10,313	10,347	10,375	10,444
July 01 – June 02	7,361	8,684	9,269	9,529	9,639	9,717	9,809	9,892	9,943	9,966	9,993	10,040
July 02 – June 03	6,341	7,490	8,020	8,234	8,370	8,508	8,573	8,602	8,638	8,661	8,683	8,716
July 03 – June 04	5,280	6,299	6,772	6,964	7,077	7,183	7,250	7,296	7,323	7,332	7,336	7,336
July 04 – June 05	4,632	5,534	5,965	6,098	6,145	6,169	6,199	6,206				

Accident Year data for 2005–2006 is still immature and is not included.

Statistical information 2005-06

Claim status

Accident Year	JULY 1995 – JUNE 1996			JULY 1996 – JUNE 1997			JULY 1997 – JUNE 1998			JULY 1998 – JUNE 1999			JULY 1999 – JUNE 2000			JULY 2000 – JUNE 2001		
Insurer	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)
AAMI	227	100	99.1	288	100	99.7	327	100	99.1	478	100	98.5	572	100	97.7	515	100	97.5
Allianz	435	87.4	98.9	444	93.9	98.9	484	95.5	99.4	668	96.4	99.6	619	98.9	98.4	630	98.9	96
QBE	14	100	100	29	100	100	320	94.1	99.1	727	97.8	99	654	99.5	98.0	507	99.4	95.1
Suncorp	4,695	99.6	99.2	4,787	99.6	99	5,278	99.7	98.6	6,189	99.6	97.8	5,809	99.4	97	5,600	99.4	94.8
Nom. Defend.	358	99.7	98.3	323	99.4	96.9	358	99.4	97.8	362	97.8	97.5	349	97.7	96.6	370	97.3	94.1
RACQ Insurance										13	100	100	236	100	95.3	511	98.8	95.9
NRMA													1	100	100	92	98.9	96.7
Unlicensed as at 30/06/2006																		
FAI Allianz													172	95.9	97.1	1,685	98.7	94.7
FAI	2,275	98.9	99.6	2,125	99.1	99.2	2,248	98.7	98.7	2,661	98.9	98.1	2,277	97.3	97.4	534	97.8	96.1
Fortis	549	93.6	99.5	628	88.4	99	345	89.3	98.8	37	86.5	100						
Zurich	10	100	100	23	100	100	24	95.8	100	5	100	100						
Com. Union	134	100	95.5	129	99.2	99.2	17	100	100									
Merc. Mutual	94	98.9	100	64	100	98.4	3	100	100									
GIO	30	96.7	100	15	100	100												
CIC	8	62.5	100															
TOTAL	**8,829**	**98.4**	**99.2**	**8,855**	**98.4**	**99**	**9,404**	**98.6**	**98.7**	**11,140**	**99**	**98.1**	**10,689**	**98.9**	**97.2**	**10,444**	**99.1**	**95.1**

N.B. The data for 2005-2006 is incomplete due to claim reporting time frames

JULY 2001 – JUNE 2002			JULY 2002 – JUNE 2003			JULY 2003 – JUNE 2004			JULY 2004 – JUNE 2005			JULY 2005 – JUNE 2006			Accident Year
Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Claims Received	Liability Determined (%)	Finalised Claims (%)	Insurer
484	99.6	95.5	413	100	83.1	360	99.7	66.4	358	99.7	38.5	276	95.7	14.9	AAMI
461	98.7	86.3	1,957	98.6	74.5	1,623	98.5	51.1	1,300	98.2	30.2	949	82.4	13.2	Allianz
373	100	96.2	354	99.4	81.6	292	99	57.9	225	93.8	26.7	139	72.7	7.2	QBE
5,232	99.2	90.3	4,444	99.2	77	3,685	98.9	52.5	3,214	96.8	27.9	1,936	60.8	8.8	Suncorp
308	95.8	87.7	274	96.7	67.9	230	94.8	44.8	188	88.3	28.2	131	48.9	9.2	Nom. Defend.
1,014	98.9	93.1	1,083	97.3	77.8	1,034	96.4	56	803	95.4	26.9	496	62.3	9.3	RACQ Insurance
151	100	98.0	191	99	90.6	112	96.4	67.9	118	98.3	46.6	103	75.7	19.4	NRMA
															Unlicensed as at 30/06/2006
2,017	98.7	89.3													FAI Allianz
															FAI
															Fortis
															Zurich
															Com. Union
															Merc Mutual
															GIO
															CIC
10,040	**99**	**90.7**	**8,716**	**98.8**	**77**	**7,336**	**98.3**	**53.6**	**6,206**	**96.8**	**29.2**	**4,030**	**68.9**	**10.5**	**TOTAL**

Statistical information 2005-06

Claim payments on finalised claims

(Payments 1 July 1995 to 30 June 2006)

Accident Period		JULY 1995 – JUNE 1996		JULY 1996 – JUNE 1997		JULY 1997 – JUNE 1998		JULY 1998 – JUNE 1999		JULY 1999 – JUNE 2000	
Code	Payment Type	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)
A1	Aids and appliances	1,081	0.3%	1,890	0.5%	1,445	0.4%	2,068	0.4%	1,784	0.4%
C1	Long term care and home care	41,475	11.4%	53,390	13.6%	32,918	8.7%	42,308	9.0%	40,187	8.6%
E1	Economic loss – past	36,604	10.1%	36,505	9.3%	35,671	9.4%	43,083	9.2%	44,125	9.4%
E2	Economic loss – future	78,078	21.5%	85,181	21.7%	87,891	23.1%	109,316	23.3%	110,322	23.5%
G1	General damages	117,428	32.4%	122,871	31.3%	129,178	34.0%	156,230	33.3%	157,175	33.5%
H1	Home and vehicle modifications	1,707	0.5%	1,462	0.4%	1,714	0.5%	1,376	0.3%	554	0.1%
L1	Investigation costs	4,249	1.2%	4,876	1.2%	5,857	1.5%	7,376	1.6%	7,520	1.6%
L2	Legal costs – plaintiffs	34,858	9.6%	36,941	9.4%	39,930	10.5%	51,548	11.0%	50,317	10.7%
L4	Legal costs – defendants (solicitors)	13,740	3.8%	13,030	3.3%	13,882	3.7%	18,218	3.9%	18,848	4.0%
L5	Legal costs – defendants (barristers)	1,907	0.5%	2,073	0.5%	2,355	0.6%	2,769	0.6%	2,594	0.6%
L6	Legal costs – defendants (other outlays)	2,527	0.7%	2,690	0.7%	2,455	0.6%	2,744	0.6%	2,624	0.6%
M1	Hospital, medical, pharmaceutical	25,604	7.1%	27,047	6.9%	25,242	6.6%	28,051	6.0%	26,818	5.7%
N1	Payments to interstate and non CTP insurers	311	0.1%	161	0.0%	170	0.0%	31	0.0%	1	0.0%
P1	Other	2,228	0.6%	3,090	0.8%	2,646	0.7%	2,783	0.6%	2,916	0.6%
R1	Rehabilitation service costs	2,927	0.8%	4,048	1.0%	3,796	1.0%	5,140	1.1%	5,742	1.2%
V1	Recoveries from insured	-59	0.0%	-118	0.0%	-391	-0.1%	-154	0.0%	-143	0.0%
V2	Other party (other than through sharing)	-2,172	-0.6%	-2,558	-0.7%	-4,411	-1.2%	-3,764	-0.8%	-2,581	-0.6%
V3	Nominal Defendant recovery	-140	0.0%	-228	-0.1	-251	-0.1%	-353	-0.1%	-89	0.0%
Total		**362,355**	**100.0%**	**392,350**	**100.0%**	**380,097**	**100.0%**	**468,769**	**100.0%**	**468,715**	**100.0%**

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

JULY 2000– JUNE 2001		JULY 2001 – JUNE 2002		JULY 2002 – JUNE 2003		JULY 2003 – JUNE 2004		JULY 2004 – JUNE 2005		JULY 2005 – JUNE 2006		Accident Period	
Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Total Payments ($'000)	Total Payments (%)	Payment Type	Code
934	0.2%	1,057	0.3%	242	0.1%	14	0.0%	5	0.0%	1	0.1%	Aids and appliances	A1
32,653	6.6%	24,903	6.6%	14,534	7.0%	2,660	4.0%	352	2.3%	5	0.4%	Long term care and home care	C1
40,474	9.4%	34,487	9.2%	20,382	9.8%	7,397	11.0%	1,571	10.4%	171	12.4%	Economic loss – past	E1
106,347	24.8%	95,821	25.4%	54,168	26.2%	21,011	31.3%	3,592	23.7%	65	4.7%	Economic loss – future	E2
155,810	36.3%	145,864	38.7%	72,355	35.0%	18,828	28.0%	5,888	38.9%	703	50.9%	General damages	G1
624	0.1%	403	0.1%	152	0.1%	2	0.0%	2	0.0%		0.0%	Home and vehicle modifications	H1
8,933	2.1%	8,779	2.3%	6,351	3.1%	2,763	4.1%	620	4.1%	38	2.8%	Investigation costs	L1
32,603	7.6%	24,155	6.4%	12,394	6.0%	3,356	5.0%	445	2.9%	7	0.5%	Legal costs – plaintiffs	L2
12,907	3.0%	10,024	2.7%	6,853	3.3%	2,260	3.4%	226	1.5%	2	0.1%	Legal costs – defendants (solicitors)	L4
1,994	0.5%	1,151	0.3%	542	0.3%	88	0.1%		0.0%		0.0%	Legal costs - defendants (barristers)	L5
1,690	0.4%	1,470	0.4%	619	0.3%	179	0.3%	32	0.2%	2	0.2%	Legal costs - defendants (other outlays)	L6
27,319	6.4%	24,071	6.4%	14,736	7.1%	6,911	10.3%	1,742	11.5%	239	17.3%	Hospital, medical, pharmaceutical	M1
1	0.0%		0.0%	13	0.0%		0.0%		0.0%		0.0%	Payments to interstate and non CTP insurers	N1
1,806	0.4%	1,373	0.4%	967	0.5%	341	0.5%	132	0.9%	59	4.3%	Other	P1
6,010	1.4%	5,265	1.4%	3,551	1.7%	1,523	2.3%	553	3.6%	95	6.9%	Rehabilitation service costs	R1
-117	0.0%	-248	-0.1%	-83	0.0%	-6	0.0%	-2	0.0%		0.0%	Recoveries from insured	V1
-1,308	-0.3%	-1,365	-0.4%	-666	-0.3%	-122	-0.2%	-14	-0.1%	-6	-0.4%	Other party (other than through sharing)	V2
-13	0.0%	-490	0.1%	-111	-0.1%	-3	0.0%	-1	0.0%		0.0%	Nominal Defendant recovery	V3
428,667	**100.0%**	**376,720**	**100.0%**	**207,001**	**100.0%**	**67,201**	**100.0%**	**15,142**	**100.0%**	**1,382**	**100.0%**		**Total**

Statistical information 2005-06

Number of accidents by postcode division

1 September 1994 to 30 June 2006

Location	Postcode	Number of Accidents
Brisbane City	4000 – 4072	15,129
	4073 – 4209	20,903
	4500 – 4549	3,638
Gold Coast Region	4210 – 4299	11,305
Ipswich Region	4300 – 4349	3,720
Toowoomba Region	4350 – 4499	2,902
	4602 – 4618	239
Sunshine Coast Region	4550 – 4601	5,197
	4619 – 4689	3,270
Rockhampton Region	4690 – 4736	1,664
Mackay Region	4737 – 4805	2,165
Townsville Region	4806 – 4824	2,484
	4835 – 4850	160
Mt Isa Region	4825 – 4834	215
Cairns Region	4851 – 4899	3,197
Unknown		223
Non Queensland		3,003
Total		**79,414**

Age group of claimants

1 September 1994 to 30 June 2006

Age Group	Male	Female	Unknown	Total	Percentage
Unknown*	120	127	324	571	0.6
0–5 years	1,046	969	2	2,017	2.0
6–15 years	2,677	2,823	5	5,505	5.4
16–25 years	12,647	14,638	25	27,310	26.6
26–35 years	11,464	12,059	22	23,545	22.9
36–45 years	8,674	9,787	27	18,488	18.0
46–55 years	6,018	7,086	30	13,134	12.8
56–65 years	3,294	3,672	6	6,972	6.8
66+	2,172	3,041	4	5,217	5.1
Total	**48,112**	**54,202**	**445**	**102,759**	**100**

* This figure includes company claims

Financial information 2005-06

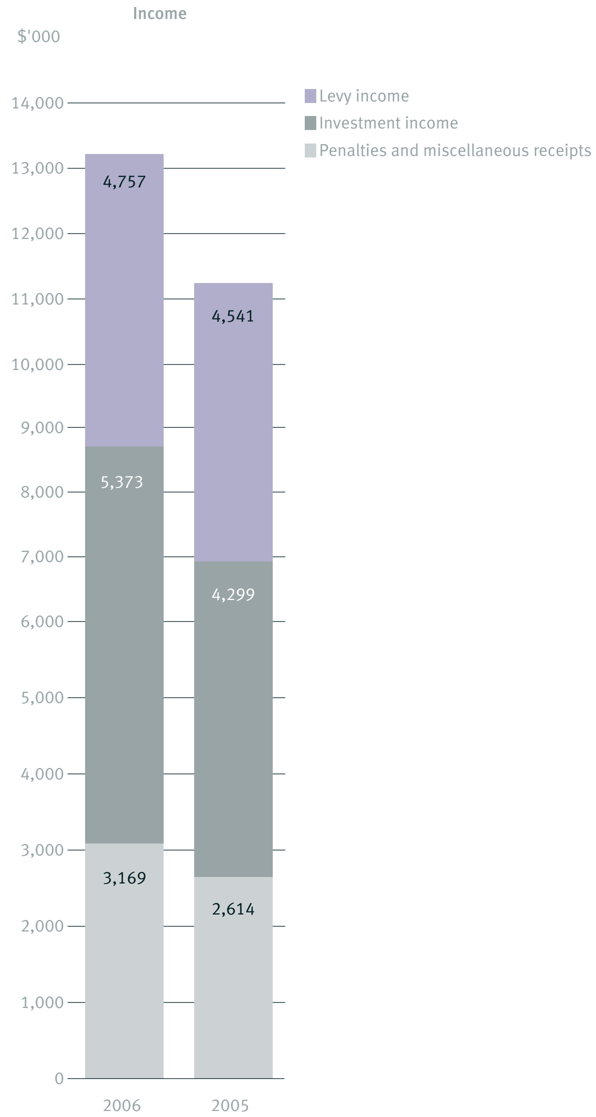
Motor Accident Insurance Commission

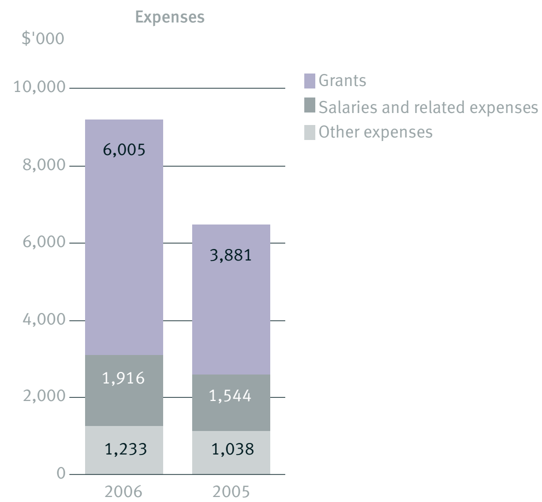
Financial Summary

In comparison to the previous year, revenue increased overall from $11.454 million to $13.299 million. Levy income of $4.757 million was raised from the Statutory Insurance Scheme Levy which was set at a rate of $1.55 per CTP policy. Investment income from QIC investments increased significantly from $4.299 million to $5.373 million for the 2005-06 year and there was a slight increase in the revenue from penalty receipts.

The expenses of the Commission were significantly higher than the previous year, primarily a result of an increase in grant expenditure which was $6.005 million compared to $3.881 million in the 2004-05 financial year. Details of grant funding are provided in Appendix 5.

The resultant operating profit for the Commission for the year ended 30 June 2006 decreased by approximately 17% to $4.145 million.





Motor Accident Insurance Commission
Income Statement
For the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Income			
Revenue			
Levy income	2	4,757	4,541
Investment income	3	5,373	4,299
Penalties and miscellaneous receipts		3,169	2,614
Total Income		**13,299**	**11,454**
Expenses			
Grants		6,005	3,881
Salaries and related expenses	4	1,916	1,544
Depreciation and amortisation	5	43	22
Computer facilities management fee		209	156
Rent		125	116
Consultancy expenditure		271	224
Other	6	585	520
Total Expenses		**9,154**	**6,463**
Operating Surplus		**4,145**	**4,991**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Balance Sheet
As at 30 June 2006

	Note	2006 $'000	2005 $'000
Current Assets			
Cash assets	16(i)	912	1,519
Receivables	7	517	123
Investment securities	8	26,207	21,711
Prepayments		29	29
Total Current Assets		**27,665**	**23,382**
Non-Current Assets			
Receivables	7	500	500
Investment securities	8	10,500	10,500
Property, plant and equipment	9	54	55
Intangibles	10	248	220
Total Non-Current Assets		**11,302**	**11,275**
Total Assets		**38,967**	**34,657**
Current Liabilities			
Payables	11	290	200
Accrued employee benefits	12	215	115
Total Current Liabilities		**505**	**315**
Non-Current Liabilities			
Accrued employee benefits	12	32	15
Total Non-Current Liabilities		**32**	**15**
Total Liabilities		**537**	**330**
Net Assets		**38,430**	**34,327**
Equity			
Reserves	13	15,300	14,096
Retained profits		23,130	20,231
Total Equity		**38,430**	**34,327**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Changes in Equity
For the year ended 30 June 2006

	Retained Profits		Reserves (Note 13)		Total Equity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance 1 July	20,231	14,746	14,096	14,596	34,327	29,342
Operating Surplus	4,145	4,991	-	-	4,145	4,991
Transfer to Reserves						
- Accident Prevention Initiatives	(2,476)	(1,441)	2,476	1,441	-	-
- Rehabilitation Initiatives	(2,299)	(1,940)	2,299	1,940	-	-
Transfer from Reserves						
- Accident Prevention Initiatives	1,441	1,484	(1,441)	(1,484)	-	-
- Rehabilitation Initiatives	2,130	2,397	(2,130)	(2,397)	-	-
Net leave liabilities transferred from other business units	(42)	(6)	-	-	(42)	(6)
Balance 30 June	**23,130**	**20,231**	**15,300**	**14,096**	**38,430**	**34,327**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Cash Flows
For the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Cash flows from operating activities			
Inflows:			
Levy income		4,757	4,541
Investment income		5,361	4,284
Penalties and miscellaneous receipts		3,149	2,610
GST input taxes recovered from ATO		322	524
Outflows:			
Grants		(6,005)	(3,881)
Salaries and related expenses		(1,842)	(1,533)
Computer facilities management fees		(121)	(151)
Other		(1,662)	(1,425)
Net cash provided by operating activities	16(ii)	**3,959**	**4,969**
Cash flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		(20)	-
Purchase of intangibles		(50)	-
Net cash used in investing activities		**(70)**	**-**
Net increase in cash held		**3,889**	**4,969**
Cash at the beginning of the financial year		33,730	28,761
Cash at the end of the financial year	16(i)	**37,619**	**33,730**

The accompanying notes form part of these financial statements.

Note 1 Summary of Significant Accounting Policies

(a) Reporting Entity

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

(b) Basis of Accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) for the first time. The disclosures required by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* concerning the transition from previous Generally Accepted Accounting Principles (GAAP) to AEIFRS are provided in Notes 20 and 21.

The AASB has issued amendments to existing standards. The amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005. The Motor Accident Insurance Commission has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* [AASB 1 & AASB 101] (December 2004)
- AASB 2005-1 *Amendments to Australian Accounting Standards* [AASB 139] (May 2005)
- AASB 2005-4 *Amendments to Australian Accounting Standards* [AASB 139, AASB 132 & AASB 1] (June 2005)
- AASB 2005-5 *Amendments to Australian Accounting Standards* [AASB 1 & AASB 139] (June 2005)
- AASB 2005-8 *Amendments to Australian Accounting Standards* [AASB 1] (June 2005)
- AASB 7 *Financial Instruments: Disclosures* (August 2005)
- AASB 2005-9 *Amendments to Australian Accounting Standards* [AASB 139 & AASB 132] (September 2005)
- AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 139 & AASB 1] (September 2005)
- AASB 2005-11 *Amendments to Australian Accounting Standards* [AASB 101, AASB 132 & AASB 139] (September 2005)
- AASB 2006-2 *Amendments to Australian Accounting Standards* [AASB 1] (March 2006)

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

(c) Receivables

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

Other debtors generally arise from transactions outside the usual operating activities of the commission and are recognised at nominal amounts.

Note 1 Summary of Significant Accounting Policies (continued)

(d) Acquisitions of Assets

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

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

(e) Property, Plant and Equipment

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

Intangibles	$100,000
Other	$5,000

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

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

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

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

(g) Intangibles

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

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

<u>Internal Use Software</u>
Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit, namely 5 years.

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

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

Internal use software under development is not amortised until it has been fully developed and utilised.

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

Class	**Rate%**
Plant and Equipment	20 - 25
Intangibles	20

Note 1 Summary of Significant Accounting Policies (continued)

(i) Impairment of Non – Current Assets

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

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

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

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

(j) Investments

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

(k) Payables

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

(l) Employee Benefits

Wages, Salaries, Recreation Leave and Sick Leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, WorkCover premiums, long service leave levies and employer superannuation contributions.

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

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

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

Note 1 Summary of Significant Accounting Policies (continued)

(l) Employee Benefits (continued)

Long Service Leave

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

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

Superannuation

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

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

Executive Remuneration

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

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

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

- wages and salaries
- accrued leave (that is, the increase/decrease in the amount of annual leave owed to an executive, inclusive of any increase in the value of annual leave balances as a result of salary rate increases or the like)
- accrued superannuation contributions (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June 2006)
- Fringe benefits tax including motor vehicles and any other taxable allowances.

The remuneration disclosed does not include long service leave entitlements.

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

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

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

Note 1 Summary of Significant Accounting Policies (continued)

(m) Reserves

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

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

(n) Contingent Assets

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

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

(o) Leases

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

(p) Levy Collection, Contributions and Penalties

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

Levies collected on behalf of the Queensland Department of Health and the Department of Emergency Services during the current year have not been included as revenue in the Statement of Financial Performance as these amounts are not controlled. Similarly, remittances made to Queensland Department of Health and the Department of Emergency Services have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services are provided in Note 15.

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

(q) Insurance

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

Note 1 Summary of Significant Accounting Policies (continued)

(r) Issuance of Financial Statements

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

(s) Judgement and Assumptions

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

(t) Rounding and Comparatives

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

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

Note 2 Levy Income

	2006 $'000	2005 $'000
Levies comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.		
Statutory Insurance Scheme Levy	4,757	4,541

Note 3 Investment Income

Distributions received from Queensland Investment Corporation	5,161	4,166
Interest received from funds held by Queensland Treasury	212	133
Total	**5,373**	**4,299**

Note 4 Salaries and related expenses

Salaries and wages	1,430	1,149
Superannuation	166	149
Long service leave expense	20	18
Recreation leave expense	127	104
Workers' compensation premium	3	3
Other related expenses	170	121
Total	**1,916**	**1,544**

Note 4 Salaries and related expenses (continued)

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

	2006	2005
Number of Employees:	26.26	18.97

Executive Remuneration

The following is remuneration paid / payable to senior executives for the proportion of time spent on activities of the Commission:

$120,000 to $139,999	1
Aggregate amount of total remuneration of executives shown above	$123,263
Aggregate amount of separation and redundancy / termination benefit payments during the year to executives shown above	Nil

Note 5 Depreciation and Amortisation

	2006 $'000	2005 $'000
Plant and equipment	21	22
Intangibles	22	-
Total	**43**	**22**

Note 6 Other Expenses

	2006 $'000	2005 $'000
Administration Fees	171	157
Legal and Barrister Fees	78	28
Insurance Premiums - QGIF	25	24
Audit Fees – Auditor-General	12	12
Other	299	299
Total	**585**	**520**

Total external audit fees relating to the 2005-06 financial year are estimated to be $12,000 (2004-05: $12,000)

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		2006 $'000	2005 $'000
Note 7	**Receivables**		
	Current		
	Accrued investment income	45	33
	Penalties receivable	105	85
	Other receivables	367	5
	Total	**517**	**123**
	Non-Current		
	Loan Receivable	500	500
	Total	**500**	**500**
Note 8	**Investment Securities**		
	Current		
	Queensland Investment Corporation	26,207	21,711
	Non-Current		
	Queensland Investment Corporation	10,500	10,500
	Total	**36,707**	**32,211**
Note 9	**Property, Plant and Equipment**		
	Plant and equipment:		
	At Cost	196	182
	Less: Accumulated depreciation	(142)	(127)
	Total	**54**	**55**

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

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

	Plant and Equipment 2006 $'000	Total 2006 $'000
Carrying amount at 1 July 2005	55	55
Additions	20	20
Disposals	-	-
Depreciation	(21)	(21)
Carrying amount at 30 June 2006	**54**	**54**

Note 10 Intangibles

	2006 $'000	2005 $'000
Software:		
At Cost	433	163
Less: Accumulated amortisation	(185	(163)
	248	**-**
Internal use software under development:		
At Cost	-	220
Total	**248**	**220**

	Software 2006 $'000	Internal Use Software Under Development 2006 $'000	Total 2006 $'000
Carrying amount at 1 July 2005	-	220	220
Additions	-	50	50
Disposals	-	-	-
Transfers	270	(270)	-
Amortisation	(22)	-	(22)
Carrying amount at 30 June 2006	**248**	**-**	**248**

Note 11 Payables

	2006 $'000	2005 $'000
Sundry Creditors and accruals	**290**	**200**

Note 12 Accrued Employee Benefits

	2006 $'000	2005 $'000
Current		
Wages outstanding	62	22
Recreation Leave	153	93
Total	**215**	**115**
Non-Current		
Recreation Leave	32	15
Total	**32**	**15**

The discount rate used to calculate the present value of non-current annual leave is 5.32% (2005: 5.168%)

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		2006 $'000	2005 $'000
Note 13	**Reserves**		
	Composition and movements:		
	Income Maintenance		
	Balance at beginning and end of year	**10,500**	**10,500**
	Accident Prevention Initiatives		
	Balance at beginning of year	1,441	1,484
	Transfer to retained profits	(1,441)	(1,484)
	Transfer from retained profits	2,476	1,441
	Balance at end of year	**2,476**	**1,441**
	Rehabilitation Initiatives		
	Balance at beginning of year	2,155	2,612
	Transfer to retained profits	(2,130)	(2,397)
	Transfer from retained profits	2,299	1,940
	Balance at end of year	**2,324**	**2,155**
	Total	**15,300**	**14,096**
Note 14	**Commitments for Expenditure**		
(a)	**Maintenance Contract Commitments**		
	Total expenditure contracted for at balance date but not provided for in the financial statements:		
	Due not later than one year	328	35
	Due later than one year but not later than five years	-	-
	Total	**328**	**35**
(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	187	155
	Due later than one year but not later than five years	187	169
	Total	**374**	**374**

		2006 $'000	2005 $'000
Note 14	**Commitments for Expenditure (continued)**		
(c)	**Motor Vehicle Lease Commitments**		
	Future operating lease rentals not provided for in the financial statements are payable as follows:		
	Due not later than one year	11	11
	Due later than one year but not later than five years	-	7
	Total	**11**	**21**
(d)	**Grant Commitments**		
	The *Motor Accident Insurance Act 1994* provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.		
	Future grant commitments not provided for in the financial statements are payable as follows:		
	Due not later than one year	2,654	3,595
	Due later than one year but not later than five years	4,675	331
	Total	**7,329**	**3,926**

Note 15 **Agency Transactions**

The Motor Accident Insurance Commission (MAIC) receives Hospital and Emergency Services Levy amounts from Queensland Transport for transfer payments to Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:

Levies

Comprise amounts collected from Queensland Transport on gross insurance premiums.

	2006 $'000	2005 $'000
Levies collected but not remitted in the previous year	2,310	2,092
Hospital levy	19,120	17,617
Emergency Services levy	8,575	7,928
	30,005	**27,637**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		Notes	2006 $'000	2005 $'000
Note 15	**Agency Transactions (continued)**			
	Contributions			
	Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport.			
	Hospital levy contributions		18,947	17,423
	Emergency Services levy contributions		8,513	7,904
			27,460	**25,237**
	Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June:		**2,545**	**2,310**
Note 16	**Statement of Cash Flows**			
(i)	**Reconciliation of cash**			
	For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
	Cash		912	1,519
	Investments	**8**	36,707	32,211
	Total		**37,619**	**33,730**
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**			
	Operating surplus		4,145	4,991
	Add non-cash items:			
	Depreciation		21	22
	Amortisation		22	-
	Direct changes to equity		(42)	(6)
	Changes in assets and liabilities:			
	Increase / (Decrease) in payables		90	(3)
	(Increase) in receivables		(394)	(17)
	(Increase) in prepayments		-	(27)
	Increase in accrued employee benefits		117	9
	Net cash provided by operating activities		**3,959**	**4,969**

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

Note 17 Financial Instruments

(a) Categorisation of Financial Instruments

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
Financial Assets			
Cash on hand	16 (i)	Recorded at book value, which approximates fair value. Interest is recognised in the Income Statement when earned.	Under the Cash Management Incentives Regime (CMIR) the Treasury Controlled Bank account earns interest on surplus funds and pays interest when in overdraft. The interest rate is changed quarterly and the June quarter rate is 4.59%.
Receivables			
Penalties receivable	7	Recognition - upon receipt of fines by Qld Transport and the Courts. Measurement - prescribed by the *Motor Accident Insurance Act 1994*. Recorded at book value.	Usually received within 30 days from the month due.
Loans receivable	7	Recognition – upon issue of funds. Measurement – based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements.
Investment Securities	8	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
Financial Liabilities			
Payables	11	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

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

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 17 Financial Instruments (continued)

(b) Interest Rate Risk Exposure

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

2006	Notes	Floating interest rate $'000	Fixed interest rate maturing 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		912	-	-	-	-	912
Receivables	7	-	-	-	-	1,017	1,017
Investments	8	-	-	-	-	36,707**	36,707
		912	**-**	**-**	**-**	**37,724**	**38,636**
Financial Liabilities							
Payables	11	**-**	**-**	**-**	**-**	**290**	**290**
Net Financial Assets		**912**	**-**	**-**	**-**	**37,434**	**38,346**
***Weighted average Interest rate**	4.63%						

2005	Notes	Floating interest rate $'000	Fixed interest rate maturing 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		1,519	-	-	-	-	1,519
Receivables	7	-	-	-	-	623	623
Investments	8	-	-	-	-	32,211**	32,211
		1,519	**-**	**-**	**-**	**32,834**	**34,353**
Financial Liabilities							
Payables	11	**-**	**-**	**-**	**-**	**222**	**222**
Net Financial Assets		**1,519**	**-**	**-**	**-**	**32,612**	**34,131**
***Weighted average Interest rate**	4.55%						

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

Note 17 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) Fair Values

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

Financial assets past due but not impaired

	Contractual repricing / maturity date:						
			Overdue				
	Not overdue	Less than 30 days	30 – 60 days	61 – 90 days	More than 90 days	Total	Total financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables	-	501	8	8	500	1,017	1,017
Total	**-**	**501**	**8**	**8**	**500**	**1,017**	**1,017**

Impaired financial assets

	Contractual repricing / maturity date:						
			Overdue				
	Not overdue	Less than 30 days	30 – 60 days	61 – 90 days	More than 90 days	Total	Total financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Note 18 Segment Information

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

Note 19 Events Occurring after Balance Date

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

Note 20 Reconciliation of Adjustments from previous GAAP to Australian Equivalents to International Financial Reporting Standards (AEIFRS) – as at 1 July 2004

Note		Previous GAAP 1/7/2004 $'000	Effect of transition to AEIFRS $'000	AEIFRS 1/7/2004 $'000
	Current Assets			
	Cash assets	2,734	-	2,734
	Receivables	106	-	106
	Investment securities	15,527	-	15,527
	Prepayments	2	-	2
	Total Current Assets	**18,369**	**-**	**18,369**
	Non-Current Assets			
	Receivables	500	-	500
	Investment securities	10,500	-	10,500
	Property, plant and equipment	77	-	77
	Intangibles	220	-	220
	Total Non-Current Assets	**11,297**	**-**	**11,297**
	Total Assets	**29,666**	**-**	**29,666**
	Current Liabilities			
	Payables	225	-	225
20.1	Provisions	100	-	100
	Accrued employee benefits	-	-	-
	Total Current Liabilities	**325**	**-**	**325**
	Non-Current Liabilities			
20.1	Provisions	-	(1)	(1)
	Accrued employee benefits	-	-	-
	Total Non-Current Liabilities	**-**	**(1)**	**(1)**
	Total Liabilities	**325**	**(1)**	**324**
	Net Assets	**29,341**	**1**	**29,342**
	Equity			
	Reserves	14,596	-	14,596
20.1	Retained profits	14,745	1	14,746
	Total Equity	**29,341**	**1**	**29,342**

Notes to Reconciliation		**$'000**
20.1	Impact of discounting on non-current recreation leave:	
	Adjustment to non-current provisions	**(1)**
	Adjustment to retained profits	**1**

Income Statement and Statement of Cash Flows

No adjustments were required to the Income Statement and Statement of Cash Flows as a result of transition to Australian equivalents to IFRS.

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 21 Reconciliation of Adjustments from previous GAAP to Australian Equivalents to International Financial Reporting Standards (AEIFRS) – as at 1 July 2005

Note		Previous GAAP 1/7/2005 $'000	Effect of transition to AEIFRS: Opening Adjustments 1 July 2004 $'000	Effect of transition to AEIFRS: 2004-05 Adjustments $'000	AEIFRS 1/7/2005 $'000
	Current Assets				
	Cash assets	1,519	-	-	1,519
	Receivables	123	-	-	123
	Investment securities	21,711	-	-	21,711
	Prepayments	29	-	-	29
	Total Current Assets	**23,382**	**-**	**-**	**23,382**
	Non-Current Assets				
	Receivables	500	-	-	500
	Investment securities	10,500	-	-	10,500
	Property, plant and equipment	55	-	-	55
	Intangibles	220	-	-	220
	Total Non-Current Assets	**11,275**	**-**	**-**	**11,275**
	Total Assets	**34,657**	**-**	**-**	**34,657**
	Current Liabilities				
21.1	Payables	222	-	(22)	200
21.1	Provisions	93	-	(93)	-
21.1	Accrued employee benefits	-	-	115	115
	Total Current Liabilities	**315**	**-**	**-**	**315**
	Non-Current Liabilities				
21.1	Provisions	16	(1)	(15)	-
21.1	Accrued employee benefits	-	-	15	15
	Total Non-Current Liabilities	**16**	**(1)**	**-**	**15**
	Total Liabilities	**331**	**(1)**	**-**	**330**
	Net Assets	**34,326**	**1**	**-**	**34,327**
	Equity				
	Reserves	14,096	-	-	14,096
	Retained profits	20,230	1	-	20,231
	Total Equity	**34,326**	**1**	**-**	**34,327**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Notes to Reconciliation		$'000
21.1	Employee benefits no longer a provision, now an accrual (reclassification required):	
	Adjustment to current payables	(22)
	Adjustment to current provisions	(93)
	Adjustment to accrued employee benefits	115
	Adjustment to non- current provisions	(15)
	Adjustment to accrued employee benefits	15

Income Statement and Statement of Cash Flows

No adjustments were required to the Income Statement and Statement of Cash Flows as a result of transition to Australian equivalents to IFRS.

Certificate of the Motor Accident Insurance Commission

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

(a) the financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and

(b) in our opinion:

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

  (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 2006 and of the financial position of the Commission at the end of that year.

L Anderson
Insurance Commissioner

L Lee
Manager Corporate Governance

Dated: 28 September 2006

Independent Audit Report

To the Motor Accident Insurance Commission

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Motor Accident Insurance Commission for the financial year ended 30 June 2006 included on the Motor Accident Insurance Commission's web site. The Insurance Commissioner is responsible for the integrity of the Motor Accident Insurance Commission's web site. We have not been engaged to report on the integrity of the Motor Accident Insurance Commission's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Motor Accident Insurance Commission, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Scope

The Financial Report
The financial report of the Motor Accident Insurance Commission consists of the Income Statements, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, notes to and forming part of the financial report and certificates given by the Insurance Commissioner and officer responsible for the financial administration of the Motor Accident Insurance Commission, for the year ended 30 June 2006.

The Commission's responsibility
The Commission is responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach
As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards*, which incorporate the *Australian Auditing Standards*, to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Commission;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

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

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

(b) in my opinion –

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

(ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2005 to 30 June 2006 and of the financial position as at the end of that year.

M O'Grady, (as Delegate of the Auditor-General of Queensland)
29 September 2006

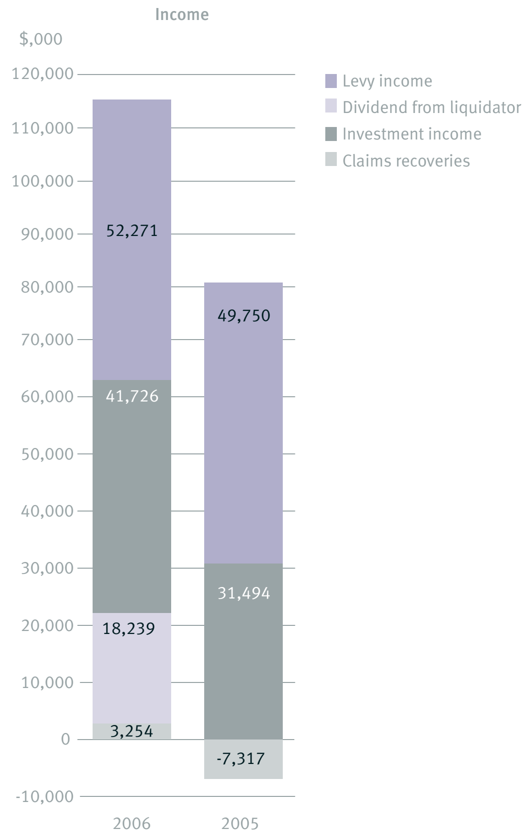
Queensland Audit Office,
Brisbane

Nominal Defendant
Financial Summary

The operating profit of the Nominal Defendant for the year ended 30 June 2006 was $92.458 million compared to the prior year's operating profit of $52.226 million. Reimbursement to the State Government for the Indemnity to the Nominal Defendant to meet the liabilities of FAI during the year amounted to $18.526 million. The amount of this reimbursement was determined after deducting cash receipts of the CTP levy surcharge, $3.144 million of funds transferred from the Nominal Defendant Section 31 operations and $18.239 million of the first insolvency dividend received from the HIH liquidator during 2005-06.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year decreased slightly from $17.471 million to $16.667 million. The provisions for outstanding claims liabilities were actuarially assessed and were increased by $14.494 million.

The income from the levy for the normal business of the Nominal Defendant increased to $37.747 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at $12.95 per Class 1 policy, plus the $5 HIH levy which raised $14.524 million in the year. Claims recoveries were $3.254 million during the year, up from ($7.317) million in the previous year. The increase in Other Expenses predominantly reflects an increase in the 2005-06 reinsurance premium and QIC management fees. The performance of the QIC investments improved significantly from $31.494 million to $41.726 million for the 2005-06 year.



Nominal Defendant
Income Statement
For the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Income			
Revenue			
Levy income	1(o)	52,271	49,750
Investment income	5	41,726	31,494
Dividend from liquidator	6	18,239	-
Total Income		**112,236**	**81,244**
Expenses			
Claims	2	19,457	18,326
(Claims recoveries) / write back of claims recoveries		(3,254)	7,317
Net claims incurred	3	16,203	25,643
Other expenses	4	3,575	3,375
Total Expenses		**19,778**	**29,018**
Operating Surplus		**92,458**	**52,226**

The accompanying notes form part of these financial statements.

Nominal Defendant
Balance Sheet
As at 30 June 2006

	Note	2006 $'000	2005 $'000
Current Assets			
Cash assets	15(i)	1,122	2,215
Receivables	7	1,023	1,114
Investment securities	8	89,662	48,804
Prepayments		3	6
Total Current Assets		**91,810**	**52,139**
Non-Current Assets			
Investment securities	8	226,477	191,189
Property, plant and equipment	9	9	15
Intangibles	10	171	217
Total Non-Current Assets		**226,657**	**191,421**
Total Assets		**318,467**	**243,560**
Current Liabilities			
Payables	11	17,784	434
Accrued employee benefits	12	211	81
Provision for outstanding claims	13	47,314	67,615
Unearned levies		26,500	25,222
Total Current Liabilities		**91,809**	**93,352**
Non-Current Liabilities			
Accrued employee benefits	12	14	11
Provision for outstanding claims	13	178,034	175,517
Total Non-Current Liabilities		**178,048**	**175,528**
Total Liabilities		**269,857**	**268,880**
Net Assets		**48,610**	**(25,320)**
Equity			
Contributed equity		227,011	245,537
Accumulated losses		(178,401)	(270,857)
Total Equity		**48,610**	**(25,320)**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Changes in Equity
For the year ended 30 June 2006

	Contributed Equity		Accumulated Losses		Total Equity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance 1 July	245,537	230,881	(270,857)	(325,749)	(25,320)	(94,868)
Operating Surplus	-	-	92,458	52,226	92,458	52,226
State Government Equity (withdrawal) / injection (Note 1(c))	(18,526)	14,656	-	-	(18,526)	14,656
Net leave liabilities transferred from other business units	-	-	(2)	1	(2)	1
Adjustment for change in actuarial estimate as per requirement of application of AASB 1023 (Note 22)	-	-	-	2,665	-	2,665
Balance 30 June	**227,011**	**245,537**	**(178,401)**	**(270,857)**	**48,610**	**(25,320)**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Cash Flows
For the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Cash flows from operating activities			
Inflows:			
Levy income		53,549	50,883
Claims recoveries		3,344	4,685
Investment income		41,736	31,490
Dividend from liquidator		18,239	-
GST recovered from ATO		696	876
Outflows:			
Claims		(37,331)	(60,974)
Salaries and related expenses		(990)	(1,133)
Other		(3,094)	(3,238)
Net cash provided by operating activities	**15(ii)**	**76,149**	**22,589**
Cash flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		-	(49)
Net cash used in investing activities		**-**	**(49)**
Cash flows from investing activities			
Inflows:			
Queensland Treasury Indemnity Receipts		-	30,754
Outflows:			
Queensland Treasury Indemnity Payments		(1,096)	-
Net cash used in financing activities		**(1,096)**	**30,754**
Net increase in cash held		**75,053**	**53,294**
Cash at the beginning of the financial year		242,208	188,914
Cash at the end of the financial year	**15(i)**	**317,261**	**242,208**

The accompanying notes form part of these financial statements.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 1 Summary of Significant Accounting Policies

(a) Reporting Entity

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

(b) Basis of Accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) for the first time. The disclosures required by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* concerning the transition from previous Generally Accepted Accounting Principles (GAAP) to AEIFRS are provided in Notes 21 and 22.

The AASB has issued amendments to existing standards. The amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005. The Nominal Defendant has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* [AASB 1 & AASB 101] (December 2004)
- AASB 2005-1 *Amendments to Australian Accounting Standards* [AASB 139] (May 2005)
- AASB 2005-4 *Amendments to Australian Accounting Standards* [AASB 139, AASB 132, AASB 1 & AASB 1023] (June 2005)
- AASB 2005-5 *Amendments to Australian Accounting Standards* [AASB 1 & AASB 139] (June 2005)
- AASB 2005-8 *Amendments to Australian Accounting Standards* [AASB 1] (June 2005)
- AASB 7 *Financial Instruments: Disclosures* (August 2005)
- AASB 2005-9 *Amendments to Australian Accounting Standards* [AASB 1023, AASB 139 & AASB 132] (September 2005)
- AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 139, AASB 1 & AASB 1023] (September 2005)
- AASB 2005-11 *Amendments to Australian Accounting Standards* [AASB 101, AASB 132 & AASB 139] (September 2005)
- AASB 2005-12 *Amendments to Australian Accounting Standards* [AASB 1023] (December 2005)
- AASB 2006-2 *Amendments to Australian Accounting Standards* [AASB 1] (March 2006)

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

(c) Deed of Indemnity

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

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

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

Note 1 Summary of Significant Accounting Policies (continued)

(d) Receivables

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

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

(e) Acquisition of Assets

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

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

(f) Property, Plant and Equipment

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

Intangibles	$100,000
Other	$5,000

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

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

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

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

(h) Intangibles

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

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

<u>Internal Use Software</u>
Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit, namely 5 years.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 1 Summary of Significant Accounting Policies (continued)

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

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

Internal use software under development is not amortised until it has been fully developed and utilised.

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

Class	Rate%
Plant and Equipment	20 - 25
Software	20

(j) Impairment of Non – Current Assets

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

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

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

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

(k) Investments

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

(l) Payables

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

(m) Provisions for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at the financial year-end by an independent actuarial firm, Finity Consulting Pty Limited, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate.

Note 1 Summary of Significant Accounting Policies (continued)

(m) Provisions for Outstanding Claims (continued)

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

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. 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 Nominal Defendant on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 13.

(n) Funding of Nominal Defendant

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

(o) Levies

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *General Insurance Contracts*, the Nominal Defendant levy, as stated in Section 12 of the *Motor Accident Insurance Act 1994,* is to be treated as “premium” as defined in AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

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

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

The Nominal Defendant levy rate is fixed each year by regulation in accordance with Section 14A(1) of the *Motor Accident Insurance Act 1994.*

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 1 Summary of Significant Accounting Policies (continued)

(p) Employee Benefits

Wages, Salaries, Recreation Leave and Sick Leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, WorkCover premiums, long service leave levies and employer superannuation contributions.

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

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

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

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

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

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

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

(q) Leases

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

(r) Insurance

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 1 Summary of Significant Accounting Policies (continued)

(s) Issuance of Financial Statements

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

(t) Judgement and Assumptions

The Nominal Defendant places high reliance on actuarial estimates provided by its actuaries, Finity Consulting Pty Limited in calculating the Provision for Outstanding Claims as at the end of the financial year. Refer to Notes 1(m) and 13. The Nominal Defendant has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(u) Rounding and Comparatives

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

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

Note 2 Claims

	2006 $'000	2005 $'000

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

	2006 $'000	2005 $'000
Decrease in provision for outstanding claims	(17,784)	(42,676)
Claims and associated settlement costs	37,241	61,002
Total	**19,457**	**18,326**

Claims attributable to FAI

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

	2006 $'000	2005 $'000
Decrease in provision for outstanding claims	(32,278)	(53,365)
Claims and associated settlement costs	20,574	43,531
Total	**(11,704)**	**(9,834)**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 3 Net Claims Incurred

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

Claims attributable to Nominal Defendant (section 31)

	2006			2005		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	47,911	(2,037)	45,874	40,518	(7,892)	32,626
Reinsurance and other recoveries - undiscounted	(1,191)	(1,351)	(2,542)	(1,005)	(4,121)	(5,126)
Net claims incurred - undiscounted	46,720	(3,388)	43,332	39,513	(12,013)	27,500
Discount and discount movement - gross claims incurred	(12,177)	(974)	(13,151)	(7,883)	7,338	(545)
Discount and discount movement - reinsurance and other recoveries	304	326	630	197	458	655
Net discount movement	(11,873)	(648)	(12,521)	(7,686)	7,796	110
Net Claims Incurred - discounted	**34,847**	**(4,036)**	**30,811**	**31,827**	**(4,217)**	**27,610**

Claims attributable to FAI

	2006			2005		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	-	(13,299)	(13,299)	-	(35,628)	(35,628)
Reinsurance and other recoveries - undiscounted	-	(2,904)	(2,904)	-	25,558	25,558
Net claims incurred - undiscounted	-	(16,203)	(16,203)	-	10,070	10,070
Discount and discount movement - gross claims incurred	-	1,594	1,594	-	10,350	10,350
Discount and discount movement - reinsurance and other recoveries	-	-	-	-	(2,247)	(2,247)
Net discount movement	-	1,594	1,594	-	8,103	8,103
Net Claims Incurred - discounted	**-**	**(14,608)**	**(14,608)**	**-**	**(1,967)**	**(1,967)**
Total Net Claims Incurred - discounted	**34,847**	**(18,644)**	**16,203**	**31,827**	**(6,184)**	**25,643**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		Note	2006 $'000	2005 $'000
Note 3	**Net Claims Incurred (continued)**			
	Net Claims Incurred			
	Net Claims Incurred – discounted		30,811	27,610
	Claims Recoveries		350	550
			31,161	28,160
	Add: Claims attributable to FAI		(14,608)	(1,967)
	Claims Recoveries – FAI		2,904	(7,867)
		2	(11,704)	(9,834)
	Total Claims	2	**19,457**	**18,326**

			2006 $'000	2005 $'000
Note 4	**Other expenses**			
	Salaries and related expenses			
	Salaries and wages		757	858
	Superannuation		99	109
	Long service leave expense		13	13
	Recreation leave expense		71	86
	Workers' compensation premium		2	2
	Other related expenses		181	77
	Depreciation – Property, Plant and Equipment		6	11
	Amortisation – Intangibles		46	5
	Rent		89	96
	Consultancy Expenditure		112	119
	Reinsurance		1,338	1,242
	Administration Fees		539	444
	Audit Fees – Auditor-General		23	23
	Insurance Premiums – QGIF		1	1
	Other		298	289
	Total		**3,575**	**3,375**

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

	2006	2005
Number of Employees:	11.77	15.35

Total external audit fees relating to the 2005-06 financial year are estimated to be $23,000 (2004-05: $23,000). There are no non-audit services included in this amount.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		2006 $'000	2005 $'000
Note 4	**Other expenses (continued)**		
	Other expenses attributable to FAI are included in the figures listed above:		
	Salaries and related expenses		
	Salaries and wages	188	339
	Superannuation	25	40
	Long service leave expense	3	5
	Recreation leave expense	20	32
	Workers' compensation premium	1	1
	Other related expenses	18	26
	Rent	21	32
	Consultancy Expenditure	10	20
	Audit Fees – Auditor-General	9	9
	Other	80	42
	Total	**375**	**546**

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

	2006	2005
Number of Employees:	1.95	3.4

		2006 $'000	2005 $'000
Note 5	**Investment Income**		
	Distributions received from Queensland Investment Corporation	41,614	31,361
	Interest received from funds held by Queensland Treasury	112	133
	Total	**41,726**	**31,494**
Note 6	**Dividend from liquidator**		
	First interim insolvency dividend of five cents in the dollar received from FAI Liquidator	**18,239**	**-**
Note 7	**Receivables**		
	Current		
	Accrued investment income	31	42
	Claims Recoveries receivable	936	1,025
	Other receivables	56	47
	Total	**1,023**	**1,114**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		2006 $'000	2005 $'000
Note 8	**Investment Securities**		
	Current		
	Queensland Investment Corporation	89,662	48,804
	Non-Current		
	Queensland Investment Corporation	226,477	191,189
	Total	**316,139**	**239,993**
Note 9	**Property, Plant and Equipment**		
	Plant and equipment:		
	At Cost	65	65
	Less: Accumulated depreciation	(56)	(50)
	Total	**9**	**15**

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

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

	Plant and Equipment 2006 $'000	Total 2006 $'000
Carrying amount at 1 July 2005	15	15
Additions	-	-
Disposals	-	-
Depreciation	(6)	(6)
Carrying amount at 30 June 2006	**9**	**9**

		2006 $'000	2005 $'000
Note 10	**Intangibles**		
	Software:		
	At Cost	388	388
	Less: Accumulated amortisation	(217)	(171)
	Total	**171**	**217**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 10	Intangibles (continued)	Software 2006 $'000	Total 2006 $'000
	Carrying amount at 1 July 2005	217	217
	Additions	-	-
	Disposals	-	-
	Amortisation	(46)	(46)
	Carrying amount at 30 June 2006	**171**	**171**

Note 11	Payables	2006 $'000	2005 $'000
	Sundry Creditors and accruals	354	435
	Queensland Treasury Indemnity Payable	17,430	-
	Total	**17,784**	**435**

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

	Sundry Creditors and accruals	**41**	**95**

Note 12	Accrued Employee Benefits		
	Current		
	Wages outstanding	143	15
	Recreation Leave	68	66
		211	**81**
	Non-Current		
	Recreation Leave	14	11
	Total	**225**	**92**

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

Current		
Wages outstanding	10	5
Recreation Leave	22	24
	32	**29**
Non-Current		
Recreation Leave	-	-
Total	**32**	**29**

The discount rate used to calculate the present value of non-current annual leave is 5.32% (2005: 5.168%)

Note 13 Provision for Outstanding Claims

	2006 $'000	2005 $'000
The total provision is as follows:		
Current	47,314	67,615
Non – current	178,034	175,517
Total	**225,348**	**243,132**

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

	2006 $'000	2005 $'000
Reinsurance recoveries allowance (undiscounted)	3,545	5,064
Discount to present value	(340)	(460)
Reinsurance recoveries allowance (discounted)	**3,205**	**4,604**

Outstanding Claims attributable to the Nominal Defendant (section 31)

	2006 $'000	2005 $'000
Expected future claims payments (undiscounted)	207,664	178,457
Expected recoveries (undiscounted)	(9,573)	(7,381)
Discount to present value	(41,348)	(28,828)
Liability for outstanding claims	**156,743**	**142,249**
Current	25,999	28,927
Non – Current	130,744	113,322
Total	**156,743**	**142,249**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.74 years (2005 – 3.39 years).

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

	2006	2005
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.0%	5.25%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.0%	5.25%

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 13 Provision for Outstanding Claims (continued)

	2006 $'000	2005 $'000
Outstanding Claims attributable to FAI		
Expected future claims payments (undiscounted)	76,699	110,571
Expected recoveries (undiscounted)	(3,545)	(5,064)
Discount to present value	(7,754)	(9,228)
Liability for outstanding claims	**65,400**	**96,279**
Current	20,319	32,387
Non – Current	45,081	63,892
Total	**65,400**	**96,279**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.04 years (2005 – 2.11 years).

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

	2006	2005
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.00%	5.25%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.00%	5.25%

Note 14 Commitments for Expenditure

Operating Lease Rental Commitments

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

	2006	2005
Due not later than one year	123	101
Due later than one year but not later than five years	123	110
Total	**246**	**211**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

		Note	2006 $'000	2005 $'000
Note 14	**Commitments for Expenditure (continued)**			
	Maintenance Contract Commitments			
	Total expenditure contracted for at balance date but not provided for in the financial statements:			
	Due not later than one year		248	156
	Due later than one year but not later than five years		-	-
	Total		**248**	**156**
Note 15	**Statement of Cash Flows**			
(i)	**Reconciliation of cash**			
	For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
	Cash		1,122	2,215
	Investment Securities	8	316,139	239,993
	Total		**317,261**	**242,208**
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**			
	Operating surplus		92,458	52,226
	Add non-cash items:			
	Depreciation		6	16
	Amortisation		46	-
	Direct changes to equity		(2)	2,401
	Changes in assets and liabilities:			
	(Increase) / decrease in prepayments		3	(1)
	Decrease in receivables		91	12,032
	(Decrease) in payables		(80)	(151)
	Increase in unearned levies		1,278	1,133
	(Decrease) in provisions		(17,784)	(45,076)
	Increase in accrued employee benefits		133	9
	Net cash provided by operating activities		**76,149**	**22,589**

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

Note 16 Financial Instruments

(a) Categorisation of Financial Instruments

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

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

(b) Interest Rate Risk Exposure

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 16 Financial Instruments (continued)

2006	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: Over 1 to 5 years $'000	Fixed interest rate maturing: More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		1,122	-	-	-	-	1,122
Receivables	7	-	-	-	-	1,023	1,023
Investments	8	-	-	-	-	316,139**	316,139
		1,122	**-**	**-**	**-**	**317,162**	**318,284**
Financial Liabilities							
Payables	11	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets		**1,122**	**-**	**-**	**-**	**299,378**	**300,500**
***Weighted average Interest rate**	**4.63%**						

2006	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: Over 1 to 5 years $'000	Fixed interest rate maturing: More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		2,215	-	-	-	-	2,215
Receivables	7	-	-	-	-	1,114	1,114
Investments	8	-	-	-	-	239,993**	239,993
		2,215	**-**	**-**	**-**	**241,107**	**243,322**
Financial Liabilities							
Payables	11	**-**	**-**	**-**	**-**	**435**	**435**
Net Financial Assets		**2,215**	**-**	**-**	**-**	**240,672**	**242,887**
***Weighted average Interest rate**	**4.55%**						

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 16 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) Fair Values

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

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

Note 17 Segment Information

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

Note 18 Contingent Liabilities

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

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, funding is provided by the State Government for shortfalls relating to liabilities of FAI. Refer Statement of Changes in Equity.

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

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

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

Note 19 Contingent Asset

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

Note 20 Events Occurring after Balance Date

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 21 Reconciliation of Adjustments from previous GAAP to Australian Equivalents to International Financial Reporting Standards (AEIFRS) – as at 1 July 2004

Note		Previous GAAP 1/7/2004 $'000	Effect of transition to AEIFRS $'000	AEIFRS 1/7/2004 $'000
	Current Assets			
	Cash assets	1,562	-	1,562
	Receivables	29,244	-	29,244
	Investment securities	37,116	-	37,116
	Prepayments	5	-	5
	Total Current Assets	**67,927**	**-**	**67,927**
	Non-Current Assets			
	Investment securities	150,236	-	150,236
	Property, plant and equipment	26	-	26
	Intangibles	173	-	173
	Total Non-Current Assets	**150,435**	**-**	**150,435**
	Total Assets	**218,362**	**-**	**218,362**
	Current Liabilities			
	Payables	600	-	600
	Provision for employee entitlements	69	-	69
	Provision for outstanding claims	78,811	-	78,811
	Unearned levies	24,089	-	24,089
	Total Current Liabilities	**103,569**	**-**	**103,569**
	Non-Current Liabilities			
21.2	Provision for employee entitlements	-	(1)	(1)
21.1	Provision for outstanding claims	195,397	14,265	209,662
	Total Non-Current Liabilities	**195,397**	**14,264**	**209,661**
	Total Liabilities	**298,966**	**14,264**	**313,230**
	Net Liabilities	**(80,604)**	**(14,264)**	**(94,868)**
	Equity			
	Contributed equity	230,881	-	230,881
21.3	Accumulated losses	(311,485)	(14,264)	(325,749)
	Total Equity	**(80,604)**	**(14,264)**	**(94,868)**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Notes to Reconciliation		$'000
21.1	Impact of prudential margin on FAI Provision for outstanding claims:	
	Adjustment to non – current provision for outstanding claims	**14,265**
21.2	Impact of discounting on non-current recreation leave:	
	Adjustment to non-current provision for employee entitlements	**(1)**
21.3	The adjustments to Accumulated losses are as follows:	
	Impact of prudential margin on FAI Provision for outstanding claims	(14,265)
	Impact of discounting on non-current recreation leave	1
	Adjustment to accumulated losses	**(14,264)**

Income Statement and Statement of Cash Flows

No adjustments were required to the Income Statement and Statement of Cash Flows as a result of transition to Australian equivalents to IFRS.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Note 22 Reconciliation of Adjustments from previous GAAP to Australian Equivalents to International Financial Reporting Standards (AEIFRS) – as at 1 July 2005

Note		Previous GAAP 1/7/2005 $'000	Effect of transition to AEIFRS Opening Adjustments 1 July 2004 $'000	2004-05 Adjustments $'000	AEIFRS 1/7/2005 $'000
	Current Assets				
	Cash assets	2,215	-	-	2,215
	Receivables	1,114	-	-	1,114
	Investment securities	48,804	-	-	48,804
	Prepayments	6	-	-	6
	Total Current Assets	**52,139**	**-**	**-**	**52,139**
	Non-Current Assets				
	Investment securities	191,189	-	-	191,189
	Property, plant and equipment	15	-	-	15
	Intangibles	217	-	-	217
	Total Non-Current Assets	**191,421**	**-**	**-**	**191,421**
	Total Assets	**243,560**	**-**	**-**	**243,560**
	Current Liabilities				
22.1	Payables	449	-	(15)	434
22.1	Provision for employee entitlements	66	-	(66)	-
22.1	Accrued employee benefits	-	-	81	81
22.2	Provision for outstanding claims	63,207	-	4,408	67,615
	Unearned levies	25,222	-	-	25,222
	Total Current Liabilities	**88,944**	**-**	**4,408**	**93,352**
	Non-Current Liabilities				
22.1	Provision for employee entitlements	12	(1)	(11)	-
22.1	Accrued employee benefits	-	-	11	11
22.2	Provision for outstanding claims	168,325	14,265	(7,073)	175,517
	Total Non-Current Liabilities	**168,337**	**14,264**	**(7,073)**	**175,528**
	Total Liabilities	**257,281**	**14,264**	**(2,665)**	**268,880**
	Net Liabilities	**(13,721)**	**(14,264)**	**2,665**	**(25,320)**
	Equity				
	Contributed equity	245,537	-	-	245,537
22.2	Accumulated losses	(259,258)	(14,264)	2,665	(270,857)
	Total Equity	**(13,721)**	**(14,264)**	**2,665**	**(25,320)**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2006

Notes to Reconciliation		$'000
22.1	Employee benefits no longer a provision, now an accrual (reclassification required):	
	Adjustment to current payables	(15)
	Adjustment to current provision for employee entitlements	(66)
	Adjustment to current accrued employee benefits	81
	Adjustment to non - current provision for employee entitlements	(11)
	Adjustment to non - current accrued employee benefits	11
22.2	Impact of the reduction in the prudential margin on the FAI Provision for outstanding claims:	
	Adjustment to current provision for outstanding claims	4,408
	Adjustment to non – current provision for outstanding claims	(7,073)
	Adjustment to accumulated losses	2,665

Income Statement and Statement of Cash Flows

No adjustments were required to the Income Statement and Statement of Cash Flows as a result of transition to Australian equivalents to IFRS.

Certificate of the Nominal Defendant

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

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

(b) in our opinion:

- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2006 and of the financial position of the Nominal Defendant at the end of that financial year.

L Anderson
Nominal Defendant

L Lee
Manager Corporate Governance

Dated: 28 September 2006

Independent Audit Report

To the Nominal Defendant

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Nominal Defendant for the financial year ended 30 June 2006 included on Nominal Defendant's web site. The Nominal Defendant are responsible for the integrity of the Nominal Defendant's web site. We have not been engaged to report on the integrity of the Nominal Defendant's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Nominal Defendant, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Scope

The Financial Report
The financial report of the Nominal Defendant consists of the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, notes to and forming part of the financial report and certificate given by the Nominal Defendant and officer responsible for the financial administration of the Nominal Defendant, for the year ended 30 June 2006

The Nominal Defendant's Responsibility
The Nominal Defendant is responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach
As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards,* which incorporate the *Australian Auditing Standards*, to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Nominal Defendant;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

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

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

(b) in my opinion –

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

(ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Nominal Defendant for the financial year 1 July 2005 to 30 June 2006 and of the financial position as at the end of that year.

M O'Grady, (as Delegate of the Auditor-General of Queensland)
29 September 2006

Queensland Audit Office,
Brisbane

Appendices

2005-06

Motor Accident Insurance Commission

Actuarial Certificate – Nominal Defendant – Section 31 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2006

Finity was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2006 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled *"Queensland Nominal Defendant Fund – Valuation of Outstanding Claims Liabilities as at 30 June 2006"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137, Schedule 2J of Division 321 of the Income Tax Assessment Act 1936 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2006 is $157 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 in line with the requirements under the APRA liability valuation standard.

Reliances and Limitations

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

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and are to be expected.

Estelle Pearson — Gae Robinson

Fellows of the Institute of Actuaries of Australia

Actuarial Certificate – Nominal Defendant – Section 33 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2006

Finity was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI Run-off as at 30 June 2006, and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled *"Queensland Nominal Defendant Fund – Valuation of Outstanding Claims Liabilities for FAI Run-Off as at 30 June 2006"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023, Schedule 2J of Division 321 of the Income Tax Assessment Act 1936 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2006 is $65 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, future reinsurance recoveries and claim handling expenses. A risk margin of 13% is also included in the provision.

Reliances and Limitations

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

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

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and are to be expected.

Estelle Pearson Gae Robinson

Fellows of the Institute of Actuaries of Australia

Appendix 3

Information Sources

Publications

The Commission has the following publications available to the public at no charge:

- The Motor Accident Insurance Commission annual report
- Work Training Guidelines for CTP Rehabilitation Providers
- MAIC Guidelines for CTP Rehabilitation Providers
- Review of Queensland Compulsory Third Party Insurance Scheme 1999
- Mitigating State Government Risk in Compulsory Third Party Insurance Papers (February 2002, December 2002)
- Whiplash Injury Recovery – A Self-Management Guide

Website

The publications listed are also available online at the Commission's website **www.maic.qld.gov.au** along with the following information:

- CTP claims information
- Information on the CTP premium setting process
- Forms for claimants, legal practitioners and medical practitioners
- Information for medical practitioners, rehabilitation providers, and legal practitioners
- Guidelines and information for insurers
- MAIC funding initiatives
- a CTP premium calculator to assist motorists in obtaining information on premium rates
- 2006-11 Strategic Plan

Telephone Services and Community Participation

The Commission operates a helpline which is accessible free of charge to the Queensland public. Helpline staff can provide interested parties with information about the operations of the CTP scheme, the claim process and record complaints and suggestions on how the scheme could be improved. The helpline number is 1300 302 568.

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

The Commission is involved in regular discussions with motoring organisations, licensed CTP insurers, the legal profession, and the medical and allied health professions to ensure the scheme operates effectively and balance is maintained between the needs of injured claimants and premium paying motor vehicle owners.

Information Sources

Freedom of Information

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

How do I make an application?

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

- be in writing
- state an address to which a notification of the decision may be sent
- be accompanied by a $35.25 application fee, if the information relates to non-personal affairs (there is no application fee to look at documents about your personal affairs)
- be addressed to the Manager, Freedom of Information.

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

Are there any charges for processing the application?

Processing of non-personal documents is charged at the rate of $5.20 for each 15 minutes or part thereof. There may be further charges for you to inspect documents. Photocopies of documents regarding a non-personal application are available at 20 cents per photocopied page.

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

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

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

Post or deliver applications to:

Post:

Manager, Freedom of Information
Queensland Treasury
GPO Box 611
Brisbane Qld 4001

Deliver:

Manager, Freedom of Information
Queensland Treasury
Level 1, 33 Charlotte Street
Brisbane Qld

Brochures and application forms for Freedom of Information requests are available from Treasury's Freedom of Information Unit on 07 – 3224 4171. Alternatively application forms may be obtained from the Treasury website www.treasury.qld.gov.au or by email foi@treasury.qld.gov.au

Compulsory Third Party Insurers

Currently Licensed CTP Insurers (as at 30 June 2006)

Allianz Australia Insurance Limited
GPO Box 1028
Brisbane Qld 4001
Ph 13 1000
ABN 15 000 122 850

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

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

QBE Insurance (Australia) Limited
GPO Box 1072
Brisbane Qld 4001
Ph 07 3031 8444
ABN 78 003 191 035

RACQ Insurance Limited
(trading as RACQ Insurance)
PO Box 3313
Tingalpa DC Qld 4173
Ph 13 19 05
ABN 50 009 704 152

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

Previously Licensed CTP Insurers (as at 30 June 2006)

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

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

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

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

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

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

FAI General Insurance Company Limited
ABN 15 000 327 855
Licence suspended on 1 January 2001
Insurer became insolvent on 15 March 2001

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

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

Grants and Funding

	Future Commitment* $	2006 $	2005 $
Centre of National Research on Disability and Rehabilitation Medicine (CONROD)	6,802,667	4,254,000	2,236,975
Centre for Accident Research and Road Safety Queensland (CARRS-Q)	160,000	1,136,000	1,136,000
Road Accident Prevention and Road Safety Rural & Remote Research Project	146,181	304,765	347,755
Injury Prevention and Control Australia Ltd Member contribution to NHMRC Partnerships in Injury Research	0	100,000	100,000
Griffith University Centre for Human Services	0	60,000	60,000
University of Queensland ARC Linkage Grant – Prediction of Outcome Following Whiplash Injury	50,000	150,000	0
Queensland Police Service Assistance for purchase of Traffic Investigation Equipment	170,000	0	0
TOTAL	**7,328,848**	**6,004,765**	**3,880,730**

* includes all grant funding committed for expenditure from 1 July 2006 onwards

Grants and Funding

Ongoing Projects Funded in Previous Years

- Royal Australian College of General Practitioners Research Fellowship
- Royal Australasian College of Physicians Research Fellowship
- Royal Australasian College of Surgeons Research Fellowship
- Queensland University of Technology
  - Clinical Biomechanics Research Fellowship
- University of Southern Queensland
  - Mechatronics and Biomedical Engineering Research Fellowship
- University of Queensland
  - School of Health & Rehabilitation Sciences – Research Unit
  - Teaching and Community Services Rehabilitation Research Fellowship

Research Centres

The two Commission funded research centres (CONROD and CARRS-Q) produce reports covering research conducted within the centres and research projects funded through competitive grants.

The current CONROD report relates to calendar year 2005 and is available by contacting the centre on (07) 3365 5560. For further information on CARRS-Q or CONROD research activities, please visit **www.carrsq.qut.edu.au** and **www.uq.edu.au/conrod/**

Committees as at 30 June 2006

Section 11 of the *Motor Accident Insurance Act 1994* enables the Commission to establish advisory committees to advise on the exercise of the Commission's statutory functions. On 14 September 2004, the Treasurer reappointed an Advisory Committee to advise on the setting of premium bands and aspects of affordability and scheme efficiency. The Committee is also advising on matters in relation to frameworks for monitoring the financial strength of individual insurers.

The structure of the current committee is:

Chairperson: Bernard Rowley

Members: Henry Smerdon, Noel Mason and Shauna Tomkins

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

Committee member	Area of expertise
Bernard Rowley former CEO of Suncorp	Insurance and actuarial experience
Henry Smerdon former Under Treasurer	Public policy, economic and financial experience
Noel Mason former CEO of RACQ	Insurance and motoring organisations
Shauna Tomkins formerly with the Australian Financial Institutions Commission	Financial system regulatory experience

From 1 July 2005 to 30 June 2006, a total of 10 meetings of the Advisory Committee were held, in addition to two occasions of special assignments. The total remuneration to the Committee for the year was $17,504. These payments were made within the framework of the Government's *Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Industrial Relations.

Contact Details

Motor Accident Insurance Commission

Address:	Level 9, 33 Charlotte Street, Brisbane
Postal Address:	GPO Box 1083, Brisbane Qld 4001
Ausdoc:	DX 147 Brisbane Qld
Telephone:	07 – 3227 8088
Facsimile:	07 – 3229 3214
E-mail:	maic@maic.qld.gov.au
Website:	www.maic.qld.gov.au

Insurance Commissioner	Lesley Anderson	07 – 3227 8105
Deputy Insurance Commissioner	John Hand	07 – 3227 8125
Executive Assistant	Shirley Millett	07 – 3227 7063
Reception/Administrative Assistant	Edna Alexander	07 – 3227 8088
General Manager, CTP	Kim Birch	07 – 3224 5954
Manager, Scheme Analysis	Fanny Lau	07 – 3227 8242
Senior Scheme Analyst (premiums)	Greg Bott	07 – 3234 0598
Senior Scheme Analyst (data)	Wayne Saville	07 – 322 44834
Scheme Analyst	Beth Sanders	07 – 322 44383
Research Officer	Rebecca Lai	07 – 324 74751
Data Liaison Officer	Clive Bilby	07 – 324 74752
Manager, Scheme Performance	David Vincent	07 – 3836 0135
Risk Management Coordinator	Janette Archibald	07 – 3227 8022
Senior Performance Analyst	Melissa Pignolet	07 – 3237 9602
Senior Performance Analyst	Mark Allsopp	07 – 3836 0144
Performance Analyst	Adrian Donaghey	07 – 3224 4941
Assistant Performance Analyst	Mark Cowling	07 – 3836 0146
Manager, Information and Education	Cathy Pilecki	07 – 3227 8164
Education Officer	Christine Kerr	07 – 3234 0596
Industry Liaison Officer	Vicky Vanderent	07 – 3224 5960
Grants Coordinator	Annette Gentle	07 – 3224 4330
Assistant Grants Coordinator	Kevin Lee	07 – 3227 8432
Information Officer – Helpline	David Judd	07 – 3227 8250
Business Support Officer	Helen Grundy	07 – 3224 4849
Manager, Corporate Governance	Lina Lee	07 – 322 78162
Business Coordinator	Matt Beattie	07 – 3227 8381
Policy Coordinator	Holly Portley	07 – 3224 5002
Senior Accountant	Tulia Koroivawai-Gauna	07 – 3224 5018
Accountant	Kellie Phie	07 – 3224 4835
Office Services Coordinator	Debbie Davis	07 – 3224 4562

Nominal Defendant

Address:	Level 9, 33 Charlotte Street, Brisbane
Postal Address:	GPO Box 2203, Brisbane Qld 4001
Ausdoc:	DX 147, Brisbane Qld
Telephone:	07 – 3227 7993
Facsimile:	07 – 3221 4805
E-mail:	nd@maic.qld.gov.au
Website:	www.maic.qld.gov.au

Nominal Defendant	Lesley Anderson	07 – 3227 8105
Manager, Nominal Defendant	Ashur Merza	07 – 3227 8213
Assistant Manager, Nominal Defendant	Don Sacre	07 – 3227 8908
Claims Manager	Laurie Meteyard	07 – 3227 8354
Claims Manager	Rex Mellifont	07 – 3227 8387
Claims Manager	John Foster	07 – 3227 8353
Claims Manager	Ian Evans	07 – 3227 8359
Claims Manager	Michael Walpole	07 – 3227 8284
Claims Manager	Pippa McWha	07 – 3033 0097
Assistant Claims Manager	Katie Gilmour	07 – 3227 8402
Rehabilitation Officers	Ninetta Rigoli/Sue Neil	07 – 3227 8098
Administration Officer	Sandra Clifton	07 – 3227 8596

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

Queensland Government

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