The background of the cover is a grayscale photograph of a car driving on a winding road. The car is in the lower right quadrant, and the road curves around it. The background is blurred to suggest motion. The overall tone is somber and reflective.

**MOTOR ACCIDENT INSURANCE COMMISSION
ANNUAL REPORT 1998-1999**

THE COMMISSION

Profile

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

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

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

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

Values

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

The Hon. David Hamill MLA
Treasurer
Parliament House
George Street
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 1998 to 30 June 1999.

Yours faithfully



Lesley Anderson
Insurance Commissioner

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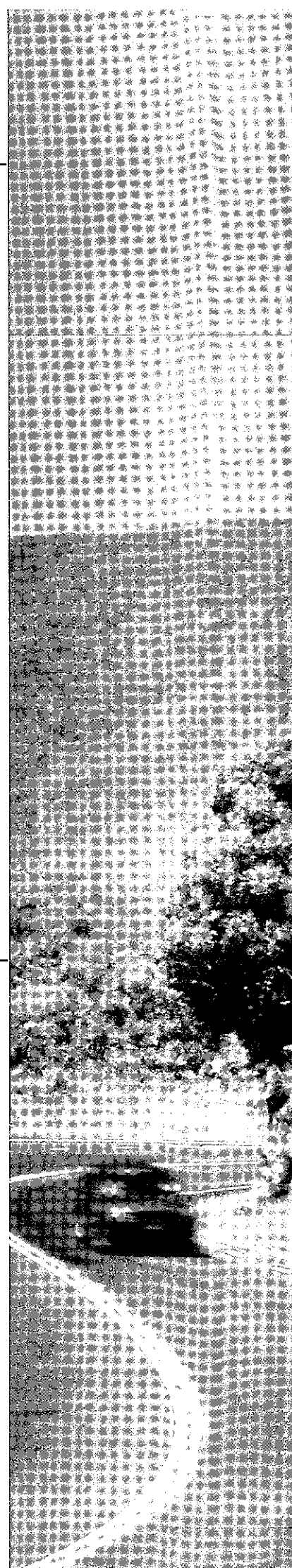
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Communication Strategy

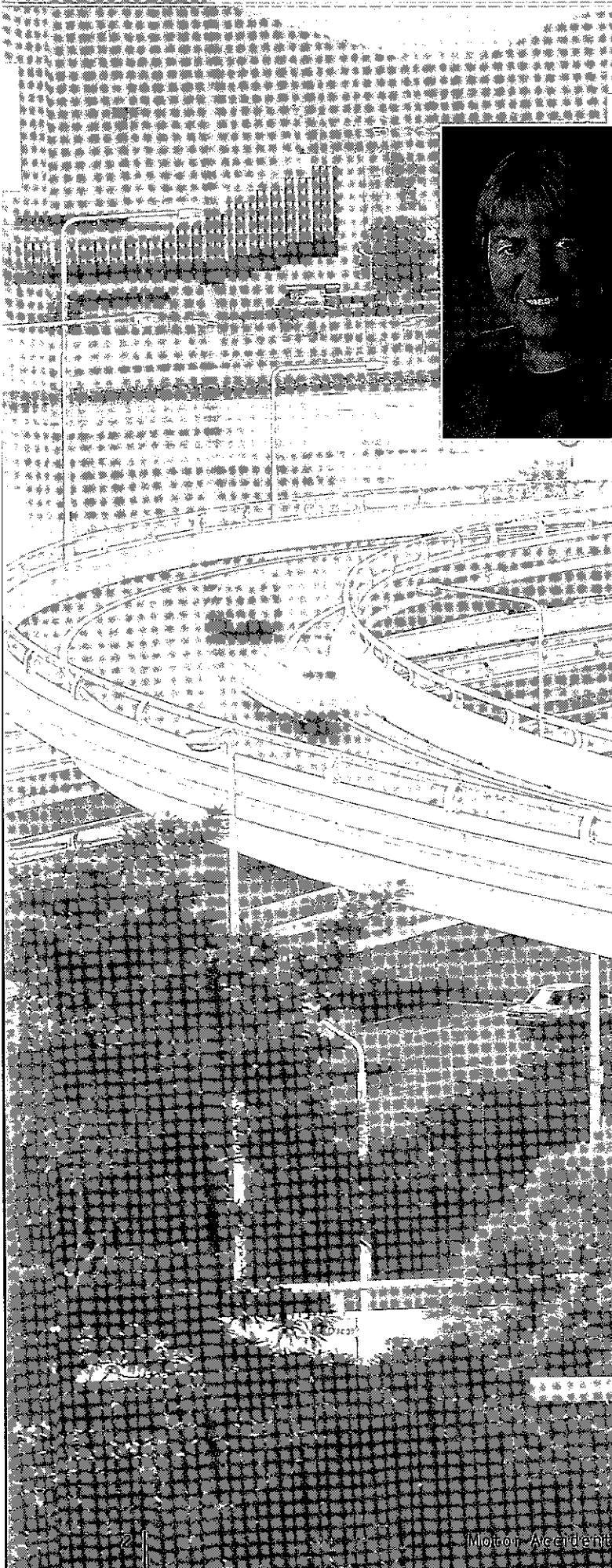
This annual report has been prepared to provide an overview of the operation of Queensland's Compulsory Third Party (CTP) insurance scheme and the Commission's approach to the management and regulation of the scheme.

The report addresses the informational needs of a diverse group of readers including: policy holders, 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.



COMMISSIONER'S REPORT



In its fifth year of operation, the scheme governed by the *Motor Accident Insurance Act 1994* came under increasing cost pressure, with a \$40 increase in premium being implemented from 1 July 1999. The sources of the increase were:

- a structural shift in claim frequency from 3.8 claims per 1000 vehicles to 4.4 claims per 1000 vehicles. These claims will tend to be at the smaller end, but the impact on the premium is still significant;
- a historic structural shift in claim size at the start of the new Act. This has only now been able to be detected in the data, because of the lengthy settlement periods associated with personal injury claims; and
- annual inflationary impacts and a reduction in the rate of investment return on the premium pool.

Although a Class 1 premium of \$286 could still be regarded as comparing favourably with other jurisdictions, when the level of benefits is taken into account, the premium volatility and the potential for future pressures in the scheme are a cause for concern. The Government accordingly established a Review Committee to examine the fundamentals of the Queensland CTP scheme, including the scheme's design, its affordability and the appropriate role for Government in the scheme. This Committee was also asked to review the scheme in accordance with National Competition Policy requirements.

Mr Bernard Rowley, former Suncorp Chief Executive, chairs the Committee. Other Committee members are: leading Brisbane personal injury lawyer, Mr Walter Tutt; former Under Treasurer, Mr Henry Smerdon; and former RACQ Chief Executive, Mr Noel Mason. The Commission is providing secretariat support to the Committee, with Les Kilmartin (Manager, Nominal Defendant) appointed to the position of Secretary to the Review.

The Review process included calling for submissions from all interested parties including insurers, the legal profession, motoring bodies and the general public. Meetings were held in 12 centres around Queensland from which 60 oral submissions were taken. The Committee received 83 written submissions by 23 June 1999. The Committee also examined schemes around Australia and held discussions with international experts in the field who were available in Australia at the time.

On the basis of this input, an Issues Paper was released on 6 August 1999, with further submissions to be made by 6 September 1999. A draft final report is scheduled for release on 26 October 1999, with the final report scheduled for presentation to the Government in early November 1999.

As part of its Terms of Reference, the Review Committee was requested, as a matter of urgency, to consider an immediate amendment to the *Motor Accident Insurance Act 1994* to prohibit the soliciting of injured persons to make claims under the Act. Draft versions of the proposed amendment have been discussed with the various stakeholders. On current scheduling, the amendment is to be introduced into Parliament in November 1999.

The outcome of this Review will address the affordability of the CTP scheme over the longer term.

A scheme improvement introduced during the year was optional six monthly insurance, with the aim of assisting those motorists who find the payments for registration and CTP insurance a particular burden.

Scheme Monitoring

The Commission is responsible for regulating and monitoring Queensland's CTP scheme. Monitoring is carried out through numerous activities including the analysis of claim trends, discussions with the various participants and keeping up to date with developments in comparable schemes elsewhere in Australia. The most recent disturbing increase in claim numbers appears to have commenced around June 1998 and was confirmed as a trend by the actuary's analysis of the claim statistics in December 1998. At that time the legislation did not allow for a change in premiums at less than an annual interval; a restriction which was amended by legislation in April 1999.

The accuracy and integrity of the claims experience data coded by insurers and submitted to the MAIC database is of crucial importance in monitoring overall scheme trends. It is also very important for reaching an understanding of the detail, including particular pressure points in claim frequency and claim payments. An audit of claims data integrity by the Commission has highlighted some significant data issues which need to be addressed by the relevant insurers.

A data audit plan is currently being formulated for the 1999/2000 year.

Prudential Supervision

In the Commission's prudential role, direct relationships continue to be developed with the national regulator, Australian Prudential Regulation Authority (APRA) to facilitate an ongoing exchange of information.

Currently, six underwriters hold market share in the CTP scheme with Suncorp and FAI retaining market dominance. RACQ-GIO made application for entry into the market and was licensed from 15 February 1999. Fortis (formerly VACC) decided to transfer the remainder of its business to QBE from 22 March 1999. Under the transfer arrangements Fortis is still legally responsible for the run-off of claims, and it is necessary for Fortis to remain licensed, although its licence has the status of being suspended.



COMMISSIONER'S REPORT

Nominal Defendant

The Nominal Defendant settled 241 claims during the financial year, relating to personal injury caused by either uninsured or unidentified vehicles. These claims, particularly unidentified vehicle claims, were generally regarded as more complex to manage than general CTP claims, and therefore claim costs could reasonably be expected to be higher than the industry average. The current average claims costs for the Nominal Defendant were consistent with the industry average. A continued emphasis on staff development and training contributed greatly to the Nominal Defendant's successful operation.

An increased focus on procedures for debt recovery from uninsured owners and drivers resulted in a reduction in the amount of outstanding debt, and improved recovery prospects.

During the year, the Nominal Defendant enhanced its operations by introducing a system which extracted data from the Claims Management System (CMS) to produce various items of correspondence. This system created efficiencies by reducing production time, and increasing output consistency and quality.

From 1 July 1999, the Nominal Defendant levy increased to 4.16% of gross premium. The new levy provided for the full funding of the Nominal Defendant's outstanding liabilities. The increase was necessary following a re-assessment of the assumptions underlying the previous levy calculations.

Research Initiatives

The Commission continued to fund initiatives aimed at reducing the incidence of motor vehicle accidents and reducing the severity of road trauma, with emphasis on the activities of the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) and the Centre of Accident Research and Road Safety - Queensland (CARRS-Q).

The Centres are now fully operational and conducting valuable research for the Commission through core funded activities and competitive research grants. Both Centres recently called for applications for their second year of competitive grants.

A successful conference for injury prevention and control was held in May 1999, co-hosted by the Centres. Details of the conference are provided in the Feature Article on page 18.

The process of attracting and appointing a suitable applicant as the Director of CONROD took some time, especially as the Director also needed to fulfil the requirements of the inaugural position of the Chair of Rehabilitation Medicine (University of Queensland).

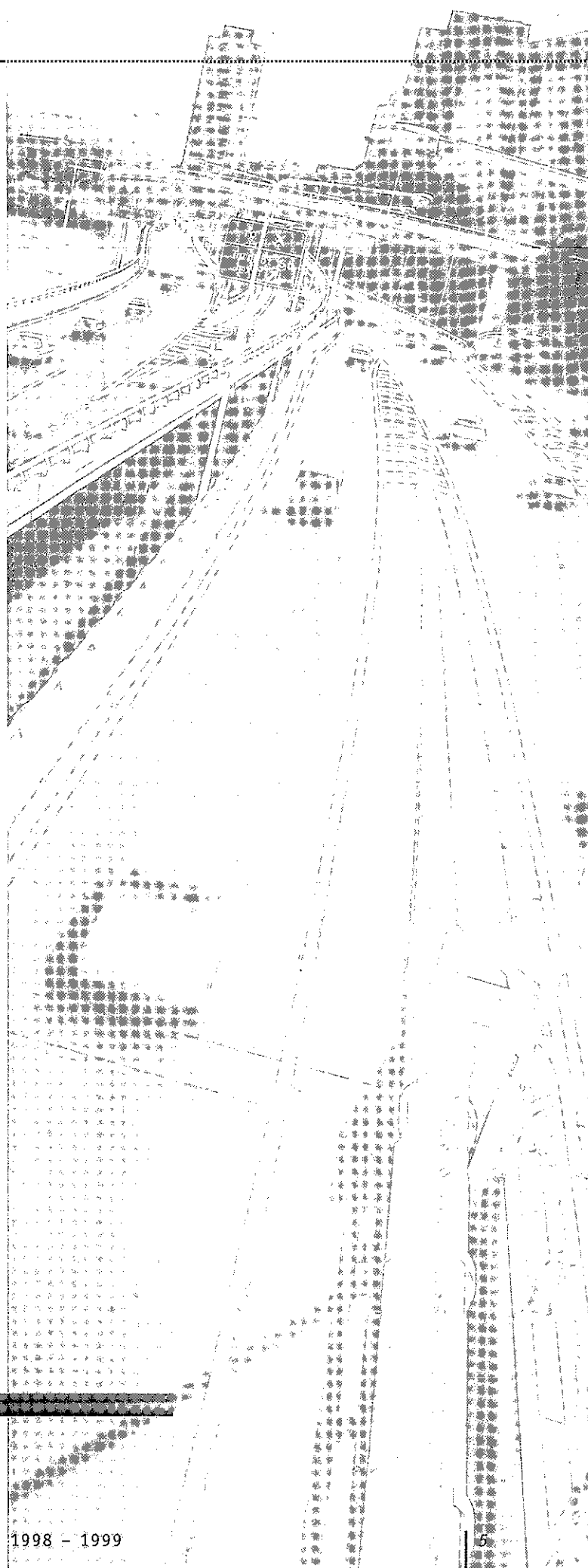
In March 1999, CONROD was fortunate to gain the services of Professor Nick Bellamy for this crucial role. In accepting the Directorship, Professor Bellamy relocated to Australia from his position of Professor of Medicine, Epidemiology and Biostatistics, University of Western Ontario and Professor of Clinical Epidemiology and Biostatistics, McMaster University in Canada. As his first activity, Professor Bellamy developed an exciting strategic plan which aims to secure CONROD's position as a leading disability management and rehabilitation research institute in Australia, and to place it in the world scene.

The future intention is for the Commission to channel most of its funding through the Centres, but from time to time some projects might be considered for direct funding.

In 1998/99 in the area of treatment and rehabilitation, funding of \$60,418 was provided for a research project by Professor F Monsour of the Maxillofacial Surgery Unit, Royal Brisbane Hospital. This project will investigate the existing treatment outcomes in facially injured victims of road trauma, and seek to establish a management protocol for multi-trauma patients.

Supplementary funding of \$122,000 was granted to the Royal Children's Hospital Foundation for an Orthotics Technician at the Statewide Paediatric Rehabilitation Service.

Funding was also provided for the Mobile Intensive Care Rescue Facility (MIRF) Pilot Project. The project, to be undertaken by the Faculty of Engineering and Surveying, University of Southern Queensland (USQ), will evaluate the use of the MIRF in the public health sector with respect to its benefits to patient transport. The MIRF is a stand-alone integrated monitoring and resuscitation system carrying its own oxygen and power, which can be fitted to existing road ambulances or aircraft. The commitment of Queensland Health and Queensland Ambulance Service to the design and implementation of this project was critical to its approval for funding.



COMMISSIONER'S REPORT

Accident prevention initiatives funded during the year included additional one-off funding of \$1.104M to the State Traffic Support Branch of the Queensland Police Service, for enforcement equipment, and a contribution of \$500,000 to the continuation of Queensland Transport's anti-drink driving media campaign.

An important component of the Commission's ongoing outreach projects (for spinal injury, acquired brain injury and paediatric injury) are the reference committees which convene on a quarterly basis to ensure that the projects are not operating in isolation, and that positive links are established with other organisations in the community. The Commission acknowledges the contribution of the individuals who serve on these committees, and on the research reference committees associated with CONROD and CARRS-Q.

Organisational Matters

Since the commencement of the new Act, the operations of the Motor Accident Insurance Commission have been funded by a statutory levy which included an allowance for funding of research projects over and above those funded from the investment earnings of the fund and compliance fines. In setting the premium to apply from 1 July 1999 the Government, as an interim measure, reduced the statutory levy by fifty cents per vehicle. This will be re-examined in the next premium review.

With accident compensation schemes in Australia and around the world vulnerable to rapidly changing financial circumstances, it is important that the jurisdictions maintain regular contact, to monitor trends and learn from experiences of alternative scheme designs. The national CTP jurisdictions meet at least every six months, and also jointly attend relevant seminars and conferences.

In February 1999, Mike Hancock (Principal Rehabilitation Adviser) accompanied me to Vancouver, Canada to attend a Worldwide Congress on Whiplash Associated Disorders. The general conclusions of relevance to Queensland were that compensation issues can often interfere with treatment, but there are as yet no clear solutions on treating either major or minor whiplash injuries. More work could be done on prevention e.g. better designed and properly adjusted head rests.

Outlook

The year ahead will be one of considerable challenge for all participants in Queensland's CTP scheme, with the planned implementation of policy changes recommended by the Review Committee, and as a consequence of the National Competition Policy Review. The close working relationships developed by the Commission over the past five years with the various participants in the scheme will be called upon in this process, to ensure a transition to the potential new arrangements which is as smooth as possible.

It will also be a testing time for the staff of the Commission, as has been the past twelve months. I would like to acknowledge the sterling efforts made by the staff over this time, with particular recognition to the Deputy Insurance Commissioner, John Hand, and to Les Kilmartin as Secretary to the Review.



Lesley Anderson
Insurance Commissioner



CORPORATE GOVERNANCE

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

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

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

Freedom of Information

During the reporting period, the Nominal Defendant received two applications for the release of information which have been finalised. The Commission received no applications for the release of information under the provisions of the *Freedom of Information Act 1992*.

Internal Audit

The Management Audit Services Branch of Queensland Treasury provides internal audit services to the Motor Accident Insurance Commission. The audit aims to assess financial and administrative control systems and seeks 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 audits are reported to the Under Treasurer and include opinions regarding the adequacy and effectiveness of financial, operational, administrative and computer controls. Additionally, recommendations are made for strengthening and enhancing controls if any weaknesses or breakdowns are evident.

The most recent internal audit of the Commission's operations was completed in April 1999. This review focused on the effectiveness and efficiency of control systems, the provision of adequate, timely and relevant information and the effectiveness of corporate governance measures within the offices of the Motor Accident Insurance Commission and the Nominal Defendant. The objectives of the audit included an evaluation of the level of internal control and the compliance with applicable legislation and regulations.

In the opinion of Management Audit Services, an appropriate level of internal control exists to ensure that the Motor Accident Insurance Commission and the Nominal Defendant meet their objectives.

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

Scheme Description

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

For those injured in motor accidents, the scheme provides access to the common law without constraint where the injured party can establish negligence against an owner or driver. As the scheme is a "fault" based system, circumstances can arise where, for example, a driver who is solely at fault in an accident cannot obtain compensation because there is no negligent party against whom he or she can bring an action.

The Queensland CTP scheme is currently underwritten by six licensed private insurers. The licensed insurers accept applications for insurance and manage claims on behalf of their policyholders.

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

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

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

Key Functions

The primary functions of the Commission are:

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

Funding

The Motor Accident Insurance Commission is funded by a statutory levy within the CTP premium. The levy for the year 1998–99 was set at 0.6% of gross premium resulting in an income from the levy of \$3.641M. The Commission also receives the interest earned from the investment of the Motor Accident Insurance Fund and revenue from compliance fines. These amounts, combined with a surplus from the statutory levy, fund the Commission's research initiatives.

The Nominal Defendant operation is funded by a levy within the CTP premium. The levy is set on the basis of an actuarial assessment of claim trends. For the reporting period, the levy was 3.16% of the premium, resulting in an income of \$17.318M during 1998–99.

Commencing 1 July 1999, the statutory levy was decreased from 0.6% to 0.335% and the Nominal Defendant levy increased from 3.16% to 4.16%.



CORPORATE PROFILE

Current Issues

A Committee of Review was appointed on 22 April 1999 by the Queensland Government to conduct a review of the fundamentals of the CTP scheme, including the scheme's design, its affordability and the appropriate role for Government in the scheme. The Committee is also required to conduct a review of the *Motor Accident Insurance Act 1994* under the National Competition Policy Agreement. The Commission has the role of providing administrative support to the Committee. The Committee is to report to Government by 31 October 1999.

The implementation of A New Tax System (ANTS) on 1 July 2000 will have significant implications for the insurance industry. The implications commence from the date the legislation was passed (8 July 1999). The Commission is working with the insurance industry, interstate CTP authorities, Queensland Treasury and Commonwealth Treasury to identify and resolve the issues including GST on unearned premium, impact on claim payments for events occurring since 8 July 1999, and insurance policies purchased by registered businesses.

Considerable communication has taken place between the Commission and licensed insurers regarding Year 2000 to ensure that all insurers' systems are Year 2000 compliant. The Commission has liaised with PricewaterhouseCoopers and the Treasury Y2K Project Team to ensure that internal systems will be Year 2000 compliant. All systems are on target for Year 2000 readiness.



STAFF MATTERS

The Motor Accident Insurance Commission has full time equivalent staffing of 12, while the Nominal Defendant has a staffing level of 10. The two groups work very closely together. Opportunities are made available for cross-relieving to aid staff development and to increase individuals' knowledge of claim management, and scheme policy.

Over the past twelve months the business units of Policy and Liaison, and Systems and Finance have been bedded down. Permanent appointments were as follows:

- Neil Tomkins as Manager, Policy and Liaison
- John Foster as Policy Officer, Insurance
- Tulia Koroivawai-Gauna as Senior Finance Officer, Systems and Finance
- Debbie Davis as Policy Officer, Systems and Finance

Another permanent appointment this year was that of Julie Ecimovic to the position of Executive Secretary, following the resignation of Julie Williams who had been with the Commission since its inception and is now living in Chester, UK.

Permanent appointments associated with the Nominal Defendant were:

- Michael Walpole as Assistant Claim Manager (Recoveries)
- Sherri Robinson as Assistant Claim Manager (Intimations)

Sherri has subsequently been fulfilling the role of Assistant Industry Liaison Officer and is responsible for administering referee referrals and prosecutions and assisting in the preparation of the Annual Report. Katie Gilmour is currently working as the Assistant Claim Manager (Intimations).

With the creation of the Review Committee, the Commission needed to put in place some staffing arrangements for the duration of the Review to undertake the secretariat role. Les Kilmartin moved from his position of Manager, Nominal Defendant for the task of Secretary, and Bill Watson joined the team to coordinate the writing of the Issues Paper and the Final Report. Wayne Saville has been relieving in the position of Manager, Nominal Defendant during this period. Other vacancies in the staff structure are currently being covered by Ian Evans and Mike Reynolds.

There were two significant departures recently with the retirements of Bernie Clark and Mike Hogan. Bernie and Mike had worked as Nominal Defendant claim managers for a total of 13 years and five years respectively. Their significant contributions to the Public Service, and to the Nominal Defendant in particular, are acknowledged.

The Commission aims for an effective working environment that is safe, equitable, free from discrimination and conducive to the achievement of excellent results. Staff are given every opportunity for training, study and rotation to improve their skills and knowledge.

In a recent staff survey, staff indicated their recognition of such opportunities. Other aspects of the survey were generally very positive. Several areas identified for development will be discussed fully at our next strategic planning meetings.

MANAGEMENT AND

Insurance Commissioner
and Nominal Defendant
Lesley Anderson

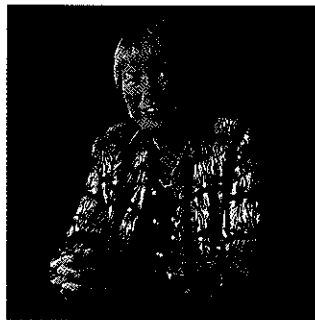
Principal Rehabilitation Adviser
Mike Hancock

Manager, Systems and Finance
Greg Bott

Assistant Rehabilitation Adviser
Janette Archibald

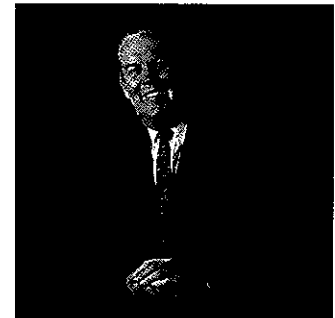
Senior Finance Officer
Tulia Koroivawai-Gauna

Policy Officer, Systems and Finance
Debbie Davis



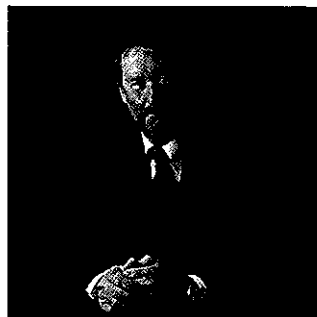
Insurance Commissioner
Lesley Anderson

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



Principal Rehabilitation Adviser
Mike Hancock

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



Deputy Insurance Commissioner
John Hand

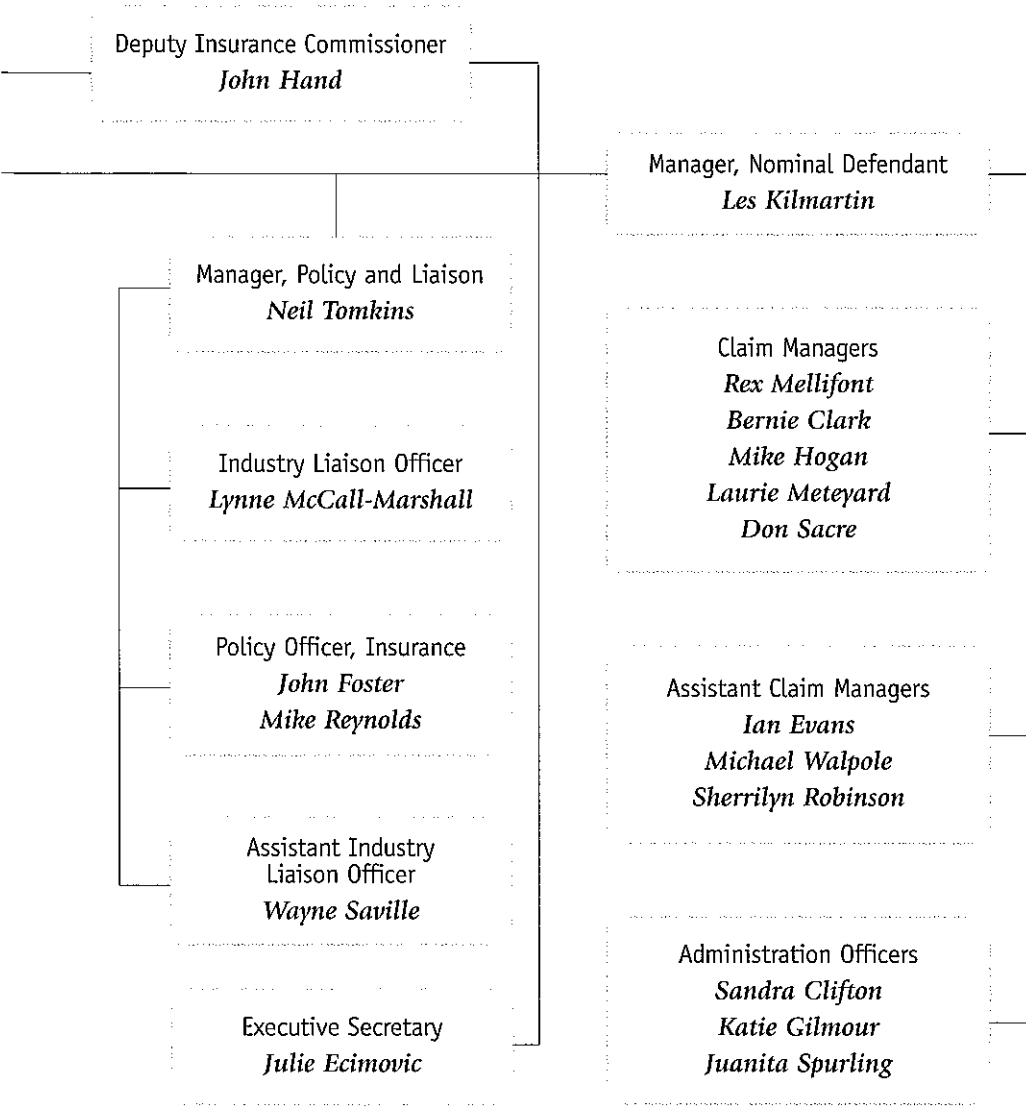
Appointed to the Commission in 1993. Responsibilities include the development of the new legislation and supporting systems. Insurance career spanning over 30 years, predominantly in personal injury, encompassing high-level policy advice to Government and management at senior levels.



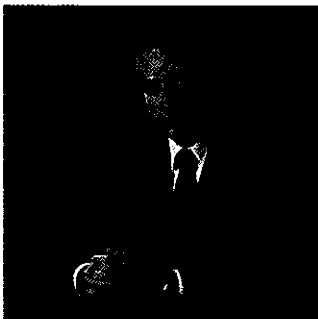
Manager, Systems and Finance
Greg Bott

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

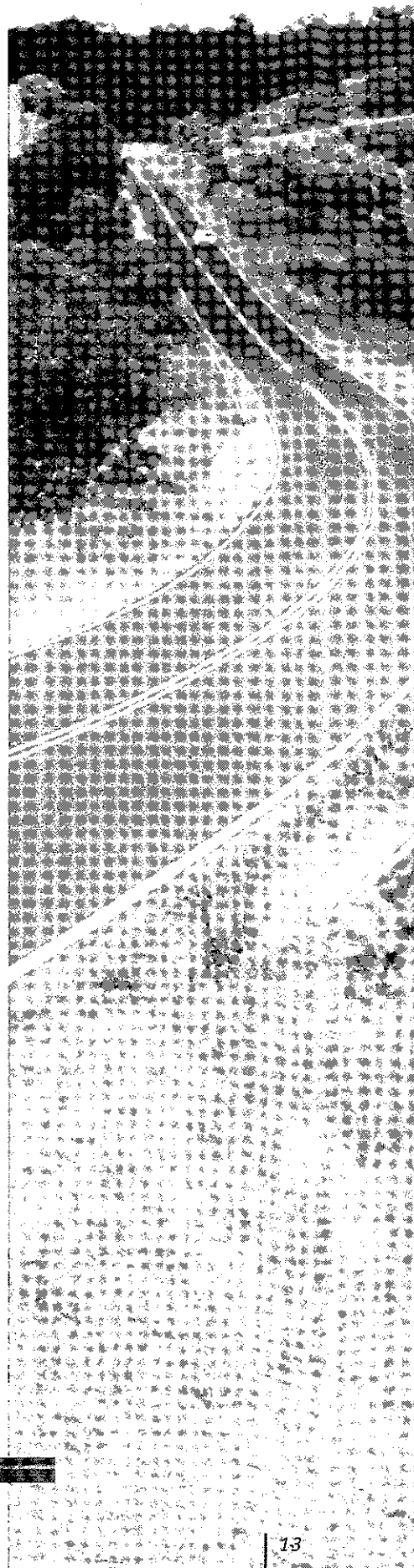
ORGANISATIONAL STRUCTURE



**Manager, Policy and Liaison
Neil Tomkins**
Appointed as Manager, Policy and Liaison in 1998. More than 30 years insurance experience in life and general insurance including four years with the Commission.



**Manager, Nominal Defendant
Les Kilmartin**
Appointed as Manager, Nominal Defendant in 1995, after 14 years experience as a claims manager and 15 years previous experience in various facets of general insurance.



STRATEGIC PLAN 1999–2004

Vision

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

Mission

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

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

Values

We are committed to these fundamental principles –

- Leadership through commitment not control
- Achieving success through service and teamwork
- Behaving with integrity and independence

Key issues facing the Office

- Strategic management of the CTP scheme review process incorporating National Competition Policy and statutory reviews.
- Improve internal management frame-work through succession planning and structured staff development.
- Communication with stakeholders through well planned regular meetings and forums to enhance balance in the scheme.
- Develop and maintain strong relationships with Queensland Treasury Economic Performance Division by ensuring regular contact is maintained.
- Effective use of funding in area of injury control by maintaining and enhancing evaluation systems for proposals.
- Proactive planning process through regular strategic externally-focused management meetings.

Corporate Capability Priorities

Corporate capability strategies identified in response to the key issues include –

Teamwork across the Treasury Portfolio to achieve optimal use and development of staff skills, flexible work practices and job satisfaction

- Enhance staff skills in policy development and claims management through structured staff development
- Succession planning for Nominal Defendant claims management to diversify and improve staff skills base
- Further devolution of responsibility and delegations to improve operational efficiencies
- Implement procedures to routinise a selection of tasks to improve operational efficiencies
- Implement Individual Performance System (IPS) to aid staff development

Leading edge management practices

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

Best use of the explicit and implicit knowledge base available to the portfolio by improving information and communication systems and practices

- Review internal management communication processes
- Further develop statistical analysis resources by reviewing reporting facilities

Corporate-wide performance management systems for both external reporting and internal management requirements

- Enhance Nominal Defendant Claims Management System (CMS) by reviewing systems design and reporting facilities
- Implementation of Managing for Outcomes

Strategic business priorities

Business strategies identified –

- Review CTP premiums at least annually
- Undertake a CTP Scheme review
- Maintain fully funded Nominal Defendant Scheme through analysis of operational policy, claim trends and review of the Nominal Defendant levy
- Operational expertise in claims management and maximisation of recovery amount through maintenance of performance monitoring and structured staff development
- Provide a funding plan for injury control initiatives
- Improve systems to select, monitor and evaluate research grants and projects

Motor accident insurance administration – output statement

Output description

To provide a viable and equitable personal injury compensation scheme through the regulation of the Queensland CTP scheme encompassing injury control and the management of the Nominal Defendant Scheme.

The motor accident insurance administration output contributes to the Government's priorities by –

- Providing regulatory and policy frameworks which promote sustainable businesses and communities and socially responsible and safe industry practices
- Promoting improved personal and public safety
- Providing an accessible system of civil justice and administrative services which protect rights and engender community confidence in the rule of law
- Ensuring social and fiscal responsibility.



STRATEGIC PLAN 1999–2004

Sub-outputs

Motor accident insurance administration output consists of three sub-outputs, namely the CTP Scheme, the Nominal Defendant Scheme and Grants –

CTP Scheme refers to the regulation of the Queensland Compulsory Third Party Scheme including setting a fully funded premium rate, licensing and prudential supervision of insurers, and collection and monitoring of claims data.

Nominal Defendant Scheme provides for payment of damages for personal injury arising from the liability of uninsured or unidentified motor vehicles or in the event of the insolvency of a licensed insurer.

Grants refers to the implementation of injury control initiatives relating to motor vehicle accidents through the selection, funding, monitoring and evaluation of research grants and projects.

- Monitored developments in claim costs through analysis of claims data and court precedents.
- Role of secretariat to the Review Committee established in April 1999.
- Improvements to quarterly monitoring reports on the scheme.
- Year 2000 compliance strategies progressed.
- Ongoing liaison with Queensland Transport on issues relating to premium collection, systems and operations.
- Suitably qualified consultants were engaged to examine and report on the performance of rehabilitation in the Queensland CTP Scheme since the implementation of the *Motor Accident Insurance Act* in 1994.
- Six disputes between insurers regarding claim costs and/or claim management resolved by referee panels.
- One prosecution case brought in relation to fraud.
- All Queensland Treasury reporting requirements met.

Review of performance

Recent Achievements – CTP Scheme

- Ensured the six insurers participating in the scheme met licensing requirements and complied with their responsibilities under the legislation.
- Discussions with Australian Prudential Regulation Authority (APRA) on prudential standards and guidelines, and ensured compliance by insurers.
- Proposed the recommendation to Government for the premium to apply from 1 July 1999.
- Arranged and participated in forums and informed discussions with stakeholders.
- Continued improvement in the integrity of claims data provided by insurers to the claims register and statistical database, facilitating analysis of the scheme and determination of the premium rate.
- Legislative and operational changes for the introduction of six-monthly CTP premiums.

Recent achievements – Nominal Defendant Scheme

- Regular reporting to the Insurance Commissioner on trends in claim lodgment and settlements.
- Information submitted to the actuaries for annual review of outstanding claim liabilities.
- Complete and accurate data supplied to the MAIC database within the required time frames.
- Ongoing advice provided to the Commission on technical aspects of the legislation as it relates to the Nominal Defendant function.
- System implemented to expediate the generation of correspondence by extracting claims information from the Claims Management System.
- Direct modem link with the PricewaterhouseCoopers database administrator established in the event that the on-line network connection is compromised.

- System changes to distinguish between payments made to other Government departments and external parties.
- Nominal Defendant Levy reviewed and increased to 4.16 percent, effective from 1 July 1999, to ensure a fully funded Nominal Defendant operation.
- Claims monitoring resulted in the notification of seven suspected fraudulent claims to the Commission.
- During the year 196 new Act claims and 45 old Act claims were finalised. 1061 new Act claims and 117 old Act claims remain active.
- Recovery action was concluded on 54 files during the year. Recovery action is continuing on a further 216 files.
- Nominal Defendant average finalised claim cost comparable with industry.
- All legislative time frames relating to Nominal Defendant claims were met.

Recent achievements - Grants

- Compliance of recipients of MAIC funding grants with accountability requirements.
- Recipients of MAIC research and project grants outlined their various programs at Convocation 99 which was held in conjunction with the Third National Conference on Injury Prevention and Control.
- Ongoing liaison with Professor Mary Sheehan, Director of CARRS-Q and Professor Nick Bellamy, newly appointed Director of CONROD and Chair of Rehabilitation Medicine at University of Queensland.
- Three initiatives for treatment and rehabilitation projects, and two initiatives for accident prevention were directly funded by MAIC during the year.
- Contribution to the grant recipient selection processes at CONROD and CARRS-Q.



CONVOCATION 99 AND THE THIRD NATIONAL



Sharing information between USA, Germany and Australia at the CONROD International Advisory Committee meeting, from left to right, are Prof Ellen MacKenzie (USA), Dr Hartmut Haines (Germany) and Prof Nick Bellamy (Australia).

A major focus of the Commission's funding is the bringing together of parties who do not normally have the opportunity to interact with each other. In this regard, the second Convocation of CONROD researchers, and first Convocation of CARRS-Q researchers, were held in Brisbane in May 1999. Scheduled for every two years, the convocations enable all MAIC grant recipients an opportunity to explain their projects. It also provides a forum for the exchange of ideas and the development of cooperative links with other MAIC funded programs. Both past and current researchers are invited to attend.

The convocation was incorporated into the Third National Conference on Injury Prevention and Control.

CONROD and CARRS-Q were joint hosts of the conference which attracted 501 delegates, including 57 from overseas. The conference was opened by Ms Lesley Anderson, Insurance Commissioner.

By incorporating the convocation with the conference, members of the CONROD and CARRS-Q research groups had an opportunity to present their work to a much wider audience and to network, not only with each other, but also with national and international colleagues.

The conference generated a lot of media attention, raising the profile for accident prevention and rehabilitation initiatives and research. It also established CONROD and CARRS-Q as valuable centres of influence and research in their respective areas.

The impressive conference program covered injury prevention; road safety; work safety; risk management; and acute care and rehabilitation. It was a forum for policy makers; administrators; practitioners; researchers; and consumers from the various fields of the injury prevention and control continuum.

There was an intensive program of plenary sessions, concurrent sessions and workshops following the conference theme "The Challenge of Integration". The distinguished list of presenters included six internationally acclaimed keynote speakers, and 40 invited guest speakers; 160 free papers and 34 posters were also presented. The closing address was given by Hon. Anna Bligh MLA, State Minister for Families, Youth and Community Care and Minister for Disability Services.

Road safety related topics included: use of data to identify problems; speed and alcohol; young drivers; engineering initiatives; inexperienced and older road users; and strategic directions. Other safety streams covered such diverse topics as ergonomics; child safety; residential and older person safety; suicide prevention; indigenous injury prevention; epidemiology; policy development and strategic planning.

CONFERENCE ON INJURY PREVENTION AND CONTROL

At the other end of the continuum, the acute care / rehabilitation stream covered topics such as patterns of trauma; neural regeneration research; spinal cord and traumatic brain injury; models of care; community-based rehabilitation; assistive technologies; vocational adjustment and return to work.

During the convocation, an award was made to Adjunct Professor Graham Hughes in recognition of his contribution to the establishment of structures for rehabilitation and accident prevention research.

The conference was also an opportunity for convening meetings of the International Advisory Committees (IAC) for both CONROD and CARRS-Q. Most members of the two committees attended the conference and made valuable contributions to the proceedings.



At the CONROD International Advisory Committee meeting, from left to right (back row): Prof Lex Frieden (USA), Dr Hartmut Haines (Germany), Prof Nick Bellamy, Mr Graham Hughes, Mr Neil Weatherston (Canada), Prof Manfred Bandmann (Germany), Assoc Prof Rod McClure, (front row) Prof Ellen MacKenzie (USA), Mr Wolfgang Zimmermann (Canada), Mr Blake Williams (Canada) and Ms Lesley Anderson.

CARRS-Q International Advisory Committee:

Mr Neil Weatherston (Chair)

Professor Richard Allsop

Professor Manfred Bandmann

Dr Michael Henderson

Dr Barney Jones

Mr Daniel Mayhew

Professor Evelyn Vingilis

Dr Allan Williams

Insurance Corporation of British Columbia, Canada

University College London, UK

German Council for Traffic Safety;

Member of Board of Directors, European Road Safety Council

Australian Advisory Committee on Road Trauma

Department of Transportation, Oregon, USA

Traffic Injury Research Foundation, Ontario, Canada

University of Western Ontario, Canada

Insurance Institute for Highway Safety, Virginia, USA

CONROD International Advisory Committee:

Mr Wolfgang Zimmermann (Chair)

Professor Manfred Bandmann

Professor Lex Frieden

Dr Hartmut Haines

Professor Jess Kraus

Professor Ellen MacKenzie

Mr Blake Williams

Mr Neil Weatherston

National Institute of Disability Management and Research, Canada

German Council for Traffic Safety;

Member of Board of Directors, European Road Safety Council, Germany

Institute for Rehabilitation and Research, Texas, USA

Ministry of Labour and Social Affairs, Germany

Southern California Injury Prevention Centre, USA

John Hopkins School of Hygiene & Public Health, Maryland, USA

Ministry of Skills, Labour & Training, British Columbia, Canada

Insurance Corporation of British Columbia, Canada

CONROD IAC members unable to attend the Conference:

Associate Professor Quentin Smith

Professor Milan Dimitrijevic

Emeritus Professor Mervyn Eadie

Baylor College of Medicine, Texas, USA

Ludwig Boltzmann Institute of Restorative Neurology, Vienna, Austria

Department of Medicine, University of Queensland

CONVOCATION 99

The role of each IAC includes overseeing and moderating the CONROD and CARRS-Q research grants, and providing a benchmark and quality assurance measure to the Centres and MAIC. In particular, all recipients of the 1998 CARRS-Q Grant Scheme who attended the conference had dedicated meetings with the IAC to discuss their research projects and obtain valuable feedback on direction and methodology.

Also included on both advisory committees is Adjunct Professor Graham Hughes, in his role as Chairperson of the Boards of Management of the two Centres.

Many of the CONROD and CARRS-Q IAC members presented at the conference. One of the keynote speakers, Mr Neil Weatherston, is a member of both advisory committees. He is Senior Vice President of Operations at the Insurance Corporation of British Columbia (ICBC). As such, he is accountable for all the operational functions of ICBC, which includes a network of 50 claims facilities handling 900,000 claims annually. He is also accountable for all the operational aspects of driver licensing, vehicle safety and road safety in the province.

Mr Weatherston presented a conference paper on the *Highlights of British Columbia's Drive to Save Lives Campaign*. He also participated in a round-table discussion on workers' compensation and CTP insurance, and presented a panel discussion titled *Working towards a more sophisticated model of injury control*.

Professor Lex Frieden, a member of the CONROD International Advisory Committee, gave a keynote address on *What happens after injury? People with disabilities in search of equality, independence and work*. Professor Frieden is Senior Vice President of the Texas Institute of Rehabilitation and Research (TIRR); Director of TIRR's Independent Living Research Utilisation Program and Professor in the Department of Physical Medicine and Rehabilitation at the Texas Medical Centre. Professor Frieden, a quadriplegic due to spinal cord injury, has been recognised with two US presidential citations for his outstanding work in the field of disability and played an instrumental role in the development of the *Americans with Disabilities Act*.



At the CARRS-Q International Advisory Committee meeting, from left to right (back row): Prof Evelyn Vingilis (Canada), Mr Neil Weatherston (Canada), Dr Barney Jones (USA), Mr Daniel Mayhew (Canada), (front row) Dr Michael Henderson (Australia), Prof Manfred Bandmann (Germany), Prof Richard Allsop (UK) and Dr Allan Williams (USA).

Other keynote speakers and IAC members included Professor Richard Allsop of the UK, who spoke about *Strategies and Targets for reducing death and injury in road traffic accidents*; Professor Jess Kraus (USA) who presented the *Needs and challenges for injury epidemiology in the 21st Century*; Professor Evelyn Vingilis (Canada) talking about *Expanding the focus of injury control: challenges and opportunities*; and Professor Ellen MacKenzie who presented on *Injury Severity Scoring: current state of the art and future directions*. Professor Kraus and Professor MacKenzie also conducted interactive workshops prior to the start of the Conference.

The presence and degree of involvement of the IAC members at the conference was indicative of their commitment to CONROD and CARRS-Q, and the international recognition the two Centres have achieved.

The opportunity the conference provided to network was not only appreciated by the MAIC researchers, but also by the IAC members who enjoyed a rare opportunity to interact with each other. The committee members acknowledged that their paths did not often cross, although there is a strong relationship between their respective fields of research and expertise.

The conference and Convocation 99 were considered a success by the organisers and participants, bringing together so many parties of differing perspectives, all focused in some way on minimising injury-related harm.

QUEENSLAND COMPULSORY THIRD PARTY SCHEME

Statistical Information 1998-1999



Queensland Compulsory Third Party Scheme

Vehicles Insured as at 30 June 1999

Insurance Class	Number of Vehicles	Percentage	Premium from 1/7/99
1	1,692,755	72.22	\$286
2	4,922	0.21	\$286
3	2,527	0.11	\$1,572
4	17,907	0.76	\$972
5	4,807	0.21	\$26
6	392,542	16.75	\$286
7	47,776	2.04	\$858
8	5,561	0.24	\$286
9	2,563	0.11	\$286
10	3,486	0.15	a
11	3,776	0.16	b
12	29,587	1.26	\$80
13	42,391	1.81	\$286
14	28,653	1.22	\$80
15	9,675	0.41	\$80
16	744	0.03	\$286
17	49,837	2.13	\$128
19	382	0.02	\$26
20	88	0.00	\$26
21	32	0.00	\$144
23	3,777	0.16	\$286
24	32	0.00	\$286
Totals	2,343,820	100	

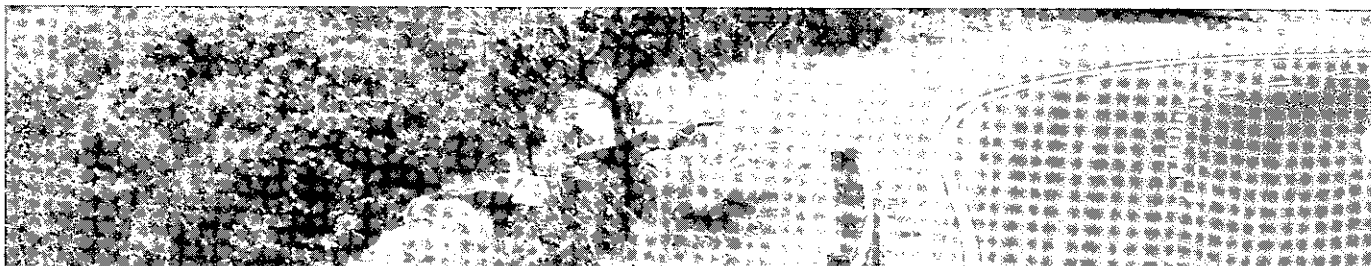
a \$310 + \$30 per adult passenger seat in excess of 7

b \$290 + \$54 per adult passenger seat in excess of 7

Premium, Levy and Fee Collection 1 July 1998 to 30 June 1999

	Dollars (\$'000)
Gross Premium	578,974
Hospital Levy*	(9,988)
Emergency Services Levy*	(1,998)
Department of Transport Fee	(9,485)
Nominal Defendant Levy*	(18,083)
MAIC (Statutory Insurance Scheme) Levy*	(3,746)
Net Premium	535,674

* Includes June 1999 levies payable by 14 July 1999



Market Share – Licensed Insurers

Insurer	1/9/94 units	30/6/95 units	30/6/96 units	30/6/97 premium	30/6/98 premium	30/6/99 premium
Suncorp	57.15	56.10	56.40	57.53	58.40	58.07
FAI	30.62	29.45	27.21	25.56	25.39	24.88
QBE	0.01	0.09	0.22	0.42	3.61	6.31
AAMI	2.27	2.74	3.36	4.06	4.61	5.12
MMI	2.28	2.96	3.38	4.15	4.25	4.79
Fortis Insurance	5.13	5.73	6.28	6.78	3.65	0.45
RACQ-GIO (Licenced from 15 February 1999)						0.38

Notes:

1. Prior to 30 June 1997, market share on the premium basis specified in the *Motor Accident Insurance Regulation 1994* was not available. The market share shown for the first three periods above is based on the number of vehicles insured.

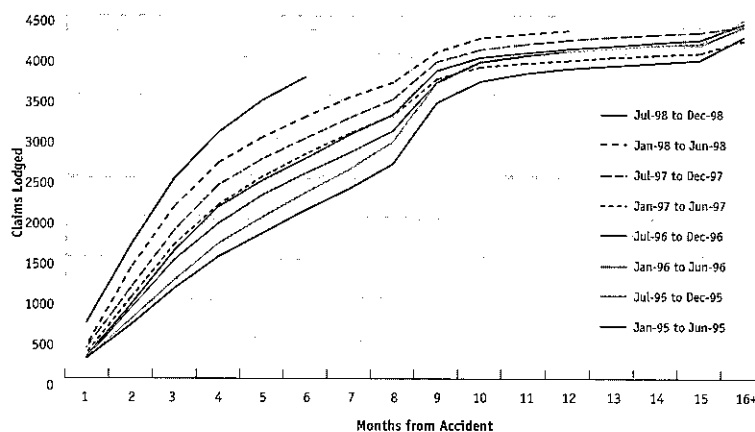
2. The licence for Fortis Insurance (formerly VACC) was suspended at the request of the Company on 30 March 1999. The licence will be withdrawn at the conclusion of the transfer of business to QBE. As a result of this transaction, the market shares of Fortis and QBE are distorted as at June 1998 and June 1999.

Market Share – Previously Licensed Insurers

Insurer	1/9/94 units	30/6/95 units	30/6/96 units	30/6/97 premium	30/6/98 premium
CIC (Licence withdrawn 22/1/96)	0.02	0.11	0.08		
Commercial Union (Licence withdrawn 1/3/97)	1.27	1.57	1.63	0.96	
GIO (Licence withdrawn 30/6/96)	0.12	0.28	0.43		
Mercantile Mutual (Licence withdrawn 1/11/96)	0.79	0.82	0.84	0.28	
Zurich (Licence withdrawn 15/11/97)		0.08	0.17	0.26	0.09

Queensland Compulsory Third Party Scheme

Cumulative Claim Lodgements by Accident Period
Data as at 30 June 1999



Notice of Claim Lodgments

(All Insurers) Accidents 1 September 1994 to 30 June 1999

Injury Quarter	Development Quarter												Total
	1	2	3	4	5	6	7	8	9	10	11	12+	
Sep 94 – Dec 94*	704	567	980	277	99	50	29	24	27	25	14	43	2,839
Jan 95 – Mar 95	496	458	724	190	57	37	22	17	10	14	13	24	2,062
Apr 95 – Jun 95	617	508	600	234	47	36	26	17	16	11	6	35	2,153
Jul 95 – Sep 95	661	489	684	203	54	42	34	14	19	14	9	37	2,260
Oct 95 – Dec 95	556	586	671	190	43	28	23	9	11	8	10	26	2,161
Jan 96 – Mar 96	696	552	614	147	40	17	14	15	10	14	10	29	2,158
Apr 96 – Jun 96	783	515	511	226	44	21	22	7	16	15	15	23	2,198
Jul 96 – Sep 96	839	533	530	132	75	21	14	14	22	15	22	3	2,220
Oct 96 – Dec 96	743	601	552	140	34	25	20	20	6	10	7		2,158
Jan 97 – Mar 97	759	563	512	103	45	34	14	15	21	5			2,071
Apr 97 – Jun 97	911	551	413	128	46	29	14	17	4				2,113
Jul 97 – Sep 97	942	528	464	140	52	18	20	7					2,171
Oct 97 – Dec 97	905	604	479	130	42	24	1						2,185
Jan 98 – Mar 98	942	527	405	118	31	5							2,028
Apr 98 – Jun 98	1,185	577	396	147	11								2,316
Jul 98 – Sep 98#	1,198	608	511	52									2,369
Oct 98 – Dec 98#	1,293	637	139										2,069
Jan 99 – Mar 99#	1,259	206											1,465
Apr 99 – Jun 99#	386												386
Totals	15,875	8,159	8,535	2,505	720	387	253	176	162	131	106	220	39,382

* This period covers accidents for four months

Accident quarter data from July 1998 are still immature

Claim Status

	Suncorp	FAI	QBE	AAMI	MMI	Fortis	RACQ-GIO	CIC	Com. Union	GIO	Merc Mutual	Zurich	Nom. Defend.	TOTAL
Accident Period														
Ending 30 June 1995														
Claims Received	3791	1891	2	151	282	465		7	111	15	74	5	260	7054
Liability Determined (%)	99	97	50	99	94	97		43	100	100	100	100	98	98
Finalised Claims (%)	90	86	100	79	87	85		57	78	93	88	100	82	88
Accident Year														
Ending 30 June 1996														
Claims Received	4670	2263	15	227	434	542		8	124	30	94	10	360	8777
Liability Determined (%)	99	98	100	98	84	94		63	100	97	91	70	98	98
Finalised Claims (%)	80	81	80	72	79	79		50	58	93	80	80	70	79
Accident Year														
Ending 30 June 1997														
Claims Received	4635	2063	30	280	436	597			124	15	59	22	301	8562
Liability Determined (%)	99	97	83	97	88	88			100	100	93	32	96	97
Finalised Claims (%)	70	65	47	59	63	69			54	73	61	59	54	67
Accident Year														
Ending 30 June 1998														
Claims Received	4889	2055	299	312	449	318			16		3	23	336	8700
Liability Determined (%)	97	96	76	96	82	88			100		100	4	96	95
Finalised Claims (%)	46	39	33	38	36	49			38		100	39	28	42
Accident Year														
Ending 30 June 1999														
Claims Received	3423	1545	451	263	392	30						1	184	6289
Liability Determined (%)	60	58	53	66	53	47							45	58
Finalised Claims (%)	9	10	10	7	17	13							9	10
	Suncorp	FAI	QBE	AAMI	MMI	Fortis	RACQ-GIO	CIC	Com. Union	GIO	Merc Mutual	Zurich	Nom. Defend.	TOTAL

N.B. The table for 1998-99 claims is incomplete due to claim reporting timeframes.

Queensland Compulsory Third Party Scheme

Claim Payments on Finalised Claims (Payments 1 September 1994 to 30 June 1999)

(\$'000)

Code	A1	C1	E1	E2	G1	H1	L1	L2	L4
Payment Type	Aids & Appliances	Long term care and home care	Economic Loss - past	Economic Loss - future	General Damages	Home and vehicle modifications	Investigation costs	Legal costs - plaintiffs	Legal costs - defendants (solicitors)
Accident Period									
Ending 30 June 1995									
Payment	822	14,268	16,416	33,672	74,001	522	1,755	17,362	6,352
Proportion of Total	0.5%	7.9%	9.1%	18.6%	41.0%	0.3%	1.0%	9.6%	3.5%
Accident Year									
Ending 30 June 1996									
Payment	186	7,874	13,194	27,011	69,376	126	1,433	17,113	5,231
Proportion of Total	0.1%	5.0%	8.5%	17.3%	44.5%	0.1%	0.9%	11.0%	3.4%
Accident Year									
Ending 30 June 1997									
Payment	32	3,954	6,734	16,385	49,868	32	1,013	11,815	2,649
Proportion of Total	0.0%	3.9%	6.6%	16.1%	49.1%	0.0%	1.0%	11.6%	2.6%
Accident Year									
Ending 30 June 1998									
Payment	2	923	2,113	3,882	23,852	1	434	5,892	717
Proportion of Total	0.0%	2.2%	5.1%	9.4%	58.0%	0.0%	1.1%	14.3%	1.7%
Accident Year									
Ending 30 June 1999									
Payment	1	71	180	168	2,569		42	644	8
Proportion of Total	0.0%	1.8%	4.5%	4.2%	64.4%		1.1%	16.2%	0.2%

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

L5	L6	M1	N1	P1	R1	V1	V2	V3	Total
Legal costs - defendants (barristers)	Legal costs - defendants (other outlays)	Hospital, medical, pharmaceutical	Payments to interstate & non CTP insurers	Other	Rehabilitation service costs	Recoveries from insured	Other party (other than through sharing)	Nominal Defendant recovery	Total
641	933	11,626	400	2,318	1,217		-1,633	-22	180,652
0.4%	0.5%	6.4%	0.2%	1.3%	0.7%		-0.9%	0.0%	100.0%
326	625	10,751	241	2,036	1,077	-6	-587	-3	156,005
0.2%	0.4%	6.9%	0.2%	1.3%	0.7%	0.0%	-0.4%	0.0%	100.0%
82	246	7,121	15	1,370	455	-3	-137	-39	101,594
0.1%	0.2%	7.0%	0.0%	1.3%	0.4%	0.0%	-0.1%	0.0%	100.0%
12	53	2,545		664	238	-1	-180	-1	41,146
0.0%	0.1%	6.2%		1.6%	0.6%	0.0%	-0.4%	0.0%	100.0%
	1	247		23	33				3,987
	0.0%	6.2%		0.6%	0.8%				100.0%

Queensland Compulsory Third Party Scheme

Number of Accidents by Postcode Division 1 September 1994 to 30 June 1999

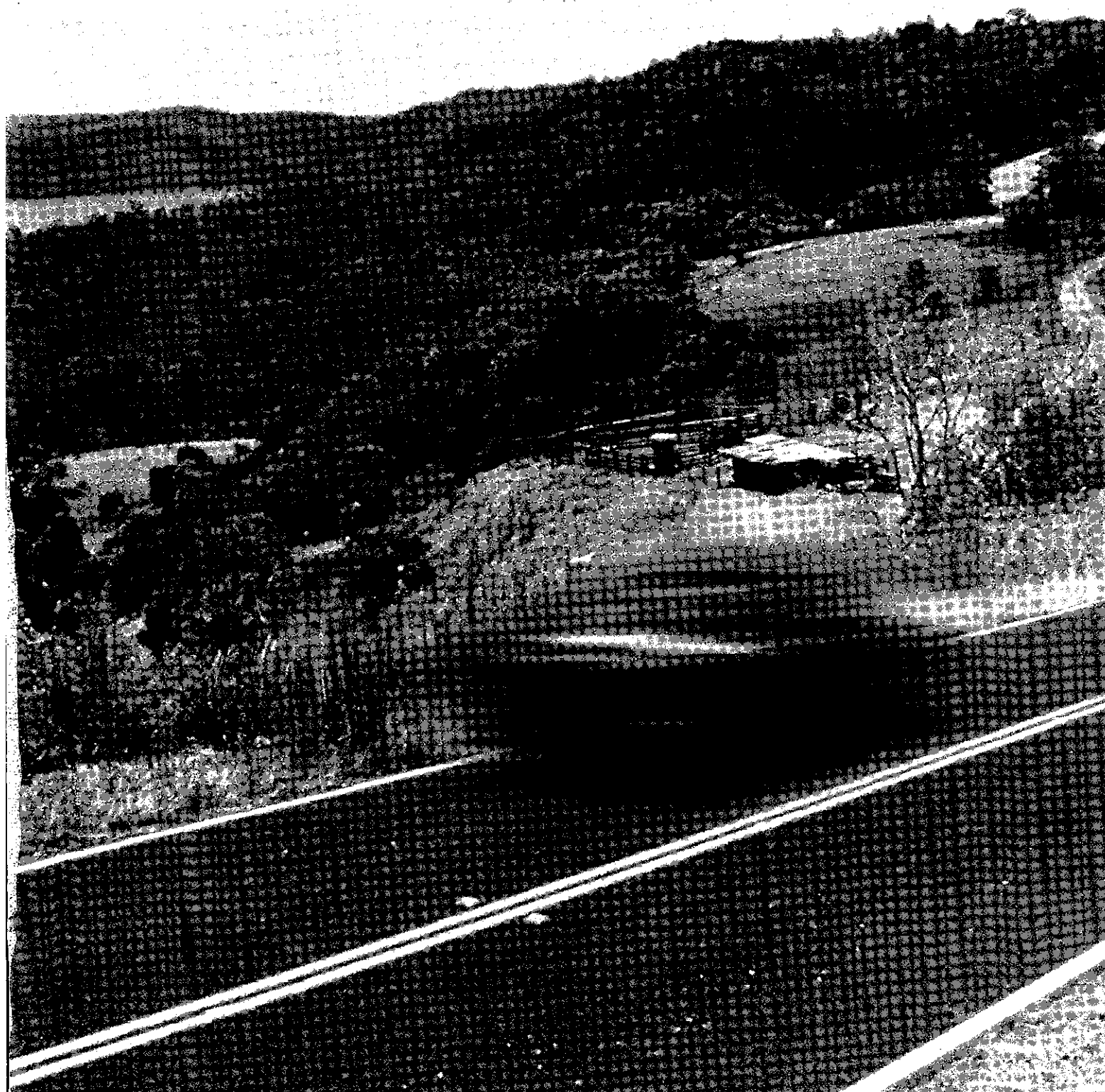
Location	Postcode	Number of Accidents
Brisbane City	4000 – 4072	5,832
	4500 – 4549	1,282
	4073 – 4209	7,812
Gold Coast Region	4210 – 4299	4,338
Ipswich Region	4300 – 4349	1,288
Toowoomba Region	4350 – 4499	1,262
	4602 – 4618	107
Sunshine Coast Region	4550 – 4601	1,914
	4619 – 4689	1,313
Rockhampton Region	4690 – 4736	635
Mackay Region	4737 – 4805	851
Townsville Region	4806 – 4824	934
	4835 – 4850	92
Mt Isa Region	4825 – 4834	67
Cairns Region	4851 – 4899	1,342
		29,069

Age Group of Claimants 1 September 1994 to 30 June 1999

Age Group	Male	Female	Unknown	Total	Percentage
Unknown	103	115	66	284	0.7%
0 – 5 years	267	263	1	531	1.3%
6 – 15 years	962	935	2	1,899	4.8%
16 – 25 years	4,418	4,862	15	9,295	23.6%
26 – 35 years	4,827	5,010	13	9,850	25.0%
36 – 45 years	3,343	3,738	4	7,085	18.0%
46 – 55 years	2,357	2,723	7	5,087	12.9%
56 – 65 years	1,298	1,550	4	2,852	7.2%
66+	1,025	1,469	5	2,499	6.3%
	18,600	20,665	117	39,382	100.0%

NB The average number of claims per accident is 1.35

FINANCIAL INFORMATION 1998-1999



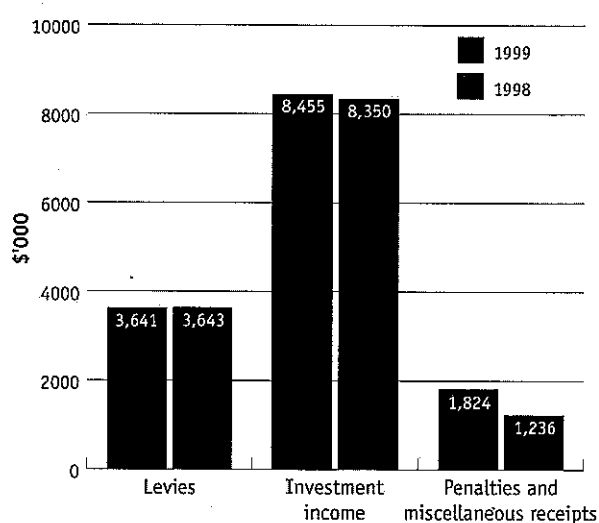
FINANCIAL SUMMARY

MOTOR ACCIDENT INSURANCE COMMISSION

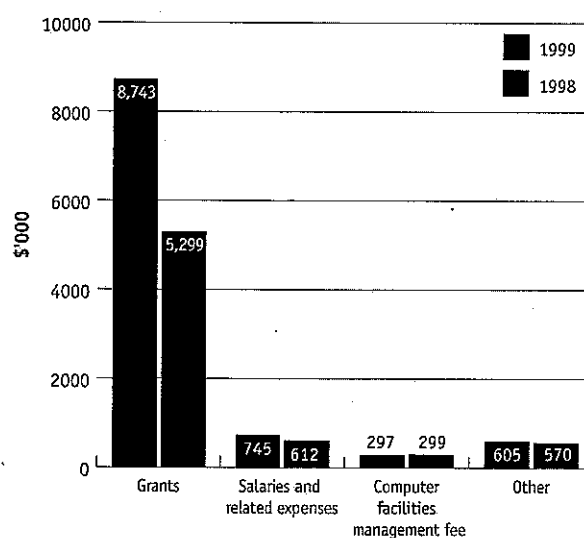
Compared to the previous financial year, the operating profit for the Motor Accident Insurance Commission for the year ended 30 June 1999 decreased by 45% to \$3.53 million. A 65% increase in grants expense to \$8.74 million is the major contributing factor to this result. On the revenue side, there was a 48% increase in penalties and miscellaneous receipts, to \$1.8 million.

A net amount of \$2.05 million has been transferred to reserves at year-end, earmarked for future grant commitments for accident prevention and rehabilitation initiatives.

Income



Expenditure



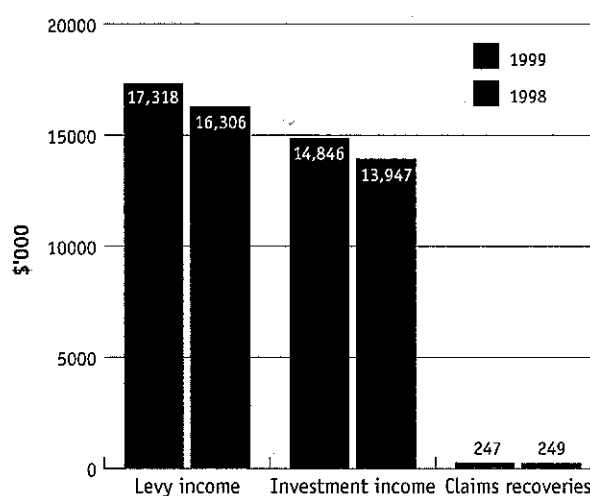
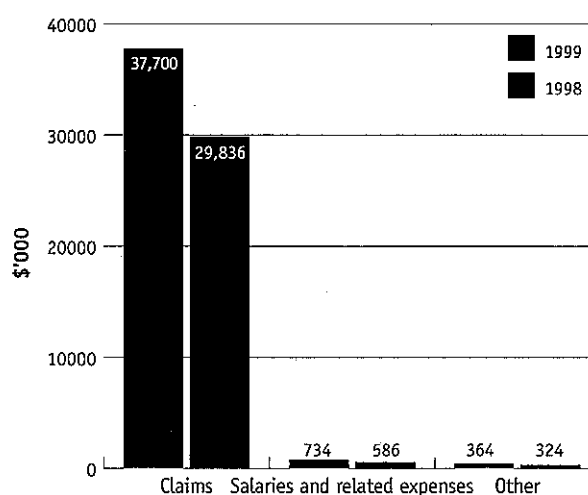
THE NOMINAL DEFENDANT

The Nominal Defendant incurred an operating loss of \$6.39 million for the year ended 30 June 1999 compared to the prior year's operating loss of \$0.24 million. This operating result represents an increase in claims expenditure of \$7.86 million to a total of \$37.70 million for the year. The total comprises:

- \$21.84 million increase in provisions for outstanding claims. The increase reflects significant deterioration in claims experience, coupled with a re-assessment of the actuarial assumptions underlying the previous levy calculations.
- \$15.86 million claims and associated costs incurred for the financial year.

Levy income of \$17.32 million has increased on the prior year by 6% reflecting the increase in the levy rate from 3% to 3.16% of gross premium effective 24 September 1998. A further increase in the levy to 4.16% became effective from 1 July 1999 to reflect the re-assessment of assumptions mentioned above.

The Nominal Defendant scheme remains fully funded with net assets of \$0.27 million after allowing for outstanding claim provisions of \$148 million supported by an actuarial assessment undertaken by Trowbridge Consulting

Income*Expenditure*

**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 1999**

	NOTE	1999 \$'000	1998 \$'000
OPERATING REVENUES			
Levies	2	3,641	3,643
Investment income		8,455	8,350
Penalties & miscellaneous receipts		1,824	1,236
Total operating revenue		13,920	13,229
OPERATING EXPENSES			
Grants		8,743	5,299
Salaries and related expenses	3	745	612
Depreciation	14	51	65
Computer facilities management fee		297	299
Marketing and advertising		8	16
Other		546	489
Total operating expenses		10,390	6,780
OPERATING PROFIT		3,530	6,449
Retained profits at the beginning of the financial year		3,882	940
Aggregate of amounts transferred from reserves	9	7,784	5,886
Aggregate of amounts transferred to reserves	9	(9,834)	(9,393)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		5,362	3,882

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
CURRENT ASSETS			
Cash		103	152
Receivables	4	8,560	8,481
Investments	5	6,691	6,904
Prepayments		20	27
Total current assets		15,374	15,564
NON-CURRENT ASSETS			
Receivables	4	1,050	1,050
Property, plant and equipment	6	70	60
Investments	5	68,318	64,568
Total non-current assets		69,438	65,678
Total assets		84,812	81,242
CURRENT LIABILITIES			
Creditors		81	34
Provisions	7	58	47
Total current liabilities		139	81
NON-CURRENT LIABILITIES			
Provisions	7	101	119
Total non-current liabilities		101	119
Total liabilities		240	200
NET ASSETS		84,572	81,042
EQUITY			
Capital	8	57,787	57,787
Reserves	9	21,423	19,373
Retained profits		5,362	3,882
TOTAL EQUITY		84,572	81,042

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		3,641	3,643
Investment income		8,376	12,285
Penalties & miscellaneous receipts		1,824	1,150
Outflows:			
Grants		(8,743)	(5,599)
Salaries and related expenses		(747)	(604)
Computer facilities management fee		(297)	(299)
Marketing and advertising		(8)	(16)
Other		(496)	(516)
Net cash provided by operating activities	15(ii)	3,550	10,044
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(61)	(30)
Purchase of investments		(3,751)	(4,050)
Net cash used in investing activities		(3,812)	(4,080)
NET (DECREASE)/INCREASE IN CASH HELD		(262)	5,964
Cash at the beginning of the financial year		7,056	1,092
CASH AT THE END OF THE FINANCIAL YEAR	15(i)	6,794	7,056

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

NOTE 1 Statement of Significant Accounting Policies

(a) *Background*

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

(b) *Basis of Preparation*

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

In preparing the financial statements the accounting policies adopted are consistent with those of the previous year. Some prior year figures have been recast, where appropriate, to enhance comparability.

Amounts shown have been rounded to the nearest thousand dollars.

(c) *Property, Plant & Equipment*

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

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

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

(d) *Depreciation*

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

The expected useful lives are as follows:

Plant & Equipment	3 years
Furniture & Fittings	5 years
Computer Software	5 years

(e) *Funding of Motor Accident Insurance Fund*

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

NOTE 1 (Continued)

(f) *Investments*

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

(g) *Employee Leave Entitlements*

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1999 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave, as these entitlements do not vest in the employee.

(2) *Long Service Leave*

A liability for long service leave is recognised, and is calculated using the Queensland State Actuary's short hand method where the liability is calculated as 90 per cent of the nominal liability for all employees. Salary oncosts are incorporated in this method. This is in accordance with Accounting Policy Guideline No.14 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of Government entities.

Due to its nature annual leave has been classified as current. Long service leave has been classified as a current and non-current liability, by allocating 10 per cent of the unconditional long service leave as current, with the remaining portion as non-current.

(h) *Superannuation*

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

(i) *Contingent Assets and Liabilities*

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

There were no other known contingent assets and liabilities of the Commission at 30 June 1999.

(j) *Levy Collection and Contribution*

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 1 (Continued)

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

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

(k) Leases

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

	1999	1998
	\$'000	\$'000

NOTE 2 Levies

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

Statutory insurance scheme levy	3,641	3,643
Total	3,641	3,643

NOTE 3 Salaries and Related Expense

Salaries and wages	566	491
Superannuation	69	58
Long service leave expense	(7)	31
Recreation leave expense	40	3
Other related expenses	77	29
Total	745	612

NOTE 4 Receivables

Current		
Accrued investment income	8,429	8,313
Penalties receivable	131	168
Total	8,560	8,481
Non-Current		
Loan receivable	1,050	1,050
Total	1,050	1,050

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

		1999	1998
	NOTE	\$'000	\$'000
NOTE 5 Investments			
At net market value			
Current			
Queensland Investment Corporation		6,691	6,904
Non-Current			
Queensland Investment Corporation		68,318	64,568
Total		<u>75,009</u>	<u>71,472</u>
NOTE 6 Property, Plant and Equipment			
Property, Plant and Equipment – at cost		385	328
Accumulated depreciation		(315)	(268)
Total		<u>70</u>	<u>60</u>
As represented by:			
Plant, Equipment and Fittings – at cost		224	168
Accumulated depreciation		(154)	(123)
Total		<u>70</u>	<u>45</u>
Computer Software – at cost		160	160
Accumulated depreciation		(160)	(145)
Total		<u>0</u>	<u>15</u>
NOTE 7 Provisions			
Current			
Employee entitlements	1(g)	58	47
Non-current			
Employee entitlements	1(g)	101	119
Total		<u>159</u>	<u>166</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

		1999	1998
	NOTE	\$'000	\$'000
NOTE 8	Capital		
Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994 from:			
Nominal Defendant (Queensland)		57,818	57,818
Consolidated fund		(31)	(31)
Total capital	1(i)	<u>57,787</u>	<u>57,787</u>

NOTE 9	Reserves		
Composition and movements:			
Income Maintenance			
Balance at beginning of year		10,500	6,750
Transfer from retained profits		-	3,750
Balance at end of year		<u>10,500</u>	<u>10,500</u>
Accident Prevention Initiatives			
Balance at beginning of year		2,932	3,228
Transfer to retained profits		(2,632)	(1,528)
Transfer from retained profits		<u>2,678</u>	<u>1,232</u>
Balance at end of year		<u>2,978</u>	<u>2,932</u>
Rehabilitation Initiatives			
Balance at beginning of year		5,704	5,568
Transfer to retained profits		(4,915)	(4,238)
Transfer from retained profits		<u>6,406</u>	<u>4,374</u>
Balance at end of year		<u>7,195</u>	<u>5,704</u>
Emergency Infrastructure			
Balance at beginning of year		237	320
Transfer to retained profits		(237)	(120)
Transfer from retained profits		<u>750</u>	<u>37</u>
Balance at end of year		<u>750</u>	<u>237</u>
Total Reserves		<u>21,423</u>	<u>19,373</u>

NOTE 10	Auditor's Remuneration		
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services			
		<u>6</u>	<u>5</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

1999	1998
\$'000	\$'000

NOTE 11 Commitments for Expenditure

(a) Maintenance Contract Commitment			
Total expenditure contracted for at balance date but not provided for in the accounts:			
Due not later than one year		99	279
Due later than one year but not later than two years		-	93
Total		99	372
(b) Operating Lease Rental Commitments			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		-	21
Total		-	21
(c) Grant Commitments			
The Motor Accident Insurance Act 1994 provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant moneys is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.			
Future grant commitments not provided for in the financial statements are payable as follows:			
Due not later than one year		6,873	8,034
Due later than one year but not later than two years		3,922	5,439
Due later than two years but not later than five years		161	3,938
Total		10,956	17,411

NOTE 12 Consultancy Expenditure

Professional/technical	208	152
Information technology	-	16
Management/human resources	-	42
Total	208	210

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	1999 \$'000	1998 \$'000
NOTE 13 Administered Transactions (Hospital & Emergency Services Levy)		
The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Amounts relating to these transfer payments are not controlled by MAIC and are therefore not recognised in the Profit and Loss Statement or Balance Sheet. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:		
Levies		
Comprise amounts collected from licensed CTP insurers on gross insurance premiums.		
Levies collected but not remitted in the previous year	2,839	3,037
Hospital levy	2,043	9,521
Emergency Services levy	10,215	1,904
	<u>15,097</u>	<u>14,462</u>
Contributions		
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from licensed CTP insurers.		
Hospital levy contributions	2,004	9,686
Emergency Services levy contributions	10,017	1,937
	<u>12,021</u>	<u>11,623</u>
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 1999: (This amount is held in QIC investments).	<u>3,076</u>	<u>2,839</u>

NOTE 14 Depreciation

Plant, Equipment and Furniture & Fittings	35	46
Computer Software	16	19
Total	<u>51</u>	<u>65</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	NOTE	1999 \$'000	1998 \$'000
NOTE 15 Statement of Cash Flows			
(i) <i>Reconciliation of cash</i>			
For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:			
Cash		103	152
Investments	5	6,691	6,904
Total		<u>6,794</u>	<u>7,056</u>
(ii) <i>Reconciliation of operating profit with net cash provided by operating activities</i>			
Operating profit		3,530	6,449
Add/(Less) non cash items:			
Depreciation		51	65
(Decrease)/Increase in provisions		(7)	15
(Gain)/Loss on disposal of equipment		-	7
Changes in assets and liabilities:			
Increase/(Decrease) in creditors		48	(35)
(Increase)/Decrease in receivables		(79)	3,549
Decrease/(Increase) in prepayments		7	(6)
Net cash provided by operating activities		<u>3,550</u>	<u>10,044</u>
(iii) <i>The Motor Accident Insurance Fund has no unused borrowing or overdraft facility.</i>			

NOTE 16 Year 2000

In February 1998 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs, and developing contingency plans to ensure continuity of critical systems operations.

The project included the review of computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. This review extended to systems external to the entity, such as those of suppliers and service providers that may expose the entity to the risks associated with the Year 2000 systems issue.

The entity's most critical system, Personal Injury Register and Statistical Database (PIRSD), was Year 2000 compliant at the end of July 1999.

As at the end of June 1999, rectification on the corporate network systems was 89 percent complete, and it is anticipated that full compliance will be reached by 30 September 1999. Critical external providers have advised their systems are Year 2000 compliant.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 17 Financial Instruments

(a) Terms, Conditions and Accounting Policies

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

NOTE 17 (Continued)

(b) Interest Rate Risk Exposures

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

1999		Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
				1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets								
Cash			-	-	-	-	103	103
Receivables	4		-	-	-	-	9,610	9,610
Investments	5		-	-	-	-	75,009*	75,009
			-	-	-	-	84,722	84,722
Financial liabilities								
Creditors			-	-	-	-	81	81
Net financial assets (liabilities)			-	-	-	-	84,641	84,641

1998	Notes	Floating interest rate \$'000	Fixed interest rate maturing in				Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000			
Financial assets								
Cash		-	-	-	-	152	152	
Receivables	4	-	-	-	-	9,531	9,531	
Investments	5	-	-	-	-	71,472*	71,472	
		-	-	-	-	81,155	81,155	
Financial liabilities								
Creditors		-	-	-	-	34	34	
Net financial assets (liabilities)		-	-	-	-	81,121	81,121	

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 17 (Continued)

(c) Credit Risk Exposures

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

(d) Net Fair Values

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

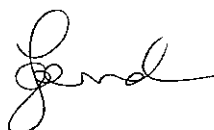
NOTE 18 Segment Information

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

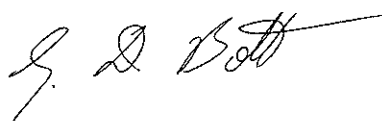
CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 1999 and of the financial position of the Commission as at 30 June 1999.



L Anderson
Insurance Commissioner



G Bott
Manager Systems and Finance

INDEPENDENT AUDIT REPORT

The Insurance Commissioner of the Motor Accident Insurance Commission

Scope

I have audited the financial statements of the Motor Accident Insurance Commission for the year ended 30 June 1999. The financial statements comprise the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and the Manager Systems and Finance as required by the *Financial Administration and Audit Act 1977*.

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

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

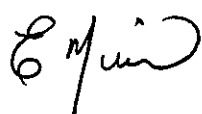
The year 2000 issue has been addressed only in the context of my existing audit responsibility under Australian Auditing Standards to express an opinion on the financial statements. Plans and associated actions to address the year 2000 issue have been reviewed for action taken to date, but the adequacy of those plans has not been assessed. Accordingly, the audit of the financial statements does not provide specific assurance, nor is a specific opinion expressed that the systems of the Motor Accident Insurance Commission or other systems such as those of suppliers, vendors, service providers, customers, associates, joint venture parties or third parties are year 2000 compliant.

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

Audit Opinion

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

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 1999 and of the financial position as at the end of that year.



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

Queensland Audit Office
Brisbane

**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 1999**

	NOTE	1999 \$'000	1998 \$'000
Underwriting Revenue			
Levy income	1(g)	17,318	16,306
 Underwriting Expenditure			
Claims	2	(37,700)	(29,836)
Claims recoveries		247	249
Net Claims Incurred	3	(37,453)	(29,587)
Other underwriting expenses	4	(1,098)	(910)
		(38,551)	(30,497)
 UNDERWRITING RESULT		(21,233)	(14,191)
 Investment income		14,846	13,947
 OPERATING LOSS		(6,387)	(244)
Retained profits at the beginning of the financial year		6,536	6,780
Retained profits at the end of the financial year		149	6,536

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
CURRENT ASSETS			
Cash		314	509
Receivables	5	16,261	15,406
Investments	6	24,712	23,239
Prepayments		3	7
Total current assets		41,290	39,161
NON-CURRENT ASSETS			
Operating Assets	7	56	88
Investments	6	115,502	101,260
Total non-current assets		115,558	101,348
Total assets		156,848	140,509
CURRENT LIABILITIES			
Creditors		69	31
Provision for employee entitlements	13	63	60
Provision for outstanding claims	12	26,084	23,549
Unearned levies	1(g)	8,316	7,527
Total current liabilities		34,532	31,167
NON-CURRENT LIABILITIES			
Provision for employee entitlements	13	131	78
Provision for outstanding claims	12	121,915	102,607
Total non-current liabilities		122,046	102,685
Total liabilities		156,578	133,852
NET ASSETS		270	6,657
EQUITY			
Capital	8	121	121
Retained profits		149	6,536
TOTAL EQUITY		270	6,657

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		18,154	16,321
Claims recoveries		247	249
Investment income		13,944	19,918
Outflows:			
Claims		(15,857)	(14,780)
Salaries and related expenses		(674)	(648)
Other		(288)	(295)
Net cash provided by operating activities	11(ii)	15,526	20,765
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(7)	(31)
Proceeds from investments		(14,242)	(17,560)
Net cash used in investing activities		(14,249)	(17,591)
NET INCREASE IN CASH HELD		1,277	3,174
Cash at the beginning of the financial year		23,748	20,574
CASH AT THE END OF THE FINANCIAL YEAR	11(i)	25,025	23,748

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

NOTE 1 Statement of Significant Accounting Policies

(a) *Background*

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

(b) *Basis of Preparation*

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

In preparing the financial statements the accounting policies adopted are consistent with those of the previous year. Some prior year figures have been recast, where appropriate, to enhance comparability.

Amounts shown have been rounded to the nearest thousand dollars.

(c) *Operating Assets*

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

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

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

(d) *Depreciation*

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

The expected useful lives are as follows:

Plant & Equipment	3 years
Computer Software	5 years

(e) *Funding of Nominal Defendant Fund*

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

(f) *Provision for Outstanding Claims*

Provisions for outstanding claims have been actuarially calculated as at 30 June 1999 by an independent actuarial firm, Trowbridge Consulting, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate which is attached.

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

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

NOTE 1 (Continued)

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are then discounted to a present value at the reporting date using discount rates based on investment opportunities available to the organisation on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 12.

(g) *Levies*

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

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

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

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

(h) *Investments*

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

(i) *Employee Leave Entitlements*

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1999 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as sick leave entitlements do not vest in the employee.

(2) *Long Service Leave*

A liability for long service leave is recognised, and is calculated using the Queensland State Actuary's short hand method where the liability is calculated as 90 per cent of the nominal liability for all employees. Salary oncosts are incorporated in this method.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 1 (Continued)

This is in accordance with Accounting Policy Guideline No.14 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of Government departments and agencies.

Due to its nature annual leave has been classified as current. Long service leave has been classified as a current and non-current liability, by allocating 10 per cent of the unconditional long service leave as current, with the remaining portion as non-current.

(j) Superannuation

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

(k) Receivables

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

(l) Contingent Assets and Liabilities

Under section 106(4) of the *Motor Accident Insurance Act 1994*, if the balance transferred from the Motor Vehicle Insurance Nominal Defendant Fund to the Nominal Defendant Fund on 31 August 1994 proves insufficient to meet the liabilities of the Nominal Defendant arising prior to the commencement of this Act, the Motor Accident Insurance Commission will meet the deficiency. However, total payments are limited to the amount of \$57,818 thousand originally transferred to the Motor Accident Insurance Fund under section 106(3)(b) of the Act.

There were no other known contingent assets and liabilities of the Nominal Defendant at 30 June 1999.

(m) Leases

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

1999	1998
\$'000	\$'000

NOTE 2 Claims

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
NOTE 2 (Continued)			
Increase in provision for outstanding claims	1(f)	21,843	15,056
Claims and associated settlement costs		15,857	14,780
Total		<u>37,700</u>	<u>29,836</u>

NOTE 3 Net Claims Incurred

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

	1999			1998		
	Current Year \$000	Prior Years \$000	Total \$000	Current Year \$000	Prior Years \$000	Total \$000
Gross Claims incurred and related expenses – undiscounted	53,149	(6,286)	46,863	39,724	(10,767)	28,957
Reinsurance and other recoveries – undiscounted	(767)	142	(625)	(592)	(528)	(1,120)
Net claims incurred – undiscounted	52,382	(6,144)	46,238	39,132	(11,295)	27,837
Discount and discount movement – gross claims incurred	(13,045)	4,147	(8,898)	(9,281)	10,911	1,630
Discount and discount movement – reinsurance and other recoveries	189	(76)	113	139	(19)	120
Net discount movement	(12,856)	4,071	(8,785)	(9,142)	10,892	1,750
Net Claims Incurred – discounted	<u>39,526</u>	<u>(2,073)</u>	<u>37,453</u>	<u>29,990</u>	<u>(403)</u>	<u>29,587</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	NOTE	1999 \$'000	1998 \$'000
NOTE 4 Other Underwriting Expenses			
Salaries and wages			
Salaries and wages		540	498
Superannuation		62	57
Long service leave expense		49	(9)
Recreation leave expense		47	10
Other related expenses		36	30
Depreciation			
Plant and equipment		19	33
Computer software		19	20
Other		326	271
Total		1,098	910
NOTE 5 Receivables			
Accrued investment income		14,812	13,910
Levies Receivable		1,449	1,496
Total		16,261	15,406
NOTE 6 Investments			
At net market value			
Queensland Investment Corporation – current		24,712	23,239
Queensland Investment Corporation – non-current		115,502	101,260
Total		140,214	124,499
NOTE 7 Operating Assets			
Operating assets – at cost		276	270
Accumulated depreciation		(220)	(182)
Total		56	88
As represented by:			
Plant and equipment – at cost		131	125
Accumulated depreciation		(106)	(88)
Total		25	37
Computer software – at cost		145	145
Accumulated depreciation		(114)	(94)
Total		31	51
NOTE 8 Capital			
Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994:	1(a)	121	121
Total capital		121	121

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	NOTE	1999 \$'000	1998 \$'000
NOTE 9 Auditor's Remuneration			
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		8	9
NOTE 10 Operating Lease Rental Commitments			
The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993/94 financial year.			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		-	18
Total		-	18
NOTE 11 Statement of Cash Flows			
(i) Reconciliation of cash			
For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Cash		314	509
Investments	6	24,712	23,239
Total		25,026	23,748
(ii) Reconciliation of operating (loss)/profit with net cash used in operating activities			
Operating loss		(6,387)	(244)
Add/(less) non-cash items:			
Depreciation		38	53
Increase in provisions		21,899	14,999
Loss/(Gain) on disposal of equipment		-	(1)
Changes in assets and liabilities:			
Decrease/(Increase) in prepayments		4	(7)
(Increase)/Decrease in receivables		(855)	5,939
Increase/(Decrease) in creditors		38	(21)
Increase in unearned levies		789	47
Net cash provided by operating activities		15,526	20,765
(iii) The Nominal Defendant Fund has no unused borrowing or overdraft facility.			

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

1999 1998
\$'000 \$'000

NOTE 12 Outstanding Claims

Expected future claims payments (undiscounted)	186,234	155,606
Discount to present value	(38,235)	(29,450)
Liability for outstanding claims	<u>147,999</u>	<u>126,156</u>
Current	26,084	23,549
Non-current	<u>121,915</u>	<u>102,607</u>
	<u>147,999</u>	<u>126,156</u>

- (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.65 years (1998 – 3.64 years)

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

Claims expected to be paid:

Not later than one year

Inflation rate	7.0%	7.5%
Discount rate	6.0%	5.5%

Later than one year

Inflation rate	7.0%	7.5%
Discount rate	6.0%	5.5%

NOTE 13 Employee Entitlements

Employee entitlement liabilities		
Accrued wages and salaries	-	1
Provision for employee entitlements		
Current	63	59
Non-current	<u>131</u>	<u>78</u>
Aggregate employee entitlement liability	<u>194</u>	<u>138</u>

NOTE 14 Year 2000

In February 1998 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs, and developing contingency plans to ensure continuity of critical systems operations.

The project included the review of computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. This review extended to systems external to the entity, such as those of suppliers and service providers that may expose the entity to the risks associated with the Year 2000 systems issue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

1999 1998
 \$'000 \$'000

NOTE 14 (Continued)

The entity's most critical system, Claims Management System (CMS), was Year 2000 compliant at the end of July 1999.

As at the end of June 1999, rectification on the corporate network systems was 89 percent complete, and it is anticipated that full compliance will be reached by 30 September 1999. Critical external providers have advised their systems are Year 2000 compliant.

NOTE 15 Financial Instruments

(a) Terms, Conditions and Accounting Policies

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 15 (Continued)

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

(b) Interest Rate Risk Exposures

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

1999		Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
				1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets								
Cash		-	-	-	-	314	314	
Receivables	5	-	-	-	-	16,261	16,261	
Investments	6	-	-	-	-	140,214*	140,214	
		-	-	-	-	156,789	156,789	
Financial liabilities								
Creditors		-	-	-	-	69	69	
Net financial assets (liabilities)		-	-	-	-	156,720	156,720	

1998		Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
				1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets								
Cash		-	-	-	-	509	509	
Receivables	5	-	-	-	-	15,406	15,406	
Investments	6	-	-	-	-	124,499*	124,499	
		-	-	-	-	140,414	140,414	
Financial liabilities								
Creditors		-	-	-	-	31	31	
Net financial assets (liabilities)		-	-	-	-	140,383	140,383	

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

NOTE 15 (Continued)

(c) Credit Risk Exposures

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

(d) Net Fair Values

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

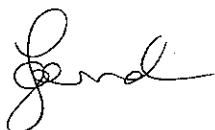
NOTE 16 Segment Information

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

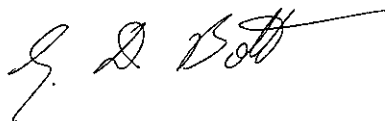
CERTIFICATE OF THE NOMINAL DEFENDANT

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 1999 and of the financial position as at 30 June 1999.



L Anderson
Nominal Defendant



G Bott
Manager Systems and Finance

INDEPENDENT AUDIT REPORT

The Nominal Defendant

Scope

I have audited the financial statements of the Nominal Defendant for the year ended 30 June 1999. The financial statements comprise the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Nominal Defendant and the Manager Systems and Finance as required by the *Financial Administration and Audit Act 1977*.

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

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

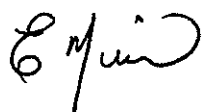
The year 2000 issue has been addressed only in the context of my existing audit responsibility under Australian Auditing Standards to express an opinion on the financial statements. Plans and associated actions to address the year 2000 issue have been reviewed for action taken to date, but the adequacy of those plans has not been assessed. Accordingly, the audit of the financial statements does not provide specific assurance, nor is a specific opinion expressed that the systems of the Nominal Defendant or other systems such as those of suppliers, vendors, service providers, customers, associates, joint venture parties or third parties are year 2000 compliant.

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

Audit Opinion

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

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year ended 30 June 1999 and of the financial position as at the end of that year.



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

Queensland Audit Office
Brisbane

APPENDICES 1998-1999



APPENDIX ONE

1. Actuarial Certificate – Nominal Defendant

1.1 Actuarial Certificate on Outstanding Claims Liability as at 30 June 1999

Trowbridge Consulting was asked by Queensland Treasury to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 1999 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 1999"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

1.2 Results

The provision adopted by the Nominal Defendant as at 30 June 1999 is \$144 million excluding the impact of ANTS. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, claim handling expenses, and a prudential margin. The prudential margin adopted by the Fund allows for the risk and uncertainty associated with the estimated liability. We believe that the level of prudential margin is appropriate for this type of business.

We have separately estimated the impact of ANTS on the Nominal Defendant's outstanding claims liability. This increases the required provision by \$4 million to \$148 million.

1.3 Reliances and Limitations

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

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

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

A New Tax System

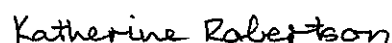
The interpretation of some aspects of A New Tax System are still subject to considerable debate. The flow-on effects of many of the changes within the economy will also take some time to emerge once the reforms commence. We have adopted what we believe are reasonable assumptions about the potential impact of the changes as we currently understand them on the Nominal Defendant's outstanding claim liabilities. It should be noted, however, that the novelty of many aspects of ANTS introduces an additional and unquantifiable layer of uncertainty into our estimates.

Millennium Bug

We are unaware of any exposures specific to the Nominal Defendant's insured CTP risks in relation to the so-called "millennium bug", and have made no specific investigations into the risk for the Nominal Defendant. Nevertheless, this phenomenon has the potential to affect claims experience in a wide range of insurance classes and in totally unpredictable ways. For the Nominal Defendant's CTP business, the primary area of risk relates to the potential for disruption to the reporting, management and settlement of claims and the flow-on effects this may have on settlement amounts and handling costs. Our valuation makes no specific allowance for this potential area of risk. As such, this phenomenon represents a further source of additional uncertainty in our projections.



Estelle Pearson



Katherine Robertson

Fellows of the Institute of Actuaries of Australia

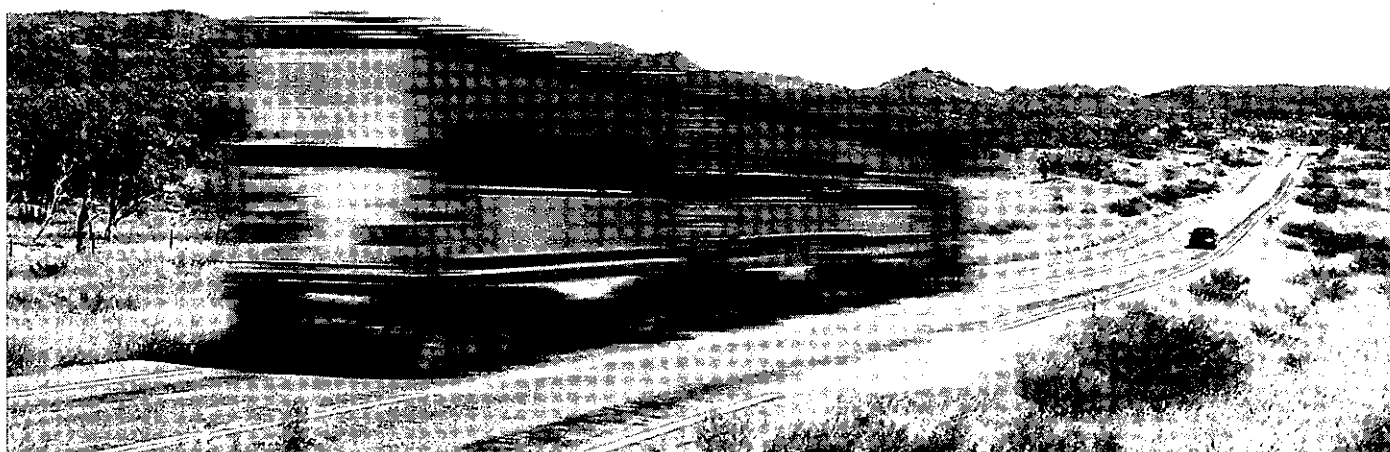
APPENDIX TWO

GRANTS FROM THE MOTOR ACCIDENT INSURANCE FUND

	Future Commitment	1998/99 \$	1997/98 \$
CONROD (Including the Chair of Rehabilitation Medicine)	2,064,000	780,000	-
CARRS-Q	1,028,000	518,000	510,000
Road Accident Prevention and Road Safety Research Grant Scheme	-	862,472	-
University of Queensland Chair of Orthopaedic Medicine	112,750	52,634	52,476
Whiplash Research Project	-	160,200	47,749
Occupational Therapy Driver Assessment Training	-	40,000	-
Princess Alexandra Hospital Foundation Acquired Brain Injury Outreach Services	1,548,974	730,097	702,017
Spinal Injury Outreach Team and Transitional Rehabilitation Program Service	3,378,207	1,592,290	1,531,048
Royal Children's Hospital Foundation Statewide Paediatric Rehabilitation Service	1,600,000	1,600,000	1,600,000
Mobile Orthotics Unit	-	122,000	-
James Cook University Distance Education for Disabled Project	300,000	200,000	-
Royal Australasian College of Surgeons Gregg Hansford Appeal	-	-	25,000
Department of Transport Road Safety Media Campaign	500,000	500,000	500,000
Queensland Police Service State Traffic Task Force	164,347	1,268,347	432,459
University of Tasmania Spinal Injury Project	87,994	-	87,994
Queensland Health and CONROD Trauma Register and Data Coordination Project	110,000	-	110,000
University of Southern Queensland Mobile Intensive Care Rescue Facility	-	237,000	-
Royal Brisbane Hospital Maxillofacial Unit	-	60,418	-
Occupational Therapy Australia QLD Inc. Driver Assessment Training Scholarships	-	19,500	-
TOTAL	10,894,272	8,742,958	5,598,743

ONGOING PROJECTS FUNDED IN PREVIOUS YEARS

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



APPENDIX THREE

Licensed Compulsory Third Party Insurers (as at 30 June 1999)

Australian Associated Motor Insurers Limited

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

FAI General Insurance Company Limited

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

MMI General Insurance Limited

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

QBE Insurance Limited

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

RACQ-GIO

PO Box 4
Springwood Qld 4127
Ph 3361 2444
ACN 009 704 152
Licensed from 15/02/1999

Suncorp General Insurance Limited

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

Previously Licensed Insurers (as at 30 June 1999)

CIC Insurance Limited

GPO Box 9814
Brisbane Qld 4001
Ph 07 - 3815 1222
ACN 004 078 880
Licence withdrawn 22/01/1996

GIO General Limited

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

Mercantile Mutual Insurance (Australia) Ltd

GPO Box 705
Brisbane Qld 4001
Ph 07 - 3859 5555
ACN 000 456 799
Licence withdrawn 01/11/1996

Commercial Union Assurance of Australia Ltd

PO Box 1495
Milton Qld 4064
Ph 07 - 3212 7878
ACN 004 478 371
Licence withdrawn 01/03/1997

Zurich Australian Insurance Limited

PO Box 684
Spring Hill Qld 4000
Ph 1800 811 099
ACN 000 296 640
Licence withdrawn 15/11/1997

Fortis Insurance Limited

(formerly VACC Insurance Co. Limited)

PO Box 1166
Milton Business Centre Qld 4064
Ph 1800 816 027
ACN 004 167 953
Licence suspended 30/03/1999 pending withdrawal

CONTACT DETAILS

MOTOR ACCIDENT INSURANCE COMMISSION

Address: Level 18 - 288 Edward Street, Brisbane Qld
Postal Address: GPO Box 1083, Brisbane Qld 4001
Ausdoc: DX 147 Brisbane Qld
Telephone: 07 - 3227 8088
Facsimile: 07 - 3229 3214
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
Manager, Systems and Finance	Greg Bott	07 - 3227 8164
Senior Finance Officer	Tulia Koroivawai-Gauna	07 - 3224 5018
Policy Officer, Systems and Finance	Debbie Davis	07 - 3224 4562
Research Support	Beth Sanders	07 - 3882 0245
Principal Rehabilitation Adviser	Michael Hancock	07 - 3227 8162
Assistant Rehabilitation Adviser	Janette Archibald	07 - 3224 5001
Manager, Policy and Liaison	Neil Tomkins	07 - 3227 8242
Policy Officer, Insurance	John Foster	07 - 3227 8250
Policy Officer, Insurance	Mike Reynolds	07 - 3227 8250
Industry Liaison Officer	Lynne McCall-Marshall	07 - 3227 8022
Assistant Industry Liaison Officer	Wayne Saville	07 - 3227 8432
Executive Secretary	Julie Ecimovic	07 - 3227 8088

NOMINAL DEFENDANT

Address: Level 18 - 288 Edward Street, Brisbane Qld
Postal Address: GPO Box 2203, Brisbane Qld 4001
Ausdoc: DX 147, Brisbane Qld
Telephone: 07 - 3227 7993
Facsimile: 07 - 3221 4805
E-mail: maic@maic.qld.gov.au

Nominal Defendant	Lesley Anderson	07 - 3227 8105
Manager, Nominal Defendant	Les Kilmartin	07 - 3227 8213
Claim Manager	Rex Mellifont	07 - 3227 8387
Claim Manager	Bernie Clark	07 - 3227 8359
Claim Manager	Mike Hogan	07 - 3227 8353
Claim Manager	Laurie Meteyard	07 - 3227 8354
Claim Manager	Don Sacre	07 - 3227 8284
Assistant Claim Manager	Ian Evans	07 - 3227 8402
Assistant Claim Manager	Michael Walpole	07 - 3227 8402
Assistant Claim Manager	Sherrilyn Robinson	07 - 3227 8412
Administration Officer	Sandra Clifton	07 - 3227 8596
Administration Officer	Katie Gilmour	07 - 3227 8412
Administration Officer	Juanita Spurling	07 - 3227 7993

