

Financial information
2003-04

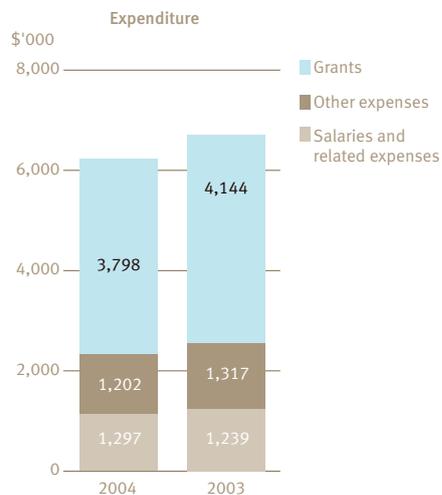
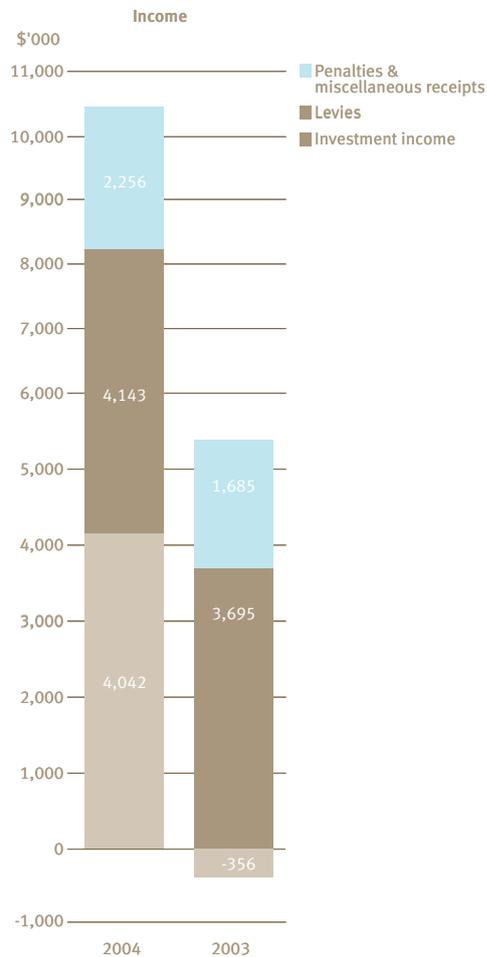
Motor Accident Insurance Commission

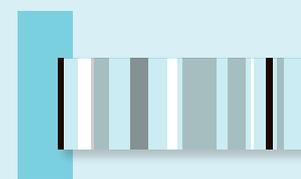


Motor Accident Insurance Commission Financial Summary

The operating position of the Commission improved significantly to an operating profit of \$4.144 million during the financial year ended 30 June 2004 from an operating loss of \$1.676 million. This is principally a result of an overall increase in revenue from \$5.024 million during the previous year to \$10.441 million during the current year. The return on QIC investments saw a turnaround during the reporting period, from a loss of \$0.434 million during the previous year to a profit of \$3.962 million during the current year. \$4.143 million of total revenue came from the MAIC statutory levy which increased from \$1.35 to \$1.50 per CTP policy.

The expenses of the Commission were lower than the previous year, which was primarily a result of slightly lower grant payments. Expenditure on grants was \$3.798 million compared to \$4.144 million in the previous year. Details of grant funding are provided in Appendix Five.





Motor Accident Insurance Commission

Statement of Financial Performance For the Financial Year ended 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|---|-------|----------------|----------------|
| REVENUES FROM ORDINARY ACTIVITIES | | | |
| Levies | 2 (a) | 4,143 | 3,695 |
| Investment Income | 2 (b) | 4,042 | (356) |
| Penalties and miscellaneous receipts | | 2,256 | 1,685 |
| Total revenue from ordinary activities | | <u>10,441</u> | <u>5,024</u> |
| EXPENSES FROM ORDINARY ACTIVITIES | | | |
| Grants | | 3,798 | 4,144 |
| Salaries and related expenses | 2 (c) | 1,297 | 1,239 |
| Depreciation | 2 (d) | 31 | 20 |
| Computer facilities management fee | | 188 | 206 |
| Marketing and advertising | | 0 | 1 |
| Rent | | 107 | 100 |
| Consultancy Expenditure | | 273 | 316 |
| Other | 2 (e) | 603 | 674 |
| Total expenses from ordinary activities | | <u>6,297</u> | <u>6,700</u> |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES | 10 | <u>4,144</u> | <u>(1,676)</u> |

The accompanying notes form part of these financial statements.

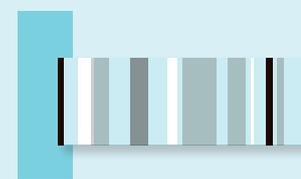
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Motor Accident Insurance Commission

Statement of Financial Position As at 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|----------------------------------|------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash Assets | | 2,734 | 1,047 |
| Receivables | 3 | 106 | 864 |
| Investment securities | 4 | 15,527 | 12,565 |
| Prepayments | | 2 | 1 |
| Total current assets | | 18,369 | 14,477 |
| NON-CURRENT ASSETS | | | |
| Receivables | 3 | 500 | 500 |
| Investment securities | 4 | 10,500 | 10,500 |
| Property, plant and equipment | 5 | 77 | 110 |
| Intangibles | 6 | 220 | 0 |
| Total non-current assets | | 11,297 | 11,110 |
| TOTAL ASSETS | | 29,666 | 25,587 |
| CURRENT LIABILITIES | | | |
| Payables | 7 | 225 | 306 |
| Provisions | 8 | 100 | 101 |
| Total current liabilities | | 325 | 407 |
| TOTAL LIABILITIES | | 325 | 407 |
| NET ASSETS | | 29,341 | 25,180 |
| EQUITY | | | |
| Reserves | 9 | 14,596 | 15,107 |
| Retained profits | 10 | 14,745 | 10,073 |
| TOTAL EQUITY | | 29,341 | 25,180 |

The accompanying notes form part of these financial statements.



Motor Accident Insurance Commission

**Statement of Cash Flows
For the Financial Year Ended 30 June 2004**

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|--|---------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Inflows: | | | |
| Levies | | 4,143 | 3,695 |
| Investment income | | 4,232 | 80 |
| Penalties and miscellaneous receipts | | 2,266 | 1,721 |
| GST input taxes recovered from ATO | | 503 | 541 |
| Outflows: | | | |
| Grants | | (3,248) | (4,144) |
| Salaries and related expenses | | (1,298) | (1,209) |
| Computer facilities management fees | | (190) | (220) |
| Marketing and advertising | | 0 | (1) |
| Other | | (1,480) | (2,181) |
| Net cash provided by/(used in) operating activities | 14(ii) | 4,928 | (1,718) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Inflows: | | | |
| Proceeds from sale of property, plant and equipment | | 0 | 1 |
| Outflows: | | | |
| Purchase of property, plant and equipment | | (279) | (42) |
| Net cash used in investing activities | | (279) | (41) |
| NET INCREASE/(DECREASE) IN CASH HELD | | 4,649 | (1,759) |
| Cash at the beginning of the financial year | | 24,112 | 25,871 |
| CASH AT THE END OF THE FINANCIAL YEAR | 14(i) | 28,761 | 24,112 |

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

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

(c) Property, Plant and Equipment

All items of property, plant and equipment, except intangibles, with a cost or other value in excess of \$5,000 are recognised for financial reporting purposes in the year of acquisition.

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

(d) Intangibles

Intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life, less any anticipated residual value.

Internal Use Software

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

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

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

The estimated useful lives are as follows:

| | |
|------------------------|-----------|
| Plant and Equipment | 3-5 years |
| Leasehold Improvements | 12 years |
| Computer Software | 5 years |

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

(f) Funding of Motor Accident Insurance Fund

Funding is by way of levies paid by motorists pursuant to 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.

Motor Accident Insurance Commission

Notes to and forming part of the financial statements For the year ended 30 June 2004

Note 1 (Continued)

(g) Investments

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

(h) Employee Leave Entitlements

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

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

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

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

(2) Long Service Leave

Under the Queensland Government’s long service leave scheme, a levy is made on the Commission to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

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

(i) Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary.

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

(j) Contingent Assets

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

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

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

Note 1 (Continued)

(k) Levy Collection and Contribution

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

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

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

(l) 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.

(m) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

All Pending and Issued Australian Equivalents to IFRSs are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Commission has identified the following key differences in accounting policies which will arise from the adoption of Australian Equivalents to IFRSs:

- The introduction of AASB 136 on Impairment of Assets will require an annual impairment test to be performed on all non-current physical and intangible assets. This may result in a write-down of the value of plant and equipment and intangible assets.
- Internally generated intangible assets such as internal use software may have to be derecognised in accordance with standard AASB 138 on Intangible Assets if they do not satisfy the new recognition criteria. In addition, revalued intangible assets that do not have an active market will also need to be derecognised.
- Investments, classified as financial assets held for trading, need to be valued at fair value in accordance with AASB 139 on Financial Instruments: Recognition and Measurement. This should, however, have no financial impact on Investments, which are currently valued at net market value. The fair value of investments is measured at net market value based on QIC advice.

The dollar values of the above changes cannot be reliably estimated at the date of this report.

Policy decisions made at a Whole-of-Government level in relation to the limiting of options in the Australian Equivalent to IFRSs may have additional impacts on financial reports prepared using these Standards.

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

(n) Rounding and Comparatives

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

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

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| NOTE 2 Profit from Ordinary Activities | | |
| (a) Levies | | |
| Levies – comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums. | | |
| Statutory Insurance Scheme Levy | 4,143 | 3,695 |
| (b) Investment Income | | |
| Distributions received from Queensland Investment Corporation | 3,962 | (434) |
| Interest received from funds held by Queensland Treasury | 80 | 78 |
| Total | 4,042 | (356) |
| (c) Salaries and related Expense | | |
| Salaries and wages | 938 | 920 |
| Superannuation | 123 | 117 |
| Long service leave expense | 14 | 12 |
| Recreation leave expense | 94 | 88 |
| Other related expenses | 128 | 102 |
| Total | 1,297 | 1,239 |
| (d) Depreciation | | |
| Plant and Equipment | 31 | 20 |
| (e) Other | | |
| Administration Fees | 167 | 162 |
| Legal and Barrister Fees | 67 | 146 |
| Loss on disposal of assets | 61 | 0 |
| Other | 308 | 366 |
| Total | 603 | 674 |

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Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| NOTE 3 Receivables | | |
| Current | | |
| Loan Receivable | 0 | 550 |
| Accrued investment income | 17 | 207 |
| Penalties receivable | 81 | 90 |
| Other receivables | 8 | 17 |
| Total | 106 | 864 |
| Non-Current | | |
| Loan Receivable | 500 | 500 |
| Total | 500 | 500 |
| NOTE 4 Investment Securities | | |
| Current | | |
| Queensland Investment Corporation | 15,527 | 12,565 |
| Non-Current | | |
| Queensland Investment Corporation | 10,500 | 10,500 |
| Total | 26,027 | 23,065 |
| NOTE 5 Property, Plant and Equipment | | |
| Property | | |
| Leasehold Improvements – at cost | 0 | 89 |
| Accumulated depreciation | 0 | (21) |
| | 0 | 68 |
| Plant and Equipment | | |
| Plant, Equipment and Fittings – at cost | 192 | 133 |
| Accumulated depreciation | (115) | (91) |
| | 77 | 42 |
| Total | 77 | 110 |

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

| | Leasehold Improvements \$'000 | Plant, Equipment & Fittings \$'000 | Total \$'000 |
|---|-------------------------------------|--|-----------------|
| Carrying amount at beginning of the financial year | 68 | 42 | 110 |
| Additions | 0 | 59 | 59 |
| Disposals | (61) | 0 | (61) |
| Depreciation Charged | (7) | (24) | (31) |
| Carrying amount at the end of the financial year | 0 | 77 | 77 |

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | | 2004 | 2003 |
|---------------|---|----------------------|----------------------|
| | | \$'000 | \$'000 |
| NOTE 6 | Intangibles | | |
| | Computer Software – at cost | 163 | 163 |
| | Accumulated amortisation | (163) | (163) |
| | | <u>0</u> | <u>0</u> |
| | Internal use software under development – at cost | 220 | 0 |
| | Total | <u>220</u> | <u>0</u> |
| NOTE 7 | Payables | | |
| | Sundry creditors and accruals | <u>225</u> | <u>306</u> |
| NOTE 8 | Provisions | | |
| | Employee Entitlements | <u>100</u> | <u>101</u> |
| NOTE 9 | Reserves | | |
| (a) | Composition and movements: | | |
| | Income Maintenance | | |
| | Balance at beginning and end of year | <u>10,500</u> | <u>10,500</u> |
| | Accident Prevention Initiatives | | |
| | Balance at beginning of year | 1,550 | 1,376 |
| | Transfer to retained profits | (1,550) | (1,052) |
| | Transfer from retained profits | 1,484 | 1,226 |
| | Balance at end of year | <u>1,484</u> | <u>1,550</u> |
| | Rehabilitation Initiatives | | |
| | Balance at beginning of year | 3,057 | 3,552 |
| | Transfer to retained profits | (2,498) | (3,184) |
| | Transfer from retained profits | 2,053 | 2,689 |
| | Balance at end of year | <u>2,612</u> | <u>3,057</u> |
| | Total Reserves | <u>14,596</u> | <u>15,107</u> |

- (b) To fulfil our charter under Section 10(1) of the *Motor Accident Insurance Act 1994*, the funds in reserves are to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

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Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| NOTE 10 Retained Profits | | |
| Retained profits at the beginning of the financial year | 10,073 | 11,419 |
| Profit/(Loss) from ordinary activities | 4,144 | (1,676) |
| Transfers to reserves: | | |
| Accident Prevention Initiatives | (1,484) | (1,226) |
| Rehabilitation Initiatives | (2,053) | (2,689) |
| Transfers from reserves: | | |
| Accident Prevention Initiatives | 1,550 | 1,052 |
| Rehabilitation Initiatives | 2,498 | 3,184 |
| Other | 17 | 9 |
| Retained profits at the reporting date | <u>14,745</u> | <u>10,073</u> |
| NOTE 11 Auditor's Remuneration | | |
| Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services | <u>12</u> | <u>11</u> |
| NOTE 12 Commitments for Expenditure | | |
| (a) Maintenance Contract Commitment | | |
| Total expenditure contracted for at balance date but not provided for in the financial statements: | | |
| Due not later than one year | 51 | 62 |
| Due later than one year but not later than five years | 0 | 0 |
| Total | <u>51</u> | <u>62</u> |
| (b) Operating Lease Rental Commitments | | |
| Future operating lease rentals not provided for in the financial statements are payable as follows: | | |
| Due not later than one year | 140 | 110 |
| Due later than one year but not later than five years | 573 | 0 |
| Total | <u>713</u> | <u>110</u> |

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| NOTE 12 (Continued) | | |
| (c) Grant Commitments | | |
| The <i>Motor Accident Insurance Act 1994</i> provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement. | | |
| Future grant commitments not provided for in the financial statements are payable as follows: | | |
| Due not later than one year | 4,096 | 4,607 |
| Due later than one year but not later than five years | 3,372 | 6,909 |
| Total | <u>7,468</u> | <u>11,516</u> |
| NOTE 13 Agency Transactions | | |
| The Motor Accident Insurance Commission (MAIC) receives Hospital and Emergency Services Levy amounts from Queensland Transport for transfer payments to Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows: | | |
| Levies | | |
| Comprise amounts collected from Queensland Transport on gross insurance premiums. | | |
| Levies collected but not remitted in the previous year | 2,367 | 1,646 |
| Hospital levy | 14,970 | 14,111 |
| Emergency Services levy | 7,529 | 7,085 |
| | <u>24,866</u> | <u>22,842</u> |
| Contributions | | |
| Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport. | | |
| Hospital levy contributions | 15,145 | 13,604 |
| Emergency Services levy contributions | 7,629 | 6,871 |
| | <u>22,774</u> | <u>20,475</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: | <u>2,092</u> | <u>2,367</u> |
| (This amount is held in QIC investments) | | |

Financial information 2003-04

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|----------------|--|----------------|----------------|
| NOTE 14 | Statement of Cash Flows | | |
| (i) | Reconciliation of cash | | |
| | For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | |
| | Cash | 2,734 | 1,047 |
| | Investments | 4 26,027 | 23,065 |
| | Total | 28,761 | 24,112 |
| (ii) | Reconciliation of operating profit/(loss) with net cash provided by operating activities | | |
| | Operating profit/(loss) | 4,144 | (1,676) |
| | Add/(Less) non cash items: | | |
| | Depreciation | 31 | 20 |
| | (Profit)/Loss on disposal of property, plant and equipment | 61 | (1) |
| | Asset Transfers | 0 | (25) |
| | Direct changes to equity | 17 | 9 |
| | Changes in assets and liabilities: | | |
| | Increase/(Decrease) in creditors | (81) | 69 |
| | (Increase)/Decrease in receivables | 758 | (153) |
| | Decrease/(Increase) in prepayments | (1) | 9 |
| | (Decrease)/Increase in provisions | (1) | 30 |
| | Net cash provided by/ (used in) operating activities | 4,928 | (1,718) |
| (iii) | The Motor Accident Insurance Fund has no unused borrowing or overdraft facility. | | |

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 15 Financial Instruments

(a) Terms, Conditions and Accounting Policies

| Financial Instrument | Related Financial Statement Notes | Accounting Policies | Terms and Conditions |
|------------------------------|-----------------------------------|---|--|
| <u>Financial Assets</u> | | | |
| Cash on hand | 14 (i) | Recorded at book value, which approximates fair value. | |
| Receivables | | | |
| penalties receivable | 3 | Recognition – upon receipt of fines by QLD Transport and the Courts. Measurement – prescribed by the <i>Motor Accident Insurance Act 1994</i> . Recorded at book value. | Usually received within 30 days from the month due. |
| loans receivable | 3 | Recognition – upon issue of funds. Measurement – based on memorandum of agreement and recorded at book value. | No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements. |
| Investment securities | 4 | Recognition – on the day funds are invested. Measurement – at net market value. | Can be drawn upon as when required. |
| <u>Financial Liabilities</u> | | | |
| Payables | 7 | Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs. | Amounts are usually settled within 30 days upon receipt of invoice. |

The Fund invests with the Queensland Investment Corporation (QIC). The QIC 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 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.

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Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 15 Financial Instruments (Continued)

| 2004 | 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 | | 2,734 | - | - | - | - | 2,734 |
| Receivables | 3 | - | - | - | - | 606 | 606 |
| Investments | 4 | - | - | - | - | 26,027* | 26,027 |
| | | 2,734 | - | - | - | 26,633 | 29,367 |
| Financial Liabilities | | | | | | | |
| Payables | 7 | - | - | - | - | 225 | 225 |
| Net Financial Assets | | 2,734 | - | - | - | 26,408 | 29,142 |
| Weighted average interest rate | | 4.2% | | | | | |
| | | | | | | | |
| 2003 | 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 | | 1,047 | - | - | - | - | 1,047 |
| Receivables | 3 | - | - | - | - | 1,364 | 1,364 |
| Investments | 4 | - | - | - | - | 23,065* | 23,065 |
| | | 1,047 | - | - | - | 24,429 | 25,476 |
| Financial Liabilities | | | | | | | |
| Payables | 7 | - | - | - | - | 306 | 306 |
| Net Financial Assets | | 1,047 | - | - | - | 24,123 | 25,170 |
| Weighted average interest rate | | 3.9% | | | | | |

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

Motor Accident Insurance Commission

**Notes to and forming part of the financial statements
For the year ended 30 June 2004**

NOTE 15 Financial Instruments (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 of financial institutions, does not expect any counterparties to fail to meet their obligations.

(d) Net Fair Values

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

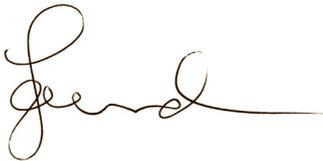
NOTE 16 Segment Information

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

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 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 Motor Accident Insurance Commission for the year ended 30 June 2004 and of the financial position of the Commission as at 30 June 2004.



L Anderson
Insurance Commissioner



G Bott
Manager Systems and Finance

Dated: 7 September 2004

INDEPENDENT AUDIT REPORT

To the Motor Accident Insurance Commission

Scope

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of Motor Accident Insurance Commission for the financial year ended 30 June 2004 included on Motor Accident Insurance Commission's web site. The Motor Accident Insurance Commission is responsible for the integrity of the Motor Accident Insurance Commission's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from Motor Accident Insurance Commission, to confirm the information included in the audited financial statements presented on this web site.

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

The financial statements

The financial statements of Motor Accident Insurance Commission consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and the officer responsible for the financial administration of Motor Accident Insurance Commission, for the year ended 30 June 2004.

The Motor Accident Insurance Commission's responsibility

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

Audit approach

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

Audit procedures included -

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

Independence

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

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

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

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

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

P J Nottingham, FCPA
Audit Manager
(as Delegate of the Auditor-General of Queensland)
Brisbane

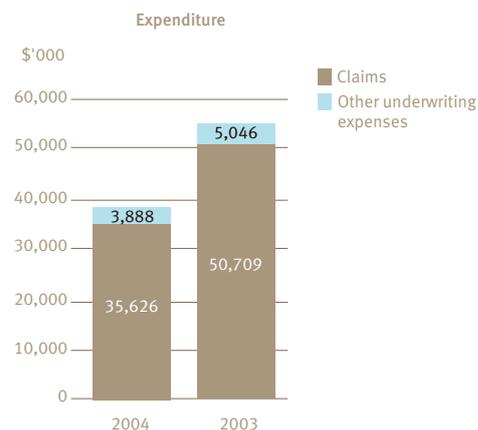
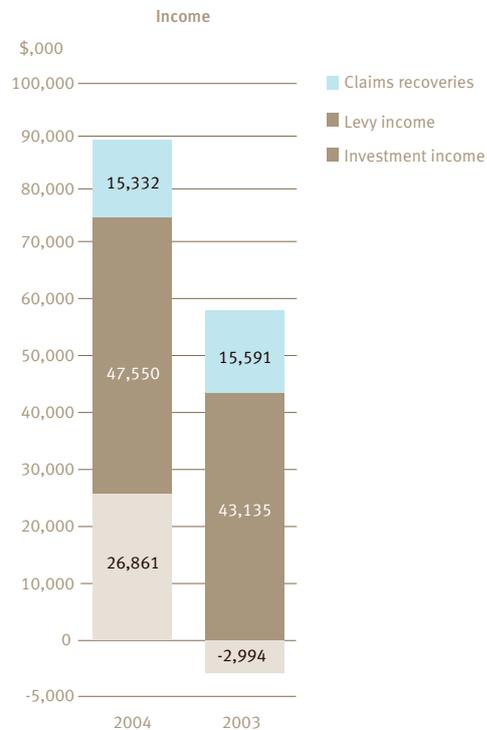
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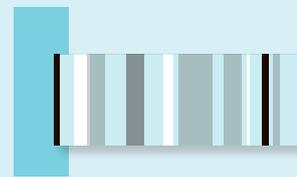
Nominal Defendant Financial Summary

The operating profit of the Nominal Defendant was \$50.229 million for the year ended 30 June 2004 as compared to the prior year's operating loss of \$0.023 million. The State Government Indemnity to the Nominal Defendant to meet the liabilities of FAI during the year amounted to \$44.577 million. The amount of this indemnity was determined after deducting cash receipts of the CTP levy surcharge.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year increased from \$20.057 million to \$22.891 million. The provisions for outstanding claims liabilities were actuarially assessed and were increased by \$2.469 million compared to an increase of \$2.035 million last year.

The income from the levy for the normal business of the Nominal Defendant increased to \$34.016 million reflecting growth in the number of registered vehicles. Claims recoveries were \$0.774 million during the year, down from \$1.354 million in the previous year. The performance of the QIC investments improved significantly from a loss of \$3.104 million during the previous year to a profit of \$26.744 million during the current year. The \$5 levy surcharge raised \$13.534 million in the year.



**Nominal Defendant****Statement of Financial Performance
For the Financial Year Ended 30 June 2004**

| | | 2004 | 2003 |
|--|------|---------------|---------------|
| | NOTE | \$'000 | \$'000 |
| REVENUES FROM ORDINARY ACTIVITIES | | | |
| Levy Income | 1(i) | 47,550 | 43,135 |
| Investment Income | 5 | 26,861 | (2,994) |
| Total revenue from ordinary activities | | 74,411 | 40,141 |
| EXPENSES FROM ORDINARY ACTIVITIES | | | |
| Claims | 2 | 35,626 | 50,709 |
| Claims Recoveries | | (15,332) | (15,591) |
| Net Claims Incurred | | 20,294 | 35,118 |
| Other Ordinary Expenses | 4 | 3,888 | 5,046 |
| Total expenses from ordinary activities | | 24,182 | 40,164 |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES | 14 | 50,229 | (23) |

The accompanying notes form part of these financial statements.

Financial information 2003-04

Nominal Defendant

Statement of Financial Position As at 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|--------------------------------------|------|-----------------|------------------|
| CURRENT ASSETS | | | |
| Cash Assets | | 1,562 | 1,612 |
| Receivables | 6 | 29,244 | 43,765 |
| Investment securities | 7 | 37,116 | 27,545 |
| Prepayments | | 5 | 1 |
| Total current assets | | 67,927 | 72,923 |
| NON-CURRENT ASSETS | | | |
| Investment securities | 7 | 150,236 | 121,638 |
| Property, plant and equipment | 8 | 26 | 106 |
| Intangibles | 9 | 173 | 5 |
| Total non-current assets | | 150,435 | 121,749 |
| TOTAL ASSETS | | 218,362 | 194,672 |
| CURRENT LIABILITIES | | | |
| Payables | 10 | 600 | 1,619 |
| Provision for employee entitlements | 11 | 69 | 50 |
| Provision for outstanding claims | 12 | 78,811 | 96,365 |
| Unearned levies | 1(i) | 24,089 | 23,212 |
| Total current liabilities | | 103,569 | 121,246 |
| NON-CURRENT LIABILITIES | | | |
| Provision for outstanding claims | 12 | 195,397 | 248,829 |
| Total non-current liabilities | | 195,397 | 248,829 |
| TOTAL LIABILITIES | | 298,966 | 370,075 |
| NET LIABILITIES | | (80,604) | (175,403) |
| EQUITY | | | |
| Contributed Equity | 13 | 230,881 | 186,304 |
| Accumulated Losses | 14 | (311,485) | (361,707) |
| TOTAL EQUITY | | (80,604) | (175,403) |

The accompanying notes form part of these financial statements.

Nominal Defendant

Statement of Cash Flows
For the Financial Year Ended 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|---|---------------|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Inflows: | | | |
| Levies | | 48,427 | 47,581 |
| Claims recoveries | | 28,769 | 1,468 |
| Investment income | | 28,200 | 114 |
| GST recovered from ATO | | 1,047 | 1,665 |
| Outflows: | | | |
| Claims | | (106,613) | (123,424) |
| Salaries and related expenses | | (831) | (724) |
| Other | | (5,072) | (9,308) |
| Net cash used in operating activities | 17(ii) | (6,073) | (82,628) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Inflows: | | | |
| Proceeds on disposal of property, plant and equipment | | 13 | - |
| Outflows: | | | |
| Purchase of property, plant and equipment | | (189) | (26) |
| Net cash used in investing activities | | (176) | (26) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Inflows: | | | |
| Queensland Treasury Indemnity Receipts | | 44,368 | 48,684 |
| Net cash provided by financing activities | | 44,368 | 48,684 |
| NET INCREASE /(DECREASE) IN CASH HELD | | | |
| Cash at the beginning of the financial year | | 150,795 | 184,765 |
| CASH AT THE END OF THE FINANCIAL YEAR | 17(i) | 188,914 | 150,795 |

The accompanying notes form part of these financial statements.

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

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. The financial statements have been prepared on an historical cost basis, except as otherwise disclosed in the financial statements or notes.

(c) Going Concern

These financial statements have been prepared on a going concern basis.

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

The State Government has agreed to indemnify the Nominal Defendant for any shortfalls relating to the above. Funds to be advanced to the Nominal Defendant are determined after taking into consideration a component of the levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission as detailed in Note 20(a).

(d) Property, Plant and Equipment

All items of property, plant and equipment, except intangibles, with a cost or other value in excess of \$5,000 are recognised for financial reporting purposes in the year of acquisition. Items with lesser value are expensed in the year of acquisition.

(e) Intangibles

Intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life, less any anticipated residual value.

Internal Use Software

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

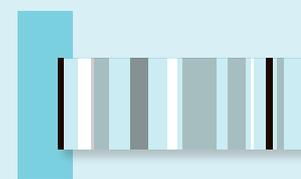
(f) Amortisation and Depreciation of Intangibles, Property, Plant and Equipment

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

The estimated useful lives are as follows:

| | |
|------------------------|-----------|
| Plant and Equipment | 3-5 years |
| Leasehold Improvements | 12 years |
| Computer Software | 5 years |

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



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 1 (Continued)

(g) Funding of Nominal Defendant Fund

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

(h) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at the financial year end 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.

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

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

(i) Levies

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

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

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 1 (Continued)

(i) Levies (Continued)

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

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

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

(j) Investments

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

(k) Employee Leave Entitlements

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

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

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

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

(2) Long Service Leave

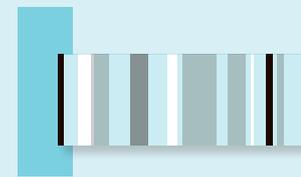
Under the Queensland Government's long service leave scheme, a levy is made on the Commission to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

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

(l) Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary.

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



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 1 (Continued)

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

(n) 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.

(o) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

All Pending and Issued Australian Equivalents to IFRSs are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Nominal Defendant has identified the following key differences in accounting policies which will arise from the adoption of Australian Equivalents to IFRSs:

- The introduction of AASB 136 on Impairment of Assets will require an annual impairment test to be performed on all non-current physical and intangible assets. This may result in a write-down of the value of plant and equipment and intangible assets.
- Internally generated intangible assets such as internal use software may have to be derecognised in accordance with AASB 138 on Intangible Assets if they do not satisfy the new recognition criteria. In addition, revalued intangible assets that do not have an active market will also need to be derecognised.
- The adoption of AASB 1023 on General Insurance Contracts will require outstanding claims liabilities to include a risk margin in addition to the central estimate of the present value of the expected future payments. In addition, the outstanding claims liability shall be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.
- Investments, classified as financial assets held for trading, need to be valued at fair value in accordance with AASB 139 on Financial Instruments: Recognition and Measurement. This should, however, have no financial impact on Investments, which are currently valued at net market value. The fair value of investments is measured at net market value based on QIC advice.

The dollar values of the above changes cannot be reliably estimated at the date of this report.

Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 1 (Continued)

Policy decisions made at a Whole-of-Government level in relation to the limiting of options in the Australian Equivalent to IFRSs may have additional impacts on financial reports prepared using these Standards.

(p) Rounding and Comparatives

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

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

| | 2004 | 2003 |
|---|----------------------|----------------------|
| | \$'000 | \$'000 |
| NOTE 2 Claims | | |
| 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. | | |
| Decrease in provision for outstanding claims | (70,986) | (72,717) |
| Claims and associated settlement costs | 106,612 | 123,426 |
| Total | <u>35,626</u> | <u>50,709</u> |
| Claims attributable to FAI | | |
| The following amounts attributable to FAI are included in the claims figures listed above. | | |
| Decrease in provision for outstanding claims | (73,455) | (74,752) |
| Claims and associated settlement costs | 83,721 | 103,369 |
| Total | <u>10,266</u> | <u>28,617</u> |

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004**NOTE 3 Net Claims Incurred**

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

Claims attributable to Nominal Defendant

| | 2004 | | | 2003 | | |
|--|------------------------|-----------------------|-----------------|------------------------|-----------------------|-----------------|
| | Current Year \$'000 | Prior Years \$'000 | Total \$'000 | Current Year \$'000 | Prior Years \$'000 | Total \$'000 |
| Gross claims incurred and related expenses | | | | | | |
| - undiscounted | 41,445 | (15,279) | 26,166 | 31,250 | (10,897) | 20,353 |
| Reinsurance and other recoveries | | | | | | |
| - undiscounted | (708) | 2,463 | 1,755 | (533) | (1,314) | (1,847) |
| Net claims incurred | | | | | | |
| - undiscounted | 40,737 | (12,816) | 27,921 | 30,717 | (12,211) | 18,506 |
| Discount and discount movement | | | | | | |
| - gross claims incurred | (8,816) | 5,852 | (2,964) | (6,570) | 7,577 | 1,007 |
| Discount and discount movement | | | | | | |
| - reinsurance and other recoveries | 151 | (522) | (371) | 405 | 820 | 1,225 |
| Net discount movement | (8,665) | 5,330 | (3,335) | (6,165) | 8,397 | 2,232 |
| Net Claims Incurred | | | | | | |
| - discounted | 32,072 | (7,486) | 24,586 | 24,552 | (3,814) | 20,738 |

Claims attributable to FAI

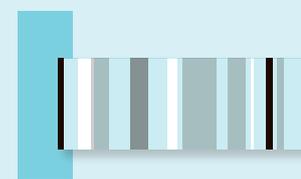
| | 2004 | | | 2003 | | |
|--|------------------------|-----------------------|-----------------|------------------------|-----------------------|-----------------|
| | Current Year \$'000 | Prior Years \$'000 | Total \$'000 | Current Year \$'000 | Prior Years \$'000 | Total \$'000 |
| Gross claims incurred and related expenses | | | | | | |
| - undiscounted | - | (597) | (597) | - | 9,921 | 9,921 |
| Reinsurance and other recoveries | | | | | | |
| - undiscounted | - | (10,589) | (10,589) | - | (8,032) | (8,032) |
| Net claims incurred | | | | | | |
| - undiscounted | - | (11,186) | (11,186) | - | 1,889 | 1,889 |
| Discount and discount movement | | | | | | |
| - gross claims incurred | - | 7,422 | 7,422 | - | 13,922 | 13,922 |
| Discount and discount movement | | | | | | |
| - reinsurance and other recoveries | - | (528) | (528) | - | (1,432) | (1,432) |
| Net discount movement | - | 6,894 | 6,894 | - | 12,490 | 12,490 |
| Net Claims Incurred | | | | | | |
| - discounted | - | (4,292) | (4,292) | - | 14,379 | 14,379 |

Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | NOTE | 2004 \$'000 | 2003 \$'000 |
|--|------|----------------------|----------------------|
| NOTE 3 | | | |
| Net Claims Incurred (Continued) | | | |
| Net Claims Incurred | | | |
| Net Claims Incurred – discounted | | 24,586 | 20,738 |
| Claims Recoveries | | 774 | 1,354 |
| | | <u>25,360</u> | <u>22,092</u> |
| Add: Claims attributable to FAI | | (4,292) | 14,380 |
| Claims Recoveries - FAI | | 14,558 | 14,237 |
| | 2 | <u>10,266</u> | <u>28,617</u> |
| Total Claims | 2 | <u>35,626</u> | <u>50,709</u> |
| NOTE 4 | | | |
| Other Ordinary Expenses | | | |
| Salaries and wages | | | |
| Salaries and wages | | 622 | 579 |
| Superannuation | | 89 | 77 |
| Long service leave expense | | 3 | 9 |
| Recreation leave expense | | 68 | 59 |
| Other related expenses | | 54 | 44 |
| Depreciation- Property, Plant and Equipment | | 25 | 21 |
| Amortisation - Computer software | | 2 | 2 |
| Rent | | 76 | 54 |
| Consultancy Expenditure | | 107 | 130 |
| Reinsurance | | 1,115 | 1,036 |
| Administration Fees | | 120 | 120 |
| FAI Management Costs | | 1,012 | 2,346 |
| Loss/ (Profit) on disposal of Property, Plant and Equipment | | 61 | (24) |
| Other | | 534 | 593 |
| Total | | <u>3,888</u> | <u>5,046</u> |
| Other Ordinary Expenses attributable to FAI are included in the figure above: | | | |
| Salaries and wages | | | |
| Salaries and wages | | 70 | 62 |
| Superannuation | | 10 | 8 |
| Long service leave expense | | 1 | 1 |
| Recreation leave expense | | 6 | 7 |
| Other related expenses | | 4 | 4 |
| Depreciation | | | |
| Plant and equipment | | 4 | 4 |
| Consultancy Expenditure | | 19 | 35 |
| FAI Management Costs | | 1,012 | 2,346 |
| Other | | 57 | 59 |
| Total | | <u>1,183</u> | <u>2,526</u> |



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | 2004 | 2003 |
|---|-----------------------|-----------------------|
| | \$'000 | \$'000 |
| NOTE 5 | | |
| Investment Income | | |
| Distributions received from Queensland Investment Corporation | 26,744 | (3,104) |
| Interest received from funds held by Queensland Treasury | 117 | 110 |
| Total | <u>26,861</u> | <u>(2,994)</u> |
| NOTE 6 | | |
| Receivables | | |
| Accrued investment income | 38 | 1,377 |
| Queensland Treasury Indemnity Receipts | 16,098 | 15,889 |
| Claims Recoveries & Reinsurance Receivable | 13,027 | 26,464 |
| Other | 81 | 35 |
| Total | <u>29,244</u> | <u>43,765</u> |
| NOTE 7 | | |
| Investment Securities | | |
| Current | | |
| Queensland Investment Corporation | 37,116 | 27,545 |
| Non-Current | | |
| Queensland Investment Corporation | 150,236 | 121,638 |
| Total | <u>187,352</u> | <u>149,183</u> |
| NOTE 8 | | |
| Property, Plant and Equipment | | |
| Property | | |
| Leasehold Improvements – at cost | - | 89 |
| Accumulated depreciation | - | (19) |
| | - | 70 |
| Plant and Equipment | | |
| Plant, Equipment and Fittings – at cost | 114 | 107 |
| Accumulated depreciation | (88) | (71) |
| | 26 | 36 |
| Total | <u>26</u> | <u>106</u> |

Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 8 Property, Plant and Equipment (Continued)

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

| | Leasehold Improvements \$'000 | Plant & Equipment \$'000 | TOTAL \$'000 |
|---|-------------------------------------|--------------------------------|-----------------|
| Carrying amount at beginning of the financial year | 70 | 36 | 106 |
| Additions | - | 19 | 19 |
| Disposals | (62) | (12) | (74) |
| Depreciation Charged | (8) | (17) | (25) |
| Carrying amount at the end of the financial year | - | 26 | 26 |

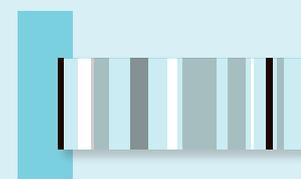
| 2004 | 2003 |
|--------|--------|
| \$'000 | \$'000 |

NOTE 9 Intangibles

| | | |
|--|-------------------|-----------------|
| Computer Software – at cost | 174 | 174 |
| Accumulated amortisation | (171) | (169) |
| | <u>3</u> | <u>5</u> |
| Internal Software under development: at cost | 170 | - |
| Total | <u>173</u> | <u>5</u> |

NOTE 10 Payables

| | | |
|--|-------------------|---------------------|
| Sundry creditors and accruals | <u>600</u> | <u>1,619</u> |
| The following amounts attributable to FAI are included in the payables figures listed above: | | |
| Sundry creditors and accruals | <u>285</u> | <u>1,222</u> |
| | 2004 | 2003 |



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

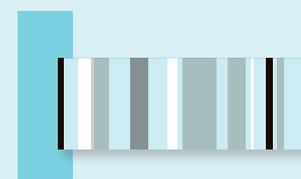
| | \$'000 | \$'000 |
|---|-----------------------|-----------------------|
| NOTE 11 Provision for Employee Entitlements | | |
| Employee Entitlements | <u>69</u> | <u>50</u> |
| The following amounts attributable to FAI are included in the provision figures listed above: | | |
| Employee Entitlements | <u>11</u> | <u>6</u> |
| NOTE 12 Provision for Outstanding Claims | | |
| The total provision is as follows: | | |
| Current | 78,811 | 96,365 |
| Non-Current | <u>195,397</u> | <u>248,829</u> |
| Total | <u>274,208</u> | <u>345,194</u> |
| Outstanding Claims attributable to Nominal Defendant | | |
| Expected future claims payments (undiscounted) | 160,497 | 154,694 |
| Discount to present value | <u>(28,938)</u> | <u>(25,603)</u> |
| Liability for outstanding claims | <u>131,559</u> | <u>129,091</u> |
| (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.29 years (2003 – 3.35 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% | 7.0% |
| Discount rate | 5.75% | 5.2% |
| Later than one year | | |
| Inflation rate | 7.0% | 7.0% |
| Discount rate | 5.75% | 5.2% |
| Outstanding Claims attributable to FAI | | |
| Expected future claims payments (undiscounted) | 160,440 | 239,731 |
| Discount to present value | <u>(17,791)</u> | <u>(23,628)</u> |
| Liability for outstanding claims | <u>142,649</u> | <u>216,103</u> |
| | 2004 | 2003 |

Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | NOTE | \$'000 | \$'000 |
|----------------|---|----------------|----------------|
| NOTE 12 | Provision for Outstanding Claims (Continued) | | |
| (i) | The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.27 years (2003 – 2.21 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% | 7.0% |
| | Discount rate | 5.6% | 5.0% |
| | Later than one year | | |
| | Inflation rate | 7.0% | 7.0% |
| | Discount rate | 5.6% | 5.0% |
| NOTE 13 | Contributed Equity | | |
| | Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994. | 1(a) | |
| | | 121 | 121 |
| | Return of contributed equity – MAIC | (i) | |
| | | 57,818 | 57,818 |
| | Non appropriated equity injection | (ii) | |
| | | 172,942 | 128,365 |
| | Total equity at the reporting date | 230,881 | 186,304 |
| (i) | <i>Return of contributed equity - MAIC</i> | | |
| | Under section 33(4) and 33(5) of the <i>Motor Accident Insurance Act 1994</i> , the amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund (MAIC) to the Nominal Defendant Fund on 22 January 2002 to be applied to the outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited. | | |
| (ii) | <i>Non Appropriated Equity Injection</i> | | |
| | Balance at the beginning of the financial year | 128,365 | 87,071 |
| | Queensland Treasury Indemnity Receipts | 44,577 | 41,294 |
| | Balance at the reporting date | 172,942 | 128,365 |
| | Funding provided by the State Government in accordance with indemnity for shortfalls relating to liabilities of FAI General Insurance Company Limited. | | |
| | | 2004 | 2003 |



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | \$'000 | \$'000 |
|--|-------------------------|-------------------------|
| NOTE 14 | | |
| Accumulated Losses | | |
| Accumulated Losses at the beginning of the financial year | (361,707) | (361,718) |
| Profit/(Loss) from ordinary activities | 50,229 | (23) |
| Other | (7) | 34 |
| Accumulated Losses at the reporting date | <u>(311,485)</u> | <u>(361,707)</u> |
| | | |
| NOTE 15 | | |
| Auditor's Remuneration | | |
| Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services | <u>22</u> | <u>20</u> |
| | | |
| NOTE 16 | | |
| Commitments for Expenditure | | |
| Operating Lease Rental Commitments | | |
| Future operating lease rentals not provided for in the financial statements are payable as follows: | | |
| Due not later than one year | 114 | 57 |
| Due later than one year but not later than five years | 461 | - |
| Total | <u>575</u> | <u>57</u> |
| | | |
| Maintenance Contract Commitments | | |
| Total expenditure contracted for at balance date but not provided for in the financial statements: | | |
| Due not later than one year | 19 | 83 |
| Due later than one year but not later than five years | - | - |
| Total | <u>19</u> | <u>83</u> |
| | 2004 | 2003 |

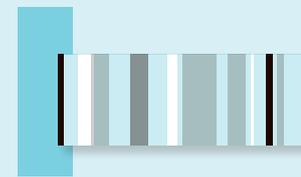
Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| | NOTE | \$'000 | \$'000 |
|--|------|----------------|-----------------|
| NOTE 17 | | | |
| Statement of Cash Flows | | | |
| (i) Reconciliation of cash | | | |
| For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | | |
| Cash | | 1,562 | 1,612 |
| Investments | 7 | 187,352 | 149,183 |
| Total | | 188,914 | 150,795 |
| (ii) Reconciliation of operating profit/(loss) with net cash used in operating activities | | | |
| Operating profit/(loss) | | 50,229 | (23) |
| Add/(Less) non cash items: | | | |
| Depreciation and amortisation | | 27 | 23 |
| Loss/(Profit) on disposal of Property, Plant and Equipment | | 61 | (24) |
| Other | | (7) | 34 |
| Changes in assets and liabilities: | | | |
| (Increase)/Decrease in prepayments | | (4) | 1 |
| Decrease/(Increase) in receivables | | 14,730 | (14,056) |
| (Decrease)/Increase in creditors | | (1,019) | 798 |
| Increase/(Decrease) in unearned levies | | 877 | 3,325 |
| (Decrease)/Increase in provisions | | (70,967) | (72,706) |
| Net cash used in operating activities | | (6,073) | (82,628) |

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



Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

NOTE 18 Financial Instruments

(a) Terms, Conditions and Accounting Policies

| Financial Instrument | Related Financial Statement Notes | Accounting Policies | Terms and Conditions |
|---|-----------------------------------|--|---|
| <u>Financial Assets</u> Cash on hand | 17 (i) | Recorded at book value, which approximates fair value. | |
| Receivables Claims recoveries and reinsurance receivable | 6 | Recognition – at their assessed value Measurement – based on actuarial assessment. | No interest is charged and no security is obtained. |
| Investments | 7 | Recognition – on the day funds are invested. Measurement – at net market value. | Can be drawn upon as when required. |
| <u>Financial Liabilities</u> Payables | 10 | Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/ contract costs. | Amounts are usually settled within 30 days upon receipt of invoice. |

The Fund invests with the Queensland Investment Corporation (QIC). The QIC 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 satisfies liabilities for motor vehicle accident claims. The Fund's return on the investments will fluctuate in accordance with movements in the market interest rates.

NOTE 18 Financial Instruments (Continued)

Financial information 2003-04

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2004

| 2004 | Notes | Floating interest rate \$'000 | Fixed interest rate 1 year or less \$'000 | over 1 to 5 years \$'000 | maturing in more than 5 years \$'000 | Non interest bearing \$'000 | Total \$'000 |
|------------------------------|-------|----------------------------------|---|-----------------------------|---|--------------------------------|-----------------|
| Financial assets | | | | | | | |
| Cash | | 1,562 | - | - | - | - | 1,562 |
| Receivables | 6 | - | - | - | - | 29,244 | 29,244 |
| Investments | 7 | - | - | - | - | 187,352 | 187,352 |
| | | 1,562 | - | - | - | 216,596* | 218,158 |
| Financial Liabilities | | | | | | | |
| Payables | 10 | - | - | - | - | 600 | 600 |
| Net Financial Assets | | 1,562 | - | - | - | 215,996 | 217,558 |

Weighted average interest rate 4.2%

| 2003 | Notes | Floating interest rate \$'000 | Fixed interest rate 1 year or less \$'000 | over 1 to 5 years \$'000 | maturing in more than 5 years \$'000 | Non interest bearing \$'000 | Total \$'000 |
|------------------------------|-------|----------------------------------|---|-----------------------------|---|--------------------------------|-----------------|
| Financial assets | | | | | | | |
| Cash | | 1,612 | - | - | - | - | 1,612 |
| Receivables | 6 | - | - | - | - | 43,765 | 43,765 |
| Investments | 7 | - | - | - | - | 149,183 | 149,183 |
| | | 1,612 | - | - | - | 192,948* | 194,560 |
| Financial Liabilities | | | | | | | |
| Payables | 10 | - | - | - | - | 1,619 | 1,619 |
| Net Financial Assets | | 1,612 | - | - | - | 191,329 | 192,941 |

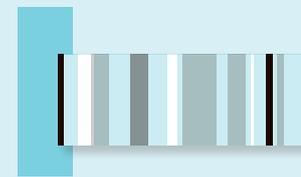
Weighted average interest rate 3.9%

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

(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 of financial institutions, does not expect any counterparties to fail to meet their obligations.

NOTE 18 Financial Instruments (Continued)



Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2004

(d) Net Fair Values

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

NOTE 19 Segment Information

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

NOTE 20 Contingencies

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

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, funding is provided by the State Government for shortfalls relating to liabilities of FAI. Refer Note 13(ii).

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

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

Under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994*, should circumstances give rise to a recovery from the liquidation of FAI, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding \$57,818,000 to the Motor Accident Insurance Fund. Refer Note 13(i).

(c) Rights of recovery and payment of claims costs of FAI prior to its insolvency on 15 March 2001

An application to the Court has been made by the Nominal Defendant for declarations as to the proper construction of the provisions of section 33(2), 38(4), 58 and 59 of the *Motor Accident Insurance Act 1994* in so far as they relate to the winding up of FAI.

The purpose of the application is to determine the respective rights of the Nominal Defendant and the Liquidators of FAI in relation to:-

(i) *Recovery of shared claim costs from other contributing Compulsory Third Party (“CTP”) insurers in the Queensland Scheme in circumstances where FAI was the claim manager and made payment of claims prior to its insolvency on 15 March 2001.*

In this regard, recoveries of \$6,735,000 were received by the Nominal Defendant during the financial year and pending the outcome of the Court application, it is possible the Liquidator may be entitled to these recoveries.

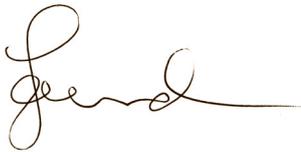
(ii) *The entitlement of other CTP insurers in the Queensland Scheme who acted as claim managers prior to 15 March 2001 and made payment on claims in circumstances where FAI was to be the contributing insurer and the Nominal Defendant subsequently made payments on its behalf.*

In this regard, should the Nominal Defendant receive the right to recover amounts paid to other CTP insurers, it is anticipated that any amounts receivable would be determined by an independent third party following the outcome of the Court application.

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 2004 and of the financial position as at 30 June 2004.



L Anderson
Nominal Defendant



G Bott
Manager Systems and Finance

Dated: 7 September 2004

INDEPENDENT AUDIT REPORT

To the Nominal Defendant

Scope

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of Nominal Defendant for the financial year ended 30 June 2004 included on Nominal Defendant's web site. The Nominal Defendant is responsible for the integrity of the Nominal Defendant's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from Nominal Defendant, to confirm the information included in the audited financial statements presented on this web site.

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

The financial statements

The financial statements of Nominal Defendant consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and the officer responsible for the financial administration of Nominal Defendant, for the year ended 30 June 2004.

The Nominal Defendant's responsibility

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

Audit approach

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

Audit procedures included -

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

Independence

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

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

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

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

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Nominal Defendant for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

P J Nottingham, FCPA
Audit Manager
(as Delegate of the Auditor-General of Queensland)
Brisbane

Queensland Audit Office

Actuarial Certificate – Nominal Defendant – Section 31 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2004

Trowbridge Deloitte was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2004 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 2004*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, Section 2J of Division 321 of the *Income Tax Assessment Act 1936* and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2004 is \$132 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, claim handling expenses, and a prudential margin. The prudential margin adopted by the Fund allows for the risk and uncertainty associated with the estimated liability in-line with the requirements under the APRA liability valuation standard.

Reliances and Limitations

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

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



Estelle Pearson



Gae Robinson

Fellows of the Institute of Actuaries of Australia

Actuarial Certificate – Nominal Defendant – Section 33 Claims

Actuarial Certificate on Outstanding Claims Liability as at 30 June 2004

Trowbridge Deloitte was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI Run-Off as at 30 June 2004, and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled "*Queensland Nominal Defendant Fund – Valuation of Outstanding Claims Liabilities for FAI Run-Off as at 30 June 2004*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, Section 2J of Division 321 of the *Income Tax Assessment Act 1936* and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2004 is \$143 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities and claim handling expenses. No prudential margin is included in the estimate.

Reliances and Limitations

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

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

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



Estelle Pearson



Gae Robinson

Fellows of the Institute of Actuaries of Australia

Information Sources



Publications

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

- The Motor Accident Insurance Commission Annual Reports
- Work Training Guidelines for CTP Rehabilitation Providers
- MAIC Guidelines for CTP Rehabilitation Providers
- Review of Queensland Compulsory Third Party Insurance Scheme 1999
- Mitigating State Government Risk in Compulsory Third Party Insurance Papers (February 2002, December 2002)

Website

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

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

Telephone Services and Community Participation

The Commission operates a Helpline which is accessible free of charge to the Queensland public. The Helpline staff assist the public in understanding the operations of the CTP scheme, the claim process, and record complaints and suggestions on how the scheme could be improved. The helpline number is 1300 302 568.

A dedicated CTP Premium Rate Information Line (1300 735 404) has been established during the reporting period to assist Queensland motorists in finding the premium rates offered by different insurers.

The Commission is involved in regular discussions with motoring organisations, licensed CTP insurers, the legal profession, and the medical and allied health professions to ensure the Scheme operates effectively and is modified when necessary.

Freedom of Information

Requests under the *Freedom of Information Act 1992* are handled by the Insurance Commissioner for documents held by the Motor Accident Insurance Commission and by the Nominal Defendant for documents held by the Nominal Defendant.

How do I make an application?

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

The application must:

- be in writing;
- state an address to which a notification of the decision may be sent; and
- be accompanied by a \$34.40 application fee, if the information relates to non-personal affairs. There is no application fee to look at documents about your personal affairs.

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

Post applications to:

Motor Accident Insurance Commission
GPO Box 1083
Brisbane QLD 4001

Are there any charges for processing the application?

Processing of non-personal documents is charged at the rate of \$5.10 for each 15 minutes or part thereof. There may be further charges for you to inspect documents. Photocopies of documents regarding a non-personal application are available at 20 cents per photocopied page.

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

Compulsory Third Party Insurers

Currently Licensed CTP Insurers (as at 30 June 2004)

Allianz Australia Insurance Limited

GPO Box 1028
Brisbane Qld 4001
Ph 13 10 00
ABN 15 000 122 850

Australian Associated Motor Insurers Limited

GPO Box 1155
Brisbane Qld 4001
Ph 13 22 44
ABN 92 004 791 744

Insurance Australia Limited

(trading as NRMA Insurance)

GPO Box 5730
Brisbane Qld 4001
Ph 13 21 32
ABN 11 000 016 722

QBE Insurance (Australia) Limited

GPO Box 1072
Brisbane Qld 4001
Ph 07 3031 8444
ABN 78 003 191 035

RACQ Insurance Limited

(trading as RACQ Insurance)

PO Box 3004
Logan City Qld 4114
Ph 13 19 05
ABN 50 009 704 152

Suncorp Metway Insurance Limited

GPO Box 1453
Brisbane Qld 4001
Ph 13 11 60
ABN 83 075 695 966

Previously Licensed CTP Insurers (as at 30 June 2004)

CIC Insurance Limited

ACN 004 078 880
Licence withdrawn 22/01/1996;
Insurer became insolvent on 15/3/2001.

GIO General Limited

ACN 002 861 583
Licence withdrawn 30/06/1996

Mercantile Mutual Insurance (Australia) Ltd

ACN 000 456 799
Licence withdrawn 01/11/1996

Commercial Union Assurance of Australia Ltd

ACN 004 478 371
Licence withdrawn 01/03/1997

Zurich Australian Insurance Limited

ACN 000 296 640
Licence withdrawn 15/11/1997

Fortis Insurance Limited

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

FAI General Insurance Company Limited

ABN 15 000 327 855
Licence suspended on 01/01/2001
Insurer became insolvent on 15/03/2001

FAI Allianz Limited

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

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

Grants and Funding

Grants from the Motor Accident Insurance Fund

| | Future Commitment* \$ | 2003/04 \$ | 2002/03 \$ |
|---|-----------------------------|------------------|------------------|
| CONROD (Including the Chair of Rehabilitation Medicine) | 4,056,639 | 1,893,057 | 2,083,724 |
| CARRS-Q | 2,432,000 | 1,136,000 | 976,000 |
| Road Accident Prevention and Road Safety – Rural & Remote Research Project | 798,701 | 164,154 | 0 |
| Royal Children’s Hospital Foundation Statewide Paediatric Rehabilitation Service | 0 | 320,000 | 640,000 |
| Queensland University of Technology Fellowship in Clinical Biomechanics – additional funding | 0 | 0 | 9,063 |
| Emergency Services – Queensland Ambulance Service Queensland Trauma Plan Project <i>(formerly referred to as Analysis and Evaluation of the Qld Trauma System)</i> | 0 | 125,141 | 214,737 |
| Injury Prevention and Control Australia Ltd Member contribution to NHRMC Partnerships in Injury Research | 200,000 | 100,000 | 100,000 |
| Griffith University Centre for Human Services | 120,000 | 60,000 | 120,000# |
| TOTAL | 7,607,340 | 3,798,352 | 4,143,524 |

Includes 2001-02 payment delayed to 2002-03.

* Includes all grant funding from 1 July 2004 onwards.

Ongoing Projects Funded in Previous Years

- Royal Australian College of General Practitioners Research Fellowship
- Royal Australasian College of Physicians Research Fellowship
- Royal Australasian College of Surgeons Research Fellowship
- Queensland University of Technology
 - Clinical Biomechanics Research Fellowship
- University of Southern Queensland
 - Mechatronics and Biomedical Engineering Research Fellowship
- University of Queensland
 - School of Health & Rehabilitation Sciences – Research Unit (*formerly referred to as Speech Therapy/Audiology/Physiotherapy/Occupational Therapy – Research Unit*)
 - Teaching and Community Services Rehabilitation Research Fellowship
- James Cook University
 - Accessible Tertiary Education Program (formerly referred to as Distance Education for the Disabled Project)

Research Centres

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

The current CONROD report relates to calendar year 2003 and is available by contacting the centre on (07) 3365 5560. For further information on CARRS-Q or CONROD research activities, please visit www.carrsq.qut.edu.au and www.uq.edu.au/conrod/.

Committees as at 30 June 2004

Section 11 of the *Motor Accident Insurance Act 1994* enables the Commission to establish advisory committees to advise on the exercise of the Commission's statutory functions. On 19 June 2001, the Treasurer appointed the current Advisory Committee to advise on the implementation of the CTP reforms and setting of premium bands. The Committee is also advising on matters in relation to mitigating State Government risk in CTP insurance.

The structure of the current committee is:

Chairperson: Bernard Rowley

Members: Henry Smerdon, Noel Mason and Shauna Tomkins

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

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

From 1 July 2003 to 30 June 2004, a total of 15 meetings of the Advisory Committee were held, in addition to 2 occasions of special assignments. The total remuneration to the Committee for the year was \$23,334. These payments were made within the framework of the Government's *Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Industrial Relations.

Appendix 7

Contact Details

Motor Accident Insurance Commission

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

| | | |
|--|-------------------|----------------|
| Insurance Commissioner | Lesley Anderson | 07 – 3227 8105 |
| Deputy Insurance Commissioner | John Hand | 07 – 3227 8125 |
| Acting Deputy Insurance Commissioner | Kim Birch | 07 – 3227 8125 |
| Executive Assistant | Julie Vilenica | 07 – 3227 7063 |
| Acting Reception/Administrative Assistant | David Begea | 07 – 3227 8088 |
| Principal Adviser | Les Kilmartin | 07 – 3224 5960 |
| Manager, Policy and Liaison | Neil Tomkins | 07 – 3227 8242 |
| Project Officer | Janette Archibald | 07 – 3224 4834 |
| Project Officer | Phu Pham | 07 – 3247 4752 |
| Acting Senior Policy Officer | Sharon Dryden | 07 – 3247 4751 |
| Manager, Premiums, Systems and Finance | Greg Bott | 07 – 3227 8164 |
| Acting Senior Financial Officer | Pearl Tan | 07 – 3224 5018 |
| Financial Officer | Kellie Phie | 07 – 3224 4835 |
| Senior Analyst | Ursula Hauser | 07 – 3227 7056 |
| Policy Officer | Debbie Davis | 07 – 3224 4562 |
| Assistant Manager, Research and Compliance | Wayne Saville | 07 – 3234 0598 |
| Acting Industry Liaison Officer | Lisa Hopson | 07 – 3224 4849 |
| Acting Research Officer | Katie Gilmour | 07 – 3227 8022 |
| Data Analyst | Beth Sanders | 07 – 3224 4330 |
| Acting Manager, Injury Management & Claims | Cathy Pilecki | 07 – 3227 8162 |
| Policy Advisor | David Vincent | 07 – 3234 5096 |
| Client Services Officer | Mark Cowling | 07 – 3227 8250 |
| Acting Client Services Officer | Rebecca Lai | 07 – 3227 8432 |

Nominal Defendant

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

| | | |
|--------------------------------------|-----------------|----------------|
| Nominal Defendant | Lesley Anderson | 07 – 3227 8105 |
| Manager, Nominal Defendant | Mark Allsopp | 07 – 3227 8213 |
| Assistant Manager, Nominal Defendant | Robin Lee | 07 – 3227 8908 |
| Claim Manager | Laurie Meteyard | 07 – 3227 8354 |
| Claim Manager | Rex Mellifont | 07 – 3227 8387 |
| Claim Manager | John Foster | 07 – 3227 8353 |
| Claim Manager | Ian Evans | 07 – 3227 8359 |
| Acting Claim Manager | Lynne McCall | 07 – 3227 8284 |
| Assistant Claim Manager | Anna Clarke | 07 – 3227 8402 |
| Acting Assistant Claim Manager | Esther Lewis | 07 – 3227 8412 |
| Administration Officer | Sandra Clifton | 07 – 3227 8596 |
| Assistant Manager, FAI Run-Off | Don Sacre | 07 – 3033 0094 |
| Claim Manager | Pippa McWha | 07 – 3033 0097 |
| Claim Manager | Kevin Lee | 07 – 3033 0096 |
| Claim Manager | Michael Walpole | 07 – 3033 0095 |
| Claim Manager | Adrian Ryan | 07 – 3033 0098 |

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



