



**MOTOR
ACCIDENT
INSURANCE
COMMISSION**

ANNUAL

REPORT

1996-1997

Ensuring a balance ...

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Communications Strategy

This annual report has been prepared to provide an overview of the operation of Queensland's Compulsory Third Party insurance scheme and the Commission's approach to creating a balance between the needs of all scheme stakeholders.

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

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

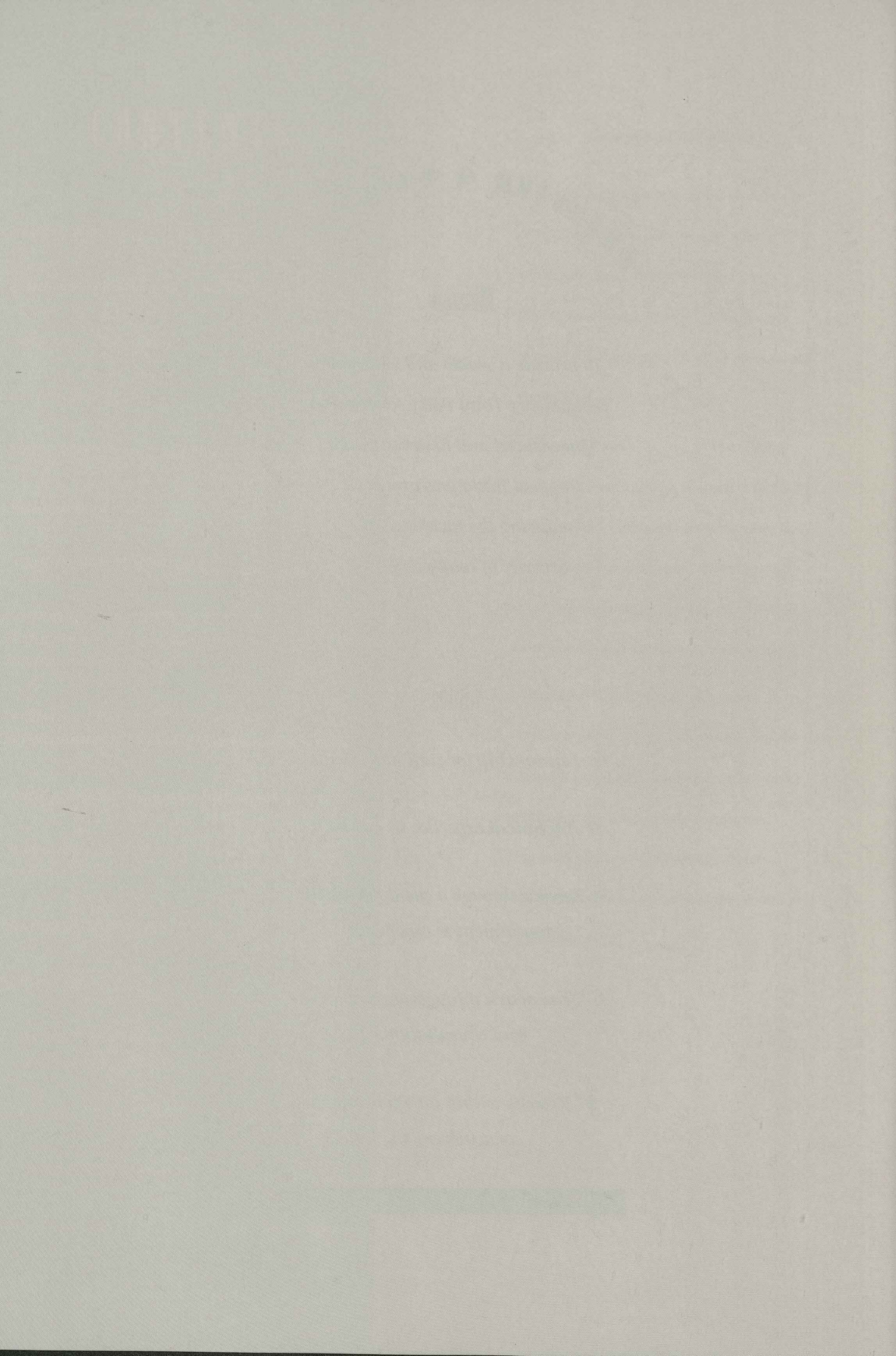
Ensuring a balance...

Mission

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

Values

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



MOTOR ACCIDENT INSURANCE COMMISSION



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

Dear Minister

I am pleased to present the Annual Report on the performance of the Motor Accident Insurance Commission for the financial year ended 30 June 1997. In accordance with Section 19(1) of the Motor Accident Insurance Act 1994, the report includes detail on the operation of the statutory insurance scheme established by the Act and the financial statements of the Commission.

The Commission has achieved a great deal this year, consolidating its work of the past two years and establishing a foundation on which to build in the years ahead. On latest information, premiums within the scheme, which were subject to a sharp rise effective at the start of the reporting period, appear to have settled down at the new higher level. Ongoing assessment of claims experience, and hence future premiums, has been enhanced by the commencement of quarterly actuarial reviews of trends in claim frequency and claim payments.

Among other achievements was the signing of the international bipartite Agreement on REHADAT (a rehabilitation database) between the Queensland and German governments, and the establishment of the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) and the Centre for Accident Research and Road Safety - Queensland (CARRS-Q). These initiatives are integral to the Commission's ongoing commitment to research focusing on accident prevention, injury treatment and rehabilitation.

In this third year of operation of the Commission, I believe the foundations established enable the Commission to ensure a balance between the needs of stakeholders in providing a viable and equitable Compulsory Third Party scheme for the benefit of all Queenslanders.

Yours faithfully

Lesley Anderson
Insurance Commissioner.



- ❖ Further improvements in early lodgement of claims, early admission of liability by insurers and provision of rehabilitation services where appropriate.
- ❖ New premium rates from 1 July 1997 reduce the premium for most vehicle classes by 2.3 percent and retain a fully funded premium within the scheme.
- ❖ Improved processes to monitor trends in claims experience, including the introduction of an "intimated claims" database and commencement of quarterly actuarial reviews.



The signing of the international bipartite agreement on REHADAT (a comprehensive rehabilitation database) offers access to rehabilitation information on case management across a broad range of injuries. German Parliamentary State Secretary Horst Günther (left), Treasurer Joan Sheldon and CONROD Chairperson Graham Hughes seal the rehabilitation partnership.

- ❖ Passage of the Motor Accident Insurance Legislation Amendment Act 1996 amending definitions within the Act and expanding the role of Transport Inspectors in the detection of breaches under the Act.
- ❖ Management of the voluntary withdrawal of two licensed insurers from the scheme. There are now seven licensed insurers.
- ❖ Signing of an international bipartite agreement on Rehadat (a rehabilitation database) between the German and Queensland governments.
- ❖ Establishment of the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) and the Centre for Accident Research and Road Safety - Queensland (CARRS-Q).
- ❖ Presentation of Convocation 97, a conference presenting papers from the recipients of Commission research and project grants.
- ❖ Approval of significant grants to provide statewide acquired brain injury and spinal injury outreach services, as well as a spinal injury transitional rehabilitation service.
- ❖ Nominal Defendant's highly experienced and effective staff of CTP claim managers put in place ongoing improvements to systems and procedures.
- ❖ Analysis of the outstanding claims liabilities of the Nominal Defendant Fund by consulting actuaries confirmed the fully funded status of the Fund.

Commissioner's Report

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In its third year of operation, the Commission moved to consolidate its position in regulating and monitoring Queensland's Compulsory Third Party (CTP) scheme, and in making a contribution to accident prevention, treatment and rehabilitation research.

The challenge in regulating the CTP scheme is to ensure a balance between the diverse and often conflicting needs of stakeholders. The Commission's overall aim is to provide a stable scheme where injured persons receive adequate compensation for their injuries at an overall price which is reasonable for the premium-paying motorist, whilst also providing an appropriate return on capital to the underwriters. For this to be achieved, a legislative framework which establishes the balance between stakeholders must be maintained and there need to be workable interactions between claimants, treating practitioners, insurers and the legal profession in relation to physical recovery from the injury and financial recovery by way of settling the claim.

Premium rates

At the start of the year, premium increases of 39% became effective and the Commission handled numerous enquiries on this issue during the year. The increase had become necessary following identified marked changes in claims experience, particularly relating to claim frequency. Significantly, the premium increase was the first in six years and represented the first time the premium for class 1 vehicles (sedans and station wagons) had exceeded the premium rate applying in 1985.

On the basis of the most recent premium review, conducted in February 1997, the scheme premium has appeared to settle down at the new higher level. Premium



Lesley Anderson, Insurance Commissioner

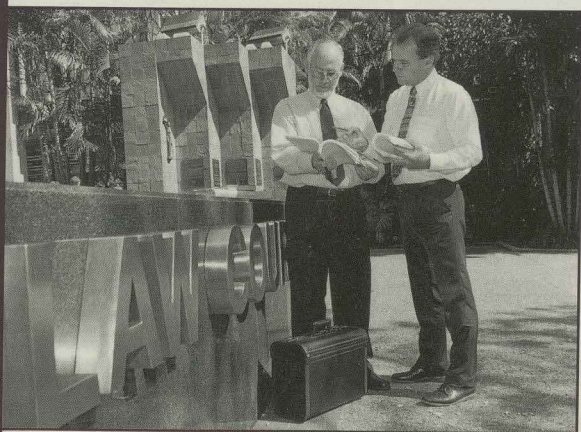
rates effective from 1 July 1997 fell by 2.3% for most vehicle classes, reducing the class 1 (sedans and station wagons) premium by \$5.50 to \$230.00 while retaining a fully funded premium. Premiums for taxis rose by 8.5 percent and class 10 buses by 3 percent. These rises reflect the deteriorating claims experience for both these vehicle classes. Initial consultations have been held with representatives of both policyholder groups to plan and develop risk management strategies aimed at containing the adverse claims trend.

Assessment and understanding of premium components have been further enhanced during the year by the introduction of improved processes to monitor trends in claims experience. These processes include the introduction of an "intimated claims" database which will provide earlier indications of claim frequency and the commencement of a

quarterly actuarial review of the scheme (conducted by Coopers & Lybrand Actuarial and Superannuation Services) which will result in improved monitoring of trends in claim experience relative to the broad assumptions of the premium rate review.

Legislative Amendments

Amendments to the legislation made in November 1996 introduced additional penalties in respect of the use of uninsured motor vehicles, extended the powers of Queensland Transport inspectors in the detection and prosecution of breaches of the Act, extended the Nominal Defendant scheme to provide greater protection for people injured in motor vehicle accidents at certain places outside the definition of a "road", and changed the hospital and ambulance levy to generally encompass the cost of emergency services associated with motor vehicle accidents.



Nominal Defendant claims managers Mike Hogan and Don Sacre (right) exchange information prior to a settlement mediation. Most claims are settled without recourse to the courts.

Licensed insurers

In the reporting period a further two licensed insurers voluntarily withdrew as underwriters of the scheme, bringing to four the number of voluntary withdrawals since the introduction of the new Act on 1 September 1994. Of the seven current licensed insurers, three hold a market share in excess of 5 percent based on premium income. Another two licensed insurers are increasing market share and are nearing the level of market penetration required for continuation of a licence under S14.(3) of the regulation. Section 14 requires a licensee to hold a premium-based market share of at least 5 percent at the end of the financial year of the fifth anniversary of the granting of the licence. For all current insurers the fifth anniversary falls on 30 June 2000.

Nominal Defendant

Nominal Defendant staff continued to make improvements to the way claims are managed, including establishment of a precedents database. During the year 1,791 claims were received in relation to vehicles that were thought to be either unidentified or uninsured motor vehicles, compared to 1,931 claims received in 1995/96. In total, 1,126 claims relating to the former and current Acts were active at 30 June 1997.

Consulting actuaries Tillinghast - Towers Perrin analysed the outstanding claims liabilities as at 30 June 1997 and confirmed the fully funded status of the Fund. The Nominal Defendant levy was established as 3 percent of gross premium receipts at the start of the new Act in 1994. With the maturing of experience of the scheme, it is intended that the levy will be reviewed in association with the next premium review.

Research Initiatives

The Commission has a legislated role to promote measures directed at eliminating or reducing causes of motor vehicle accidents and mitigating their results. During the reporting period, two research centres were established creating a unique and focused approach to management of initiatives in the Australian context. Outcomes from this approach should contribute significantly to reductions in the incidence and severity of motor accidents and improvements in the treatment and rehabilitation of the injured. The benefits of these initiatives ultimately impact on the level of premium and the availability of appropriate compensation within the scheme. More details on this approach are provided in the feature article on pages 20-23 and the grants (Appendix 2).

Establishment of Centres of Research

The most visible of the achievements of the year is the establishment of the Centre for Accident Research and Road Safety - Queensland (CARRS-Q) in November 1996 and the Centre of National Research on Disability and Rehabilitation Medicine (CONROD) in May 1997. These centres are integral to the Commission's ongoing commitment to research focusing on reductions in the incidence and severity of road accidents, injury treatment and rehabilitation. The centres are cooperative partnerships with the Motor Accident Insurance Commission and are designed to stimulate study, initiate research and projects, coordinate Commission-funded research, provide education and assist in the promotion of accident prevention, injury treatment and rehabilitation. CARRS-Q is based at the Queensland University of Technology and CONROD is a partnership with the University of Queensland Department of Medicine and the Queensland Institute of Medical Research.



Dr Barry McGrath working with students from high schools in Logan City. He is researching risk-taking behaviour in young males (a CARRS-Q research project).

Rehabilitation database

Coinciding with the establishment of CONROD was the signing of an international bipartite agreement on REHADAT, a rehabilitation database designed and extensively utilised by the German Government.



The REHADAT database provides opportunities for practitioners across a broad spectrum of specialities. With the aid of interpreters, this group exchanges information with German Parliamentary State Secretary Horst Günther (centre).

The database provides information such as case management of the rehabilitation process and covers a broad spectrum of injuries. Arguably, the German approach to rehabilitation medicine is the world benchmark, and the access granted through the Commission recognises Queensland's level of achievement in this area. Canada, at this stage, is the only other non-European signatory nation chosen by Germany to have access to the database. It is intended that through CONROD the Commission will not only draw on the database, but also contribute to the development of this significant rehabilitation tool.

Convocation 97

On 8 May 1997, the Commission presented Convocation 97, a full-day conference at which recipients of Commission research and project grants outlined their various programs. With



Convocation 97 offered an opportunity for project and research grant recipients (photographed) to outline their projects and form cooperative links.

national and international attendance by more than 120 delegates, the Convocation was based on the spirit of collaboration, cooperation and coordination of research. The conference sessions allowed all grant recipients an opportunity to explain their projects, and provided an informal forum for the exchange of views and the development of cooperative links with other Commission-funded programs.

Research and project grants

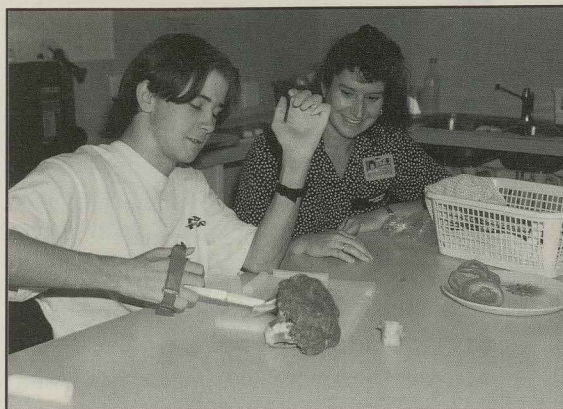
Grants for research and projects totalling \$7,314,228 were approved during the year, plus funding of \$750,000 which was provided by way of loans to the University of Queensland for research. These grants are funded from the earnings of the Motor Accident Insurance Fund supported by some income from the statutory insurance scheme levy and revenue from compliance fines. The projects funded include CONROD and CARRS-Q, physiotherapy, orofacial treatment, statewide acquired brain injury services, statewide spinal injury outreach and transitional rehabilitation services, distance education for the disabled, sociology, robotics, a road crash project and road safety media campaigns. The three most significant projects with ongoing five-year funding are the acquired brain injury (ABI) project and the two spinal injuries projects. Along with the statewide paediatric project commenced last year, these three projects cover the most long-term and costly areas of injury i.e. children, spinal injuries and ABI. The significant investment in 1996/97 aims at the reduction of the incidence and severity of accidents and improvement in the treatment and rehabilitation of those tragically injured in road accidents. Detail of these Commission programs and funding appears in Appendix 2.

Outlook

The year has established a strong foundation on which to build towards the future. Cooperative relationships have been established with stakeholders to facilitate current and future consultation on the operations of the scheme. The establishment of CARRS-Q, CONROD and access to REHADAT provide the cornerstones for the Commission's research initiatives into the future.

Particular priorities for the year ahead will be:

- ❖ quarterly monitoring of scheme trends leading up to the next premium review;
- ❖ amendments to the Act and Regulation to address emerging operational issues in the scheme;
- ❖ continued liaison with insurers to improve the reliability of data on claim frequency, claim payments and injury codes;
- ❖ consultation with insurers, the legal profession and the medical profession to discuss possible changes to claim procedures in order to meet the objects of the legislation in the early resolution of claims and the provision of rehabilitation services;
- ❖ Nominal Defendant recovery activity will be enhanced through the dedication of resources to this important facet of claim cost management;
- ❖ ongoing oversight of research projects and resolution of issues relating to these projects e.g. access to Commission data for research purposes; and
- ❖ assessment and approval of research initiatives with a strong focus on accident prevention.



The Commission, through its funding of research and project grants, assists in providing improved outcomes for accident victims. Two projects funded this year provide practical benefits in transitional rehabilitation to those with spinal cord or acquired brain injuries.

On a personal note, the time since my appointment as Insurance Commissioner in November 1996 has been both challenging and interesting. The staff of the Commission and Nominal Defendant have provided professional and unstinting support to the aims of the organisation. I also appreciate the contribution of the various stakeholders in establishing and maintaining communication links with the Commission.

Lesley Anderson
Insurance Commissioner

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

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

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

Freedom of Information

During the reporting period, the Nominal Defendant processed one application for the release of information under the provisions of the Freedom of Information Act 1992. No applications were received by the Commission.

The Internal Audit Branch of Queensland Treasury provides internal audit services to the Motor Accident Insurance Commission. The audits aim toward improvements to financial and administrative control systems and seek to improve the organisation's management of, and accountability for, the use of resources.

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

The most recent internal audit consisted of an examination of the key controls in place and a follow-up of the recommendations made in the previous full audit in August 1995. In particular, the audit examined the apportionment of costs between the Commission and the Nominal Defendant, the processes for management of the Trust Funds, and management of the Motor Accident Insurance Commission grants.

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

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

Scheme Description

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

The Queensland CTP scheme is currently underwritten by seven licensed private insurers. The licensed insurers accept applications for insurance and manage claims on behalf of their policyholders. Premiums are set by regulation and cannot be varied by the insurer. An efficient system of premium collection through the motor registry of Queensland Transport minimises administration costs within the scheme.

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

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

Objectives

The objects of the Motor Accident Insurance Act 1994 are:

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

Funding

The Motor Accident Insurance Commission is funded by a statutory levy within the CTP premium. The levy for the year 1996/97 was set at 0.625 percent of gross premium resulting in income from the levy of \$3.364M. The Commission also has available the interest earned on investment of the Motor Accident Insurance Fund and revenue from compliance fines. These amounts, combined with a small surplus from the statutory levy, fund the Commission's research initiatives.

The Nominal Defendant operation is funded by a levy on gross CTP premiums, currently set at 3 percent, resulting in income from the levy of \$13.923M during 1996/97.

Key Activities

The primary activities of the Commission cover:

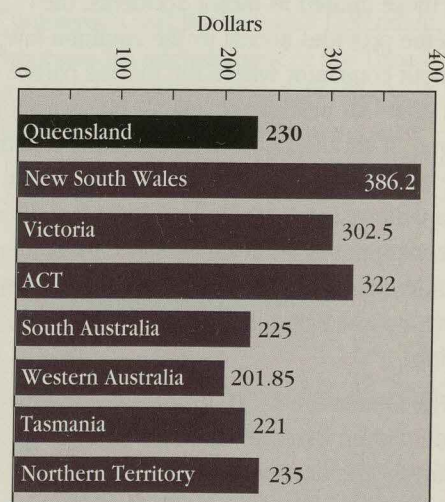
- ❖ licensing and supervising CTP motor vehicle insurers;
- ❖ recommending premium rates and levies to government;
- ❖ promoting research, education, and the provision of rehabilitation services;
- ❖ developing and maintaining a claims register and statistical database for the purpose of providing management information; and
- ❖ administering the Nominal Defendant Fund.

Benefits to the Community

Prior to the 1936 legislation which introduced CTP insurance, the carriage of personal injury motor vehicle liability insurance was voluntary and many of those injured in motor accidents were unable to recover damages because owners and drivers were uninsured and unable to service the debts incurred. This resulted in a significant cost burden to the community in the provision of hospital and emergency services and the ongoing care of those disabled by

motor accident injury. Cover was extended in 1961 for claims emanating from uninsured and unidentified vehicles with the establishment of the Nominal Defendant Fund. Further improvements were made for the benefit of the community in the 1994 legislation, with the facility for ongoing medical and rehabilitation costs to be paid prior to settlement of the claim, and the introduction of claims management initiatives to expedite claims resolution.

The community benefits from the current scheme through the provision of an affordable compulsory insurance covering the driver/owner's liability. From the premium pool created, compensation to victims who can establish fault reduces the reliance on community-funded hospital and emergency services, Medicare, and Social Security payments, particularly where those victims have ongoing disabilities which diminish their ability to earn income.



Premiums as at 31 August 1997 include applicable Stamp Duty.

NSW Premium = estimated average market rate.

Comparison is based on metropolitan rates.

The staffing level of the Commission and Nominal Defendant averaged 20 full time employees over the reporting period. The Commission's resources have been strengthened over the past year with the introduction of two Industry Liaison Officers to monitor and bring about improvements in the claims data lodged by insurers, and two additional officers to prepare policy advice and to handle the increase in general enquiries.

In the year the Commission farewelled Graham Hughes. Graham was the first Insurance Commissioner under the new Act and retired in August 1996. He played a pivotal role in the development of new legislation, establishment of the Commission, and development of the ongoing frameworks for the Commission's research funding initiatives. Since his official retirement, Graham has continued to make a significant contribution to the work of the Commission in relation to the establishment of the research centres and Convocation 97. Graham will retain his involvement with the centres in his role as Chairman of the Board of Management of both CONROD and CARRS-Q.

One of the longest-serving Nominal Defendant claim managers, Barry Sturdy, retired in September 1997. Barry has always been well respected in the industry and we wish him well in his retirement.

Personnel Policies

A goal of the Motor Accident Insurance Commission is to create an effective workplace environment which is safe, equitable, free from discrimination and conducive to the achievement of efficient, effective, high-quality outcomes. The strategies adopted to achieve this goal include reviewing the delegations, authorities, responsibilities and accountability of the unit

and devolving these where appropriate, developing needs-based team arrangements, and streamlining and upgrading recruitment and employment practices.

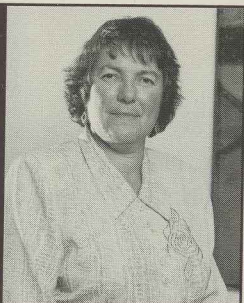
Quality outcomes depend on the expertise and quality of the staff. The Commission therefore fosters a flexible environment in which staff are able to continuously develop their professional skills and further their career development. This is achieved by regularly assessing staff skills and expertise and extending and promoting training and development.

Staff and management of the Motor Accident Insurance Commission are currently engaged in negotiation of an enterprise agreement as part of the core Treasury group. These agency level agreements are being developed and implemented under the requirements of the Workplace Relations Act 1997, with the legislation encouraging cooperation between employers and employees for mutual benefit.



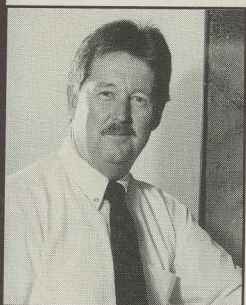
Enterprise bargaining staff representative Rex Mellifont (standing) explains the details of the current round of bargaining to Commission staff (from left) John Foster, Sandra Clifton, Lynne McCall-Marshall and Neil Tomkins.

14 Management



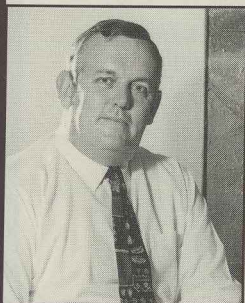
Lesley Anderson, Insurance Commissioner

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



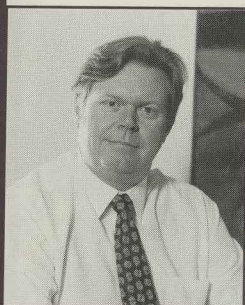
John Hand, Assistant Insurance Commissioner

Commenced with the Commission in July 1993 as the Assistant Insurance Commissioner. Responsibilities included the development of the new legislation and supporting systems. Insurance career of 30 years, predominantly in personal injury, encompassing high, level policy advice to government and management at senior levels.



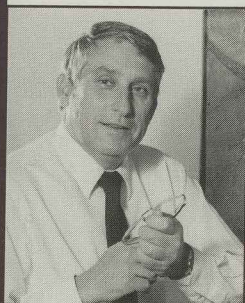
Mike Hancock, Principal Rehabilitation Adviser

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



Greg Bott, Principal Policy Adviser

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

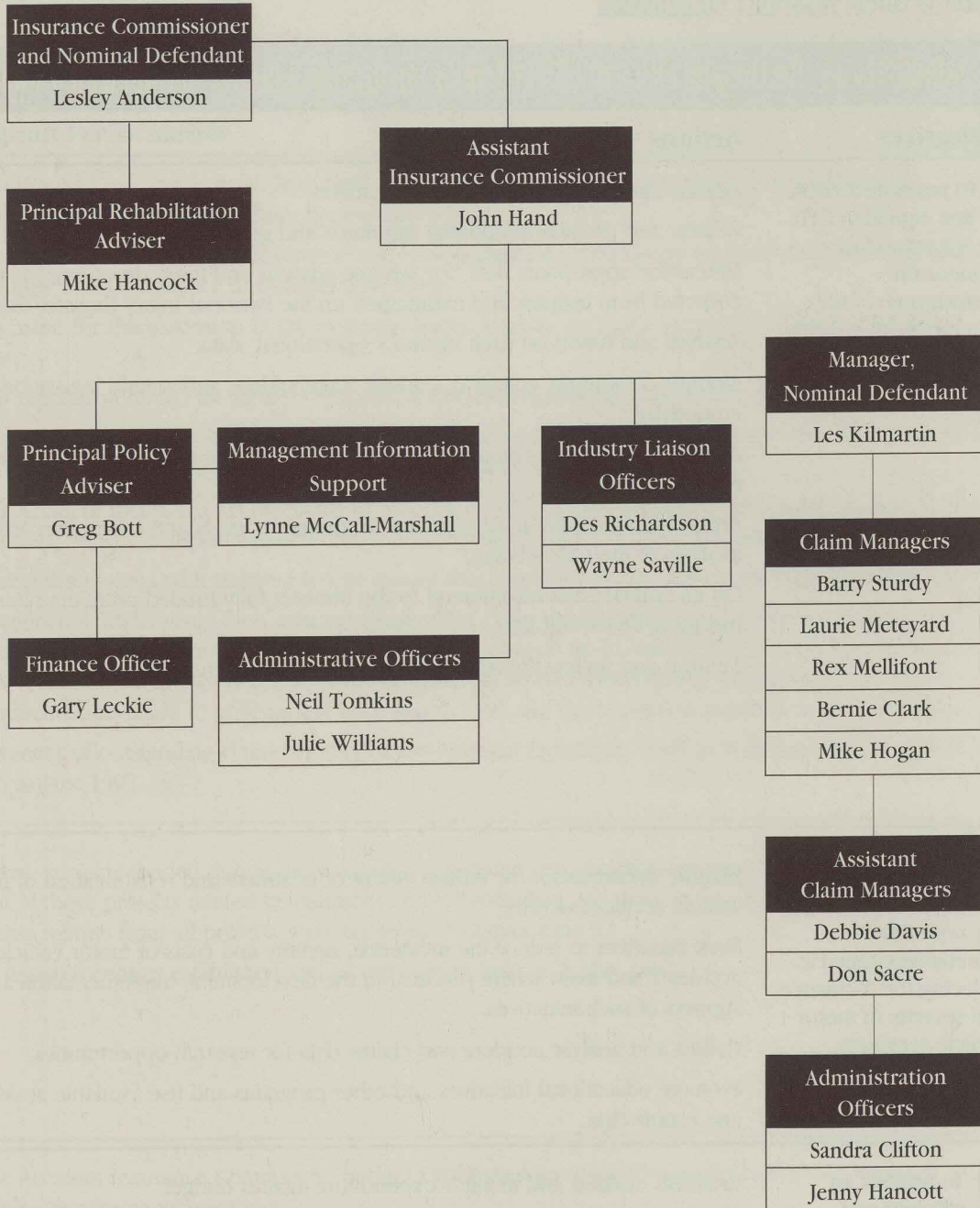


Les Kilmartin, Manager, Nominal Defendant

Appointed as Manager, Nominal Defendant, in 1995 having had 14 years experience with the Nominal Defendant as a Claim Manager and 15 years experience in various facets of general insurance.

Organisation Structure

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Corporate Plan and Program Performance

Motor Accident Insurance Commission

Goal: To administer an effective and efficient CTP system by ensuring adherence to established standards

Objectives

Actions

1 To promote a viable and equitable CTP system and to monitor the performance of the scheme on an ongoing basis.

License and prudentially supervise insurers.

Review and promote prudential standards and guidelines.

Determine appropriate data, for scheme analysis and fraud detection, to be collected from insurers and maintained on the Personal Injury Register database.

Analyse and report on each insurer's operational data.

Monitor community concerns, consult stakeholders, and amend legislation if appropriate.

Analyse claims trends on a monthly basis and arrange a quarterly actuarial review of the data.

Annually invite written submissions on premium levels and arrange an actuarial analysis of the CTP scheme.

On an annual basis recommend to the Minister fully funded premium rates including levies and fees.

Monitor and review the operation of the Nominal Defendant.

2 To promote and financially contribute to initiatives aimed at reducing the incidence and severity of motor vehicle accidents.

Identify initiatives for the enhancement of treatment and rehabilitation of motor vehicle accident victims.

Seek initiatives to reduce the incidence, severity and costs of motor vehicle accidents and assist where practical in the development, implementation and support of such initiatives.

Collect and analyse accident and claims data for research opportunities.

Promote educational initiatives and other programs and use available accident and claims data.

3 To provide an efficient and effective workplace in which contributions of staff are recognised.

Establish budgets and monitor expenditure against budget.

Ensure office systems and procedures are effective.

Maintain a high standard of skilled and experienced staff - record and report achievements.

Identify and develop staff career path opportunities externally and internally through training and/or staff interchange.

Review the operational structure, job design and internal relationships.

Program Performance

Seven licensed insurers as at 30 June 1997. During the year two insurers (Mercantile Mutual and Commercial Union) withdrew from the market.

Ongoing discussions with the Insurance and Superannuation Commission on prudential standards and guidelines, and compliance of insurers with these.

Plans made for the extension of the Personal Injury Registry database to include data on intimated claims.

Match reports produced for insurers to assist in the identification of fraudulent claims.

Market share statistics provided to the insurers and other interested parties on a monthly basis. Claim lodgement and settlement statistics provided on a quarterly basis.

Motor Accident Insurance Act amended in November 1996 to alter definitions within the Act and to expand the role of transport inspectors in the detection of breaches under the Act.

Ongoing discussions with stakeholders to ensure that legislation is on balance meeting their needs.

Arrangements put in place for a quarterly analysis of claim trends relative to the annual premium review actuarial assumptions. First report received for trends up to March 1997. Annual premium review commenced in October 1996 with invitation for written submissions. Commission's recommendation made to government on 6 March 1997 and the regulation gazetted on 18 April 1997.

Assessment of outstanding claims liability of the Nominal Defendant Fund as at 30 June 1997 received on 26 August 1997.

Ten new projects funded during the year, with associated accountability arrangements put in place. Seven of these projects related to treatment and rehabilitation and three to accident prevention. Progress reports from all projects were received at Convocation 97.

Two research centres established and a convocation held on 8 May 1997.

Motor Accident Insurance Commission budget established for 1996/97 and all Queensland Treasury reporting requirements were met.

Ongoing review of resource allocation and organisational structure.

Two industry analyst positions were filled on a permanent basis during the year.

Corporate Plan and Program Performance

Nominal Defendant

Goal: To effectively administer the operation of the Nominal Defendant Fund in Queensland

Objectives	Actions
1 To maintain a fully funded Nominal Defendant Fund.	<p>Analyse claim trends on a monthly basis.</p> <p>Annual actuarial review of outstanding claims liabilities.</p> <p>Annual review to determine appropriate Nominal Defendant levy.</p> <p>Monitor cash flow budgets to ensure commitments are met and to monitor investment income and optimise investment income.</p>
2 To manage claims against the Nominal Defendant.	<p>Undertake investigations on, negotiate and settle claims.</p> <p>Engage and monitor the services of legal practitioners, assessors, investigators and rehabilitation providers.</p> <p>Ongoing review of claim estimates.</p> <p>Keep up to date with court decisions and legal opinions relevant to CTP personal injury claims.</p> <p>Monitor all available information relating to claims, cost-effectiveness of legal and rehabilitation providers, and fraud prevention and detection.</p> <p>Monitor potential fraud within Nominal Defendant claims.</p> <p>Provide complete and accurate data to MAIC Personal Injury Register database.</p>
3 To maximise amounts recoverable to the Nominal Defendant Fund.	<p>To institute recovery action where necessary.</p>
4 To provide appropriate technical advice relevant to policy and legislative changes.	<p>Identify emerging problems, research solutions and make recommendations to MAIC.</p>
5 To provide an efficient and effective work place in which contributions of staff are recognised.	<p>Establish budgets and monitor expenditure against budget.</p> <p>Ensure office systems and procedures are effective.</p> <p>Maintain a high standard of skilled and experienced staff - record and report achievements.</p> <p>Identify and develop staff career path opportunities externally and internally through training and/or staff interchange.</p> <p>Review the operational structure, job design and internal relationships.</p>

Program Performance

Regular reporting to the Insurance Commissioner on trends in claims lodgement and settlements.

Information submitted to the actuaries for annual review of outstanding claim liabilities.

Plans made for the review of the Nominal Defendant levy as part of the next premium review. The levy was set at 3 percent at the commencement of the scheme in September 1994.

Cash and investment position reviewed twice a week. Funds are invested in the balanced QIC Investment Trust.

All legislative time frames related to Nominal Defendant claims were met.

1,764 new Act claims were lodged in 1996/97 of which 498 were allocated to claim managers. Those claims not allocated were either withdrawn or the vehicle found to be insured. 156 new Act claims were finalised as resolved and a further 1,569 were closed for other reasons. 808 new Act claims remain active.

During the year 27 old Act claims were received, 180 old Act claims were finalised and a further 99 closed for other reasons. 318 old Act claims remain active.

A precedent database has been established to assist claim managers in assessing and negotiating claims.

Fraud monitoring resulted in the notification of 6 suspected fraudulent claims to the Insurance Commissioner.

Complete and accurate data was supplied to the MAIC database within the required time frames.

Recovery action was concluded on 132 files during the year and amounts on 116 files were written off. Recovery action is continuing on 167 files.

Ongoing advice provided to the MAIC on technical aspects of the legislation as it relates to the Nominal Defendant function.

In June 1997 Neil Tomkins was appointed to the Assistant Claim Manager position vacated by Des Richardson, who was appointed to the MAIC.

Debbie Davis successfully completed the AII affiliate in January 1997.

Since the commencement of the Motor Accident Insurance Act on 1 September 1994, the Commission has placed increasing emphasis on research initiatives in the areas of both accident prevention, and treatment/rehabilitation. As at June 1997, 18 initiatives had been approved, predominantly in the treatment/rehabilitation area, with the priority now shifting to accident prevention projects.

The culmination of the development of these initiatives occurred this year with the creation of two research centres - the Centre for Accident Research and Road Safety - Queensland (CARRS-Q) and the Centre of National Research on Disability and Rehabilitation Medicine (CONROD).



The healing process may benefit from nutritional support accurately calculated using a metabolic computer. Commission funding helps the RBH Burns Trauma Unit reduce injury severity.

Conceptually each of these centres can be represented as a wheel, with the research centre as the "hub" and the various projects as the "spokes". In addition to external projects already established, the centres will

undertake research projects as part of the core duties of the staff of the centres, and select future external projects for funding as and when funds become available from the Commission or other sources.

The Board of Management of each centre will play an important role in the setting of priorities for research, and the coordination and oversight of existing and future research projects, including encouragement for research collaboration nationally and internationally. To this end, each centre has an associated International Advisory Committee and Research Advisory Committee, with representation from a wide range of areas of expertise.

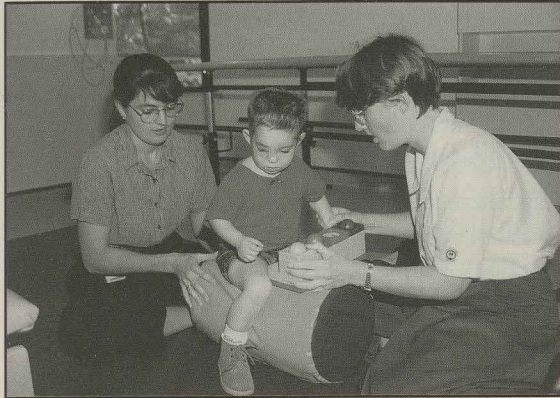
On 8 May 1997, a convocation of researchers was held, where recipients of Commission research and project grants outlined their programs. It is intended that the next convocation will be held in late 1998.

Funding for the Initiatives

The annual investment income earned on the Motor Accident Insurance Fund forms the major part of funding for research initiatives put in place by the Commission. This investment income is supplemented by a small surplus from the statutory levy collected to fund the operational requirements of the Commission, and by revenue earned from compliance fines in relation to offences against the provisions of the *Motor Accident Insurance Act*.

Treatment and Rehabilitation Research

Contemporary rehabilitation practice covers the physical recovery from injury, return home from hospital, return to work, and independence in activities of daily living. It also includes community education about injury/disability, the elimination of prejudices, stigmas, and ignorance about the capacities of people who have injuries/disabilities. To



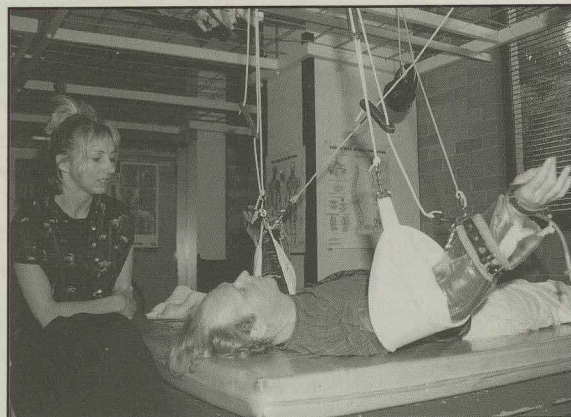
Community-linked programs, including the Commission funded Statewide Paediatric Rehabilitation project at the Royal Children's Hospital, provide tangible benefits to children injured as a result of motor accidents.

further develop the process of service delivery and to increase awareness, research is needed to evaluate the effectiveness of the various components of the rehabilitation program, and to establish features enabling prediction of the responses to those various components. There are considerable gaps in the continuum of care for persons requiring long-term rehabilitation. Particular attention is required to improve the framework for service delivery in areas outside south-east Queensland.

Community-linked rehabilitation programs are acknowledged as a constructive approach to solving the problems associated with disabilities which are often a consequence of injury resulting from a motor vehicle accident trauma. Positive attitudes, social acceptance, and opportunities for income generation and education must be provided if people with disabilities are to have equality and achieve

full participation in society. For these reasons the rehabilitation and treatment programs funded by the Commission are directed not only towards the individual motor vehicle accident victim, but also towards the broader community through recognition that community support for the injured/disabled is essential for successful rehabilitation.

The Commission-funded treatment and rehabilitation research program concentrates on discovery of new knowledge and the development of applications for existing knowledge that improve the effectiveness of medical, vocational, and psychosocial services for persons with injuries/disabilities. Additionally, it aims at encouraging potential programs which can be translated into practical benefits. In an endeavour to create a balance between hospitalisation services and community living support, the Commission has funded statewide programs



Commission, funded projects in transitional rehabilitation direct physiotherapy and occupational therapy and associated support to those suffering spinal cord or acquired brain injuries.

for paediatric rehabilitation, spinal and acquired brain injury services. The practical benefit will be a link which is as seamless as possible between injury management in hospital, and injury management for the motor accident victim in his or her home and community.

CONROD is a strategic initiative of the Commission designed to fulfill these aims. It is a cooperative partnership between the Motor Accident Insurance Commission, the University of Queensland Department of Medicine and the Queensland Institute of Medical Research. A Chair of Rehabilitation Medicine has been established at the University of Queensland, and the Professor appointed to this Chair will be the Director of CONROD. The centre will provide:

- ❖ a mechanism for stimulating all aspects of the study of treatment, rehabilitation and disability caused by trauma and a point of coordination and oversight of treatment, rehabilitation and disability research supported by the Commission;
- ❖ a centre for basic and applied treatment and rehabilitation research in its own right;
- ❖ implementation of a German Government rehabilitation database (REHADAT), provided through the Commission, and the seeking of opportunities to use this as a basis for further research and information dissemination, most likely in conjunction with the accumulation of Queensland and Australian derived data;
- ❖ a source of education concerning rehabilitation for medical and other students for the various professions concerned with rehabilitation, and a source of community education on trauma acquired disability; and

- ❖ a framework whereby, as circumstances dictate, other activities concerned with rehabilitation can be organised and facilitated.

CONROD is a unique facility in the Australian context, and its initial role will include coordination of extensive rehabilitation research initiatives already established by the Commission under the auspices of universities, hospital foundations and colleges of medicine. Brief details of projects funded to date are shown in Appendix 2. Anyone interested in obtaining further details can contact the Commission. In particular, copies of the proceedings of the convocation held on 8 May 1997 are available upon request.

Accident Prevention Research

Accident prevention research covers two broad areas - the contribution of human factors in road and other accidents, and the contribution of engineering and design features. CARRS-Q has been established by the Commission and the Queensland University of Technology to provide a framework and focus for research in these areas. In conjunction with Queensland Transport, the RACQ and various safety organisations, the centre's mission is to develop relevant road safety and other interventions aimed at the reduction in the frequency and severity of motoring accidents by:

- ❖ raising the profile and perception of road safety and injury prevention;
- ❖ maximising opportunities for liaison between organisations and interest groups concerned with the promotion of road safety and injury prevention;
- ❖ establishing and supporting a network of researchers and educators across the

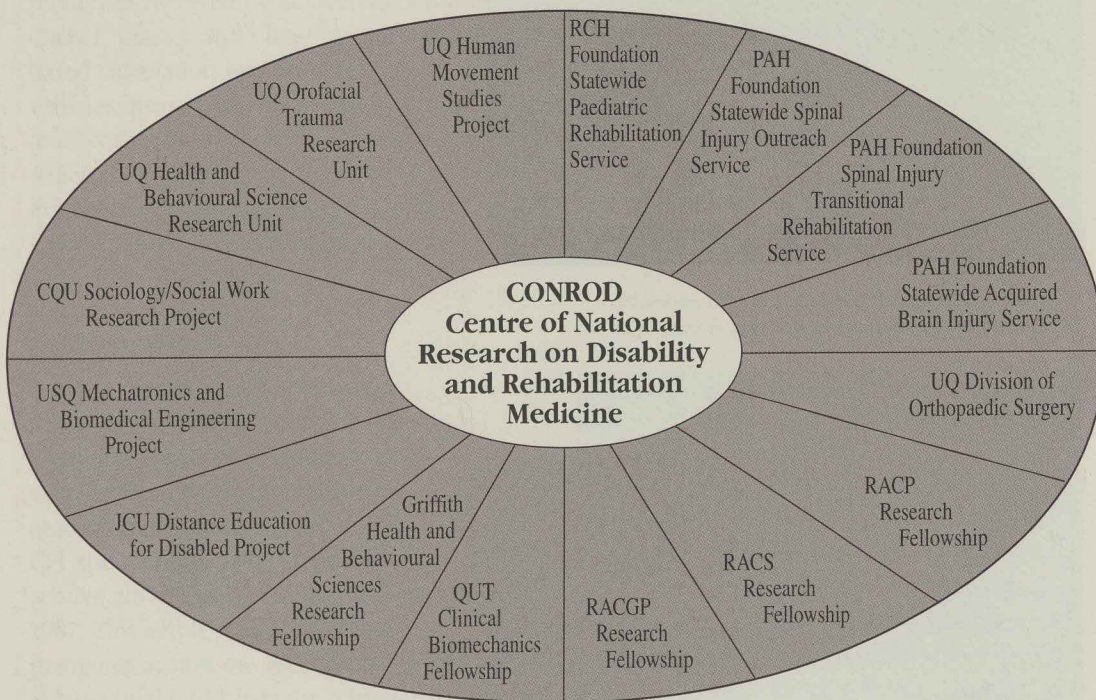
State which will have close links with Queensland Transport, Queensland Police and other relevant regional government and community organisations, including regional media;

- ❖ providing other quality standards for the development and implementation of statewide tertiary level road safety and injury prevention education programs;
- ❖ promoting and initiating innovative research into community-based road safety strategies;
- ❖ stimulating and supporting research into strategies to increase the safety of those high-risk groups in the community who are not reached by

broadly based population safety strategies; and

- ❖ developing and implementing tertiary training programs that bring road safety and injury prevention into all relevant professional training programs including education, social science, engineering, legal practice and public health.

Unlike CONROD, there are only a few "spokes" to the wheel at this stage. An area of priority for the Commission over the year ahead will be to put in place a number of accident prevention projects, with the decision on projects to be funded being made on the advice of the International and Research Advisory Committees of CARRS-Q.



Queensland Compulsory Third Party Scheme

Vehicles Insured as at 30 June 1997

Insurance Class	Number of vehicles	Percentage	Premium from 1.7.97
1	1,580,290	72.01	\$230
2	4,517	0.21	\$230
3	2,562	0.12	\$920
4	14,950	0.68	\$782
5	3,675	0.17	\$21
6	365,694	16.66	\$230
7	45,032	2.05	\$644
8	5,243	0.24	\$230
9	2,123	0.10	\$230
10	3,075	0.14	a
11	4,051	0.18	b
12	26,407	1.20	\$55
13	41,263	1.88	\$230
14	27,666	1.26	\$64
15	8,822	0.40	\$64
16	725	0.03	\$230
17	53,667	2.45	\$104
19	552	0.03	\$21
20	397	0.02	\$21
21	42	0.00	\$115
23	3,681	0.17	\$230
24	37	0.00	\$230
Totals	2,194,471	100.00	

a \$250 + \$21 per adult passenger seat in excess of 7

b \$250 + \$45 per adult passenger seat in excess of 7

Premium, Levy and Fee Collection from 1 July 1996 to 30 June 1997

Gross Premium	\$534,714,291
Hospital Levy	\$9,362,138
Emergency Services Levy	\$1,872,428
Department of Transport Fee	\$8,421,751
Nominal Defendant Levy	\$16,041,429
MAIC (Statutory Insurance Scheme) Levy	\$3,343,621
Net Premium	\$495,672,924

Market Share - Licensed Insurers

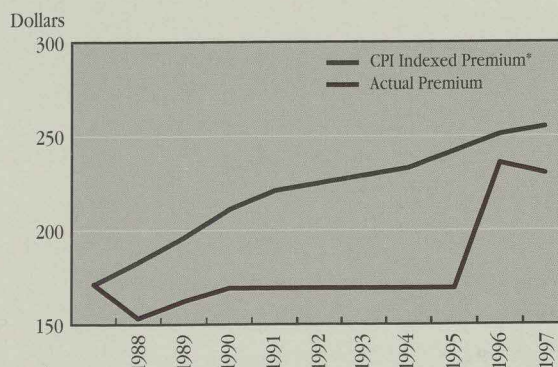
INSURER	1/9/94 units	30/6/95 units	30/6/96 units	30/6/97 units	30/6/97 premium
AAMI	2.27	2.74	3.36	4.24	4.06
CIC (Licence withdrawn 22/01/96)	0.02	0.11	0.08	0.00	0.00
Commercial Union (Licence withdrawn 01/03/97)	1.27	1.57	1.63	0.97	0.96
FAI	30.62	29.45	27.21	25.93	25.56
GIO (Licence withdrawn 30/06/96)	0.12	0.28	0.43	0.01	0.00
Mercantile Mutual (Licence withdrawn 01/11/96)	0.79	0.82	0.84	0.26	0.28
MMI	2.28	2.96	3.38	3.56	4.15
QBE	0.01	0.09	0.22	0.36	0.42
Suncorp	57.15	56.10	56.40	57.63	57.53
VACC	5.13	5.73	6.28	6.80	6.78
Zurich	0.00	0.08	0.17	0.24	0.26

In accordance with the Motor Accident Insurance Regulation 1994, an insurer's share of the market for CTP insurance business is worked out by adding the insurance premiums received by the insurer during the relevant financial year for all classes of CTP insurance business (as shown in transport administration's records) and expressing the total amount as a percentage of the total insurance

premiums received by all licensed insurers during the same financial year for the insurance of Class 1, Class 6 and Class 7 motor vehicles. Prior to the 1996/97 financial year, this premium-based calculation was not available and therefore market share was reported based on number of vehicles insured, i.e. units. An insurer's licence is subject to the condition that the Commission must withdraw the licence if the licensed insurer does not, at the end of the financial year in which the fifth anniversary of the grant of the licence falls, have a share of the market for CTP insurance equal to or greater than 5%. The insurer must maintain this minimum level of market share in subsequent financial years.

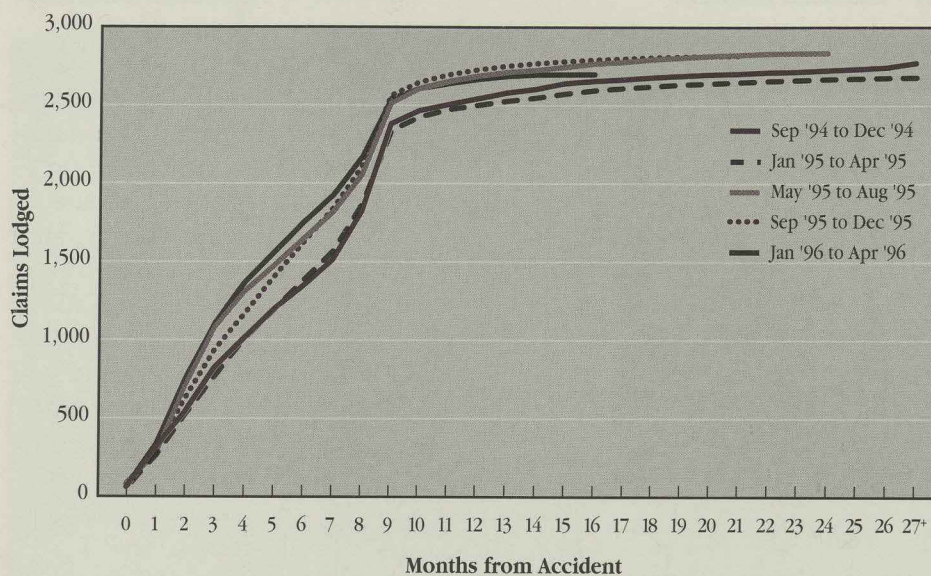
CTP Premium

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



* CPI calculation based on Brisbane Metropolitan Index

Cumulative Claim Lodgements by Accident Period
Data as at 30 June 1997



In accordance with the Motor Accident Insurance Act 1994, a notice of claim must be given to the insurer within 9 months after the motor accident or the first appearance of symptoms of the injury. This graph demonstrates that the majority of claims have been lodged within the 9 month timeframe to comply with the Act.

Notice of Claim Lodgements to 30 June 1997
(All Insurers) Accidents 1 September 1994 to 30 June 1997

Injury Quarter	Development Quarter										Total
	1	2	3	4	5	6	7	8	9	10+	
Dec 94 *	455	685	589	739	121	68	32	27	24	32	2,772
Mar 95	220	488	492	614	77	48	33	15	12	5	2,004
Jun 95	258	651	418	557	75	48	25	15	11		2,058
Sep 95	284	644	466	599	92	51	28	19			2,183
Dec 95	213	687	481	568	92	30	16				2,087
Mar 96	262	729	477	491	61	12					2,032
Jun 96	305	746	418	441	69						1,979
Sep 96	303	846	412	350							1,911
Dec 96	286	769	351								1,406
Mar 97	260	590									850
Jun 97	216										216
Total	3,062	6,835	4,104	4,359	587	257	134	76	47	37	19,498

* This period covers accidents for four months September - December 1994.

Claims Status

INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defendant	VACC	TOTAL
Claims Received	143	7	106	1,838	15	274	64	2	5	3,674	263	443	6,834
Liability Determined	142	3	106	1,736	14	254	64	1	5	3,598	256	420	6,599
Percentage Determined	99	43	100	94	93	93	100	50	100	98	97	95	97
Finalised	70	4	63	997	10	170	36	1	3	1,981	154	241	3,730
Percentage Finalised	49	57	59	54	67	62	56	50	60	54	59	54	55

Accident Year - 1 September 1994 - 30 June 1995 (10 months)

INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defendant	VACC	TOTAL
Claims Received	211	7	112	2,091	29	410	76	8	7	4,448	370	512	8,281
Liability Determined	196	5	109	1,828	27	307	66	8	3	4,134	339	431	7,453
Percentage Determined	93	71	97	87	93	75	87	100	43	93	92	84	90
Finalised	71	4	37	724	21	205	27	2	-	1,454	119	174	2,838
Percentage Finalised	34	57	33	35	72	50	36	25	-	33	32	34	34

Accident Year - 1 July 1995 - 30 June 1996

INSURER	AAMI	CIC	Com. Union	FAI	GIO	MMI	Merc Mutual	QBE	Zurich	Suncorp	Nom. Defendant	VACC	TOTAL
Claims Received	154	0	75	979	11	277	36	9	0	2,377	177	288	4,383
Liability Determined	138	0	69	604	8	159	29	6	0	1,643	93	85	2,834
Percentage Determined	49	-	92	62	73	57	81	67	-	69	53	30	65
Finalised	21	0	16	106	2	49	4	0	0	248	14	31	491
Percentage Finalised	14	-	21	11	18	18	11	-	-	10	8	11	11

Accident Year - 1 July 1996 - 30 June 1997

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

Payment Dissection by Insurer - All New Act Claims (Payments from 1 September 1994 to 30 June 1997)

Code	Payment Type	AAMI	CIC	CU	FAI	GIO
A1	Aids and appliances	19,585			74,143	
C1	Long-term care and home care	37,587			801,344	16,322
E1	Economic loss - past	95,588	983		1,570,545	16,635
E2	Economic loss - future	134,246			1,840,063	15,000
G1	General damages	1,093,918	31,524	1,802,768	15,505,651	155,569
H1	Home and vehicle modifications				83,146	
L1	Investigation costs	56,580	10,321	1,496	722,028	3,078
L2	Legal costs - plaintiffs	277,164	2,500		2,373,091	40,494
L4	Legal costs - defendants (solicitors)	65,665	1,354	91,734	463,824	22,779
L5	Legal costs - defendants (barristers)	6,993			46,069	
L6	Legal costs - defendants (other outlays)	18,364		9,441	30,738	3,373
M1	Hospital, medical, pharmaceutical	330,588	10,100	130	2,697,390	33,134
N1	Payments to interstate and non CTP insurers					
P1	Other	25,612		5,511	116,195	1,625
R1	Rehabilitation service costs	79,601	12,093		773,417	5,120
V1	Recoveries from insured					
V2	Other party (other than through sharing)	(425)				
V3	Nominal Defendant recovery					
TOTALS		2,241,066	68,875	1,911,080	27,097,644	313,129

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

MMI	Merc. Mut.	QBE	ZURICH	SUNCORP	Nom Def	VACC	TOTAL	%
43,934				333,710	269	5,908	477,549	0.44
270,458	6,628			2,103,153	115,057	123,525	3,474,074	3.20
390,857	27,137		2,722	3,665,901	403,194	250,657	6,424,219	5.93
418,140				7,166,098	664,275	285,581	10,523,403	9.71
3,032,570	490,466	19,792	25,778	28,934,671	1,775,103	3,384,005	56,251,815	51.89
284,346				237,577	530	21,000	626,599	0.58
289,888	37,880	300	4,061	967,086	320,257	135,313	2,548,288	2.35
595,657	120,218		7,555	6,318,511	414,187	721,134	10,870,511	10.03
249,709	95,244			884,816	422,043	385,483	2,682,651	2.47
18,241	2,425			102,782	25,786	23,947	226,243	0.21
9,512	1,341			290,791	116,481	67,277	547,318	0.51
504,268	57,049	3,165	1,050	5,489,376	323,784	723,750	10,173,784	9.38
323,966	24,313					1,409	349,688	0.32
45,312	1,220		845	906,250	14,758	204,205	1,321,533	1.22
188,013	6,309	110		1,170,261	157,912	174,252	2,567,088	2.37
						(2,875)	(2875)	(0.00)
(57,418)				(566,346)		(13,518)	(637,707)	(0.59)
					(16,620)		(16,620)	(0.02)
6,607,453	870,230	23,367	42,011	58,004,637	4,737,016	6,491,053	108,407,561	100.00

As an illustration, the net premium collected by insurers from 1 September 1994 to 30 June 1995 was \$271M, while the net premium collected in 1995/96 was \$361M. Claim payments to date are \$68M for the first accident period and \$35M for the second accident period.

**Number of Accidents by Postcode Division
from 1 September 1994 to 30 June 1997**

Division Number*	Location	Postcode	Number of Accidents
1	Brisbane Area	4000-4072	2,958
		4500-4549	648
		4073-4209	3,859
4	Gold Coast Region	4210-4299	2,081
5	Ipswich Region	4210-4299	654
6	Toowoomba Region	4350-4499	635
		4602-4618	57
7	Mt Isa Region	4825-4834	48
8	Sunshine Coast Region	4550-4601	996
		4619-4689	692
9	Rockhampton Region	4690-4736	335
10	Mackay Region	4737-4805	459
11	Townsville Region	4806-4824	516
		4835-4850	36
12	Cairns Region	4851-4899	769
Total			14,743

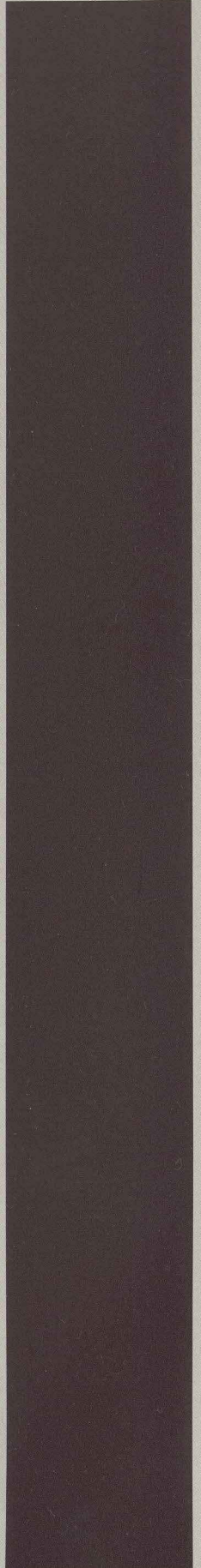
* Australia Post Postcode Divisions (modified)

**Age Group of Claimants for Accidents
between 1 September 1994 to 30 June 1997**

Age Group	Male	Female	Unknown	Total
Unknown	143	152	73	368
0-5 years	161	152	2	315
6-15 years	440	473	6	919
16-25 years	2,362	2,621	24	5,007
26-35 years	2,189	2,315	16	4,520
36-45 years	1,578	1,817	7	3,402
46-55 years	1,105	1,291	3	2,399
56+	1,111	1,454	3	2,568
TOTAL	9,089	10,275	134	19,498*

* Average numbers of claims per accident reported = 1.32

Financial Information



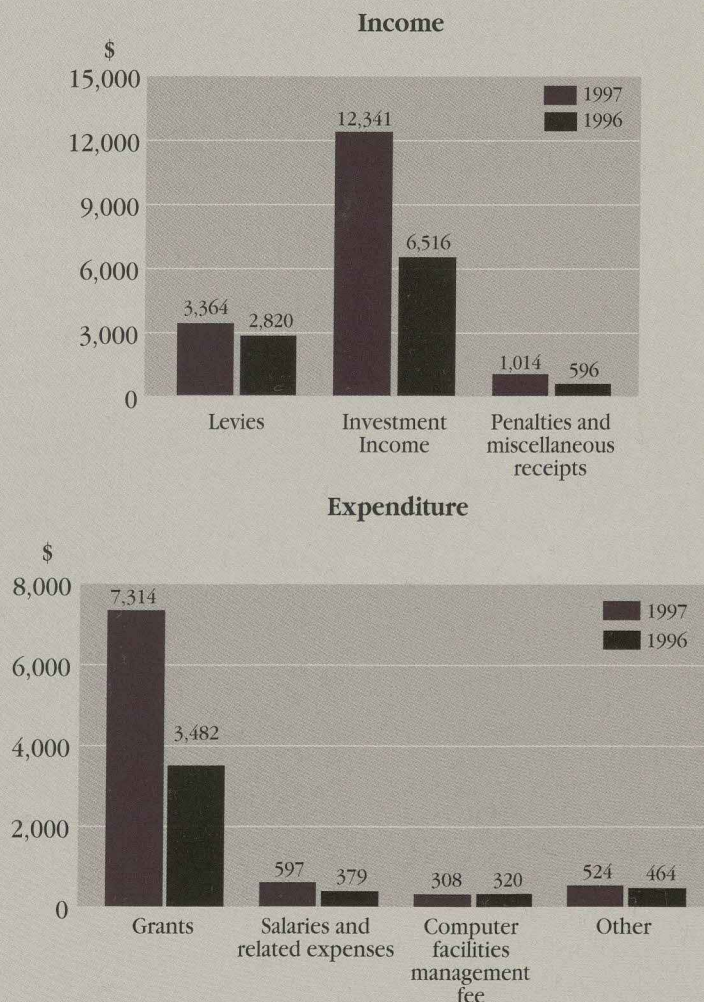
Financial Summary

The 1996/97 year represents the second full financial year of operation of the Motor Accident Insurance Commission and the Nominal Defendant under the Motor Accident Insurance Act 1994. The financial results are summarised as follows:

Motor Accident Insurance Commission

Compared to the previous financial year the operating profit for the Motor Accident Insurance Commission for the financial year has increased by 51% to \$7.98 million. An 89% increase in investment income to \$12.34 million is a major contributing factor to this result. The increased level of investment income compared to the prior year reflects the impact of higher investment returns.

The Motor Accident Insurance Commission has provided grants totalling \$7.31 million to various strategic accident prevention and rehabilitation initiatives during the year, plus funding of \$0.75 million which was provided by way of loans to the University of Queensland for research. A further \$10.46 million has been transferred to reserves at year end, earmarked for future grant commitments. It is the Commission's policy to keep a relatively low balance of retained profits, as an indication of its commitment to fulfill its charter of providing funding for accident prevention and rehabilitation initiatives in accordance with section 10 of the Motor Accident Insurance Act 1994.



The Nominal Defendant

The Nominal Defendant incurred an operating loss of \$1.49 million for the year ended 30 June 1997 compared to the prior year's operating profit of \$11.01 million. This decrease in operating profit is attributable to an increase in claims expenditure on the previous financial year of \$24.93 million to total \$35.05 million for the year. The total comprises:

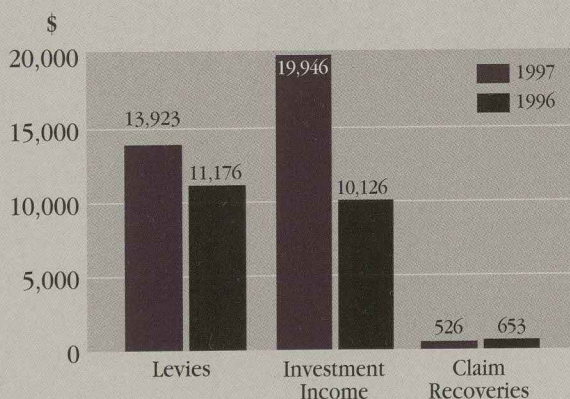
- ❖ \$17.82 million increase in provisions for outstanding claims. The increase is primarily due to changes in economic assumptions forming the basis of the year end independent actuarial assessment of outstanding claim liabilities; and
- ❖ \$17.23 million claims and associated costs incurred for the financial year.

The results of the actuarial analysis at 30 June 1997 did not reveal any particular deterioration in claims frequency or average claims size.

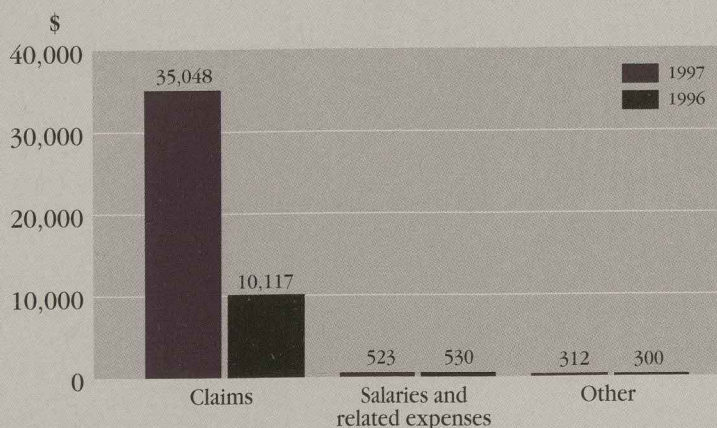
Levy income of \$13.92 million has increased on the prior year by 25%, reflecting the premium increase during the year. Additionally, investment income of \$19.95 million was achieved through higher investment returns, an increase of 97% on the previous financial year.

The Nominal Defendant scheme remains fully funded with net assets of \$6.90 million after allowing for outstanding claim provisions of \$111.10 million supported by an actuarial assessment undertaken by Tillinghast - Towers Perrin.

Income



Expenditure



Motor Accident Insurance Commission

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
OPERATING REVENUES			
Levies	2	3,364	2,820
Investment income		12,341	6,516
Penalties and miscellaneous receipts		1,014	596
Total operating revenue		16,719	9,932
OPERATING EXPENSES			
Grants		7,314	3,482
Salaries and related expenses	3	597	379
Depreciation		54	61
Computer facilities management fee		308	320
Marketing and advertising		3	2
Other		468	401
Total operating expense		8,744	4,645
OPERATING PROFIT		7,975	5,287
Retained profits at the beginning of the financial year		46	394
Aggregate of amounts transferred from reserves	9	3,380	-
Aggregate of amounts transferred to reserves	9	(10,461)	(5,635)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		940	46

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
CURRENT ASSETS			
Cash		118	36
Receivables	4	12,330	6,396
Investments	5	974	1,994
Prepayments		21	6
Total current assets		13,443	8,432
NON-CURRENT ASSETS			
Receivables	4	750	-
Property, plant and equipment	6	102	105
Investments	5	60,518	58,298
Total non-current assets		61,370	58,403
Total assets		74,813	66,835
CURRENT LIABILITIES			
Creditors		69	36
Provisions	7	59	45
Total current liabilities		128	81
NON-CURRENT LIABILITIES			
Provisions	7	92	136
Total non-current liabilities		92	136
Total liabilities		220	217
Net assets		74,593	66,618
EQUITY			
Capital	8	57,787	57,787
Reserves	9	15,866	8,785
Retained profits		940	46
Total equity		74,593	66,618

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		3,364	2,820
Investment income		6,416	5,694
Penalties and miscellaneous receipts		1,005	523
Outflows:			
Grants		(7,314)	(3,482)
Salaries and related expenses		(627)	(364)
Computer facilities management fee		(310)	(320)
Marketing and advertising		(3)	(2)
Other		(447)	(406)
Net cash provided by operating activities	15(ii)	2,084	4,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Loans to other entities		(750)	-
Purchase of property, plant and equipment		(52)	(11)
Purchase of investments		(2,220)	(5,837)
Net cash used in investing activities		(3,022)	(5,848)
NET DECREASE IN CASH HELD		(938)	(1,385)
Cash at the beginning of the financial year		2,030	3,415
CASH AT THE END OF THE FINANCIAL YEAR	15(i)	1,092	2,030

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**NOTE 1 Statement of Significant Accounting Policies****(a) Background**

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

(b) Basis of Preparation

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

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant and Equipment

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

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

(d) Depreciation

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

(e) Funding of Motor Accident Insurance Fund

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (Continued)

(f) Investments

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

(g) Employee Leave Entitlements(1) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1997 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as these entitlements do not vest in the employee.

(2) Long Service Leave

A liability for long service leave is recognised, and is calculated using the Queensland State Actuary's short hand method where the liability is calculated as 95 per cent of the nominal liability for all employees. Salary oncosts are incorporated in this method. This is in accordance with Accounting Policy Guideline No. 7 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of government entities.

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

(h) Superannuation

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

(i) Contingent Assets and Liabilities

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

There were no other known contingent assets and liabilities of the Commission at 30 June 1997.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (Continued)

(j) Levy Collection and Contribution

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

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

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

(k) Leases

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

	1997	1996
NOTE	\$'000	\$'000

NOTE 2 Levies

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

Statutory insurance scheme levy	3,364	2,820
Total	<u>3,364</u>	<u>2,820</u>

NOTE 3 Salaries and Related Expense

Salaries and wages	627	365
Amounts set aside to provide for employee entitlements	(30)	14
Total	<u>597</u>	<u>379</u>

NOTE 4 Receivables

<u>Current</u>		
Accrued investment income	12,248	6,323
Penalties receivable	82	73
Total	<u>12,330</u>	<u>6,396</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 4 (Continued)

	NOTE	1997 \$'000	1996 \$'000
<u>Non-Current</u>			
Loan Receivable		750	-
Total		<u>750</u>	<u>-</u>

NOTE 5 Investments

At net market value			
Queensland Investment Corporation - Current		974	1,994
Queensland Investment Corporation - Non-current		60,518	58,298
Total		<u>61,492</u>	<u>60,292</u>

NOTE 6 Property, Plant and Equipment

Plant and equipment - at cost		337	289
Accumulated depreciation		(235)	(184)
Total		<u>102</u>	<u>105</u>

NOTE 7 Provisions

<u>Current</u>			
Employee entitlements	14,1(g)	59	45
<u>Non-current</u>			
Employee entitlements	14,1(g)	92	136
Total		<u>151</u>	<u>181</u>

NOTE 8 Capital

Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994 from:

Nominal Defendant (Queensland)		57,818	57,818
Consolidated fund		(31)	(31)
Total capital	1(i)	<u>57,787</u>	<u>57,787</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1997 \$'000	1996 \$'000
NOTE 9 Reserves			
Composition and movements:			
Income Maintenance			
Balance at beginning of year		2,700	1,000
Transfer from retained profits		4,050	1,700
Balance at end of year		<u>6,750</u>	<u>2,700</u>
Accident Prevention Initiatives			
Balance at beginning of year		750	400
Transfer from retained profits		2,478	350
Balance at end of year		<u>3,228</u>	<u>750</u>
Research Initiatives			
Balance at beginning of year		1,780	300
Transfer to retained profits		(1,780)	-
Transfer from retained profits		-	1,480
Balance at end of year		<u>-</u>	<u>1,780</u>
Statewide Paediatric Rehabilitation Reserve			
Balance at beginning of year		1,600	-
Transfer to retained profits		(1,600)	-
Transfer from retained profits		-	1,600
Balance at end of year		<u>-</u>	<u>1,600</u>
Rehabilitation Initiatives			
Balance at beginning of year		1,755	1,000
Transfer from retained profits		3,813	755
Balance at end of year		<u>5,568</u>	<u>1,755</u>
Emergency Infrastructure			
Balance at beginning of year		200	450
Transfer to retained profits		-	(250)
Transfer from retained profits		120	-
Balance at end of year		<u>320</u>	<u>200</u>
Total Reserves		<u>15,866</u>	<u>8,785</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1997 \$'000	1996 \$'000
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NOTE 10 Auditor's Remuneration

Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		<u>6</u>	<u>5</u>
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NOTE 11 Commitments for Expenditure**(a) Maintenance Contract Commitment**

Total expenditure contracted for at balance date but not provided for in the accounts:

Due not later than one year	116	100
Due later than one year but not later than two years	-	-
Due later than two years but not later than five years	-	-
Due later than five years	-	-
Total	<u>116</u>	<u>100</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	62	58
Due later than one year but not later than two years	21	58
Due later than two years but not later than five years	-	19
Due later than five years	-	-
Total	<u>83</u>	<u>135</u>

(c) Grant Commitments

The Motor Accident Insurance Act 1994 provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant moneys is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 11 (Continued)

	NOTE	1997 \$'000	1996 \$'000
Future grant commitments not provided for in the financial statements are payable as follows:			
Due not later than one year		5,505	1,655
Due later than one year but not later than two years		5,222	1,658
Due later than two years but not later than five years		9,148	3,324
Due later than five years		-	-
Total		<u>19,875</u>	<u>6,637</u>

NOTE 12 Consultancy Expenditure

Professional/technical	138	149
Information technology	-	2
Management/human resources	1	4
Total	<u>139</u>	<u>155</u>

NOTE 13 Administered Transactions
(Hospital and Emergency Services Levy)

The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Amounts relating to these transfer payments are not controlled by MAIC and are therefore not recognised in the Profit and Loss Statement or Balance Sheet. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:

Levies

Comprise amounts collected from licensed CTP insurers on gross insurance premiums.

Levies collected but not remitted in the previous year	1,969	-
Hospital levy	9,271	6,580
Emergency Services levy	1,854	1,316
	<u>13,094</u>	<u>7,896</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 13 (Continued)

	NOTE	1997 \$'000	1996 \$'000
Contributions			
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from licensed CTP insurers.			
Hospital levy contributions		8,381	4,939
Emergency Services levy contributions		1,676	988
		<u>10,057</u>	<u>5,927</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 1997:			
(This amount is held in QIC investments).		<u>3,037</u>	<u>1,969</u>

NOTE 14 Employee Entitlements

Employee entitlement liabilities			
Accrued wages and salaries	7	14	10
Provision for employee entitlements			
Current	7	45	35
Non-current	7	92	136
Aggregate employee entitlement liability		<u>151</u>	<u>181</u>

NOTE 15 Statement of Cash Flows

(i) Reconciliation of cash

For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:

Cash		118	36
Investments	5	974	1,994
Total		<u>1,092</u>	<u>2,030</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 15 (Continued)

	NOTE	1997 \$'000	1996 \$'000
(ii) Reconciliation of operating profit with net cash provided by operating activities			
Operating profit		7,975	5,287
Add/(Less) non-cash items:			
Depreciation		54	61
(Decrease)/Increase in provisions		(30)	11
Loss on disposal of equipment		1	-
Changes in assets and liabilities:			
Increase in creditors		33	5
Increase in receivables		(5,934)	(895)
Increase in prepayments		(15)	(6)
Net cash provided by operating activities		<u>2,084</u>	<u>4,463</u>

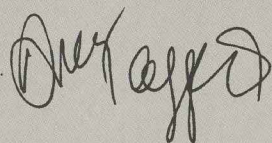
NOTE 16 Segment Information

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

CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 1997 and of the financial position of the Commission as at 30 June 1997.



Dr D McTaggart
Under Treasurer



L Anderson
Insurance Commissioner

AUDIT CERTIFICATE

Scope

I have audited the financial statements of the Motor Accident Insurance Commission for the year ended 30 June 1997 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the accountable officer and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

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

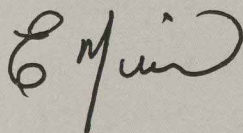
The audit has been conducted in accordance with *QAO Auditing Standards* to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures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

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

Audit Opinion

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

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 1997 and of the financial position as at the end of that year.



E A Muir

Executive Director - Audit
(Delegate of the Auditor-General).

7 October 1997

Nominal Defendant

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
Underwriting Revenue			
Levy income	1(g)	13,923	11,176
Underwriting Expenditure			
Claims	2	(35,048)	(10,117)
Claims recoveries		526	653
Other underwriting expenses	3	(835)	(830)
		(35,357)	(10,294)
UNDERWRITING RESULT		(21,434)	882
Investment income		19,946	10,126
OPERATING (LOSS)/PROFIT		(1,488)	11,008
Retained profits at the beginning of the financial year		8,268	1,199
Adjustment resulting from a change in accounting policy	1(g)	-	3,939
Retained profits at the end of the financial year		6,780	8,268

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
CURRENT ASSETS			
Cash		141	240
Receivables	4	21,345	11,418
Investments	5	20,433	15,096
Prepayments		0	6
Total current assets		41,919	26,760
NON-CURRENT ASSETS			
Property, plant and equipment	6	109	76
Investments	5	83,700	80,433
Total non-current assets		83,809	80,509
Total assets		125,728	107,269
CURRENT LIABILITIES			
Creditors		52	20
Provisions	7	21,854	14,806
Unearned levies	1(g)	7,480	5,363
Total current liabilities		29,386	20,189
NON-CURRENT LIABILITIES			
Provisions	7	89,441	78,691
Total non-current liabilities		89,441	78,691
Total liabilities		118,827	98,880
Net assets		6,901	8,389
EQUITY			
Capital	8	121	121
Retained profits		6,780	8,268
Total equity		6,901	8,389

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1997

	NOTE	1997 \$'000	1996 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		15,893	11,281
Claims recoveries		526	653
Investment income		10,166	8,757
Outflows:			
Claims		(17,231)	(10,434)
Salaries and related expenses		(542)	(590)
Other		(253)	(251)
Net cash provided by operating activities	11(ii)	8,559	9,416
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		(54)	(12)
Proceeds from investments		(3,267)	(2,719)
Net cash used in investing activities		(3,321)	(2,731)
NET INCREASE IN CASH HELD		5,238	6,685
Cash at the beginning of the financial year		15,336	8,651
CASH AT THE END OF THE FINANCIAL YEAR	11(i)	20,574	15,336

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**NOTE 1 Statement of Significant Accounting Policies****(a) Background**

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

(b) Basis of Preparation

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

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant and Equipment

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

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

(d) Depreciation

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (Continued)

(e) Funding of Nominal Defendant Fund

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

(f) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at 30 June 1997 by an independent actuarial firm, Tillinghast - Towers Perrin, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate which is attached.

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

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

(g) Levies

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (Continued)

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

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

(h) Investments

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

(i) Employee Leave Entitlements(1) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 1997 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as sick leave entitlements do not vest in the employee.

(2) Long Service Leave

A liability for long service leave is recognised, and is calculated using the Queensland State Actuary's short hand method where the liability is calculated as 95 per cent of the nominal liability for all employees. Salary oncosts are incorporated in this method. This is in accordance with Accounting Policy Guideline No. 7 *Accounting for Employee Entitlements* issued by Queensland Treasury for the use of government departments and agencies.

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

(j) Superannuation

The Nominal Defendant contributes to superannuation funds for the purpose of providing benefits for employees and their dependants on retirement, disability or death, and meets

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 (Continued)

or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by the Public Sector Superannuation Fund (Qsuper) and the Government Officers' Superannuation Fund (Gosuper).

(k) Receivables

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

(l) Contingent Assets and Liabilities

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

There were no other known contingent assets and liabilities of the Nominal Defendant at 30 June 1997.

(m) Leases

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

	1997	1996
NOTE	\$'000	\$'000

NOTE 2 Claims

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 2 (Continued)

	NOTE	1997 \$'000	1996 \$'000
Increase/(Decrease) in provision for outstanding claims	1(f)	17,817	(317)
Claims and associated settlement costs		17,231	10,434
Total		<u>35,048</u>	<u>10,117</u>

NOTE 3 Other Underwriting Expenses

Salaries and wages	542	591
Amounts set aside to provide for employee entitlements	(19)	(61)
Depreciation	47	42
Other	265	258
Total	<u>835</u>	<u>830</u>

NOTE 4 Receivables

Accrued investment income	19,880	10,100
Levies receivable	1,465	1,318
Total	<u>21,345</u>	<u>11,418</u>

NOTE 5 Investments

At net market value		
Queensland Investment Corporation - Current	20,433	15,096
Queensland Investment Corporation - Non-current	83,700	80,433
Total	<u>104,133</u>	<u>95,529</u>

NOTE 6 Property, Plant and Equipment

Plant and equipment - at cost	280	208
Accumulated depreciation	(171)	(132)
Total	<u>109</u>	<u>76</u>

NOTE 7 Provisions

<u>Current</u>			
Employee entitlements	1(i),13	54	65
Outstanding claims	1(f),12	21,800	14,741
Total		21,854	14,806

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 7 (Continued)

	NOTE	1997 \$'000	1996 \$'000
<u>Non-Current</u>			
Employee entitlements	1(i),13	141	149
Outstanding claims	1(f),12	89,300	78,542
Total		<u>89,441</u>	<u>78,691</u>

NOTE 8 Capital

Assets and liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994:

Total capital	1(a)	<u>121</u>	<u>121</u>
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NOTE 9 Auditor's Remuneration

Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services

<u>8</u>	<u>8</u>
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NOTE 10 Operating Lease Rental Commitments

The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993/94 financial year.

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

Due not later than one year	53	58
Due later than one year but not later than two years	18	58
Due later than two years but not later than five years	-	19
Due later than five years	-	-
Total	<u>71</u>	<u>135</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	NOTE	1997 \$'000	1996 \$'000
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NOTE 11 Statement of Cash Flows

(i) Reconciliation of cash

For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash		141	240
Investments	5	20,433	15,096
Total		<u>20,574</u>	<u>15,336</u>

(ii) Reconciliation of operating (loss)/profit with net cash used in operating activities

Operating (loss)/profit		(1,488)	11,008
Add/(less) non-cash items:			
Depreciation		47	42
Increase/(decrease) in provisions		17,798	(378)
Loss on disposal of equipment		2	-
Changes in assets and liabilities:			
Decrease/(increase) in prepayments		6	(6)
Increase in receivables		(9,927)	(1820)
Increase in creditors		4	14
Increase in unearned levies		2,117	556
Net cash provided by operating activities		<u>8,559</u>	<u>9,416</u>

NOTE 12 Outstanding Claims

Expected future claims payments		143,800	132,587
Discount to present value		(32,700)	(39,304)
Liability for outstanding claims		<u>111,100</u>	<u>93,283</u>
Current	7	21,800	14,741
Non-current	7	89,300	78,542
		<u>111,100</u>	<u>93,283</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 12 (Continued)

	NOTE	1997 \$'000	1996 \$'000
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.4 years (1996 - 3.6 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		4.5%	5.0%
Discount rate		7.0%	7.9%
Later than one year			
Inflation rate		4.5%	5.0%
Discount rate		7.0%	8.9%

NOTE 13 Employee Entitlements

Employee entitlement liabilities			
Accrued wages and salaries	7	12	13
Provision for employee entitlements			
Current	7	42	52
Non-current	7	141	149
Aggregate employee entitlement liability		<u>195</u>	<u>214</u>

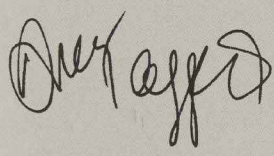
NOTE 14 Segment Information

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


CERTIFICATE OF THE NOMINAL DEFENDANT

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 1997 and of the financial position as at 30 June 1997.



Dr D McTaggart
Under Treasurer



L Anderson
Nominal Defendant

Nominal Defendant

AUDIT CERTIFICATE

Scope

I have audited the financial statements of the Nominal Defendant for the year ended 30 June 1997 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the accountable officer and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

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

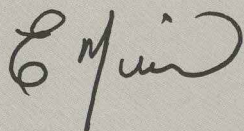
The audit has been conducted in accordance with *QAO Auditing Standards* to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures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

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

Audit Opinion

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

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year ended 30 June 1997 and of the financial position as at the end of that year.

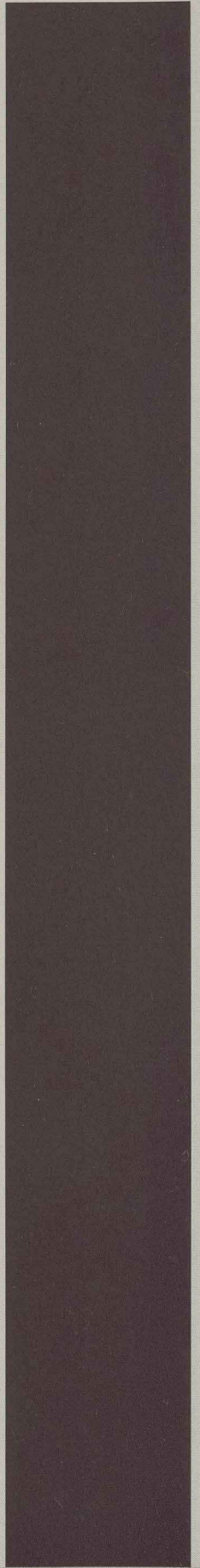


E A Muir

Executive Director - Audit
(Delegate of the Auditor-General).

7 October 1997

Appendices



Actuarial Certificate - Nominal Defendant

Actuarial Certificate on Outstanding Claims Liability as at 30 June 1997

Tillinghast - Towers Perrin ("Tillinghast") has been contracted by the Nominal Defendant Fund ("The Fund") to estimate the outstanding claims liabilities of the Fund as at 30 June 1997 and to advise on an appropriate provision for these liabilities.

The data, assumptions, methodology and results of this valuation are described in detail in the Tillinghast report entitled "*Nominal Defendant Fund - Review of Outstanding Claims Liabilities as at 30 June 1997*" which has been prepared in accordance with Professional Standard 300 issued by the Institute of Actuaries of Australia.

Uncertainty

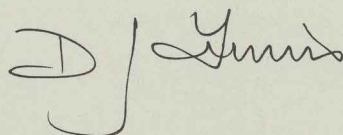
There is inherent uncertainty in any estimate of outstanding claims liability, as the ultimate liability for claims is subject to the outcome of events yet to occur. This includes, but is not limited to, possible changes in claimant behaviour, changes in legislation, and the impact of possible changes to the economic, social and political environment in which the Fund operates.

There is, therefore, a limitation upon the accuracy of the claim cost estimate and provision developed by Tillinghast for the Nominal Defendant Fund. This uncertainty is increased for Nominal Defendant liabilities due to the limited amount of experience available for analysis.

Results

The provision adopted by the Nominal Defendant as at 30 June 1997 is \$111.1 million. This incorporates Tillinghast's discounted central estimate of outstanding claims liability allowing for future claims inflation, includes an allowance for claims administration expenses and includes a prudential margin adopted by the Fund to allow for the risk and uncertainty associated with the estimated liability. Tillinghast believes that the level of this prudential margin is reasonable.

The central estimate is discounted in order to recognise the investment income that is expected to be earned on the assets that support Fund liabilities. Furthermore, our estimate of the liability for outstanding claims is in full accord with Australian Accounting Standard AAS26.



Dave Finnis

Fellow of the Institute of Actuaries (London)
Fellow of the Institute of Actuaries of Australia

Grants from the Motor Accident Insurance Fund

	Future Commitment	1996/97 \$	1995/96 \$	1994/95 \$
CONROD¹ (Including the Chair of Rehabilitation Medicine)	2,352,000	588,000	-	-
University of Queensland				
Chair of Orthopaedic Medicine ²	173,387	-	51,650	50,000
Speech Therapy/Audiology/Physiotherapy/ Occupational Therapy - Research Unit ³	-	300,000	-	-
Orofacial Trauma Research Unit ³	-	300,000	-	-
Teaching and Community Services Rehabilitation Research Fellowship ³	-	378,000	-	-
Princess Alexandra Hospital Foundation				
Statewide Acquired Brain Injury Outreach Services ⁴	2,981,088	809,516	-	-
Statewide Spinal Injury Outreach and Transitional Rehabilitation Service ⁵	6,868,103	1,863,712	-	-
Royal Children's Hospital Foundation				
Statewide Paediatric Rehabilitation Service ⁶	4,800,000	1,600,000	1,600,000	-
Queensland University of Technology				
Clinical Biomechanics Research Fellowship	-	-	300,000	-
James Cook University				
Distance Education for Disabled Project ⁷	500,000	300,000	-	-
Central Queensland University				
Sociology/Social Work Research Project	-	300,000	-	-
University of Southern Queensland				
Mechatronics and Biomedical Engineering - Research Fellowship	-	300,000	-	-
Griffith University				
Rehabilitation Counselling/Nursing/Psychology - Research Fellowship	-	-	300,000	-
Royal Australian College of General Practitioners				
Research Fellowship	-	-	380,000	-
Royal Australasian College of Physicians				
Research Fellowship	-	-	-	300,000
Royal Australasian College of Surgeons				
Research Fellowship	-	-	-	300,000
CARRS-Q⁸	1,200,000	300,000	-	-
Department of Transport				
Road Safety Media Campaigns ⁹	-	750,000	400,000	-
University of Southern Queensland				
Road Crash Project	-	275,000	-	-
Queensland Emergency Services¹⁰				
Community-based Rescue Helicopter Fleet	-	-	450,000	-
Total	18, 874,578	8,064,228	3,481,650	650,000

¹ Recurrent funding for five years.² Indexed recurrent funding for five years.³ \$250,000 of this amount is capital on loan to UQ.⁴ Establishment funding and recurrent funding for five years.⁵ Establishment funding and recurrent funding for five years.⁶ Recurrent funding for five years.⁷ Establishment funding and recurrent funding for a further five years.⁸ Recurrent funding for five years.⁹ One-off payments.¹⁰ One-off payment.

Licensed Compulsory Third Party Insurers (as at 30 June, 1997)

Australian Associated Motor Insurers Limited

GPO Box 1155
BRISBANE QLD 4001
Phone: 13 22 44
ACN 004 791 744

FAI General Insurance Company Limited

GPO Box 2226
BRISBANE QLD 4001
Phone: 13 10 00
ACN 000 327 855

MMI General Insurance Limited

GPO Box 1028
BRISBANE QLD 4001
Phone: 1800 816 868
ACN 000 122 850

QBE Insurance Limited

GPO Box 417
BRISBANE QLD 4001
Phone: 13 13 03
ACN 000 157 899

Suncorp General Insurance Limited

GPO Box 1453
BRISBANE QLD 4001
Phone: 13 11 55
ACN 075 695 966

FORTIS Insurance Limited (formerly VACC Insurance Co. Limited)

PO Box 1166
MILTON BUSINESS CENTRE QLD 4064
Phone: 1800 816 027
ACN 004 167 953

Zurich Australian Insurance Limited

PO Box 684
SPRING HILL QLD 4000
Phone: 1800 811 099
ACN 000 296 640

Previously Licensed Insurers

CIC Insurance Limited

GPO Box 9814
BRISBANE QLD 4001
Phone: (07) 3815 1222
ACN 004 078 880

Licence withdrawn 22/01/1996

Commercial Union Assurance of Australia Ltd

PO Box 1495
MILTON QLD 4064
Phone: (07) 3212 7878
ACN 004 478 371

Licence withdrawn 01/03/1997

GIO General Limited

GPO Box 244
BRISBANE QLD 4001
Phone: 13 10 10
ACN 002 861 583

Licence withdrawn 30/06/1996

Mercantile Mutual Insurance (Australia) Ltd

GPO Box 705
BRISBANE QLD 4001
Phone: (07) 3859 5555
ACN 000 456 799

Licence withdrawn 01/11/1996

CONTACT DETAILS

Motor Accident Insurance Commission

Level 18, 288 Edward Street, BRISBANE QLD 4000

Postal Address: GPO Box 1083, BRISBANE QLD 4001

Ausdoc: DX 147, BRISBANE QLD

Telephone: (07) 3227 8088

Facsimile: (07) 3229 3214

E-mail: 100253.3037 @ Compuserve.Com

Insurance Commissioner	Lesley Anderson	(07) 3227 8105
Assistant Insurance Commissioner	John Hand	(07) 3227 8125
Principal Policy Adviser	Greg Bott	(07) 3227 8164
Principal Rehabilitation Adviser	Michael Hancock	(07) 3227 8162
Manager, Management Information Support	Lynne McCall-Marshall	(07) 3227 8022
Industry Liaison Officer	Des Richardson	(07) 3227 8242
Assistant Industry Liaison Officer	Wayne Saville	(07) 3227 8432
Acting Administration Officer	Neil Tomkins	(07) 3227 8250
Administrative Assistant	Julie Williams	(07) 3227 8088

Nominal Defendant

Level 18, 288 Edward Street, BRISBANE QLD 4000

Postal Address: GPO Box 2203, BRISBANE QLD 4001

Ausdoc: DX 147, BRISBANE QLD

Telephone: (07) 3227 7993

Facsimile: (07) 3221 4805

Nominal Defendant	Lesley Anderson	(07) 3227 8105
Manager	Les Kilmartin	(07) 3227 8213
Claim Manager	Bernie Clark	(07) 3227 8359
Claim Manager	Mike Hogan	(07) 3227 8353
Claim Manager	Rex Mellifont	(07) 3227 8387
Claim Manager	Laurie Meteyard	(07) 3227 8354
Assistant Claim Manager	Debbie Davis	(07) 3227 8412
Assistant Claim Manager	Don Sacre	(07) 3227 8402
Administrative Assistant	Sandra Clifton	(07) 3227 8596
Administrative Assistant	Jenny Hancott	(07) 3227 7993



QUEENSLAND GOVERNMENT