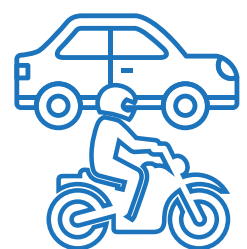
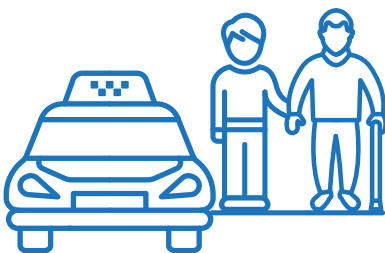




# MOTOR ACCIDENT INSURANCE COMMISSION

ANNUAL REPORT 2017-18



ISSN:1837-1450



The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on the enquiries line 1300 302 568 and we will arrange an interpreter to effectively communicate the report to you.

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@niisqld



NIISQ Agency

Visit [www.maic.qld.gov.au](http://www.maic.qld.gov.au) to view this annual report. Copies of the report are also available in paper format. To request a copy, please contact us using the details above.

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# Letter of compliance and certification of financial statements

5 September 2018

The Honourable Jackie Trad MP  
Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships  
GPO Box 611  
BRISBANE QLD 4001

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2017-18 and financial statements for the Motor Accident Insurance Commission and the Nominal Defendant.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009*, the *Motor Accident Insurance Act 1994* and the *National Injury Insurance Scheme (Queensland) Act 2016*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be accessed online at:  
[www.maic.qld.gov.au/publications/annual-report-2017-18](http://www.maic.qld.gov.au/publications/annual-report-2017-18)

Yours sincerely



Neil Singleton  
Insurance Commissioner

# About us

## Queensland's Compulsory Third Party insurance scheme

Queensland's Compulsory Third Party (CTP) insurance scheme protects motor vehicle owners and drivers from being held financially responsible if they cause injury to someone else in a motor vehicle accident. It also enables an injured person to claim fair and timely compensation for their injuries and access prompt medical and rehabilitation treatment.

The Motor Accident Insurance Commission (MAIC) was established under the *Motor Accident Insurance Act 1994* (MAI Act) to regulate Queensland's CTP insurance scheme. This includes licensing and supervising the four private insurers who cover the risk of Queensland motor vehicle owners through the scheme.

Motor vehicle owners pay their CTP insurance premium when they pay their vehicle registration through the Department of Transport and Main Roads. This minimises administration costs, is convenient for motorists and reduces the incidence of uninsured vehicles.

The Nominal Defendant acts as a licensed insurer in the CTP insurance scheme for claims that involve motor vehicles that are unidentified or not covered by CTP insurance. It also meets the claims costs associated with licensed insurers that become insolvent.

The National Injury Insurance Scheme Queensland (NIISQ) provides necessary and reasonable lifetime treatment, care and support to people who sustain serious personal injury on Queensland roads, regardless of who was at fault.

MAIC has been located in Brisbane since it commenced operations on 1 September 1994 and is located at 1 William Street.

MAIC, NIISQ and the Nominal Defendant are positioned within the Risk and Intelligence Division of Queensland Treasury.

## Motor Accident Insurance Commission

### Vision

Ensuring financial protection that makes Queensland stronger, fairer and safer.

### Purpose

Our role is to:

- support, regulate and improve Queensland's CTP insurance scheme
- manage the Motor Accident Insurance Fund
- manage the Nominal Defendant Fund.

### Objectives

We aspire to:

- provide a viable and equitable personal injury motor accident insurance scheme
- continually improve scheme performance with a focus on efficiency and affordability
- continually improve the performance of the Nominal Defendant in their indemnification of uninsured and unidentified motor vehicles
- implement the 19 recommendations made by the 2016 CTP insurance scheme review.

To support the Queensland Government's goals for our community, we also:

- build safe, caring and connected communities by investing in road safety initiatives to reduce the frequency of motor vehicle accidents and minimise their impact on the community
- deliver quality frontline services by investing in targeted research and service delivery initiatives to improve health outcomes for people injured in motor vehicle crashes.

## Strategic opportunities

We have the unique opportunity to:

- harness and support broader technological or innovative changes in road safety, trauma injury management and claims management systems and processes
- actively reduce the incidence and severity of road trauma through strategic partnerships with the Department of Transport and Main Roads and Queensland Police Service
- continually seek ways to improve the Motor Accident Insurance Commission.

## Strategic challenges

We meet the challenges of:

- protecting the CTP insurance scheme against unexpected adverse developments
- maintaining prudential supervision of licensed insurers
- keeping CTP insurance premiums affordable for motorists.

# Insurance Commissioner's report

Queensland road users continue to enjoy a strong and sustainable CTP insurance scheme.

In terms of key scheme metrics, CTP insurance premiums remained stable, the incidence of claims fraud identified by insurers remained very low and market research surveys showed that motorists and claimants are satisfied with the scheme – overall, it is a positive story.

One key challenge that threatens the stability of the scheme is a scam called 'claim farming'. Claim farmers obtain the personal details of people involved in a crash and use potentially fraudulent, unethical and/or high-pressure tactics to convince them to make a CTP insurance claim, then sell these details to law firms for a profit. This insidious practice not only affects the scheme, but results in Queenslanders being harassed by phone calls and having their privacy breached. We have been directed by the Deputy Premier to develop a range of initiatives including legislative reforms to stop the claim farmers. This is our immediate priority.

## MAIC continues to invest in strengthening and supporting the scheme

During the year, we proudly supported a number of new research programs and initiatives that will help reduce the incidence and effects of road trauma. These are outlined in more detail later in this annual report.

We also invested in additional resources to strengthen insurer supervision and data analytics. This was achieved at no additional cost to motorists and will directly focus on continuing to improve scheme performance for motorists and injured people.

Arising from the 2016 CTP insurance scheme review, we continue to tighten premium assumptions and ensure a fair balance between premiums paid by motorists and profits achieved by insurers.

We are also working with the Department of Transport and Main Roads and communicating with insurers on initiatives to ensure motor vehicle purchasers are selecting their preferred CTP insurer without influence by a motor dealer or other intermediary.

The Nominal Defendant continues to lead by example in its excellent management of CTP insurance claims that has enabled a further reduction in the Nominal Defendant levy for 2018-19.

In the coming year, our key priorities are to firmly address claim farming and continue to improve Queensland's CTP insurance scheme to meet the needs of motorists, claimants and the community – ensuring Queensland benefits from the best CTP insurance scheme in Australia.

I thank the team from 'the Nommo' and MAIC, as well as our stakeholders, who continue to support the strength and integrity of the scheme.



Neil Singleton  
Insurance Commissioner





Back row: Kylie Horton, Neil Singleton, Vicki Vanderent.  
Front Row: Sarah Sawyer, Lina Lee.



# Year in review

## Premiums

Q1	Q2	Q3	Q4
\$352	\$352	\$355	\$355

## Insurer market share as at 30 June 2018\*

Suncorp	RACQ	QBE	Allianz
46.35%	17.55%	8.05%	28.05%

\* Market share by premium collected for 12-month period 1 July 2017 to 30 June 2018.


## Total premiums collected\*

\$1.6B  
↓ 2.5%

\* Includes NIISQ levy which commenced from 1 October 2016.

## Total number of registered vehicles in Queensland as at 30 June 2018

4.26M  
↑ 2.5%



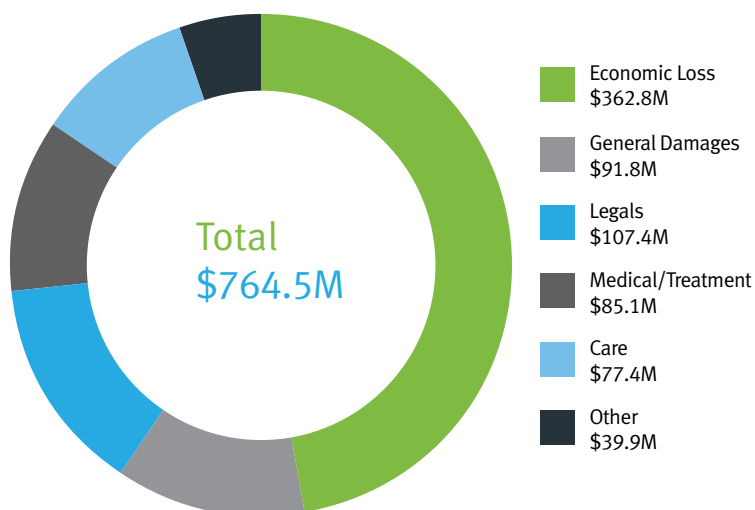
## Claims



## New claims

7,702

## Claim payments



## Annual levies per vehicle (Class 1 vehicles)

Statutory insurance scheme levy <b>\$1.50</b>	Nominal Defendant levy <b>\$10</b>	NIISQ levy <b>\$85</b>	Administration fee <b>\$7.50</b>	Hospital and emergency services levy <b>\$18</b>
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# Report card

Highlights	Performance Indicators	Target	Outcome
<b>Objective 1. Provide a viable and equitable personal injury motor accident insurance scheme.</b>			
<ul style="list-style-type: none"> <li>Implemented a new CTP insurance premium filing system in consultation with insurers.</li> <li>Set levies and fee for 2018-19 financial year.</li> <li>Implemented the new CTP insurance class 26 for booked hire vehicles and limousines.</li> </ul>	Premium bands and levies set within legislated time-frames.	100%	100%
	Premium bands are set at a level to ensure scheme viability.	100%	100%
	Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings.	<45%	<45%
<b>Objective 2. Continually improve scheme performance with a focus on efficiency and affordability.</b>			
<ul style="list-style-type: none"> <li>Implemented additional savings measures identified in the CTP insurance scheme review.</li> </ul>	Premium affordability and cost compared to other jurisdictions.	Among the top 4 most affordable CTP insurance schemes in Australia	Achieved
<b>Objective 3. Continually improve the performance of the Nominal Defendant in the indemnification of uninsured and unidentified motor vehicles.</b>			
<ul style="list-style-type: none"> <li>Reduced the Nominal Defendant levy for Class 1 vehicles to \$10 in 2017-18. Reduced the levy by a further \$1, to \$9, in 2018-19.</li> <li>Finalised 267 managed claims (including 10 FAI claims).</li> <li>Recovered \$0.20M.</li> <li>Earned \$39.64M in investment income on the Nominal Defendant Fund.</li> </ul>	Percentage of Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year. <sup>1</sup>	50%	68.2%
	Percentage of Nominal Defendant claims settled within two years of compliance with the <i>Motor Accident Insurance Act 1994</i> . <sup>2</sup>	50%	72.5%
	Percentage of Nominal Defendant claims paid within 60 days of the settlement date.	95%	98.1%
	Investment strategies aligned with anticipated claims payments.	100%	100%
<b>Objective 4. Implement the 19 recommendations made by the 2016 CTP insurance scheme review.</b>			
<ul style="list-style-type: none"> <li>Raised consumer awareness of the ability to choose a CTP insurer, through a targeted campaign.</li> </ul>	Deputy Premier and Treasurer briefed.	Achieved	Achieved
	Percentage of recommendations that have been implemented (of those recommendations that could be progressed immediately).	100%	100%
<ul style="list-style-type: none"> <li>Increased resourcing to support performance and reporting activities.</li> </ul>			
<ul style="list-style-type: none"> <li>Consulted stakeholders regarding a proposed legal cost reporting framework.</li> </ul>	Planning underway for the recommendations that require longer-term analysis and change.	Achieved	Achieved

<sup>1</sup> Favourable variance is due to higher than anticipated number of claims being finalised.

<sup>2</sup> Claims can take 2 to 3 years to settle; consequently, it is difficult to estimate the number of claims that will be finalised in any given period.

# Achievements

## Combating claim farming

In 2017-18, we developed a three-pronged strategy to eliminate 'claim farming' from Queensland's CTP insurance scheme.

Claim farming is when people receive unexpected phone calls or messages about involvement in a car accident. Claim farmers encourage people to make or exaggerate a CTP insurance claim to gain access to personal details, which they sell to third parties. They often use high-pressure tactics and target vulnerable people, including children and the elderly.

We devised a multifaceted approach to combat this insidious practice:

1. A public awareness campaign to educate and protect Queenslanders from being targeted by claim farmers.
2. Consultation with key stakeholders on measures to minimise claim farming and fraud within the CTP insurance scheme.
3. Amendments to the *Motor Accident Insurance Act 1994* in 2019 to prohibit claim farming within the scheme.

As we implement this strategy in the coming year, we aim to ensure that our scheme remains affordable to motorists and supportive of genuinely injured claimants.

**Help us to eliminate claim farming. If a claim farmer contacts you, hang up and report it at: [maic.qld.gov.au/contact-us/claim-farming/](https://maic.qld.gov.au/contact-us/claim-farming/)**

## Improving our CTP insurance scheme for Queenslanders

An external review of our CTP insurance scheme in 2016-17 showed that stakeholders consider it to be effective, affordable and stable. The review recommended that we maintain the core strengths of the scheme and continue to build on its success.

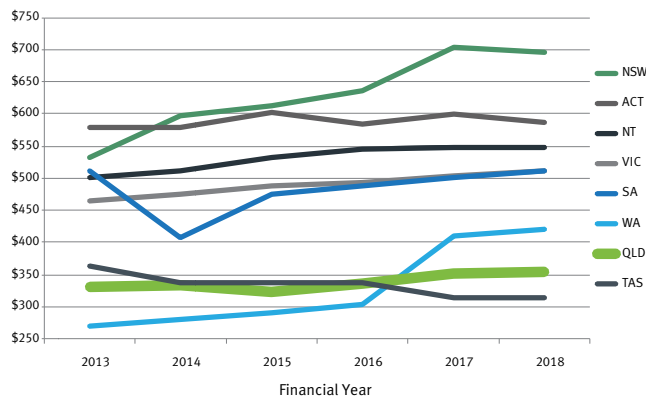
Since then, we have implemented improvements to scheme affordability and efficiency, consumer awareness, scheme monitoring and prudential supervision.

To implement the review's recommendations, we:

## Addressed high profitability of insurers and improved premium affordability

Since premium affordability is an important consideration for motorists, we reviewed the factors used to set insurance premiums to achieve an appropriate balance between affordability and the maintenance of a viable and efficient scheme. Between 1 April and 30 June 2018, the highest Class 1 premium for the majority of vehicles was \$355. This was approximately \$40 less than what it would have been had the review not been undertaken and no change to premium setting assumptions occurred.

## Affordability of premiums compared to other states Queensland remains second lowest in Australia



Note:

CTP rates used for 2013 to 2017 are those received as at 1 April each year and for 2018 are those received as at 1 January, or the next closest time period for schemes that do not set premiums on a quarterly basis. CTP rates assume standard four cylinder passenger vehicles.

## Conducted market research

We commissioned market research into Queensland motor vehicle owners and CTP insurance claimants. Our research into motor vehicle owners offered insight into their awareness and understanding of CTP insurance, experience with claim farming, and key priorities for the scheme. Our research into CTP insurance claimants provided vital feedback on their satisfaction with the claims process.

Read the insights at [maic.qld.gov.au/market-research](https://maic.qld.gov.au/market-research)

## Educated consumers about their choice of CTP insurer

The scheme review recommended that we improve consumer awareness of choice of CTP insurer both during renewal and when purchasing a vehicle. Market research supported this, indicating that most motorists do not take up the option to change CTP insurer. To combat this, we reached 253,000 people with a communication campaign titled 'CTP what?' and launched an insurer comparison tool to improve motorist awareness of their ability to change insurer and the benefits of doing so.

## Improved performance analysis and communication

We launched an online scheme knowledge centre to more openly communicate about our scheme's performance in terms of affordability, efficiency, and motorist and claimant satisfaction. We also increased resourcing in MAIC to support our performance and reporting activities.

## Progressed a legal fee reporting model

To promote transparency about legal costs, we are consulting with stakeholders regarding a proposed legal cost reporting framework.

## Investigated risk rating and its effects

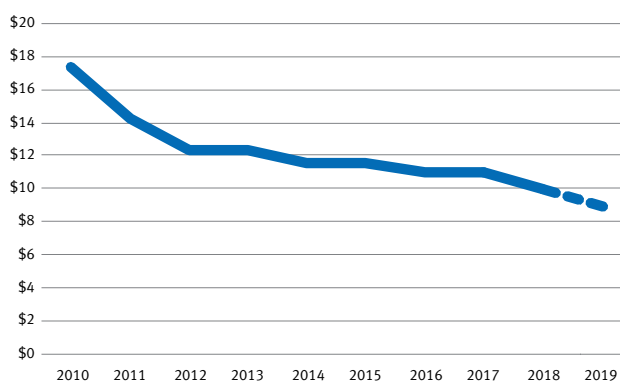
We consulted insurers and sought expert actuarial advice to investigate opportunities to improve price competition and affordability.

These efforts have improved our key scheme metrics, with CTP insurance premiums remaining stable, the incidence of claims fraud identified by insurers remaining low, and market research showing that stakeholders are satisfied with our scheme. We will continue to progress the longer-term recommendations of the CTP insurance scheme review for the benefit of motorists, injured claimants and the community.

## Nominal Defendant continues on its positive trajectory

The Nominal Defendant continues to deliver important protection for Queensland road users while remaining affordable, as shown by continued reductions in the Nominal Defendant levy for 2017-18 and 2018-19. An external review of our CTP insurance scheme also found that most stakeholders were satisfied by its performance and would like to retain its current structure and functions. The review committee agreed that the Nominal Defendant provides the Queensland Government with valuable insight into the CTP insurance scheme that helps improve understanding of the operating challenges of licensed insurers in the scheme. We look forward to continuing to deliver an affordable and efficient Nominal Defendant scheme to Queenslanders.

Nominal Defendant levy over the past 10 years  
(Class 1 vehicles)



Note:

Levy based on vehicle rating class 1 only. Levies shown are the average levy for each financial year.

## Improving lives through NIISQ

NIISQ is now providing necessary and reasonable lifetime treatment, care and support to 139 people who were seriously injured in car crashes in Queensland. The scheme predominately supports people with traumatic brain injuries, spinal cord injuries and amputations.

Relationships with stakeholders and service providers remain strong and play an important role in ensuring that the National Injury Insurance Agency Queensland (NIIAQ) meets the needs of these injured people. Each of these relationships is critical to the effectiveness of the scheme and we are sincerely grateful for their support and cooperation.

NIISQ continued to raise awareness of its scheme through a photographic exhibition called 'NIISQ on Tour'. Held initially in 1 William Street, Brisbane, the exhibition was subsequently displayed in the Townsville Hospital and the Royal Brisbane and Women's Hospital. Thank you to the teams in each hospital who helped enable and promote the displays.

NIIAQ is now an employing entity which allows its staff to truly identify as being part of NIISQ. The first external NIIAQ Board was also appointed and has been integral in developing the strategic direction for the NIISQ. Over the coming year, NIIAQ will reach a stage where it will be able to operate more independently from the Insurance Commission. We look forward to continuing to support NIIAQ and its role in making lives better for Queenslanders.

The cost of administering the NIISQ during 2017-18 was \$449.91 million including a provision for future participants' lifetime treatment care and support expenses of \$428.35 million. To learn more, view the NIIAQ annual report at [niis.qld.gov.au/about-us/corporate-publications](http://niis.qld.gov.au/about-us/corporate-publications)





# Investing in grants, sponsorships and research initiatives

We support research and education activities that contribute to an effective CTP insurance scheme. This investment ranges from initiatives focused on decreasing the number of road crashes that occur, through to providing appropriate rehabilitation and disability support.



## Pre-crash

### **CARRS-Q, Queensland University of Technology (QUT)**

Funding to sustain operations of this road safety research centre based at QUT.

### **SAFER, University of the Sunshine Coast**

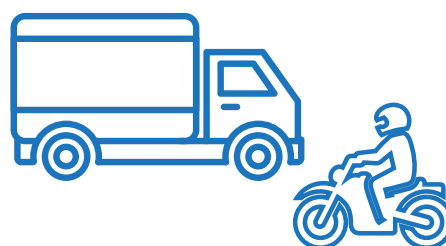
Funding of young driver situational awareness pilot project which specifically targets pre-learner drivers.

### **Braking the Cycle, PCYC**

Supporting a learner driver mentor program across 14 PCYC branches to help young people to obtain the 100 hours required to sit their driving test.

### **Motorcycle Protective Clothing**

Partnering with Transport New South Wales to develop a testing regime and safety rating system for motorcycle protective clothing.



## Crash scene

### **Pre-Hospital Retrieval Pathways, QUT**

Supporting research into patient care and transport to hospital to identify areas for improvement.

### **Analysis of fatal and serious injury crashes by region, CARRS-Q**

Supporting the analysis of crashes by region to aim to reduce the impact of fatalities and serious injuries.

Learn more about the initiatives we support at [maic.qld.gov.au/road-safety-initiatives](https://maic.qld.gov.au/road-safety-initiatives)

### Spinal Cord Therapy, Griffith University

Supporting the spinal cord therapy project which aims to repair permanent spinal cord damage.

### RECOVER Centre, University of Queensland

Funding towards enhancing physical, psychological and vocational outcomes for injured people.

### The Hopkins Centre, Griffith University and Metro South Hospital and Health Service

Fostering research into improving disability and rehabilitation practices for people with lifelong disabilities.

### Transitional Rehabilitation Service, Metro South Hospital and Health Service

Community-based rehabilitation for people with a traumatic brain injury, including NISQ participants.

### PEERS Project, University of Queensland

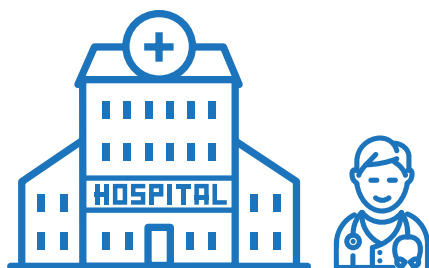
Funding to pilot a social skills training program for adolescents with acquired brain injury and cerebral palsy.

### Whiplash Online Assessment Package, University of Sydney

Developing a website to provide whiplash information for physiotherapists and their patients.



## Rehabilitation



## Hospitalisation

### Jamieson Trauma Institute, Metro North Hospital and Health Service

Supporting the institute to advance trauma prevention, research, trauma systems and clinical management to deliver the best possible care for people who suffer traumatic injuries.

### Trauma Data Fellowship, QUT

Exploring data linkages to better target road safety policies and injury management research.

### QBI Fellowship in Traumatic Brain Injury, University of Queensland

Supporting research to identify methods to assess the seriousness of a traumatic brain injury.

# Governance

## Our people

Our dedicated and focused team is the backbone of MAIC and the Nominal Defendant. They are committed to ensuring that Queensland's CTP insurance scheme supports motorists and people who are injured in motor vehicle accidents, both now and into the future.

We acknowledge that our people are our primary resource, that they work in a challenging context and need to be highly skilled and well supported. We support our staff through active recruitment and selection strategies, strengthened employee performance management and development programs, regular staff check-ins through the Working for Queensland survey and other pulse surveys, and workplace health and safety strategies.

We rely heavily on the judgement and experience of our staff to achieve sound outcomes in Queensland's CTP insurance scheme. In 2017-18, to counter risks such as claim farming, fraud and issues relating to insurer monitoring, we increased our focus on regulation by increasing our regulatory staff. We continue to focus on maintaining a highly-skilled workforce that comprises a strong blend of supervisory and industry expertise. We recruit predominantly from the insurance and legal profession to ensure capable staff.

In partnership with Treasury, we introduced a new performance and planning system called iPerform, which facilitates informal and formal feedback meetings between managers and staff. The new system outlines employee objectives and development needs and is used to document regular discussions. Conversations involving the new system have led to development programs focused on resilience, fraud mitigation, governance, customer research, machine learning, behavioural economics and policy and parliamentary education, to name a few.

In 2017-18, 91 per cent of staff participated in the Working for Queensland Survey\*. Staff engagement measures from the Working for Queensland Survey show increased levels of safety, health and wellness. The health and wellbeing of our staff is essential, so we emphasise the importance of an appropriate work-life balance.

In 2017-18, we placed an increased focus on staff resilience and vicarious trauma. Insurance Commission staff investigated workplace health and safety programs such as mental health first aid and resilience training. Our staff also benefited from Treasury's workplace health and safety policy and procedures, such as the employee assistance program, annual flu vaccinations, access to first aid officers, corporate health insurance rates and the opportunity to attend health workshops.

In early 2018, our staff were also given the opportunity to participate in strategic planning. They provided valuable input into the initiatives that will help deliver the 2018–22 strategic plan.

We meet our obligations under the *Public Service Ethics Act 1994* by ensuring that MAIC and Nominal Defendant staff complete Treasury's suite of online training modules, including modules related to the *Code of Conduct*. The online training package is delivered to all new staff.

In 2017-18, MAIC continued to provide operational support to the National Injury Insurance Agency Queensland through a service level agreement.

Targeted activities aimed at building staff engagement are delivered through the Office Vitality team.

Our staff expenses and key executive management personnel and remuneration information can be found in the Financial Information (page 35 for MAIC, and page 58 for the Nominal Defendant). To see MAIC's workforce profile, including full-time equivalent (FTE) staff and permanent separation rate, view the annual report of Queensland Treasury.

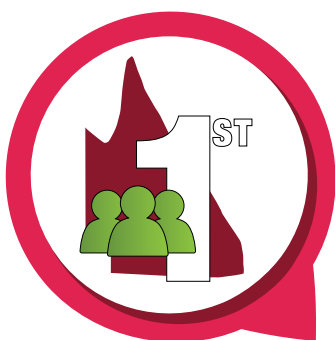
\*results indicative of broader Insurance Commission experience.



# Our values

We align our behaviour and operations with the five Queensland public service values:

## Customers first



- Know your customers
- Deliver what matters
- Make decisions with empathy

## Ideas into action



- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries

## Unleash potential



- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback

## Be courageous



- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency

## Empower people



- Lead, empower and trust
- Play to everyone's strengths
- Develop yourself and those around you

# Our leadership team

The Insurance Commissioner sets the direction for MAIC and the Nominal Defendant and reports to the State Parliament through the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships. Our leadership team is responsible for our strategic direction, operational policy, project management and operational performance.

The team supports the Insurance Commissioner, as the accountable officer, to meet our legislative requirements and accountabilities. This includes identifying and managing key areas of risk.

On 30 June 2018, membership of the leadership team included:



**Neil Singleton**

**Insurance Commissioner**

*B. Business (Insurance), MBA*

Neil was appointed as Insurance Commissioner in December 2010. Neil has over 30 years of insurance experience across a broad range of management and executive positions. Neil's responsibilities include providing strong strategic leadership to ensure a viable, affordable and equitable CTP insurance scheme in Queensland.



**Lina Lee**

**Director, Finance and Procurement**

*B. Commerce, CA*

Appointed to MAIC in 2006, Lina oversees financial and procurement management and ensures that MAIC meets its statutory and Government reporting obligations. Lina has an accounting and auditing background covering the chartered profession, commerce, industry and the Queensland public sector.





## Sarah Sawyer

### Director, Business Solutions

Sarah was appointed to MAIC in June 2014. Overall, Sarah has acquired 18 years of experience working within Queensland Treasury. She has been responsible for a range of services including information technology, data management, urban development research and office management. Sarah's recent responsibilities include providing strategic and operational direction for the Business Systems and Development, Continuous Improvement and Road Safety Research branches of the Insurance Commission.



## Vicki Vanderent

### Director, Strategic Planning and Business Performance

*B. Business, MBA*

Appointed to MAIC in 2006, Vicki is responsible for strategic and business planning, organisational reporting, policy, communication, capability development and business support. Prior to working for MAIC, Vicki held various marketing and communication roles across Government, university and the private sector.



## Kylie Horton

### General Manager, Motor Accident Insurance Commission

Appointed to MAIC in 2012, Kylie has held leadership positions in personal injury insurance across the public and private sectors for over 17 years. Kylie is responsible for leading the strategic management of the Nominal Defendant claims unit, the supervision of licenced insurer claims management compliance and performance and managing claims related legislative functions.

# Risk management

Our corporate governance framework provides the foundation for effective decision making, sound management and clear accountability. It ensures that:

- we meet statutory responsibilities under the MAI Act, the NISQ Act and other legislation
- risk management is integrated into organisational activity
- corporate governance processes, including systems of internal control, are assessed and enhanced.

We are committed to effective risk management and have adopted Treasury's framework for proactively identifying, assessing and managing risks. We continue to work within Treasury's policy framework which is aimed at enhancing risk management capabilities.

Our leadership team is accountable for risks. As part of our ongoing planning and reporting, our leadership team identifies and monitors risks that may affect our ability to achieve our strategic objectives. We maintain a risk register which the leadership team reviews on a quarterly basis. Risks are monitored with risk controls and treatment strategies assigned to each risk. This helps us to mitigate negative impacts to its core business. Treasury's Executive Leadership Team reviews the MAIC risk register from a consolidated Treasury perspective and MAIC has external auditors review the register annually. Our commitment to business continuity management ensures continuity of key business services which are essential for or contribute to the achievement of MAIC's objectives.

We participate in Treasury-wide risk and accountability management through representation on the Audit and Risk Management Committee. We also have an active Internal Audit program in place provided by the Treasury Internal Audit function.

## Audit and Risk Management Committee

Our Insurance Commissioner, Neil Singleton, is a representative on Treasury's Audit and Risk Management Committee. Through this forum, Neil accesses advice and assurance on the performance or discharge of functions and duties prescribed in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009*, and other relevant legislation and prescribed requirements.

The committee's key responsibilities include:

- reviewing the appropriateness of our accounting policies and financial performance
- annually reviewing our risk management framework, including processes for identifying, monitoring and managing significant business risks
- integrity and preventing misconduct – quarterly reporting of misconduct issues and trends, prevention strategies and areas for improvement
- reviewing, with the assistance of internal and external audit functions, the adequacy of our internal controls, including IT security
- internal and external audit:
  - reviewing and approving our Internal Audit Plan
  - consulting with External Audit on our proposed audit strategy
  - considering audit findings and recommendations to ensure key risks are considered and mitigated.

The committee met five times during the year and fulfilled its responsibilities in accordance with its charter and an approved work plan, which included:

- reviewing the 2016–17 financial statements for Queensland Treasury, Motor Accident Insurance Commission, NISQ and Nominal Defendant
- reviewing the outcomes of 2017–18 Internal Audit activity and endorsement of 2018–19 Internal Audit Plan
- considering issues raised by the Queensland Audit Office (QAO), including recommendations from performance audits
- considering Treasury-related QAO reports to Parliament.

## Internal and external accountability

Our governance framework includes both internal and external accountability measures.

Treasury provides internal audit services to MAIC through an outsourced arrangement with PwC. In 2017-18, Internal Audit provided an independent and objective assurance service operating in accordance with Treasury's *Internal Audit Charter*, which incorporates key internal audit and ethical standards. This function is independent of the QAO; however, it does liaise with the QAO regularly to ensure appropriate assurance services are provided.

Externally, MAIC and the Nominal Defendant are audited by the QAO in accordance with the *Financial Accountability Act 2009*. MAIC and the Nominal Defendant have achieved unqualified audits since the Commission commenced operations in 1994.

More information on Treasury's audit and risk management framework including information about the Audit and Risk Management Committee are detailed in Treasury's annual report.

## Information systems and recordkeeping

In 2017-18, we continued our commitment to prudent information systems and recordkeeping. Effective recordkeeping is fundamental to good business and ensures transparency and accountability in our decision-making. Our records are efficiently managed throughout their lifecycle and archived and disposed of in accordance with the *General Retention and Disposal schedule* and/or *Treasury's Retention and Disposal schedule (implementation version)*.

We continue to record all documents that come into the office by scanning them and saving them as soft copy files and then referring to materials electronically. All hard copies are filed and depending on the nature of the document, are either stored securely at 1 William Street, or sent to secure off-site storage able to be retrieved at any time.

Our recordkeeping framework aligns with Treasury's Information Management Framework. The framework aims to ensure our record management practices are consistent with other offices within the Treasury portfolio and are compliant with current legislation and best practice record keeping standards. These include *Public Records Act 2002*, *Information Privacy Act 2009*, *Right to Information Act 2009*, *Information Standard 18: Information Security*, *Information Standard 31: Retention and Disposal of Government*

*Information, Information Standard 34: Metadata, Information Standard 38: Use of ICT Facilities and Devices and Information Standard 40: Recordkeeping.*

We support the Queensland Government Open Data Initiative. In 2017-18, MAIC released 15 datasets including CTP insurance scheme statistical data and annual report data. Our Open Data sets are available at <https://data.qld.gov.au/dataset/compulsory-third-party-ctp-statistics>

## Levies and administration fee

Queensland's CTP insurance premium contains levies and an administration fee to help cover the costs involved in delivering different components of the CTP insurance scheme. The levies and administration fee are calculated annually and include the statutory insurance scheme levy, Nominal Defendant levy, hospital and emergency services levy, National Injury Insurance Scheme Queensland levy and an administration fee.

### Statutory insurance scheme levy

The statutory insurance scheme levy covers the estimated operating costs of administering the MAI Act and also provides funding for research into accident prevention and injury mitigation. From 1 July 2017, the levy remained unchanged at \$1.50 per policy and the levy collected \$6.4 million in 2017-18. From 1 July 2018, the levy remains unchanged.

### Nominal Defendant levy

The Nominal Defendant levy, which varies by vehicle class, covers the estimated costs of the Nominal Defendant scheme which provides funds to pay for claims relating to uninsured or unidentified vehicles. The levy is set having regard to an actuarial assessment of claim trends. From 1 July 2017, the levy for Class 1 vehicles was \$10.00 with \$42 million collected in 2017-18. The Nominal Defendant levy will be reduced to \$9.00 for a Class 1 vehicle in the 2018-19 period.

## Hospital and emergency services levy

The hospital and emergency services levy is designed to cover a reasonable proportion of the estimated cost of providing public hospital and public emergency services to people who are injured in motor vehicle crashes, who use such services and who are claimants or potential claimants under the CTP insurance scheme. The levy amount calculated varies by vehicle class. The hospital and emergency services levy was reduced in 2017-18 to \$18.00 for Class 1 vehicles. Proceeds from this levy are then apportioned to Queensland Health, Queensland Fire and Emergency Services, and the Public Safety Business Agency. In the year 2017-18, \$75.8 million was collected.

## National Injury Insurance Scheme levy

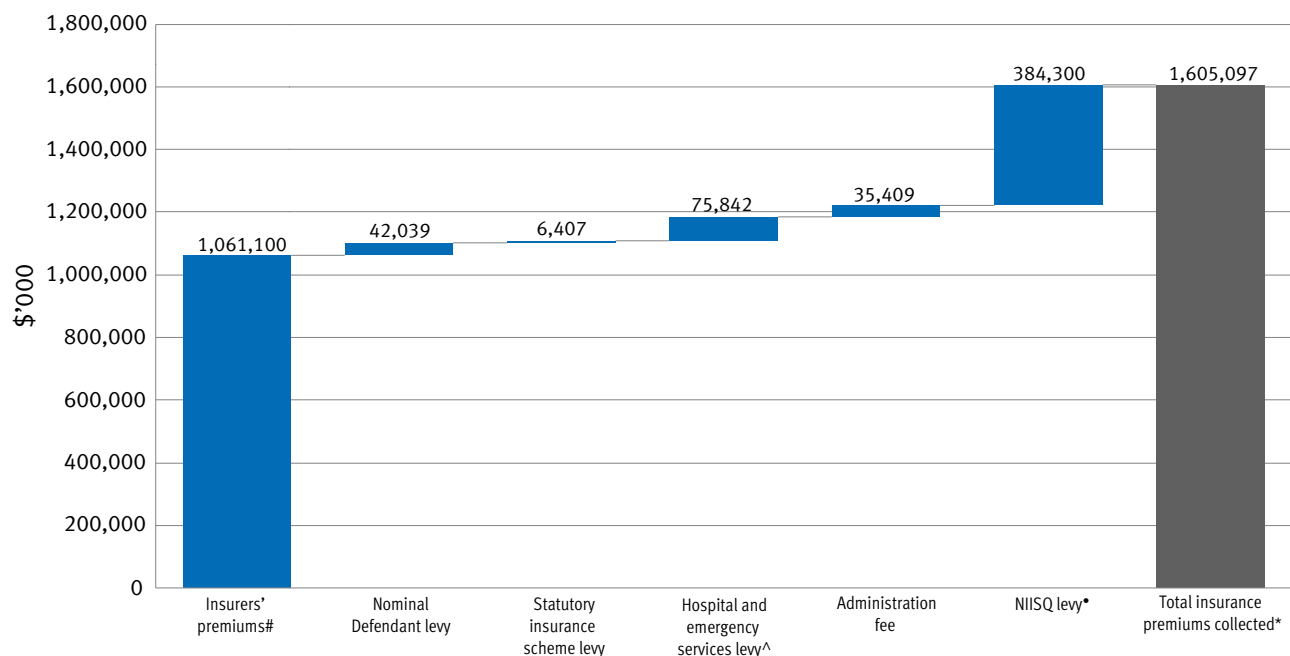
The National Injury Insurance Scheme levy, which varies by vehicle class, covers the estimated costs of the NIISQ which provides necessary and reasonable lifetime treatment, care and support for anyone who sustains a serious personal injury in a motor vehicle accident in Queensland.

The National Injury Insurance Scheme levy remained unchanged at \$85.00 for a Class 1 vehicle in 2017-18 and collected \$384.3 million. From 1 July 2018, the NIISQ Levy will rise to \$88.20 for a Class 1 vehicle.

## Administration fee

The administration fee is paid to the Department of Transport and Main Roads for delivering administrative support to the CTP insurance scheme. From 1 July 2017, the Fee remained unchanged at \$7.50 per policy. In the year 2017-18, \$35.4 million was collected. From 1 July 2018, the Fee will remain unchanged at \$7.50 per policy.

## Premium levy and fee collection



Note:

# Includes GST.

^ From 1 July 2016, emergency levies collected were remitted separately to PSBA and QFES. In the past the emergency levies were remitted as one payment.

• Includes insurer payments to NIISQ. Before the NIISQ was introduced, CTP insurance covered claims for people who sustain serious personal injuries in a motor vehicle accident in Queensland. Because the NIISQ took over those claims on 1 July 2016, CTP insurance premiums from 1 July 2015 to 30 September 2016 included an amount paid to CTP insurers for expected claim payments that they would no longer cover. Insurer payments to NIISQ is the recovery of these amounts paid to CTP insurers.

\* Net of cancellations.

Levies received for the period 1 July 2017 to 30 June 2018 are on a cash basis.

# Statistics





# Motor Accident Insurance Commission

## Insured vehicles by class

(Registrations as at 30 June 2018)

Class*	Description	Vehicles	%
1	Cars and station wagons	2,804,389	65.85%
2	Motorised homes	16,611	0.39%
3	Taxis	2,667	0.06%
4	Hire vehicles	46,445	1.09%
5	Vintage, veteran, historic or street rods	30,348	0.71%
6	Trucks, utilities and vans with a GVM of 4.5t or less	885,549	20.79%
7	Trucks, prime movers and vans with a GVM > 4.5t	77,411	1.82%
8	Non-commercial buses	5,788	0.14%
9	Buses for school/health use	3,904	0.09%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,724	0.06%
10B	Buses operating under an integrated mass transit service contract, other than school service or restricted school service	2,196	0.05%
11	Buses not in class 8, 9, 10A or 10B	6,833	0.16%
12	Motorcycles with driver only	85,093	2.00%
13	Motorcycles with pillion passenger or side car	124,696	2.93%
14	Tractors	25,262	0.59%
15	Self-propelled machinery, fire engines	6,652	0.16%
16	Ambulances	1,155	0.03%
17	Motor vehicles used only for primary production	38,857	0.91%
19	Limited access registration	47,609	1.12%
20	Zone access registration	12,052	0.28%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	8,741	0.21%
23	Dealer plates	6,116	0.14%
24	Trailers registered under the Interstate Road Transport Act 1985 (Cwlth) or trailers with a GVM > 4.5t	3,697	0.09%
26	Booked hire vehicles (cars, station wagons and utilities) and limousines (cars and station wagons)	13,715	0.32%
Total		4,258,510	100.00%

Note:

\* The definitions of each class have been simplified. For the complete description of classes, please see Schedule 1 of the Motor Accident Insurance Regulation 2004. (This regulation expires on 31 August 2018 and will be replaced by the Motor Accident Insurance Regulation 2018).



## Average Class 1 filed premium (private)

Insurer	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
AAMI**	\$305.50	\$344.00	\$317.50	\$311.25	\$325.80					
Allianz	\$302.50	\$344.50	\$315.25	\$310.50	\$325.80	\$332.85	\$334.60	\$331.35	353.60	353.50
NRMA*	\$300.15	\$345.25	\$319.00	\$314.25	\$325.80	\$331.10				
QBE	\$300.70	\$345.25	\$319.00	\$314.25	\$325.80	\$333.35	\$336.60	\$331.35	354.85	353.50
RACQI	\$305.50	\$345.25	\$319.00	\$314.25	\$325.80	\$333.35	\$336.60	\$331.35	354.85	353.50
Suncorp**	\$305.50	\$345.25	\$319.00	\$314.25	\$325.80	\$333.35	\$333.35	\$329.85	354.85	353.50

Note:

Average Class 1 filed premiums include levies.

\* NRMA ceased to operate as a licensed CTP insurer in Queensland on 1 January 2014.

\*\* AAI (trading as Suncorp) was granted a QLD CTP licence for writing CTP insurance policies as from 1 July 2013. AAMI and Suncorp had transferred their respective general insurance businesses to AAI on 1 July 2013.

## Premium levy and fee collection

(1 July 2017 to 30 June 2018)

Description	\$'000
Total insurance premiums collected*	1,605,097
Nominal Defendant levy	(42,039)
Statutory insurance scheme levy	(6,407)
Hospital and emergency services levy ^	(75,842)
Administration fee (Transport fee)	(35,409)
NIISQ levy +	(384,300)
Insurers' premiums #	1,061,100

Note:

\* Net of cancellations

^ From 1st July 2016, emergency levies collected were remitted separately to PSBA and QFES. In the past the emergency levies were remitted as one payment.

+ Includes insurer payments to NIISQ. Before the NIISQ was introduced, CTP insurance covered claims for people who sustain serious personal injuries in a motor vehicle accident in Queensland. Because the NIISQ took over those claims on 1 July 2016, CTP insurance premiums from 1 July 2015 to 30 September 2016 included an amount paid to CTP insurers for expected claim payments that they would no longer cover. Insurer payments to NIISQ is the recovery of these amounts paid to CTP insurers.

# Includes GST

Levies received for the period 1 July 2017 to 30 June 2018 are on a cash basis.

## Distribution of hospital and emergency services levy

Description	\$'000
Hospital and emergency services levy - Hospital	(72,050)
Hospital and emergency services levy - Emergency PSBA^	(1,002)
Hospital and emergency services levy - Emergency QFES^	(2,790)
Total	(75,842)

## Scheme performance delivery

1% Super Imposed inflation scenario *	Claimant benefits			Scheme delivery		Delivery costs			
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total	
Most recent 2 years	59.3%	6.2%	65.5%	4.7%	2.9%	7.8%	19.2%	34.5%	
Most recent 3 years	55.0%	5.9%	60.9%	4.3%	2.8%	7.5%	24.5%	39.1%	
Most recent 5 years	50.2%	5.6%	55.9%	3.9%	2.8%	7.0%	30.5%	44.1%	

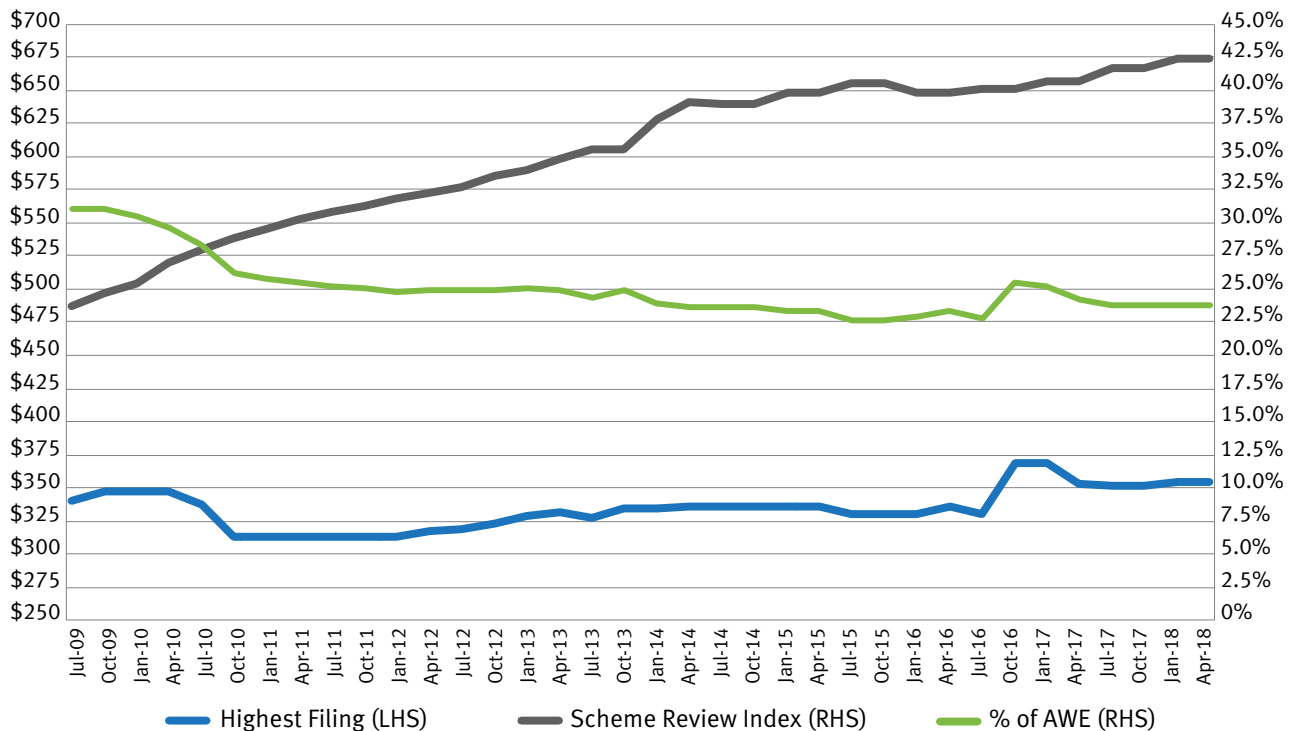
Note:

Scheme delivery is the proportion of Class 1 collected premium that is paid back to, or in respect of claimants. Premium components can be split into claimant benefits and delivery costs.

Costs and levies can be distinguished as either contributing to claim benefits or delivery costs.

\* Superimposed Inflation (SI): this is any inflationary factor on claims costs which results in a rate of inflation greater than general economic inflation.

## Scheme review index vs highest filed Class 1 CTP insurance premium

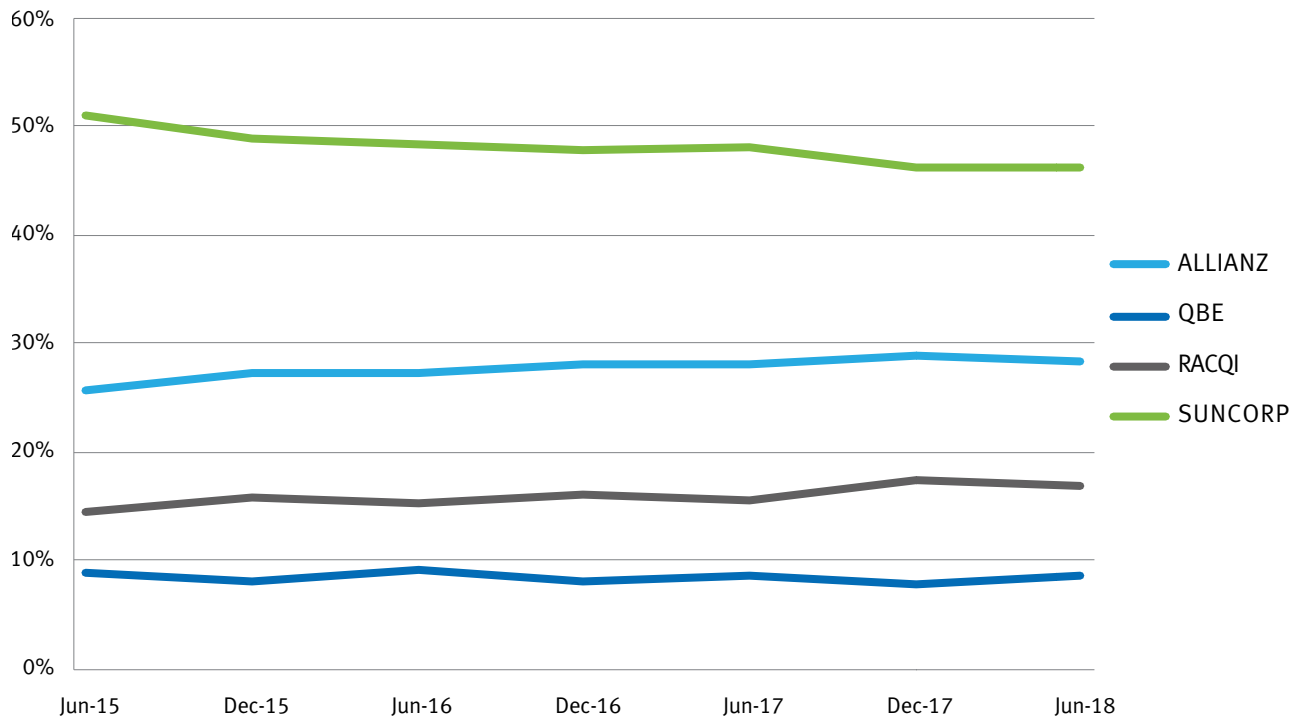


Note:

The MAI Act defines the scheme review index (also called the affordability index) as 45 per cent of Queensland full-time adult persons ordinary time weekly earnings (original series) as published by the Australian Bureau of Statistics.

## Market share by premium

(Six month intervals from 2015-2018)



### Note:

AAI (trading as Suncorp) was granted a QLD CTP licence for writing CTP insurance policies as from 1 July 2013. AAMI and Suncorp transferred their respective general insurance businesses to AAI on 1 July 2013.

## Number of accidents by region

(Accidents from 1 July 2008 to 30 June 2018)

Accident date	1 Jul 2008 - 30 Jun 2009		1 Jul 2009 - 30 Jun 2010		1 Jul 2010 - 30 Jun 2011		1 Jul 2011 - 30 Jun 2012		1 Jul 2012 - 30 Jun 2013	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
Brisbane	2,874	50.3%	2,664	49.7%	2,840	49.0%	2,847	50.7%	2,825	50.4%
Other SE QLD region	1,653	28.9%	1,519	28.4%	1,700	29.4%	1,546	27.5%	1,528	27.3%
Regional QLD	908	15.9%	870	16.3%	916	15.8%	926	16.5%	958	17.1%
Interstate	281	4.9%	301	5.6%	338	5.8%	302	5.4%	290	5.2%
Total	5,716	100.0%	5,354	100.0%	5,794	100.0%	5,621	100.0%	5,601	100.0%

Note:

The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

The Brisbane region is based on postcodes 4000-4209 and 4500-4529.

Other SE QLD region is based on postcodes 4210-4349, 4550-4601 and 4619-4689 and includes Ipswich, Gold Coast and Sunshine Coast.

Regional QLD is based on postcodes 4350-4499, 4602-4618 and 4690-4899 and includes Toowoomba, Rockhampton, Mackay, Townsville, Mt Isa and Cairns.

## Age group of claimants by gender

(All claims for accidents from 1 July 2008 to 30 June 2018 where relevant details are available)

Age group	Male	Female	Total	%
0-5	427	428	855	1.2
6-15	1,233	1,384	2,617	3.7
16-25	5,949	7,396	13,345	19.0
26-35	7,440	8,213	15,653	22.3
36-45	6,966	7,561	14,527	20.7
46-55	5,722	6,395	12,117	17.3
56-65	3,416	3,590	7,006	10.0
66+	1,841	2,127	3,968	5.7
Total	32,994	37,094	70,088	100.0

## Claim severity

(Finalised claims for accidents from 1 July 2008 to 30 June 2018)

AIS severity *	Description	Claims	%
1	Minor	40,809	72.2
2	Moderate	8,138	14.4
3	Serious	3,179	5.6
4	Severe	432	0.8
5	Critical	204	0.4
6	Maximum #	695	1.2
9	Admin ^	3,071	5.4
	Total	56,528	100.0

Note:

\* The Abbreviated Injury Scale, 2005 edition (AIS 2005) is an anatomically-based global severity scoring system that classifies each injury by body region according to its relative importance on a 6-point ordinal scale. This classification represents the 'threat to life' associated with each injury. Conversion of reported injury codes from AIS 1985 to AIS 2005 in July 2008 may have caused changes to severity level of some claims.

# Maximum severity is predominantly fatalities.

^ Admin severity includes but is not limited to unconfirmed injuries, nervous shock and business claims.



1 Jul 2013 - 30 Jun 2014		1 Jul 2014 - 30 June 2015		1 Jul 2015 - 30 June 2016		1 Jul 2016 - 30 June 2017		1 Jul 2017 - 30 June 2018	
Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
2,856	51.4%	3,099	52.8%	3,145	52.6%	3,609	53.7%	2,538	56.0%
1,505	27.1%	1,604	27.3%	1,713	28.6%	1,935	28.8%	1,327	29.2%
911	16.4%	858	14.6%	785	13.1%	856	12.7%	531	11.7%
289	5.2%	309	5.3%	342	5.7%	325	4.8%	140	3.1%
5,561	100.0%	5,870	100.0%	5,985	100.0%	6,725	100.0%	4,536	100.0%

## Rates of legal representation and litigation

(Accidents from 1 July 2008 to 30 June 2018)

Accident date	1 Jul 2008 - 30 Jun 2009	1 Jul 2009 - 30 Jun 2010	1 Jul 2010 - 30 Jun 2011	1 Jul 2011 - 30 Jun 2012	1 Jul 2012 - 30 Jun 2013	1 Jul 2013 - 30 Jun 2014	1 Jul 2014 - 30 Jun 2015	1 Jul 2015 - 30 Jun 2016	1 Jul 2016 - 30 Jun 2017	1 Jul 2017 - 30 Jun 2018
Claims	7,017	6,573	7,041	6,991	6,940	6,979	7,253	7,490	8,366	5,548
% Finalised	99.1%	98.8%	98.4%	97.6%	96.4%	93.7%	88.7%	73.9%	42.9%	10.1%
% Legal rep	74.5%	75.5%	74.1%	75.6%	76.8%	77.3%	77.5%	80.5%	82.2%	82.6%
% Litigated	10.0%	10.3%	10.0%	11.4%	11.6%	10.4%	7.8%	6.8%	2.7%	0.0%

Note: The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

## Claim duration by licensed insurer

(Finalised claims for accidents from 1 July 2008 to 30 June 2018 where relevant details are available)

Timeframes <sup>^</sup>	Allianz	QBE	RACQI	Suncorp	Average
Notification date to compliance date	0.7	0.5	0.8	0.9	0.8
Compliance date to liability decision date	2.1	2.5	2.7	2.3	2.3
Liability decision date to settlement date	13.6	13.9	14.1	14.6	14.2

Note:

<sup>^</sup> Timeframes = average in months

## Heads of damage breakdown

(Finalised claims from 1 July 2017 to 30 June 2018 for accidents from 1 July 2008 to 30 June 2018)

	General damages	Economic loss past and future	Treatment and rehab	Care	Legals	Other*	Recoveries #	Total
Finalised claims ^	6,619	5,808	7,458	955	4,199	7,042	92	8,163
% Finalised payments	11.8%	47.1%	11.9%	10.7%	13.8%	5.2%	-0.4%	100.0%
Total payments (\$'000)	98,807	395,231	99,942	89,646	115,888	43,558	-3,319	839,753

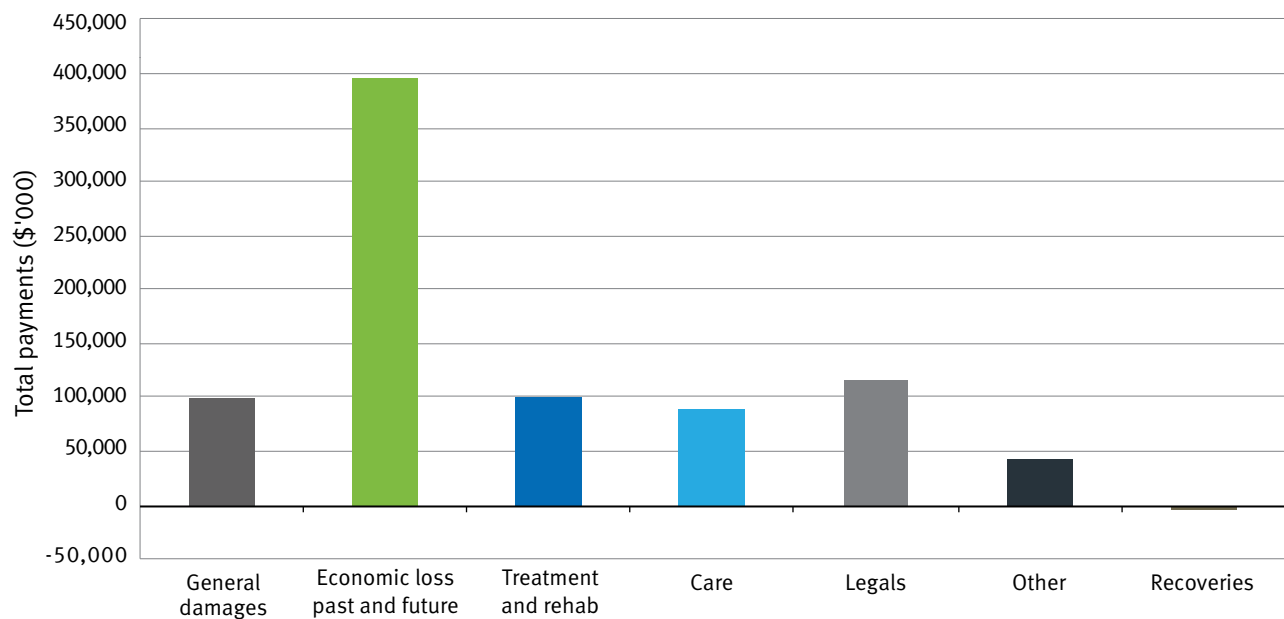
Note:

\* Other includes home and vehicle modifications, aids and appliances and investigation costs.

# Money recovered from the insured, other parties, uninsured driver/owners or interstate insurers.

^ Nil claims (zero payments) have been excluded from the data.

## Total payments by heads of damage for claims finalised in 2017-18



## Injury severity costs breakdown

(Finalised claims from 1 July 2017 to 30 June 2018 for accidents from 1 July 2008 to 30 June 2018)

	AIS severity description						Admin #	Total
	Minor	Moderate	Serious	Severe	Critical	Maximum *		
Finalised claims ^	6,104	1,008	437	74	40	78	418	8,159
% Total payments	43.3%	17.3%	17.0%	9.1%	8.0%	4.3%	1.0%	100.0%
Average payment (\$)	59,576	144,376	327,627	1,029,295	1,680,258	457,757	19,884	102,923
Total payments (\$'000)	363,654	145,531	143,173	76,168	67,210	35,705	8,312	839,753

Note:

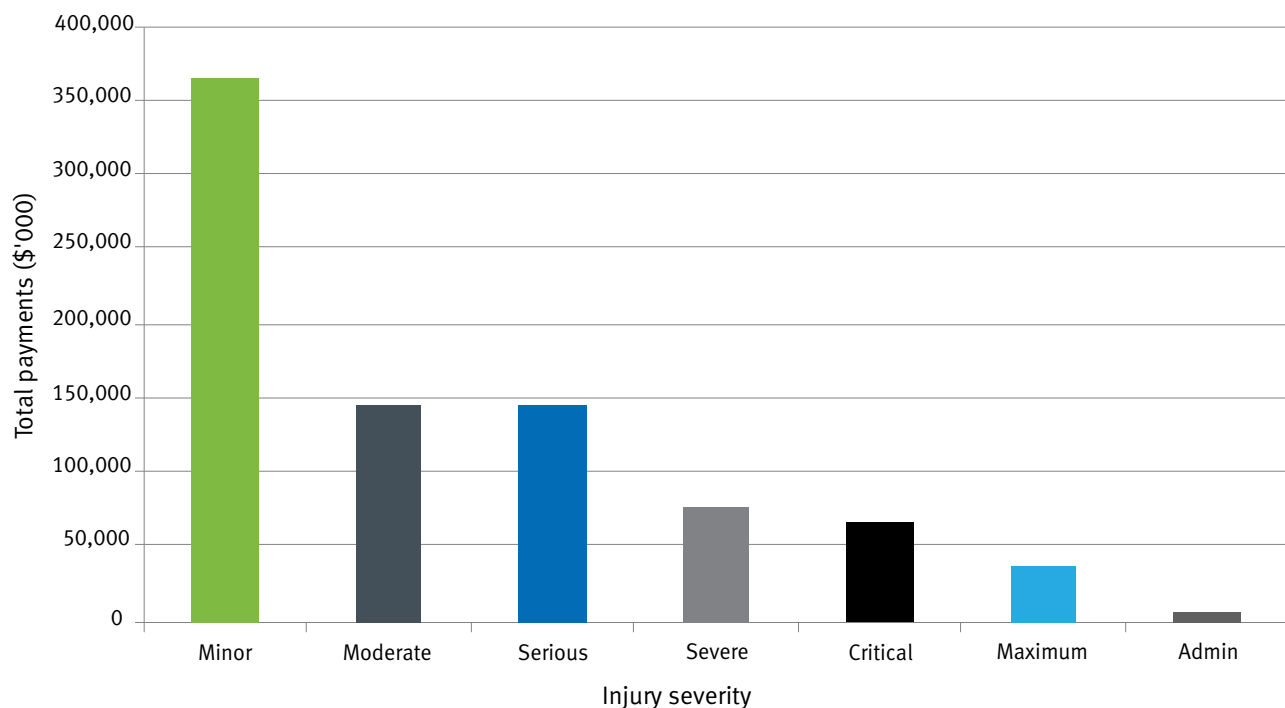
Due to minor claims generally settling in a shorter period, the above figures are not truly reflective of the relationship of total payments to severity. Injury severities are based on AIS 2005.

\* Maximum severity is predominantly fatalities.

# Admin severity includes but is not limited to unconfirmed injuries, injuries unspecified, nervous shock and business claims.

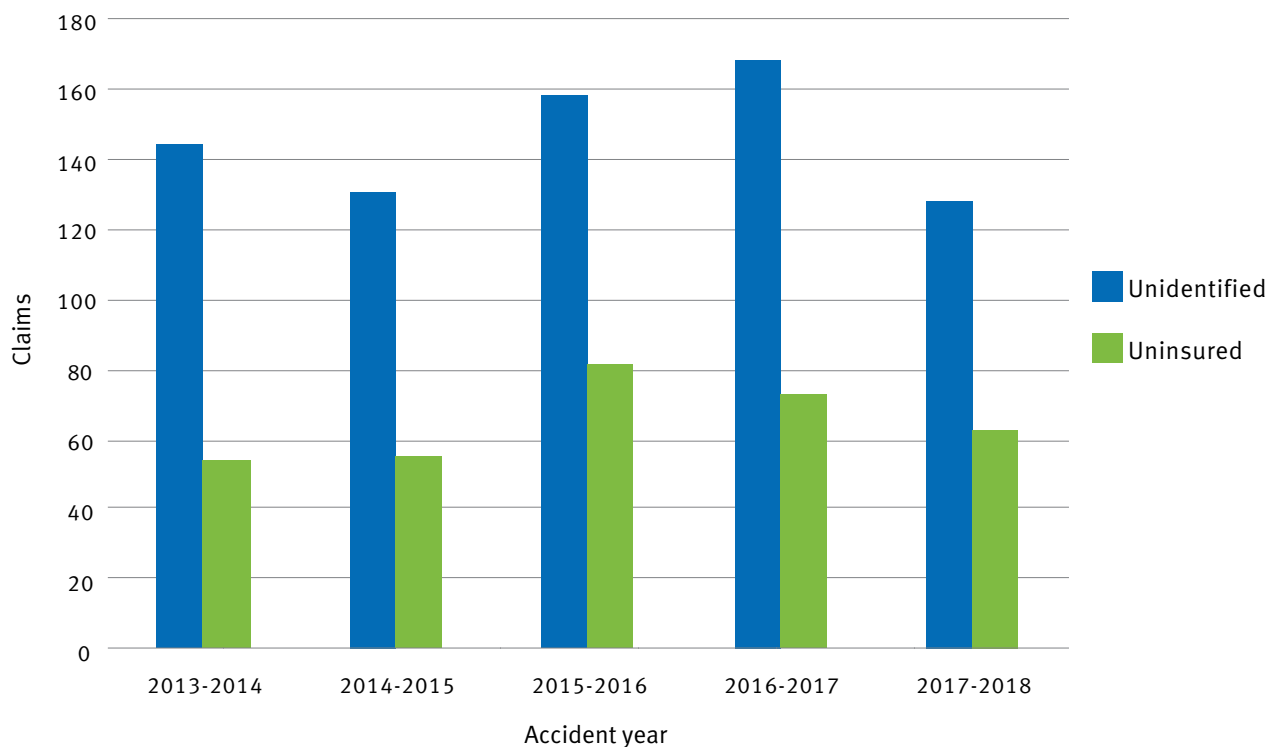
^ Nil claims (zero payments) and claims without injury codes have been excluded from the data.

## Total payments by severity for claims finalised in 2017-18



# Nominal Defendant

## Claims received by accident year



## Claims from unregistered vehicles by region

(Accidents from 1 July 2013 to 30 June 2018)

Region	Claims
Brisbane	160
Gold Coast	43
North QLD	23
Western QLD	5
Central QLD	20
Interstate	6
Sunshine Coast	32
Unknown	36
Total	325

### Note:

Region based on at-fault owners address.

QLD Nominal Defendant claims only.

The Brisbane region is based on postcodes 4000-4209 and 4500-4529.

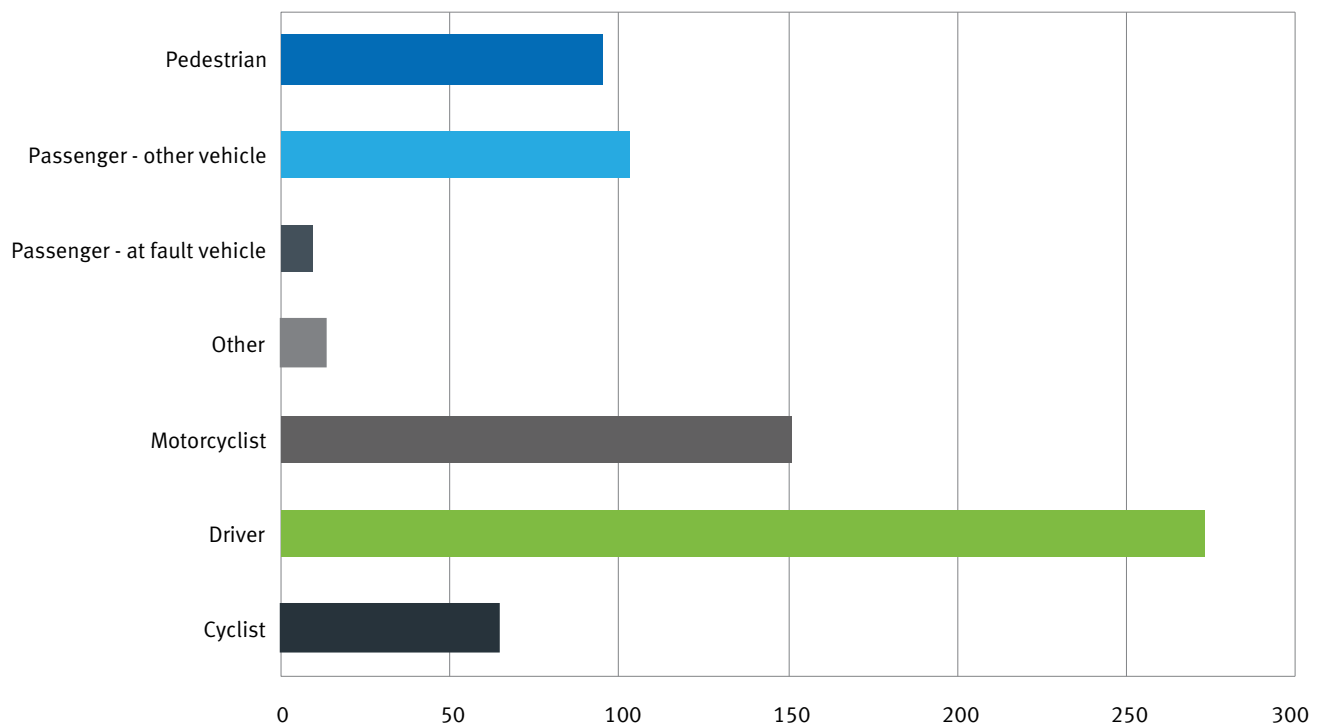
Other SE QLD region is based on postcodes 4210-4349, 4550-4601 and 4619-4689 and includes Ipswich, Gold Coast and Sunshine Coast.

Regional QLD is based on postcodes 4350-4499, 4602-4618 and 4690-4899 and includes Toowoomba, Rockhampton, Mackay, Townsville, Mt Isa and Cairns.

## Claimants by role in accidents involving an unidentified vehicle

(Accidents from 1 July 2013 to 30 June 2018)

Claimant role	Claims	%
Cyclist	64	9.0%
Driver	273	38.6%
Motorcyclist	151	21.3%
Other	13	1.8%
Passenger - at fault vehicle	9	1.3%
Passenger - other vehicle	103	14.5%
Pedestrian	95	13.4%
Total	708	100.0%



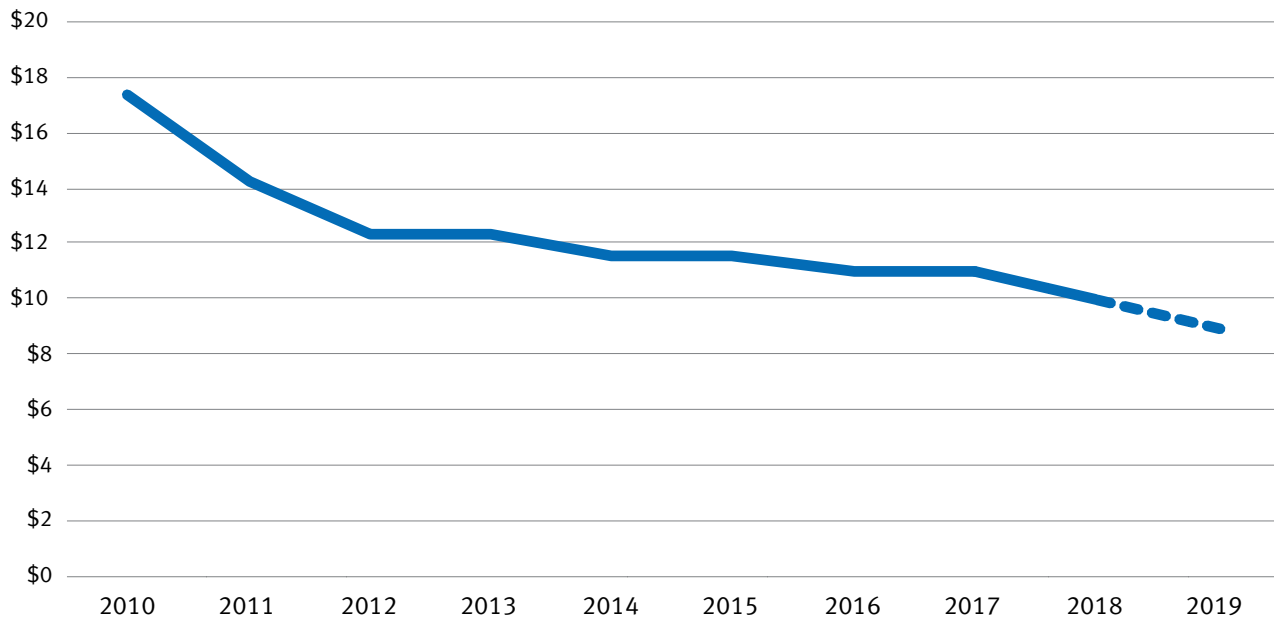
Note:

Vehicle rating Class 1 only

QLD Nominal Defendant claims only

## Nominal Defendant levy

2009-10	\$17.40
2010-11	\$14.20
2011-12	\$12.35
2012-13	\$12.35
2013-14	\$11.50
2014-15	\$11.50
2015-16	\$11.00
2016-17	\$11.00
2017-18	\$10.00
2018-19	\$9.00



### Note:

Levy based on vehicle rating Class 1 only. Levies shown are the average levy for each financial year.



# Finances



# Our financial information

## Motor Accident Insurance Commission

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These financial statements cover the Motor Accident Insurance Commission (MAIC).

MAIC is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business of MAIC is:

Level 26, 1 William Street  
GPO Box 2203  
Brisbane, Queensland 4000

A description of the nature of MAIC's operations and its principal activities is included in the notes to the financial statements.

For information in relation to MAIC's financial report call 1300 302 568, email [maic@maic.qld.gov.au](mailto:maic@maic.qld.gov.au) or visit MAIC's website [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

## Nominal Defendant

### Financial statements 2017-18

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These financial statements cover the Nominal Defendant.

The Nominal Defendant is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:

Level 26, 1 William Street  
GPO Box 2203  
Brisbane, Queensland 4000

A description of the nature of the Nominal Defendant's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Nominal Defendant's financial report please call 07 3035 6321, email [nd@maic.qld.gov.au](mailto:nd@maic.qld.gov.au) or visit the Nominal Defendant's website [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

# Motor Accident Insurance Commission financial summary 2017-18

The operating surplus of MAIC for the year ended 30 June 2018 is \$6.57 million. The major drivers for the \$4.37 million decrease in operating surplus were the reduction in returns on financial assets and increase in grants expense.

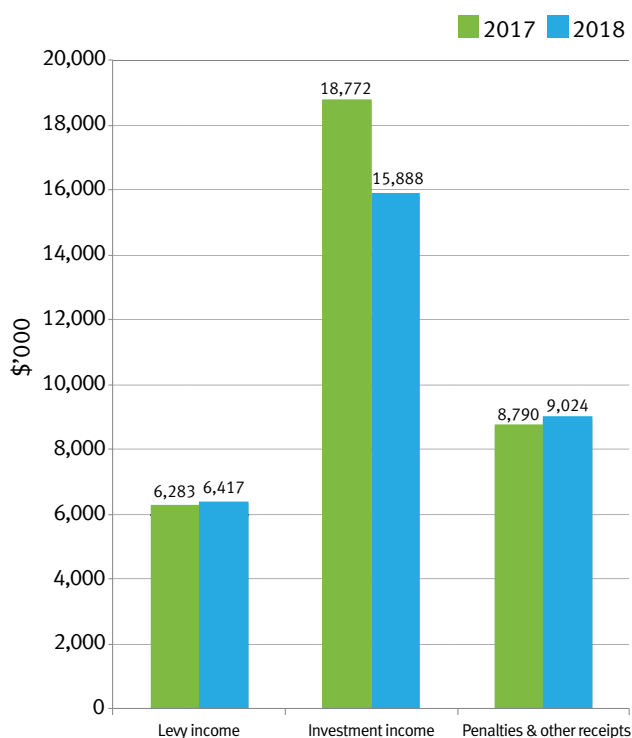
The lower return on investments held with QIC of \$15.89 million versus prior year's \$18.77 million was due to the uncertainty in the global equity markets during the year.

The Statutory Insurance Scheme Levy per vehicle remained unchanged from 1 July 2017 at \$1.50 per annum. Penalty fines and other receipts rose by \$0.23 million to \$9.02 million due to increase in other revenue of \$0.35 million which relates to return of surplus grant funds.

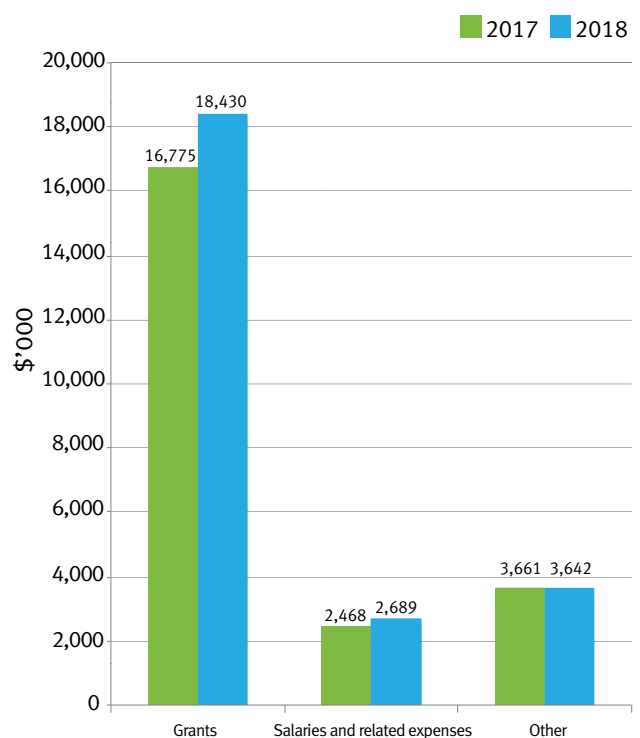
MAIC's total expenses for the year was \$24.76 million (prior year \$22.90 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of \$1.66 million was due to additional funding for road trauma mitigation research. Details of the grant funding are provided in Appendix 5.

MAIC's other operating expenditure reduced slightly by \$0.02 million to \$3.64 million.

## Income



## Expenses



# Motor Accident Insurance Commission financial statements 2017-18

## Statement of comprehensive income

for the year ended 30 June 2018

	Note	2018 Actual \$'000	2018 Original Budget \$'000	* Budget Variance \$'000	2017 Actual \$'000
<b>Income</b>					
Lewy	3	6,417	6,312	105	6,283
Penalties	4	7,785	7,000	785	7,707
User charges		542	-	542	733
Other revenue		697	-	697	350
<b>Total revenue</b>		<b>15,441</b>	<b>13,312</b>	<b>2,129</b>	<b>15,073</b>
Net fair value gains on other financial assets		15,888	10,562	5,326	18,772
<b>Total income</b>		<b>31,329</b>	<b>23,874</b>	<b>7,455</b>	<b>33,845</b>
<b>Expenses</b>					
Grants	5	18,430	17,000	1,430	16,775
Employee expenses	6	2,689	2,758	(69)	2,468
Supplies and services	7	3,595	4,066	(471)	3,611
Other expenses	8	47	50	(3)	50
<b>Total expenses</b>		<b>24,761</b>	<b>23,874</b>	<b>887</b>	<b>22,904</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>6,568</b>	<b>-</b>	<b>6,568</b>	<b>10,941</b>

\* An explanation of major variances is included in Note 15.

## Statement of financial position

as at 30 June 2018

	Note	2018	2018		2017
		Actual	Original Budget	* Budget Variance	Actual
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents		2,372	2,568	(196)	3,342
Receivables	9	1,029	399	630	773
Other financial assets	11&12	163	28,208	(28,045)	160
<b>Total current assets</b>		<b>3,564</b>	<b>31,175</b>	<b>(27,611)</b>	<b>4,275</b>
<b>Non-current assets</b>					
Other financial assets	11&12	181,379	143,455	37,924	174,082
<b>Total non-current assets</b>		<b>181,379</b>	<b>143,455</b>	<b>37,924</b>	<b>174,082</b>
<b>Total assets</b>		<b>184,943</b>	<b>174,630</b>	<b>10,313</b>	<b>178,357</b>
<b>Current liabilities</b>					
Payables	10	486	320	166	554
Accrued employee benefits		129	108	21	100
<b>Total current liabilities</b>		<b>615</b>	<b>428</b>	<b>187</b>	<b>654</b>
<b>Non-current liabilities</b>					
Payables		99	-	99	42
<b>Total non-current liabilities</b>		<b>99</b>	<b>-</b>	<b>99</b>	<b>42</b>
<b>Total liabilities</b>		<b>714</b>	<b>428</b>	<b>286</b>	<b>696</b>
<b>Net assets</b>		<b>184,229</b>	<b>174,202</b>	<b>10,027</b>	<b>177,661</b>
<b>Equity</b>					
Contributed equity		57,818	57,818	-	57,818
Accumulated surplus		126,411	116,384	10,027	119,843
<b>Total equity</b>		<b>184,229</b>	<b>174,202</b>	<b>10,027</b>	<b>177,661</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

## Statement of changes in equity

for the year ended 30 June 2018

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>	108,902	57,818	166,720
Operating result	10,941	-	10,941
<b>Balance as at 30 June 2017</b>	<b>119,843</b>	<b>57,818</b>	<b>177,661</b>
<b>Balance as at 1 July 2017</b>	119,843	57,818	177,661
Operating result	6,568	-	6,568
<b>Balance as at 30 June 2018</b>	<b>126,411</b>	<b>57,818</b>	<b>184,229</b>

*The accompanying notes form part of these statements.*

## Statement of cash flows

for the year ended 30 June 2018

	Note	2018 Actual \$'000	2018 Original Budget \$'000	Budget Variance \$'000	2017 Actual \$'000
<b>Cash flows from operating activities</b>					
<i>Inflows:</i>					
Levy		6,407	6,312	95	6,242
Penalties		7,800	7,000	800	7,582
User charges		542	2	540	741
GST input tax credits from ATO		1,593	-	1,593	1,612
GST collected from customers		123	-	123	99
Other revenue		694	-	694	360
<i>Outflows:</i>					
Grants		(18,341)	(17,000)	(1,341)	(16,749)
Employee expenses		(2,686)	(2,756)	70	(2,463)
Supplies and services		(3,078)	(3,524)	446	(2,821)
GST remitted to ATO		(128)	-	(128)	(81)
GST paid to suppliers		(1,841)	-	(1,841)	(1,694)
Other expenses		(55)	(50)	(5)	(54)
<b>Net cash (used in) / provided by operating activities</b>	CF-1	<b>(8,970)</b>	<b>(10,016)</b>	<b>1,046</b>	<b>(7,226)</b>
<b>Cash flows from investing activities</b>					
<i>Inflow:</i>					
Proceeds from sale of other financial assets		12,500	10,016	2,484	13,500
<i>Outflow:</i>					
Payments for other financial assets		(4,500)	-	(4,500)	(5,500)
<b>Net cash provided by / (used in) investing activities</b>		<b>8,000</b>	<b>10,016</b>	<b>(2,016)</b>	<b>8,000</b>
<b>Net increase / (decrease) in cash</b>		<b>(970)</b>	<b>-</b>	<b>(970)</b>	<b>774</b>
Cash and cash equivalents at beginning of financial year		3,342	2,568	774	2,568
<b>Cash and cash equivalents at end of financial year</b>		<b>2,372</b>	<b>2,568</b>	<b>(196)</b>	<b>3,342</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

Cash represents cash at bank and cheques receipted but not banked at 30 June.



## Note to the statement of cash flows

for the year ended 30 June 2018

### CF-1 Reconciliation of operating result to net cash provided by operating activities

	2018	2017
	\$'000	\$'000
Operating result	6,568	10,941
<i>Non-cash items included in operating result:</i>		
Net fair value gains on other financial assets	(15,300)	(18,223)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in prepayments	-	28
(Increase)/decrease in receivables	(256)	(251)
Increase/(decrease) in current payables	(68)	241
Increase/(decrease) in non-current payables	57	42
Increase/(decrease) in accrued employee benefits	29	(4)
<b>Net cash (used in) operating activities</b>	<b>(8,970)</b>	<b>(7,226)</b>

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION

#### (a) General information

The Motor Accident Insurance Commission (MAIC) is an independent statutory body reporting to the Treasurer and established under the *Motor Accident Insurance Act 1994* (the Act) which commenced operations on 1 September 1994.

The head office and principal place of business of MAIC is Level 26, 1 William St, Brisbane, QLD 4000.

#### (b) Compliance with prescribed requirements

MAIC is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 43(1) of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

#### (c) Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

#### (d) Comparatives

Comparative information reflects the audited 2016-17 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

#### (e) Current / non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are expected to be settled within 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at MAIC's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

#### (f) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

The area involving a higher degree of judgement is in the fair value measurement of other financial assets (refer to **Note 11**).

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

#### (g) Authorisation of financial statements for issue

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Finance and Procurement at the date of signing the Management Certificate.

### 2. OBJECTIVES OF MAIC

MAIC is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund. It provides a framework for premium setting and ensures compliance with the provisions of the Act. It also conducts research in motor accident prevention and rehabilitation.

### 3. LEVY INCOME

Levy income consists of Statutory Insurance Scheme (SIS) levy received to fund the estimated operating costs of administering the Act and also provides funding for research into accident prevention and injury mitigation.

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) to MAIC under section 27 of the Act. This occurs at the time the levies are paid by motorists to DTMR.

The SIS levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act.

### 4. PENALTIES

Penalties are recognised at the time they are legally payable by DTMR and Queensland Treasury (State Penalties Enforcement Registry) to MAIC for penalties issued under s.20 of the Act. This occurs at the time of receipt of monies from uninsured motorists.

### 5. GRANTS

	2018 \$'000	2017 \$'000
Road trauma mitigation research	8,066	4,150
Rehabilitation initiatives research	7,179	7,985
Strategic accident prevention research	3,184	4,532
Other	1	108
<b>Total</b>	<b>18,430</b>	<b>16,775</b>

The payment of the above grants is dependent on the grantee organisation satisfying conditions as set out in the grant agreement. The expense is recognised when the terms and conditions of the grants have been satisfied.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 6. EMPLOYEE EXPENSES

	2018 \$'000	2017 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages	2,064	1,923
Employer superannuation contributions	276	271
Leave levies	268	233
Employee related expenses	58	32
Other employee benefits	23	9
<b>Total</b>	<b>2,689</b>	<b>2,468</b>

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information) is 24 (2017: 21).

#### ***Wages, salaries and sick leave***

Wages and salaries are recognised as an expense when services are performed. Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted. Sick leave is non-vesting and an expense is recognised when the leave is taken.

#### ***Annual and long service leave***

No provision is recognised for liabilities in relation to annual and long service leave as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Under the Queensland Government's Long Service Leave Scheme, a levy is made on MAIC to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable.

#### ***Superannuation***

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Key management personnel and remuneration disclosures are detailed in **Note 16**.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 7. SUPPLIES AND SERVICES

	2018 \$'000	2017 \$'000
Consultants and contractors	1,182	1,717
QIC management fee	550	517
Rent	485	388
Corporate services fee	455	275
Queensland Treasury Actuarial fees	390	349
IT related expenses	269	206
Supplies and consumables	88	60
Others	176	99
<b>Total</b>	<b>3,595</b>	<b>3,611</b>

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

### 8. OTHER EXPENSES

	2018 \$'000	2017 \$'000
Queensland Audit Office - external audit fees	21	20
Insurance premiums - QGIF	26	26
Other	-	4
<b>Total</b>	<b>47</b>	<b>50</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2017-18 financial statements are \$21,100 (2017: \$20,550).

### 9. RECEIVABLES

	2018 \$'000	2017 \$'000
GST receivable	378	130
Accrued penalties	352	367
Accrued SIS levy	170	159
Receivables from NIIAQ*	41	59
Accrued interest income	31	29
Leave reimbursements	56	29
Other receivables	1	-
<b>Total</b>	<b>1,029</b>	<b>773</b>

\*The National Injury Insurance Agency, Queensland

Receivables are recognised at the amounts due at the time of or service delivery or when they are legally payable to MAIC. Penalties are recognised at the time of receipt of monies from uninsured motorists (refer to **Note 4**). Settlement of these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment where an event occurs that would cast doubt on the collectability of the receivable.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 10. PAYABLES

	2018 \$'000	2017 \$'000
Accrued expenses	342	358
Trade creditors	126	176
GST payable	14	18
FBT payable	4	2
<b>Total</b>	<b>486</b>	<b>554</b>

### 11. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable inputs.

MAIC recognises other financial assets invested with QIC at fair value through profit and loss. The fair value is measured at market value based on closing unit prices of QIC unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

While the units in the trust have redemption prices and are able to be traded, the market would not be considered active for level 1, therefore, they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the fund manager. Classification of instruments into fair value hierarchy levels is reviewed annually.

The fair value of receivables and payables is assumed to be approximately the value of the original transaction.

The carrying amount for cash assets represents the fair value.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 12. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

MAIC has the following categories of financial assets and financial liabilities:

Category	Note	2018 \$'000	2017 \$'000
<b>Financial assets</b>			
Cash and cash equivalents (FVTPL)		2,372	3,342
Receivables (amortised cost)	9	1,029	773
Other financial assets (FVTPL)		181,542	174,242
<b>Total</b>		<b>184,943</b>	<b>178,357</b>
<b>Financial liabilities</b>			
Current Payables (amortised cost)	10	486	554
Non-Current Payables (amortised cost)		99	42
<b>Total</b>		<b>585</b>	<b>596</b>

A financial asset is classified at fair value through profit or loss (FVTPL) if it is classified as held for trading or if so designated on acquisition. Financial assets at FVTPL are valued at fair value at balance date.

MAIC's other financial assets at FVTPL consists of investments with QIC. These assets are classified as held for trading. A financial asset is classified in this category where it is acquired for selling or repurchasing in the near term, or if on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

#### (b) Financial risk management

MAIC's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk.

Risk exposure is measured using a variety of methods:

Risk Exposure	Measurement Method
Credit risk	Earnings at risk
Liquidity risk	Maturity analysis
Market risk	Sensitivity analysis



## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 12. FINANCIAL RISK DISCLOSURES - continued

#### (i) Credit risk

Credit risk exposure refers to the situation where MAIC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Note 12(a)** represents MAIC's maximum exposure to credit risk at balance date.

MAIC seeks to reduce the exposure to credit risk in the following manner:

- invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding MAIC's future cash requirements and to agree the investment mandate;
- all funds owed are monitored on a timely basis and bad debts are written off as they are incurred; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole of Government banking arrangement managed by Queensland Treasury.

Receivables disclosed in **Note 9** are neither past due nor impaired, with Government entities making up the key debtor group. Receivables have been categorised as neither past due nor impaired based on an assessment of the credit quality of the debtor, having regard to historical experience, the size, nature and the credit ratings (where available) of the debtor. If MAIC determines that an amount owing by a debtor or group of debtors becomes uncollectible, that amount is recognised as a bad debt expense and written-off against receivables.

#### (ii) Liquidity risk

Liquidity risk refers to the situation where MAIC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

MAIC is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. MAIC manages its exposure to liquidity risk by ensuring that MAIC has sufficient funds available to meet its liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.

#### (iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risk.

The significant market risks to MAIC relate to its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to MAIC's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three year return forecasts.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 12. FINANCIAL RISK DISCLOSURES - continued

#### (c) Market risk sensitivity analysis

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of MAIC's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

MAIC's sensitivity to these possible changes are shown in the table below.

Investment	2018				2017			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low %	High %	Decrease \$'000	Increase \$'000	Low %	High %	Decrease \$'000	Increase \$'000
QIC Growth Fund	-13	12	(23,579)	21,765	-12	11	(20,890)	19,149

The unit price risk of QIC Cash Fund and the interest rate risk associated with the MAIC's cash and cash equivalents are immaterial.

### 13. GRANT COMMITMENTS

Commitments for grant expenditure contracted at reporting date (inclusive of non-recoverable GST input tax credits) but not recognised in the financial statements are payable as follows:

	2018 \$'000	2017 \$'000
Not later than one year	27,197	16,064
Later than one year and not later than five years	25,212	26,449
<b>Total</b>	<b>52,409</b>	<b>42,513</b>

Approval has been given to grantees in accordance with formal agreements, provided certain criteria are met.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 14. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

#### **AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)**

These standards will first apply to MAIC from its financial statements for 2018-19 with a 1 July 2018 transition date. These standards will change the requirements for the classification, measurement, impairment and disclosures associated with MAIC's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

MAIC has reviewed the treatment of its financial assets and liabilities against the new AASB 9 classification and measurement requirements. Based on current assessments, the following summarises the estimated impact of AASB 9:

- There will be no change to either the classification or valuation of cash and cash equivalent items.
- Assuming no significant changes to the nature of MAIC's receivables, the receivables will continue to be classified and measured at amortised cost. On adoption of AASB 9, MAIC will be required to assess and measure the lifetime expected credit losses of its receivables.
- Other financial assets invested with QIC (**Note 12**) will continue to be measured at fair value through profit and loss.
- All financial liabilities will continue to be measured at amortised cost.

Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9, a number of new or changed disclosure requirements will apply from that time.

#### **AASB 16 Leases**

This standard will first apply to MAIC from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value. In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. The impact on the reported assets and liabilities would be largely in proportion to the scale of MAIC's leasing activities.

MAIC currently does not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by MAIC, the property leases are held by the Department of Housing and Public Works (DHPW) with occupancy agreements in place between DHPW and Queensland Treasury, but not with MAIC.

Based on current arrangements, it is not anticipated that the introduction of the standard will result in any significant changes to MAIC's financial statements. Any quantitative impact will be determined with reference to any whole of government direction provided.

#### **AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers**

These standards will become effective for the financial reporting period 2019-2020. The standards apply to certain types of revenue from customers and grants, and may change the timing of when such revenue is recognised. Based on present arrangements, MAIC does not enter into contracts for the sale of goods and services, or grants. However, if such contracts are entered into in the future, MAIC will need to follow the relevant accounting treatment specified in the new standards.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to MAIC's activities, or have no material impact on MAIC.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 15. BUDGETARY REPORTING DISCLOSURES

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

#### Explanations of major variances

##### Statement of Comprehensive Income

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>User charges</i>	The variance in user charges relates to the provision of corporate support services to NIIAQ which was not budgeted.
<i>Other revenue</i>	The increase in other revenue relates to return of surplus grant funds.
<i>Net fair value gains on other financial assets</i>	The increase in net fair value gains on other financial assets is primarily due to higher than expected earnings on QIC investments as a result of improvements in the global equity markets.
<i>Grants</i>	The variance in grants payments is due to higher than anticipated investment in research activities.
<i>Supplies and services</i>	The decrease in supplies and services is primarily due to lower than anticipated costs associated with MAIC implementing the recommendations of the CTP scheme review.

##### Statement of Financial Position

<i>Cash and cash equivalents</i>	The cash balance is lower than projected as detailed in the Statement of Cash Flows.
<i>Receivables</i>	The variance is due to receipt of receivables recorded as at 30 June 2018 which were not anticipated in the 2017-18 budget.
<i>Other financial assets (current and non-current)</i>	The variance in other financial assets reflects an increase in the projected operating result available for investment and a reclassification from current to non-current other financial assets.
<i>Accumulated surplus</i>	The increase in accumulated surplus reflects higher than anticipated operating result in 2017-18.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 15. BUDGETARY REPORTING DISCLOSURES - continued

#### Statement of Cash Flows

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>User charges</i>	The variance in user charges relates to the provision of corporate support services to NIIAQ which was not budgeted.
<i>GST input tax credits from ATO</i>	The variance is due to the amount of input tax credits paid by the Australian Taxation Office (ATO) for supplier invoices processed which was not budgeted.
<i>Other revenue</i>	The increase in other revenue relates to return of surplus grant funds.
<i>Grants</i>	The variance in grants payments is due to higher than anticipated investment in research activities.
<i>Supplies and services</i>	The decrease in supplies and services is primarily due to lower than anticipated costs associated with MAIC implementing the recommendations of the CTP scheme review.
<i>GST paid to suppliers</i>	The variance is due to the amount of GST paid for supplier invoices processed which was not budgeted.
<i>Proceeds from and Payments for other financial assets</i>	The variances in cash flows from investing activities reflect QIC cash investments and drawdowns performed during the year to meet MAIC's cash flow requirements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The following details for key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2017-18. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.
General Manager MAIC (from 8 January 2018)	Leads and manages the strategies, policies and performance with respect to the regulation of the CTP scheme and Nominal Defendant claims unit.
Director Finance and Procurement	Responsible for the efficient, effective and economic financial administration and procurement of MAIC.
Director Business Solutions	Responsible for the efficient and effective information systems and reporting.
Director Strategic Planning & Business Performance	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice and communication systems.
Director CTP Scheme Claims (to 7 January 2018)	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.

#### Remuneration policies

Remuneration policy for MAIC's KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment (including motor vehicle entitlements) for the KMP are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:

- Short term employee expenses which include:
  - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

#### KMP remuneration expense

The following disclosures represent total remuneration in connection with the management of MAIC, the Nominal Defendant, the Queensland Government Insurance Fund and the National Injury Insurance Agency, Queensland. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION - continued

#### 1 July 2017 to 30 June 2018

Position	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	237	-	5	26	-	268
General Manager MAIC (from 8 January 2018)	97	-	2	9	-	108
Director Finance and Procurement	141	-	3	18	-	162
Director Business Solutions	116	-	2	14	-	132
Director Strategic Planning & Business Performance	119	-	3	15	-	137
Director CTP Scheme Claims (to 7 January 2018)	72	-	2	9	-	83

#### 1 July 2016 to 30 June 2017

Position	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	230	-	4	25	-	259
Director Finance and Procurement	147	-	3	17	-	167
Director Business Solutions	109	-	2	14	-	125
Director Strategic Planning & Business Performance	109	-	2	14	-	125
Director CTP Scheme Claims	133	-	3	16	-	152



## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 17. RELATED PARTY TRANSACTIONS

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of MAIC.

#### Transactions with other Queensland Government-controlled entities

MAIC received user charges revenue for the provision of corporate support services to assist with the operation of The National Injury Insurance Agency, Queensland as disclosed in the Statement of Comprehensive Income.

MAIC provided grant funding to Queensland Police Service (QPS) and Department of Transport and Main Roads (DTMR) to support targeted research and service delivery initiatives as a means of reducing the number of crashes on Queensland roads and the associated number of claims to the Queensland CTP scheme (**Note 5**).

MAIC provided grant funding to Hospital and Health Services Metro South for funding of the Transitional Rehabilitation Service (TRS) which will provide community based rehabilitation for people with a traumatic brain injury including NIIAQ participants (**Note 5**).

MAIC received corporate support and actuarial services from Queensland Treasury, and incurred management fees from QIC for the management of the QIC unlisted unit trusts. MAIC also transacted with the Department of Housing and Public Works for office accommodation costs. These supplies and services are disclosed in **Note 7**.

### 18. AGENCY TRANSACTIONS

MAIC receives Hospital and Emergency Services Levy amounts from the DTMR on gross insurance premiums on behalf of Queensland Health (QH), the Public Safety Business Agency (PSBA), the Queensland Fire and Emergency Services (QFES) and National Injury Insurance Agency Queensland (NIIAQ). Details of amounts collected and administered during the year and the amount held on behalf of these agencies at 30 June are as follows:

Type of Levy	Levies collected from DTMR		Contributions paid to QH, PSBA, QFES & NIIAQ		Outstanding levies for remittance to QH, PSBA, QFES & NIIAQ	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Levies collected but not remitted in the previous year	7,322	7,166	-	-	-	-
Hospital levy	72,050	76,164	(74,004)	(76,016)	5,002	6,956
Emergency Services levy - PSBA	2,790	2,880	(2,865)	(2,651)	193	268
Emergency Services levy - QFES	1,002	1,128	(1,030)	(1,349)	70	98
NIIAQ levy	-	49,882	-	(49,882)	-	-
<b>Total</b>	<b>83,164</b>	<b>137,220</b>	<b>(77,899)</b>	<b>(129,898)</b>	<b>5,265</b>	<b>7,322</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 18. AGENCY TRANSACTIONS - continued

Levies collected on behalf of QH, PSBA, QFES and NIIAQ during the current year have not been included as revenue in the Statement of Comprehensive Income as these amounts are not controlled. Similarly, remittances made to these agencies have not been included as expenses.

### 19. TAXATION

MAIC is a statutory body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to **Note 9**).

### 20. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

MAIC did not voluntarily change any of its accounting policies or early adopt Australian Accounting Standards during 2017-18. There were no Australian Accounting Standards that became effective for the first time in 2017-18 that materially impacted on this financial report.

# Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2018 and of the financial position of MAIC at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE  
B.Com, CA  
Director Finance and Procurement  
30 August 2018



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
30 August 2018

# Independent auditor's report

To the Insurance Commissioner

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Motor Accident Insurance Commission.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the Insurance Commissioner for the financial report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Insurance Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects



Sri Narasimhan  
as delegate of the Auditor-General

31 August 2018

Queensland Audit Office  
Brisbane



## Nominal Defendant Financial Information 2017-18

# Nominal Defendant financial summary 2017-18

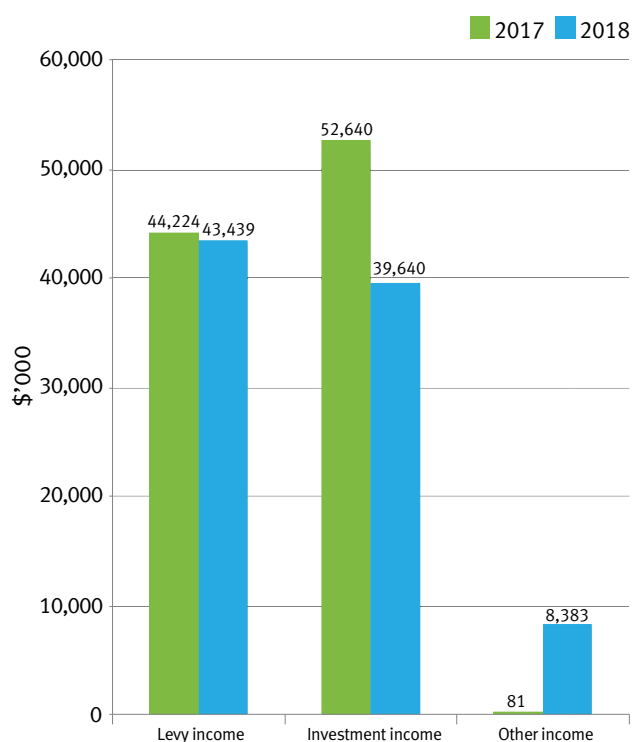
The operating surplus of the Nominal Defendant for the year ended 30 June 2018 was \$74.77 million compared to the prior year's operating surplus of \$77.19 million.

The decrease in operating surplus was mainly attributable to lower investment returns which was partially offset by an increase in reinsurance and other recoveries. The reduction in returns on investments held with QIC (\$39.64 million compared to prior year's \$52.64 million) reflects the performance of the equity markets and a change in the Nominal Defendant's investment strategy during the year. The \$8.28 million increase in reinsurance and other recoveries is based on the actuarial assessment at 30 June 2018.

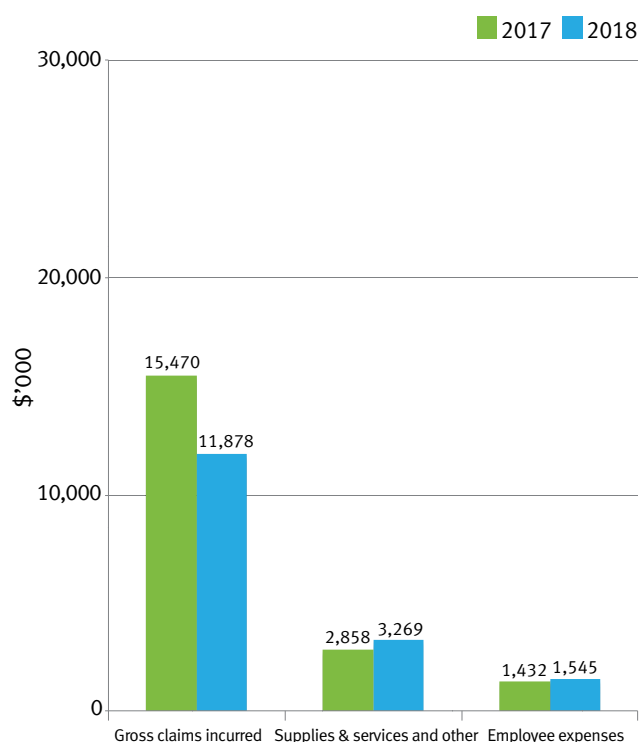
In relation to the normal business of the Nominal Defendant, claim payments were \$24.33 million (prior year \$17.58 million) and claim recoveries were \$0.20 million (prior year \$0.21 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2018 and decreased by \$11.62 million to \$122.39 million.

From 1 July 2017, the Nominal Defendant levy decreased by \$1.00 to \$10.00 per Class 1 vehicle and generated levy income of \$43.44 million (prior year \$44.22 million).

## Income



## Expenses



# Nominal Defendant financial statements 2017-18

## Statement of comprehensive income

for the year ended 30 June 2018

	Note	2018 Actual \$'000	2018 Original Budget \$'000	* Budget Variance \$'000	2017 Actual \$'000
<b>Income</b>					
Lewy	3	43,439	41,642	1,797	44,224
Reinsurance and other recoveries	4	8,278	-	8,278	(6)
Other revenue		105	-	105	87
<b>Total revenue</b>		<b>51,822</b>	<b>41,642</b>	<b>10,180</b>	<b>44,305</b>
Net fair value gains on other financial assets		39,640	23,068	16,572	52,640
<b>Total income</b>		<b>91,462</b>	<b>64,710</b>	<b>26,752</b>	<b>96,945</b>
<b>Expenses</b>					
Gross claims incurred	4	11,878	50,941	(39,063)	15,470
Employee expenses	5	1,545	1,615	(70)	1,432
Supplies and services	6	2,698	2,376	322	2,300
Depreciation and amortisation		519	519	-	519
Other expenses	7	52	42	10	39
<b>Total expenses</b>		<b>16,692</b>	<b>55,493</b>	<b>(38,801)</b>	<b>19,760</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>74,770</b>	<b>9,217</b>	<b>65,553</b>	<b>77,185</b>

\* An explanation of major variances is included in Note 15.



## Statement of financial position

as at 30 June 2018

	Note	2018 Actual \$'000	2018 Original Budget \$'000	* Budget Variance \$'000	2017 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents		3,646	3,358	288	3,522
Receivables	8	1,180	364	816	1,171
Other financial assets	12 & 13	167,917	88,178	79,739	35,205
Claim recoveries	10	857	672	185	671
<b>Total current assets</b>		<b>173,600</b>	<b>92,572</b>	<b>81,028</b>	<b>40,569</b>
<b>Non-current assets</b>					
Other financial assets	12 & 13	315,161	351,284	(36,123)	394,696
Claim recoveries	10	10,268	2,693	7,575	2,425
Intangible assets	9	1,471	1,471	-	1,990
<b>Total non-current assets</b>		<b>326,900</b>	<b>355,448</b>	<b>(28,548)</b>	<b>399,111</b>
<b>Total assets</b>		<b>500,500</b>	<b>448,020</b>	<b>52,480</b>	<b>439,680</b>
<b>Current liabilities</b>					
Payables		212	441	(229)	162
Accrued employee benefits		67	62	5	66
Outstanding claims liability	10	38,368	39,266	(898)	30,109
Unearned levies	3	17,461	21,827	(4,366)	18,885
<b>Total current liabilities</b>		<b>56,108</b>	<b>61,596</b>	<b>(5,488)</b>	<b>49,222</b>
<b>Non-current liabilities</b>					
Payables		55	-	55	24
Outstanding claims liability	10	88,082	147,715	(59,633)	108,949
<b>Total non-current liabilities</b>		<b>88,137</b>	<b>147,715</b>	<b>(59,578)</b>	<b>108,973</b>
<b>Total liabilities</b>		<b>144,245</b>	<b>209,311</b>	<b>(65,066)</b>	<b>158,195</b>
<b>Net assets</b>		<b>356,255</b>	<b>238,709</b>	<b>117,546</b>	<b>281,485</b>
<b>Equity</b>					
Accumulated surplus	11	356,255	238,709	117,546	281,485
<b>Total equity</b>		<b>356,255</b>	<b>238,709</b>	<b>117,546</b>	<b>281,485</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

## Statement of changes in equity

for the year ended 30 June 2018

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>	804,179	121	804,300
Operating result	77,185	-	77,185
Transfer out to other Queensland Government entity ( <b>Note 11</b> )	(599,879)	(121)	(600,000)
<b>Balance as at 30 June 2017</b>	<b>281,485</b>	<b>-</b>	<b>281,485</b>
 <b>Balance as at 1 July 2017</b>	 281,485	 -	 281,485
Operating result	74,770	-	74,770
<b>Balance as at 30 June 2018</b>	<b>356,255</b>	<b>-</b>	<b>356,255</b>

*The accompanying notes form part of these statements.*

## Statement of cash flows

for the year ended 30 June 2018

	2018 Actual \$'000	2018 Original Budget \$'000	* Budget Variance \$'000	2017 Actual \$'000
<b>Cash flows from operating activities</b>				
<i>Inflows:</i>				
Levy	42,038	41,642	396	44,930
Claim recoveries	249	-	249	1,816
Other revenue	96	-	96	92
GST collected from customers	440	-	440	412
<i>Outflows:</i>				
Gross claims incurred	(24,486)	(28,892)	4,406	(17,837)
Outwards reinsurance premium expense	-	-	-	(121)
Employee expenses	(1,544)	(1,614)	70	(1,426)
Supplies and services	(1,156)	(1,101)	(55)	(758)
GST paid to suppliers	(463)	-	(463)	(407)
Other expenses	(50)	(42)	(8)	(37)
<b>Net cash provided by operating activities</b>	CF-1 <b>15,124</b>	<b>9,993</b>	<b>5,131</b>	<b>26,664</b>
<b>Cash flows from investing activities</b>				
<i>Inflow:</i>				
Proceeds from sale of other financial assets	4,000	-	4,000	-
<i>Outflow:</i>				
Payments for other financial assets	(19,000)	(9,993)	(9,007)	(26,500)
<b>Net cash used in investing activities</b>	<b>(15,000)</b>	<b>(9,993)</b>	<b>(5,007)</b>	<b>(26,500)</b>
<b>Net increase in cash and cash equivalents</b>	<b>124</b>	<b>-</b>	<b>124</b>	<b>164</b>
Cash and cash equivalents at beginning of financial year	3,522	3,358	164	3,358
<b>Cash and cash equivalents at end of financial year</b>	<b>3,646</b>	<b>3,358</b>	<b>288</b>	<b>3,522</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

Cash represents cash at bank and cheques receipted but not banked at 30 June.

## Note to the statement of cash flows

for the year ended 30 June 2018

### CF-1 Reconciliation of operating result to net cash from operating activities

	Note	2018 \$'000	2017 \$'000
Operating result		74,770	77,185
<i>Non-cash items included in operating result:</i>			
Net fair value gain on other financial assets		(38,177)	(51,069)
Depreciation and amortisation		519	519
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in prepayments		-	9
(Increase)/decrease in receivables and claim recoveries	8,10	(8,038)	1,586
Increase/(decrease) in payables		50	(180)
Increase/(decrease) in unearned levies		(1,424)	951
Increase/(decrease) in outstanding claims liability	10	(12,608)	(2,367)
Increase/(decrease) in accrued employee benefits		1	6
Increase/(decrease) in non-current payables		31	24
<b>Net cash provided by operating activities</b>		<b>15,124</b>	<b>26,664</b>

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION

#### (a) General information

The Nominal Defendant is an independent statutory body reporting to the Treasurer established under the *Motor Accident Insurance Act 1994* (the Act).

The head office and principal place of business of the Nominal Defendant is Level 26, 1 William St, Brisbane, QLD 4000.

#### (b) Compliance with prescribed requirements

The Nominal Defendant is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 43(1) of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

#### (c) Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

#### (d) Comparatives

Comparative information reflects the audited 2016-17 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

#### (e) Current / Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are expected to be settled within 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at Nominal Defendant's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

#### (f) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

The Nominal Defendant places high reliance on actuarial estimates provided by Queensland Government State Actuary's Office (the Actuary), in calculating the recoveries on outstanding claims and the outstanding claims liability as at 30 June (**Notes 4 and 10**). Actuarial certificates issued by the Actuary for the Nominal Defendant and FAI can be found in the Appendices.

Areas requiring a higher degree of judgement and assumptions that have a significant effect are outlined in the following statement notes:

- Levy income (**Note 3**),
- Fair value measurement of other financial assets (**Note 12**), and
- Intangibles (**Note 9**).

#### (g) Authorisation of financial Statements for issue

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Finance and Procurement at the date of signing the Management Certificate.

### 2. OBJECTIVES OF THE NOMINAL DEFENDANT

The Nominal Defendant acts as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

### 3. LEVY INCOME

Levy income consists of the Nominal Defendant levy received to fund the estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years pursuant to the Act.

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) in accordance with sections 27 and 29 of the Act based on a levy on gross premiums collected for CTP motor vehicle insurance policies.

The Nominal Defendant levy as set out in Part 2 of the Act is treated as "premium" in accordance with the provisions of AASB 1023.

Levy is recognised in the Statement of Comprehensive Income when it has been earned on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the DTMR and having regard to the term of the CTP premium. Levies received but not earned as at 30 June are recorded as unearned levies in the Statement of Financial Position and then systematically recognised as revenue in the Statement of Comprehensive Income when earned over time.

The Nominal Defendant levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 4. NET CLAIMS INCURRED

	2018 \$'000	2017 \$'000
Gross claims incurred	11,878	15,470
Reinsurance and other recoveries	(8,278)	6
<b>Total net claims incurred</b>	<b>3,600</b>	<b>15,476</b>

#### (a) Claims development

##### Attributable to Nominal Defendant

	2018			2017		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	37,344	(26,115)	11,229	44,047	(23,015)	21,032
Discount	(2,483)	3,963	1,480	(2,951)	1,046	(1,905)
<b>Provisions made (Note 10)</b>	<b>34,861</b>	<b>(22,152)</b>	<b>12,709</b>	<b>41,096</b>	<b>(21,969)</b>	<b>19,127</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	831	8,443	9,274	885	(686)	199
Discount	(56)	(973)	(1,029)	(58)	20	(38)
	775	7,470	8,245	827	(666)	161
<b>Net claims incurred</b>	<b>34,086</b>	<b>(29,622)</b>	<b>4,464</b>	<b>40,269</b>	<b>(21,303)</b>	<b>18,966</b>

Attributable to FAI						
	2018			2017		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	-	(937)	(937)	-	(3,742)	(3,742)
Discount	-	106	106	-	85	85
<b>Provisions made (Note 10)</b>	<b>-</b>	<b>(831)</b>	<b>(831)</b>	<b>-</b>	<b>(3,657)</b>	<b>(3,657)</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	-	31	31	-	(176)	(176)
Discount	-	2	2	-	9	9
	-	33	33	-	(167)	(167)
<b>Net claims incurred</b>	<b>-</b>	<b>(864)</b>	<b>(864)</b>	<b>-</b>	<b>(3,490)</b>	<b>(3,490)</b>

<b>Total gross claims incurred</b>	<b>34,861</b>	<b>(22,983)</b>	<b>11,878</b>	<b>41,096</b>	<b>(25,626)</b>	<b>15,470</b>
<b>Total recoveries</b>	<b>775</b>	<b>7,503</b>	<b>8,278</b>	<b>827</b>	<b>(833)</b>	<b>(6)</b>
<b>Total net claims incurred</b>	<b>34,086</b>	<b>(30,486)</b>	<b>3,600</b>	<b>40,269</b>	<b>(24,793)</b>	<b>15,476</b>

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

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 4. NET CLAIMS INCURRED – continued

#### (b) Claims reconciliation

	Nominal Defendant		FAI		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross claims incurred and related expenses</b>						
Claims and associated settlement costs	24,328	17,577	158	260	24,486	17,837
Movement in outstanding claims liability	(11,619)	1,550	(989)	(3,917)	(12,608)	(2,367)
<b>Total gross claims incurred</b>	<b>12,709</b>	<b>19,127</b>	<b>(831)</b>	<b>(3,657)</b>	<b>11,878</b>	<b>15,470</b>
<b>Reinsurance and other recoveries</b>						
Reinsurance and other recoveries	197	208	52	55	249	263
Movement in other recoveries receivable	8,048	(47)	(19)	(222)	8,029	(269)
<b>Total recoveries</b>	<b>8,245</b>	<b>161</b>	<b>33</b>	<b>(167)</b>	<b>8,278</b>	<b>(6)</b>
<b>Net claims incurred</b>	<b>4,464</b>	<b>18,966</b>	<b>(864)</b>	<b>(3,490)</b>	<b>3,600</b>	<b>15,476</b>

#### Gross claims

Gross claims comprise amounts required to be paid on behalf of those insured, and movement in 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.

Claims expenses are recognised in the Statement of Comprehensive Income as the costs are incurred, which is usually the point in time when the event giving rise to the claim occurs.

#### Reinsurance and other recoveries

Reinsurance and other recoveries on outstanding claims have been actuarially calculated as at the 30 June by the Actuary. It is recognised as revenue and a receivable in the Statement of Comprehensive Income and Statement of Financial Position for claims incurred but not yet paid and incurred but not yet reported claims, respectively.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (**Note 10**). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

#### FAI General Insurance Company Limited (FAI)

Under the *Motor Accident Insurance Act 1994*, the Nominal Defendant is required to meet any outstanding CTP claims in the event of the insolvency of a licensed CTP insurer. Currently the Nominal Defendant has a liability to meet the outstanding claims of FAI following the insolvency of the HIH Group of companies in March 2001.



## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 5. EMPLOYEE EXPENSES

	2018 \$'000	2017 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages	1,219	1,138
Employer superannuation contributions	163	147
Leave levies	160	139
Employee related expenses	3	6
Other employee benefits	-	2
<b>Total</b>	<b>1,545</b>	<b>1,432</b>

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information) is 14 (2017: 14).

#### ***Wages, salaries and sick leave***

Salaries and wages expense is recognised in the Statement of Comprehensive Income when the services are rendered. Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted.

Sick leave is non-vesting and an expense is recognised when the leave is taken.

#### ***Annual and long service leave***

Under the Queensland Government's Long Service Leave Scheme, a levy is made on the Nominal Defendant to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable.

#### ***Superannuation***

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Key management personnel and remuneration disclosures are detailed in **Note 16**.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 6. SUPPLIES AND SERVICES

	2018 \$'000	2017 \$'000
QIC management fee	1,367	1,387
Consultants and contractors	541	205
Corporate services fee	245	230
Rent	243	223
IT related expense	169	142
Queensland Treasury Actuarial fees	100	92
Supplies and consumables	33	21
<b>Total</b>	<b>2,698</b>	<b>2,300</b>

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

### 7. OTHER EXPENSES

	2018 \$'000	2017 \$'000
Queensland Audit Office - external audit fees	51	38
Insurance premiums - QGIF	1	1
<b>Total</b>	<b>52</b>	<b>39</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2017-18 financial statements are \$50,500 (2017: \$37,525).

### 8. RECEIVABLES

	2018 \$'000	2017 \$'000
Accrued ND levy	1,084	1,107
GST receivable	55	32
Leave reimbursements	23	23
Accrued interest income	18	9
<b>Total</b>	<b>1,180</b>	<b>1,171</b>

Receivables are recognised at the amounts due at the time of service delivery or when they are legally payable to the Nominal Defendant. Settlement of these amounts is generally required within 30 days. The collectability of receivables is assessed periodically.

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

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 9. INTANGIBLES

	2018 \$'000	2017 \$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: Accumulated amortisation	(2,163)	(1,644)
<b>Carrying amount at 30 June</b>	<b>1,471</b>	<b>1,990</b>
<i>Represented by movements in carrying amount:</i>		
Carrying amount at 1 July	1,990	2,509
Amortisation	(519)	(519)
<b>Carrying amount at 30 June</b>	<b>1,471</b>	<b>1,990</b>

Intangible assets with a cost or other value greater than \$100,000 are recognised and carried at cost less accumulated amortisation and accumulated impairment losses in the financial statements. Items with a lesser value are expensed. Each intangible asset is amortised over its estimated useful life to the Nominal Defendant. A review of asset useful life and assessment for impairment indicators is performed annually.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over 7 years, commencing from the date the assets are available for use.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 10. NET OUTSTANDING CLAIMS

	Nominal Defendant		FAI		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross outstanding claims	120,657	131,926	4,359	5,455	125,016	137,381
Claims settlement costs	9,753	11,584	-	-	9,753	11,584
	130,410	143,510	4,359	5,455	134,769	148,965
Discount to present value	(8,019)	(9,500)	(300)	(407)	(8,319)	(9,907)
<b>Gross outstanding claims liability</b>	<b>122,391</b>	<b>134,010</b>	<b>4,059</b>	<b>5,048</b>	<b>126,450</b>	<b>139,058</b>
<i>Represented by</i>						
Current	37,600	29,170	768	939	38,368	30,109
Non-current	84,791	104,840	3,291	4,109	88,082	108,949
<b>Gross outstanding claims liability</b>	<b>122,391</b>	<b>134,010</b>	<b>4,059</b>	<b>5,048</b>	<b>126,450</b>	<b>139,058</b>
Reinsurance and other recoveries	12,295	3,218	77	98	12,372	3,316
Discount to present value	(1,242)	(213)	(5)	(7)	(1,247)	(220)
<b>Reinsurance and other recoveries</b>	<b>11,053</b>	<b>3,005</b>	<b>72</b>	<b>91</b>	<b>11,125</b>	<b>3,096</b>
<i>Represented by</i>						
Current	843	654	14	17	857	671
Non-current	10,210	2,351	58	74	10,268	2,425
<b>Reinsurance and other recoveries</b>	<b>11,053</b>	<b>3,005</b>	<b>72</b>	<b>91</b>	<b>11,125</b>	<b>3,096</b>
<b>Net outstanding claims</b>	<b>111,338</b>	<b>131,005</b>	<b>3,987</b>	<b>4,957</b>	<b>115,325</b>	<b>135,962</b>
Central estimate	111,338	119,095	3,437	4,273	114,775	123,368
Risk margin	-	11,910	550	684	550	12,594
<b>Net outstanding claims</b>	<b>111,338</b>	<b>131,005</b>	<b>3,987</b>	<b>4,957</b>	<b>115,325</b>	<b>135,962</b>

#### (a) Reconciliation of movement in the discounted net outstanding claims

	Nominal Defendant		FAI		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	131,005	129,408	4,957	8,652	135,962	138,060
<b>Prior periods</b>						
Claim payments	(23,851)	(16,751)	(106)	(205)	(23,957)	(16,956)
Claims handling expenses	(3,404)	(2,723)	-	(3)	(3,404)	(2,726)
Discount unwind	1,932	1,975	107	137	2,039	2,112
Risk margin release	(2,600)	(1,776)	(17)	(34)	(2,617)	(1,810)
Effect of changes in assumptions and experience	(25,550)	(18,779)	(954)	(3,590)	(26,504)	(22,369)
<b>Current period</b>						
Provision for current period	33,806	39,651	-	-	33,806	39,651
<b>Net outstanding claims</b>	<b>111,338</b>	<b>131,005</b>	<b>3,987</b>	<b>4,957</b>	<b>115,325</b>	<b>135,962</b>
Reinsurance and other recoveries	(11,053)	(3,005)	(72)	(91)	(11,125)	(3,096)
<b>Gross outstanding claims</b>	<b>122,391</b>	<b>134,010</b>	<b>4,059</b>	<b>5,048</b>	<b>126,450</b>	<b>139,058</b>

The liability for outstanding claims has been actuarially calculated as at 30 June by the Actuary.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 10. NET OUTSTANDING CLAIMS – continued

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends. The liability for outstanding claims is measured as the present value of the expected future payments. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation.

#### (b) Actuarial assumptions

The following assumptions have been made in determining the net outstanding claims liability.

	Nominal Defendant		FAI	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Inflation rate	3.68%	4.35%	3.70%	4.30%
Discount rate	2.25%	2.20%	2.25%	2.20%
Claims handling expenses	9.00%	9.00%	0.00%	0.00%
Risk margin	0.00%	10.00%	16.00%	16.00%
Weighted average expected term to settlement	2.8 years	3.2 years	3.2 years	3.6 years

A risk margin of 16% of the net central estimate has been applied to FAI and is intended to provide an approximately 75% probability of sufficiency for the outstanding claims liability. The risk borne has not materially changed from the previous year.

The Nominal Defendant risk margin has been removed in 2017-18 to provide for greater consistency with other Government provisions and recognises AASB 137 does not require a risk margin.

#### (c) Impact of changes in key variables on net outstanding claims

The following table illustrates how a change in some key valuation assumptions in section (b) above affects the net outstanding claims and shows an analysis of the profit/(loss) and equity changes in these assumptions. Note that the table is illustrative only, and is not intended to cover the range of potential variations.

#### Attributable to the Nominal Defendant

Net outstanding claims	Movement in variable	Profit/(loss) 2018 \$'000	Financial impact		
			Equity 2018 \$'000	Profit/(loss) 2017 \$'000	Equity 2017 \$'000
Net outstanding claims					
Inflation rate	+1%	(3,175)	(3,175)	(4,086)	(4,086)
	-1%	3,026	3,026	3,907	3,907
Discount rate	+1%	2,639	2,639	3,795	3,795
	-1%	(2,829)	(2,829)	(4,051)	(4,051)
Claims handling expenses	+1%	(1,021)	(1,021)	(1,202)	(1,202)
	-1%	1,021	1,021	1,202	1,202
Risk margin	+1%	-	-	(1,191)	(1,191)
	-1%	-	-	1,191	1,191
Weighted average term to settlement	+0.5 years	(904)	(904)	(1,391)	(1,391)
	-0.5 years	897	897	1,377	1,377

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 10. NET OUTSTANDING CLAIMS – continued

Attributable to FAI			Financial impact		
Net outstanding claims	Movement in variable	Profit/(loss) 2018 \$'000	Equity 2018 \$'000	Profit/(loss) 2017 \$'000	Equity 2017 \$'000
Net outstanding claims					
Inflation rate	+1%	(129)	(129)	(176)	(176)
	-1%	125	125	169	169
Discount rate	+1%	121	121	165	165
	-1%	(127)	(127)	(175)	(175)
Claims handling expenses	+1%	(40)	(40)	(50)	(50)
	-1%	40	40	50	50
Risk margin	+1%	(34)	(34)	(43)	(43)
	-1%	34	34	43	43
Weighted average term to settlement	+0.5 years	(30)	(30)	(53)	(53)
	-0.5 years	30	30	53	53

#### (d) Nature and extent of risks arising from claims liabilities

The Nominal Defendant ensures that it is fully funded to enable it to meet its obligations under the Act. This is facilitated by an actuarially derived levy which is incorporated in the CTP premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

The Nominal Defendant did not enter into a contract for reinsurance cover for the 2017-18 financial year. This was based on considerations of the cost of reinsurance and the Nominal Defendant's exposure to large loss claims.

### 11. CONTRIBUTED EQUITY

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with *Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

Effective 22 August 2016, the Nominal Defendant transferred \$600 million to the National Injury Insurance Scheme Fund, Queensland (NIISQ Fund) as approved by the Treasurer under section 95 of the *National Injury Insurance Scheme (Queensland) Act 2016* (the Act). The Act commenced on 1 July 2016 and established the National Injury Insurance Scheme, Queensland (NIISQ), The National Injury Insurance Agency, Queensland (NIIAQ) and the NIISQ Fund.

The decrease in net assets as a result of the transfer has been accounted for as a transaction with owners as owners and decreased the contributed equity and accumulated surplus by \$0.121M and \$599.879M respectively at 30 June 2017 as disclosed in the Statement of Changes in Equity.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 12. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable input.

The Nominal Defendant recognises other financial assets invested with QIC at fair value through profit or loss. The fair value is measured at market value based on closing unit prices of QIC unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive income.

While the units in the trust have redemption prices and are able to be traded, the market would not be considered active for level 1, therefore, they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the fund manager. Classification of instruments into fair value hierarchy levels is reviewed annually.

The fair value of receivables and payables is assumed to approximate the value of the original transaction.

The carrying amount for cash assets represents the fair value.

### 13. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

The Nominal Defendant has the following categories of financial assets and financial liabilities:

Category	Note	2018 \$'000	2017 \$'000
<b>Financial assets</b>			
Cash and cash equivalents (FVTPL)		3,646	3,522
Receivables (amortised cost)	8	1,180	1,171
Other financial assets (FVTPL)		483,078	429,901
<b>Total</b>		<b>487,904</b>	<b>434,594</b>
<b>Financial liabilities</b>			
Current Payables (amortised cost)		212	162
Non-Current Payables (amortised cost)		55	24
<b>Total</b>		<b>267</b>	<b>186</b>

A financial asset is classified at fair value through profit or loss (FVTPL) if it is classified as held for trading or if so designated on acquisition. Financial assets at FVTPL are valued at fair value at balance date.

Nominal Defendant's other financial assets at FVTPL consists of investments with QIC. These assets are classified as held for trading. A financial asset is classified in this category where it is acquired for selling or repurchasing in the near term, or if on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

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### 13. FINANCIAL RISK DISCLOSURES - continued

#### (b) Financial risk management

The Nominal Defendant's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk.

Risk exposure is measured using a variety of methods:

<b>Risk Exposure</b>	<b>Measurement Method</b>
Credit risk	Earnings at risk
Liquidity risk	Maturity analysis
Market risk	Sensitivity analysis

#### (i) Credit risk

Credit risk exposure refers to the situation where the Nominal Defendant may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Note 13(a)** represents the Nominal Defendant's maximum exposure to credit risk at balance date.

The Nominal Defendant seeks to reduce the exposure to credit risk in the following manner:

- invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding Nominal Defendant's future cash requirements and to agree the investment mandate;
- all funds owed are monitored on a timely basis and bad debts are written off as they are incurred; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole of Government banking arrangement managed by Queensland Treasury.

Receivables disclosed in **Note 8** are neither past due nor impaired, with Government entities making up the key debtor group. Receivables have been categorised as neither past due nor impaired based on an assessment of the credit quality of the debtor, having regard to historical experience, the size, nature and the credit ratings (where available) of the debtor. If the Nominal Defendant determines that an amount owing by a debtor or group of debtors becomes uncollectible, that amount is recognised as a bad debt expense and written-off against receivables.

#### (ii) Liquidity risk

Liquidity risk refers to the situation where the Nominal Defendant may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Nominal Defendant is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. The Nominal Defendant manages its exposure to liquidity risk by ensuring that the Nominal Defendant has sufficient funds available to meet its liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.



## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 13. FINANCIAL RISK DISCLOSURES - continued

#### (iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risk.

The significant market risks to the Nominal Defendant relate to its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to Nominal Defendant's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three-year return forecasts.

#### (c) Market risk sensitivity analysis

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of the Nominal Defendant's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

The Nominal Defendant's sensitivity to these possible changes are shown in the table below.

	2018				2017			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
Investments	%	%	\$'000	\$'000	%	%	\$'000	\$'000
QIC Cash fund	-0.23	0.23	(107)	107	-0.25	0.25	(88)	88
QIC Australian Fixed Interest Fund	-0.29	0.29	(352)	352	-	-	-	-
QIC Growth fund	-13	12	(40,971)	37,819	-12	11	(47,364)	43,417
<b>Total</b>			<b>(41,430)</b>	<b>38,278</b>			<b>(47,452)</b>	<b>43,505</b>

The interest rate risk associated with the Nominal Defendant's cash and cash equivalents is immaterial.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 14. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

#### **AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)**

These standards will first apply to the Nominal Defendant from its financial statements for 2018-19 with a 1 July 2018 transition date. These standards will change the requirements for the classification, measurement, impairment and disclosures associated with the Nominal Defendant's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The Nominal Defendant has reviewed the treatment of its financial assets and liabilities against the new AASB 9 classification and measurement requirements. Based on current assessments, the following summarises the estimated impact of AASB 9:

- There will be no change to either the classification or valuation of cash and cash equivalent items.
- Assuming no significant changes to the nature of the Nominal Defendant's receivables, the receivables will continue to be classified and measured at amortised cost. On adoption of AASB 9, the Nominal Defendant will be required to assess and measure the lifetime expected credit losses of its receivables.
- Other financial assets invested with QIC (**Note 13**) will continue to be measured at fair value through profit and loss.
- All financial liabilities will continue to be measured at amortised cost.

Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9, a number of new or changed disclosure requirements will apply from that time.

#### **AASB 16 Leases**

This standard will first apply to the Nominal Defendant from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value. In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. The impact on the reported assets and liabilities would be largely in proportion to the scale of the Nominal Defendant's leasing activities.

The Nominal Defendant currently does not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by the Nominal Defendant, the property leases are held by the Department of Housing and Public Works (DHPW) with occupancy agreements in place between DHPW and Queensland Treasury, but not with the Nominal Defendant.

Based on current arrangements, it is not anticipated that the introduction of the standard will result in any significant changes to the Nominal Defendant's financial statements. Any quantitative impact will be determined with reference to any whole of government direction provided.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 14. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE - continued

#### **AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers***

These standards will become effective for the financial reporting period 2019-2020. The standards apply to certain types of revenue from customers and grants, and may change the timing of when such revenue is recognised. Based on present arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services, or grants. However, if such contracts are entered into in the future, the Nominal Defendant will need to follow the relevant accounting treatment specified in the new standards.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the Nominal Defendant's activities, or have no material impact on the Nominal Defendant.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 15. BUDGETARY REPORTING DISCLOSURES

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

#### Explanations of major variances

##### Statement of Comprehensive Income

<i>Reinsurance and other recoveries</i>	The increase in reinsurance and other recoveries reflects the movement in claim recoveries on outstanding claims as at 30 June.
<i>Net fair value gains on other financial assets</i>	The increase in net fair value gains on other financial assets is primarily due to higher than expected earnings on QIC investments as a result of improvements in the global equity markets.
<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of \$34.6M lower than anticipated movement in outstanding claims liability and \$4.4M lower than anticipated claims costs. The outstanding claims liability is based on actuarial assessment.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to higher than anticipated expenditure on contractors.

##### Statement of Financial Position

<i>Cash and cash equivalents</i>	The cash balance is higher than projected as detailed in the Statement of Cash Flows.
<i>Receivables</i>	The variance is due to receipt of receivables recorded as at 30 June 2018 which were not anticipated in the 2017-18 budget.
<i>Other financial assets (current and non-current)</i>	The variance in other financial assets reflects an increase in the projected operating result available for investment and a reclassification from current to non-current other financial assets.
<i>Claim Recoveries (current and non-current)</i>	The variance in claim recoveries on outstanding claims reflects actuarial assessment as at 30 June 2018.
<i>Unearned levies</i>	The variance in unearned levies reflects the change in recognition of unearned levies which was not included in the original budget.
<i>Outstanding claims liability</i>	The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2018.
<i>Accumulated surplus</i>	The increase in accumulated surplus reflects higher than anticipated operating result in 2017-18.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 15. BUDGETARY REPORTING DISCLOSURES - continued

#### **Statement of Cash Flows**

<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of lower than expected claim payments as the 2017-18 budget was based on 30 June 2016 projection.
<i>Investing activities</i>	The variances in cash flows from investing activities reflect QIC cash investments and drawdowns performed during the year to meet ND's cash flow requirements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The following details for key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2017-18. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.
General Manager MAIC (from 8 January 2018)	Leads and manages the strategies, policies and performance with respect to the regulation of the CTP scheme and Nominal Defendant claims unit.
Director Finance and Procurement	Responsible for the efficient, effective and economic financial administration and procurement of the Nominal Defendant.
Director Business Solutions	Responsible for the efficient and effective information systems and reporting.
Director Strategic Planning & Business Performance	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice and communication systems.
Director CTP Scheme Claims (to 7 January 2018)	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.

#### Remuneration policies

Remuneration policy for the Nominal Defendant's KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment (including motor vehicle entitlements) for the KMP are specified in employment contracts.

Remuneration packages for KMP comprise the following components:

- Short term employee benefits which include:
  - Salaries, allowances and leave entitlements paid and provided for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

#### KMP remuneration expense

The following disclosures represent total remuneration in connection with the management of the Nominal Defendant, the MAIC, the Queensland Government Insurance Fund and the NIIAQ. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

#### 1 July 2017 to 30 June 2018

Position	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	237	-	5	26	-	268
General Manager MAIC (from 8 January 2018)	97	-	2	9	-	108
Director Finance and Procurement	141	-	3	18	-	162
Director Business Solutions	116	-	2	14	-	132
Director Strategic Planning & Business Performance	119	-	3	15	-	137
Director CTP Scheme Claims (to 7 January 2018)	72	-	2	9	-	83

#### 1 July 2016 to 30 June 2017

Position	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	230	-	4	25	-	259
Director Finance and Procurement	147	-	3	17	-	167
Director Business Solutions	109	-	2	14	-	125
Director Strategic Planning & Business Performance	109	-	2	14	-	125
Director CTP Scheme Claims	133	-	3	16	-	152

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 17. RELATED PARTY TRANSACTIONS

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of ND.

#### Transactions with other Queensland Government-controlled entities

The Nominal Defendant received corporate support and actuarial services from Queensland Treasury, and incurred management fees from QIC for the management of the QIC unlisted unit trusts. The Nominal Defendant also transacted with the Department of Housing and Public Works for office accommodation costs. These supplies and services are disclosed in **Note 6**.

### 18. TAXATION

The Nominal Defendant is a statutory body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to **Note 8**).

### 19. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

The Nominal Defendant did not voluntarily change any of its accounting policies or early adopt Australian Accounting Standards during 2017-18. There were no Australian Accounting Standards that became effective for the first time in 2017-18 that materially impacted on this financial report.



# Management certificate

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2018 and of the financial position of the Nominal Defendant at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE  
B.Com, CA  
Director Finance and Procurement  
30 August 2018



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
30 August 2018

# Independent auditor's report

To the Insurance Commissioner

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Nominal Defendant.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the Insurance Commissioner for the financial report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Insurance Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects



Sri Narasimhan  
as delegate of the Auditor-General

31 August 2018

Queensland Audit Office  
Brisbane

# Appendices

## Appendix 1: Actuarial certificate, Nominal Defendant Fund

### Actuarial Certificate

#### Queensland Nominal Defendant Fund

#### Outstanding Claims Liability as at 30 June 2018

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2018 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled "Outstanding Claims Liability Review 30 June 2018 Nominal Defendant". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 300 of the Institute of Actuaries of Australia.

### Results

The recommended provision for the Nominal Defendant as at 30 June 2018 is \$111.3 million, comprising the central estimate of the liability for outstanding claims. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses.

### Reliances and limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

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



A.A. van den Berg  
Fellows of the Institute of Actuaries of Australia  
30 July 2018



M. J. Clacher

## Appendix 2: Actuarial certificate, Nominal Defendant Fund – FAI run-off

### Actuarial Certificate

#### Queensland Nominal Defendant Fund – FAI Run-Off

#### Outstanding Claims Liability as at 30 June 2018

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI run-off as at 30 June 2018 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled "FAI Run Off Outstanding Claims Liability Review 30 June 2018 Nominal Defendant". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 300 of the Institute of Actuaries of Australia.

### Results

The recommended provision for the Nominal Defendant as at 30 June 2018 is \$4.0 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 16% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

### Reliances and limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

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



A.A. van den Berg  
Fellows of the Institute of Actuaries of Australia  
30 July 2018



M. J. Clacher

## Appendix 3: Licensed insurers

### Currently licensed CTP insurers

**AAI Limited (trading as Suncorp Insurance)**

GPO Box 1453  
Brisbane QLD 4001  
Ph 13 11 60  
ABN 48 005 297 807

**Allianz Australia Insurance Limited**

GPO Box 2226  
Brisbane QLD 4001  
Ph 131 000  
ABN 15 000 122 850

**QBE Insurance (Australia) Limited**

GPO Box 1072  
Brisbane QLD 4001  
Ph 133 723  
ABN 78 003 191 035

**RACQ Insurance Limited**

PO Box 3004  
Logan City DC QLD 4114  
Ph: 07 3893 9001  
ABN 50 009 704 152

### Previously licensed CTP insurers

**Insurance Australia Limited (trading as NRMA Insurance)**

ABN 11 000 016 722 *Licence withdrawn 1 January 2014.*

**Suncorp Metway Insurance Limited**

ABN 83 075 695 966 *Licence withdrawn 1 July 2013.*

**Australian Associated Motor Insurers Limited**

ABN 92 004 791 744 *Licence withdrawn 1 July 2013.*

**FAI Allianz Limited (trading as FAI Insurance)**

ABN 80 094 802 525 *Licence withdrawn 1 July 2002.*

**FAI General Insurance Company Limited**

ABN 15 000 327 855 *Licence suspended on 1 January 2001. Insurer became insolvent on 15 March 2001.*

**Fortis Insurance Limited (formerly VACC Insurance Co. Limited)**

ACN 004 167 953 *Licence withdrawn 25 September 2017.*

**Zurich Australian Insurance Limited**

ACN 000 296 640 *Licence withdrawn 15 November 1997.*

**Commercial Union Assurance of Australia Ltd**

ACN 004 478 371 *Licence withdrawn 1 March 1997.*

**CIC Insurance Limited**

ACN 004 078 880 *Licence withdrawn 22 January 1996. Insurer became insolvent on 15 March 2001.*

**GIO General Limited**

ACN 002 861 583 *Licence withdrawn 30 June 1996.*

**Mercantile Mutual Insurance (Australia) Ltd**

ACN 000 456 799 *Licence withdrawn 1 November 1996.*

## Appendix 4: Performance statement (SDS)

Service Standards	Notes	2017-18 Published Annual Target	2017-18 Revised Annual Target	2017-18 Actual
<i>Effectiveness measure</i>				
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		<45%	<45%	23.24%
<i>Efficiency measures</i>				
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year	1	50%	50%	68.2%
Percentage of Nominal Defendant claims settled within two years of compliance	2	50%	50%	72.5%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date		95%	95%	98.1%

Notes:

1. Favourable variance is due to higher than anticipated number of claims being finalised.
2. Claims can take two to three years to settle; consequently, it is difficult to estimate the number of claims that will be finalised in any given period.



## Appendix 5: Grants and sponsorships

Organisation	Future commitment*	2017/18 \$	2016/17 \$
RECOVER Injury Research Centre formerly CONROD (2014-2019) incorporating: University of Queensland Griffith University allocation	\$1,307,298 discontinued	2,235,840	2,015,737 1,105,322 910,415
Centre for Accident Research and Road Safety Queensland (CARRS-Q)(2016 – 2019)	2,873,998	2,574,795	2,714,120
Department of Transport and Main Roads Funding to support Transport Academic Partnership 2015-2020 - formerly Academic Strategic Transport Alliance (ASTRA).	118,499	57,090	110,018
University of Sunshine Coast Young driver situation awareness fast tracking including identifying escape routes (SAFER): a pilot project.	0	30,924	0
Griffith University Spinal Cord Therapy research	1,629,427	1,706,353	1,738,289
Police Citizens Youth Welfare Association (PCYC Queensland) Funding to support operation of Braking the Cycle program across 14 branches	3,455,368	0	1,707,938
Spinal Life Australia Back 2 Work – Vocational rehabilitation project	176,791	171,613	186,675
The George Institute for Global Health – Contribution towards ongoing costs of Physiotherapy Evidence Database (PEDro).	0	0	25,000
University of Sydney Partnership funding to develop website to support improved physiotherapy treatment for people with whiplash.	0	0	8,000
University of Queensland To support a Professorial Fellowship in Traumatic Brain Injury Research at the Queensland Brain Institute (2015-2020)	600,000	300,000	300,000
Griffith University Partnership funding to develop and test a decision system for identifying housing options, preferences and priorities in the disability market.	0	55,762	71,489
Metro South Hospital and Health Service Transitional rehabilitation service pilot (2016-2021)	9,043,922	1,285,392	3,609,797
University of Queensland via Children's Health Foundation Queensland Partnership funding to establish a Queensland Chair in Paediatric Rehabilitation (2017 – 2022)	750,000	250,000	0
Griffith University Partnership funding to develop a clinical pathway of care for whiplash injury.	73,750	36,875	0
Griffith University Partnership funding to establish a Professor of Disability and Rehabilitation.	0	30,000	30,000
Spinal Life Australia Contribution towards continuation of Queensland school awareness programme –Spinal Education Awareness Team (SEAT).	200,000	0	0
Griffith University Provide funding to establish Hopkins Centre to foster research into disability and rehabilitation.	4,442,834	883,471	0
Queensland University of Technology Establish Trauma Data Warehouse Fellowship	406,799	194,079	0



Organisation	Future commitment*	2017/18 \$	2016/17 \$
University of Queensland Funding to pilot social skills training program (PEERS) with children with acquired brain injury.	55,294	74,171	0
Queensland University of Technology Identifying pre-hospital retrieval pathways for road trauma patients.	150,000	150,000	0
University of Sunshine Coast A study of situation awareness fast tracking, including identifying escape routes (SAFER) with senior drivers.	84,369	84,369	0
Behaviour Innovation Design and deliver an evidence based behaviour change program specifically targeting rear-end car crashes in Queensland.	0	114,350	0
University of Sunshine Coast A study of situation awareness fast tracking, including identifying escape routes (SAFER) focused on peer passengers.	89,492	89,491	0
Jamieson Trauma Institute Advance trauma prevention, research, trauma systems and clinical management to deliver best possible care for people who suffer a traumatic injury.	8,096,520	0	0
University of Sunshine Coast Process and impact evaluation of Braking the Cycle program incorporating SAFER	95,963	0	0
Centre for Accident Research and Road Safety (CARRS-Q) Undertake analysis of fatal and serious injury crashes by region	39,000	39,000	0
Road Trauma Mitigation Fund Collaborate with Queensland Police Service and Department of Transport and Main Roads around identified initiatives to reduce claims frequency and support QLD Road Safety Strategy and Action Plan.	6,639,682	8,066,249	4,250,312
Transport New South Wales Contributory funding towards Motorcycle Protective Clothing testing initiative.	80,000	0	0
Department of Transport and Main Roads Contributory funding towards Cooperative and Autonomous Vehicle pilot	12,000,000	0	0
Sponsorships Provide sponsorships to one-off activities aimed at accident prevention or enhancing injury management/rehabilitation.	0	500	7,727
<b>Total funding committed/allocated</b>	<b>52,409,006</b>	<b>18,430,324</b>	<b>16,775,102</b>
<b>Less refunds of residual grant funding</b>			
Road Trauma Mitigation Fund		(279,940)	0
RECOVER Injury Research Centre formerly CONROD (2014-2019)			
University of Queensland –		(143,925)	0
Griffith University –		(4,469)	0

Organisation	Future commitment*	2017/18 \$	2016/17 \$
Centre for Accident Research and Road Safety (CARRS-Q) Improve knowledge around driving conditions, patterns, locations and driver behaviours that lead to unsafe headway or inter-vehicular distance and tailgating.		(106,527)	0
Queensland University of Technology Establish Trauma Data Fellowship (interim period)		(31,264)	0
Centre for Accident Research and Road Safety (CARRS-Q) Improving taxi driver safety with a smartphone feedback system: A pilot study		(10,652)	0
Spinal Life Australia Equipment for rehabilitation assessment centre		(1,059)	0
<b>Total Funding Returned</b>		(\$577,836)	0
<b>GRANT TOTAL (Allocated less returned)</b>		\$17,852,488	16,775,102

\* Estimate of grant funding committed for expenditure from 1 Jul 2018.

## Ongoing projects funded in previous years

In the majority of cases, the following projects were previously funded by the Commission through the provision of a one-off payment. This payment is held in trust with the interest used to fund the ongoing operations of each project. The progress of these projects is monitored through regular activity and financial reporting.

- Royal Australian College of General Practitioners Research Fellowship
- Royal Australasian College of Physicians Research Fellowship
- Royal Australasian College of Surgeons Research Fellowship
- University of Queensland
  - School of Human Movement Studies Teaching and Community Services Rehabilitation Research Fellowship

## Research centres

The two Commission-funded research centres (RECOVER and CARRS-Q) produce six-monthly activity and financial reports covering the research conducted within the centres and providing details on projects funded through other competitive grant processes.

Further information on CARRS-Q and RECOVER'S research and activities is available by visiting [www.carrsq.qut.edu.au](http://www.carrsq.qut.edu.au) and [www.recover.edu.au](http://www.recover.edu.au)

## Appendix 6: Glossary

Term	Definition
Claim farming	A process where people are contacted unexpectedly by someone they do not know about being involved in a motor vehicle accident. Claim farmers may use unethical or high-pressure tactics to obtain personal details or encourage people to submit or exaggerate a CTP insurance claim.
Compulsory Third Party (CTP) insurance	In Queensland, CTP insurance protects motor vehicle owners and drivers from being personally sued if they are responsible for injuring someone in a motor vehicle accident. It also enables the injured person to claim fair and timely compensation for their injuries and access prompt medical and rehabilitation treatment.
Long-tail and short-tail insurance	In general terms, this name stems from the length of time (the tail) that it takes for a claim to be made and settled. For short-tail insurance products, claims are usually known and settled within 12 months. For long-tail insurance products, claims may not even be reported within 12 months, and settlements can take many years.
<i>Motor Accident Insurance Act 1994</i> (MAI Act)	Legislation that governs Queensland's CTP insurance scheme.
Motor Accident Insurance Commission (MAIC)	A statutory body established under the MAI Act to regulate Queensland's CTP insurance scheme. This includes licensing and supervising the four private insurers who cover the risk of Queensland motor vehicle owners through the scheme.
<i>Motor Accident Insurance Regulation 2004</i>	Legislation that governs Queensland's CTP insurance scheme. This regulation will expire on 31 August 2018 and will be replaced by the <i>Motor Accident Insurance Regulation 2018</i> .
Nominal Defendant (ND)	A statutory body that acts as a licensed insurer in the CTP insurance scheme for claims that involve motor vehicles that are unidentified or not covered by CTP insurance. It also meets the claims costs associated with licensed insurers that become insolvent.
<i>National Injury Insurance Scheme Queensland Act 2016</i> (NIISQ Act)	Legislation that governs the National Injury Insurance Scheme Queensland.
National Injury Insurance Scheme Queensland (NIISQ)	A scheme to ensure that people who suffer particular serious personal injuries as a result of a motor accident in Queensland receive necessary and reasonable treatment, care and support, regardless of who was at fault.
National Injury Insurance Agency Queensland (NIIAQ)	The agency that administers the National Injury Insurance Scheme Queensland.
Queensland Audit Office (QAO)	The independent auditor that promotes accountability and transparency in the Queensland public sector.

