



# **Motor Accident Insurance Commission**

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**Annual Report 2019-20**

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Interpreter

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#### **Motor Accident Insurance Commission**

GPO Box 2203, Brisbane QLD 4001  
Phone: 1800 CTP QLD (1800 287 753)  
Email: [maic@maic.qld.gov.au](mailto:maic@maic.qld.gov.au)  
Web: [www.maic.qld.gov.au](http://www.maic.qld.gov.au)

#### **Nominal Defendant**

GPO Box 2203, Brisbane QLD 4001  
Phone: 07 3035 6321  
Email: [nd@maic.qld.gov.au](mailto:nd@maic.qld.gov.au)  
Web: [www.maic.qld.gov.au/nominal-defendant](http://www.maic.qld.gov.au/nominal-defendant)

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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# Contents

<b>01</b>	Letter of compliance and certification of financial statements
<b>02</b>	About us
<b>04</b>	Insurance Commissioner's report
<b>05</b>	Report card
<b>06</b>	Levies and administration fee
<b>08</b>	Achievements
<b>12</b>	Governance
<b>13</b>	Our values
<b>14</b>	Our leadership team
<b>15</b>	Risk management
<b>18</b>	Statistics (Motor Accident Insurance Commission)
<b>27</b>	Statistics (Nominal Defendant)
<b>29</b>	Motor Accident Insurance Commission financial summary 2019-20
<b>30</b>	Motor Accident Insurance Commission financial statements 2019-20
<b>55</b>	Nominal Defendant financial summary 2019-20
<b>56</b>	Nominal Defendant financial statements 2019-20
<b>85</b>	Appendices
<b>93</b>	Glossary

# Letter of compliance and certification of financial statements

30 August 2020

The Honourable Cameron Dick MP  
Treasurer, Minister for Infrastructure and Planning  
GPO Box 611  
BRISBANE QLD 4001

Dear Treasurer,

I am pleased to submit for presentation to the Parliament the Annual Report 2019-20 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 2019*, 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-2019-20](http://www.maic.qld.gov.au/publications/annual-report-2019-20)**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Neil Singleton', written over a horizontal line.

Neil Singleton  
Insurance Commissioner

# About us

## Queensland Compulsory Third Party insurance scheme

Queensland's Compulsory Third Party (CTP) insurance scheme is governed by the *Motor Accident Insurance Act 1994* (MAI Act).

The scheme protects motor vehicle owners, drivers and passengers from being held financially responsible if they injure someone in a motor vehicle accident. It also enables the injured person to claim fair and timely compensation for their injuries and access prompt and reasonable medical treatment and rehabilitation.

Motor vehicle owners pay their CTP insurance premium when they pay their vehicle registration through the Department of Transport and Main Roads (DTMR). DTMR remits the applicable premium to the licensed CTP insurer nominated by the motor vehicle owner. This minimises administration costs, is convenient for motorists and reduces the incidence of uninsured vehicles.

## Motor Accident Insurance Commission

The Motor Accident Insurance Commission (MAIC) regulates Queensland's CTP insurance scheme. This involves a number of important functions:

- licensing and supervising CTP insurers and monitoring their compliance
- establishing and revising standards about the proper management of claims
- keeping the statutory insurance scheme under review and making recommendations for its amendment
- developing and maintaining a claims register and statistical database for the purpose of providing management information
- fixing the range within each insurer must file their premium and recommending to government the levies payable

- contributing funds towards research and education to reduce the number of motor vehicle crashes and facilitate rehabilitation of injured people
- maintaining a helpline service for motor vehicle owners and injured people
- administering the Nominal Defendant.

The Nominal Defendant (ND) acts as a licensed insurer in the CTP insurance scheme for claims that involve motor vehicles that are unidentified or uninsured. It also meets the claims costs associated with licensed insurers that become insolvent.

Queensland's CTP insurance scheme is complemented by the National Injury Insurance Scheme, Queensland (NIISQ) which was established on 1 July 2016. NIISQ provides necessary and reasonable lifetime treatment, care and support to people who sustain eligible serious personal injuries in motor vehicle accidents on Queensland roads, regardless of who was at fault. MAIC also has a legislative function pursuant to Chapter 5 of the *National Injury Insurance Scheme (Queensland) Act 2016* (NIISQ Act) to monitor the efficiency and effectiveness of the National Injury Insurance Agency, Queensland which administers NIISQ.

MAIC has been located in Brisbane since it commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer and is located at 1 William Street. MAIC and the Nominal Defendant are positioned within the Economics, Fiscal and Commercial division of Queensland Treasury.

## Our aspiration

We aspire to ensure Queensland benefits from the best CTP insurance scheme in Australia by delivering:

- financial protection for motorists
- recovery for claimants
- opportunity for service providers
- economic growth and skills building in the community.

## Our purpose

Our role is to:

- regulate and improve Queensland's CTP insurance scheme
- monitor and make recommendations on the NISQ
- manage the Motor Accident Insurance and Nominal Defendant funds for the benefit of the Queensland community.

## Our objectives

We aim to:

- deliver a financially sound CTP insurance scheme
- strengthen insurer supervision and compliance
- develop and promote best practice claims management
- embed insights-enabled decision making that delivers value to motorists, claimants and the CTP insurance market
- create a positive workplace environment where our people thrive.

To support *Our Future State: Advancing Queensland's Priorities* we also:

- keep communities safe by investing in road safety initiatives to reduce the frequency of motor vehicle accidents and minimise their impact on the community
- keep Queenslanders healthy by investing in targeted research and service delivery initiatives to improve health outcomes for people injured in motor vehicle crashes.

## Our 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 DTMR and the Queensland Police Service, along with investing in grants, sponsorships and research initiatives
- continually seek ways to improve MAIC
- continue to investigate regulatory changes required to introduce automated vehicles into the Australian market
- explore opportunities for MAIC and the CTP insurance scheme to manage future innovation and disruption
- strengthen supervision and regulation of insurers to mitigate potential fraud and car crash scamming (also known as 'claim farming').

## Our strategic challenges

We meet the challenges of:

- unethical practices
- insurer non-compliance
- maintaining premium affordability
- evolving community expectations
- emerging technological innovations.

## Our success measures

We measure our success with:

- strong scheme performance and claimant benefits balanced against affordable premiums
- motorist and claimant awareness and satisfaction
- effective MAIC and ND operations and sound financial management
- a robust insurer supervision regime
- a capable and well-respected team.

# Insurance Commissioner's report

In a dynamic and at times challenging year, the Queensland CTP insurance scheme remained sound and preserved its core pillars of affordability, fairness, efficiency and responsiveness. Queenslanders continue to benefit from what is still arguably the best CTP insurance scheme in Australia.

The strength of the scheme has been evident in the way it has quickly responded to a range of COVID-19 related challenges. Through collaboration with key stakeholders, we have ensured that claims continue to be processed and resolved and injured people can continue to access medical treatment and rehabilitation support.

The passage of scheme reforms by the Palaszczuk Government in December 2019 appears to have quickly curtailed the impact of car crash scammers (or 'claim farmers' as they are known in the insurance industry) – but we remain vigilant. We have strengthened our investigation and prosecution resources which will move swiftly should evidence of car crash scamming re-emerge. MAIC also undertook an awareness campaign to advise Queenslanders that 'car crash scamming is now a crime'. I thank the Queensland Law Society and the Australian Lawyers Alliance for their active support in the reform process and in promoting awareness of the reforms.

During the year, premium affordability and scheme efficiency improved even further. Actions to address persistent high insurer profitability are creating a better balance between premiums paid by motorists, compensation benefits for injured people and a fair profit margin for insurers.

MAIC also commenced publication of quarterly CTP Scheme Insights reports and a scheme email newsletter to highlight the great work of our research partners and to call out key aspects of scheme performance. These publications objectively inform the community about scheme experience as well as enhancing scheme awareness. The publications are available through the MAIC website: [maic.qld.gov.au/ctp-scheme-insights](http://maic.qld.gov.au/ctp-scheme-insights)

Over recent months, the scheme has been highly responsive ensuring injured people have been able to progress and resolve their claims and innovatively access treatment via telehealth and telerehabilitation services. This has been enabled through positive collaboration between licensed insurers and lawyers. MAIC is focused on innovation opportunities especially around digital claim processes to be rolled out in 2020-21.

Our ongoing investment in research and initiatives to reduce the incidence and effects of road trauma aim to further improve outcomes for the benefit of all Queensland road users and the community more broadly. It has been pleasing to establish new road safety partnerships with entities such as the Queensland Trucking Association while also supporting a range of autonomous and connected vehicle initiatives.

I thank the Nominal Defendant for another year of excellent performance that saw genuinely injured claimants receive fair and timely compensation and yet again the team's excellence has enabled the Nominal Defendant levy to be further reduced in 2020-21. I also thank everyone at MAIC for their sustained commitment to customer service and innovation in delivering a significant program of work this year.

We are well positioned through our innovation and research agenda, our enhanced analytics capability and strengthened insurer supervision regime to continue improving scheme performance for the benefit of all Queensland motorists and injured people in 2020-21 and beyond.



Neil Singleton  
Insurance Commissioner

# Report card

Highlights	Performance indicators target outcome	Target	Outcome
<b>Objective 1. Deliver a financially sound, contemporary CTP insurance scheme</b>			
Maintain an affordable and efficient scheme for Queenslanders	<ul style="list-style-type: none"> <li>Highest filed CTP premium for Class 1 vehicles (cars and station wagons) as a percentage of average weekly earnings</li> <li>Premium bands and levies set within legislative timeframes</li> <li>Premium bands set at a level to ensure scheme viability</li> </ul>	<45%  100% 100%	22% <sup>1</sup>  100% 100%
<b>Objective 2. Strengthen insurer supervision and compliance</b>			
Embed a dynamic insurer supervision regime	<ul style="list-style-type: none"> <li>An agile supervision regime implemented</li> <li>A revised enforcement framework implemented</li> <li>Insurer compliance monitoring tools developed</li> </ul>	Achieved Achieved Achieved	Achieved Achieved Achieved
<b>Objective 3. Develop and promote best practice claims management</b>			
Focus on the prevention of unethical practices, including car crash scamming and fraud	<ul style="list-style-type: none"> <li>Public awareness campaign delivered to encourage Queenslanders to hang up on car crash scammers and report them to MAIC</li> <li>Legislation responding to car crash scamming reform passed in parliament (commenced 5 December 2019)</li> </ul>	Achieved  Achieved	Achieved  Achieved
Encourage best practice claims management through the implementation of claims management standards	<ul style="list-style-type: none"> <li>Percentage of Nominal Defendant managed claims finalised compared to the number outstanding at the start of the financial year<sup>2</sup></li> <li>Percentage of Nominal Defendant claims settled within two years of compliance date<sup>3</sup></li> <li>Percentage of Nominal Defendant claims with general damages paid within 60 days of the settlement date</li> <li>Rehabilitation standards review finalised (with a 1 February effective date)</li> </ul>	50%  50% 95% Achieved	64%  62% 90% <sup>4</sup> Achieved
<b>Objective 4. Turn scheme information and insights into actions and outcomes</b>			
Continue to improve data analytics capability and use it to make informed decisions	<ul style="list-style-type: none"> <li>Evidence-based data shared through publication of quarterly CTP Scheme Insights reports</li> <li>Analytics resources and capabilities enhanced</li> <li>Increased decision-making informed by data insights</li> </ul>	Achieved Achieved Achieved	Achieved Achieved Achieved
<b>Objective 5. Create a positive workplace environment where our people are engaged, committed and highly capable</b>			
Ensure our people have the tools and skills required to fulfil their roles competently	<ul style="list-style-type: none"> <li>Percentage of staff who were able to access relevant training opportunities</li> </ul>	70%	79%
Focus on quality, innovation and improvement	<ul style="list-style-type: none"> <li>Mentoring program completed by the second cohort of emerging leaders</li> <li>Increased staff engagement via an online engagement tool</li> <li>Implementation of insights model</li> </ul>	Achieved Achieved Achieved	Achieved Achieved Achieved

Notes: 1. The average Affordability Level for the 2019-20 Financial Year is 22.3%. The Affordability Level as at 30 June 2020 is 21.8%.

2. Favourable variance is due to higher than anticipated number of claims being finalised.

3. 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.

4. The CTP insurance industry, including the Nominal Defendant, is currently experiencing lengthy delays in the receipt of Centrelink Clearances. A settlement payment cannot be made prior to the receipt of a Centrelink Clearance. It is widely accepted that these delays are due to the impact of COVID-19 on Centrelink.



# 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. These levies and administration fee are calculated annually and include:

- the statutory insurance scheme levy
- the Nominal Defendant levy
- the hospital and emergency services levy
- the National Injury Insurance Scheme, Queensland levy
- an administration fee.

In setting these levies, advice is sought from the receiving agencies, and the State Actuary's Office. This year's levies and administration fee resulted in a modest increase of \$3 for most Queensland motorists compared to the 2018-19 financial year.

## Statutory insurance scheme levy

The statutory insurance scheme levy covers the estimated operating costs of administering the *Motor Accident Insurance Act 1994* (MAI Act) and also provides funding for research into accident prevention and injury mitigation. From 1 July 2019, the levy remained unchanged at \$1.50 per policy and the levy collected \$6.8 million in 2019-20. From 1 July 2020, the levy will continue to remain unchanged at \$1.50.

## Nominal Defendant levy

The Nominal Defendant levy varies by vehicle class and 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 2019, the levy for Class 1 vehicles reduced 50 cents to \$8.50 with \$37.6 million collected in 2019-20. From 1 July 2020, the Nominal Defendant levy will be reduced further to \$8 for a Class 1 vehicle.

## 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. From 1 July 2019, the hospital and emergency services levy was \$18.30 for a Class 1 vehicle. Proceeds from this levy are then apportioned to Queensland Health, Queensland Fire and Emergency Services (QFES) and the Public Safety Business Agency (PSBA). Collecting the levy in this way removes the need for hospitals and emergency services to issue invoices to CTP insurers for each treatment provided to victims of road crashes. This saves significant administration burden for service providers and licensed CTP insurers. In the year 2019-20, \$80.9 million was collected. From 1 July 2020, the levy will be reduced to \$18.15 for Class 1 vehicles.

## National Injury Insurance Scheme, Queensland levy

The National Injury Insurance Scheme Queensland levy (NIISQ levy) varies by vehicle class and covers the estimated costs of the NIISQ which provides necessary and reasonable lifetime treatment, care and support to people who sustain eligible serious personal injuries in motor vehicle accidents in Queensland. The NIISQ levy was \$90.50 for a Class 1 vehicle in 2019 -20 and collected \$421.3 million.

## Administration fee

The administration fee is the fee payable to the Department of Transport and Main Roads for delivering administrative support for the CTP insurance scheme. The administration fee was \$8.40 for a Class 1 vehicle in 2019-20, and \$37.9 million was collected. From 1 July 2020, the fee will increase by five cents to \$8.45 per policy.

## Premium levy and fee collection

1 July 2019 to 30 June 2020

Description	\$ ('000)
<b>Total insurance premiums collected*</b>	<b>1,678,058</b>
Nominal Defendant levy	-37,640
Statutory insurance scheme levy	-6,779
Hospital and emergency services levy^	-80,941
Administration fee (Transport fee)	-37,909
NIISQ levy*	-421,273
Insurers' premiums#	<b>1,093,516</b>

Notes: \* 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.

\* National Injury Insurance Scheme Queensland levy.

# Includes GST.

Levies received for the period 1 July 2019 to 30 June 2020 are on a cash basis.

# Achievements

## Combating car crash scammers

Preserving the integrity of Queensland's CTP insurance scheme and protecting Queenslanders from aggressive phone calls and privacy breaches was at the heart of legislative reforms introduced by the Palaszczuk Government in December 2019.

Car crash scammers (also known as 'claim farmers' in the insurance industry) pretended to help Queenslanders gain injury compensation from car crashes and then sold their personal information to third parties. They targeted over one and a half million Queenslanders with relentless phone calls, including vulnerable Queenslanders who were particularly susceptible to their aggressive tactics.

Our team worked in consultation with industry stakeholders to develop legislative reforms to stop this predatory practice. The legislative reforms prohibited people from approaching individuals to solicit or induce them to make a CTP insurance claim, or to give or receive financial incentives for referring claims or potential claims. The reforms also bolstered MAIC's investigation and enforcement powers.

To complement the reforms, we delivered a second public awareness campaign to advise Queenslanders that car crash scamming had become illegal. The campaign prompted Queenslanders to protect themselves from car crash scammers by hanging up on scam calls and reporting them to MAIC. The campaign and its important advice on detecting and avoiding car crash scammers was seen over six million times on social media.

We have now moved into a critical period of enforcing the new legislation. Our team has investigations underway and will prosecute where appropriate. We are committed to preserving the rights of genuinely injured people and the integrity of Queensland's CTP insurance scheme, which is widely regarded as one of the most stable and affordable in the country.

Queenslanders can play their part by hanging up and reporting car crash scammers at [maic.qld.gov.au/hangup](https://maic.qld.gov.au/hangup).

## Preparing for cooperative and automated vehicles

Cooperative and highly automated vehicles are being trialled for use on Queensland roads. MAIC has been an active participant in many of these trials, in partnership with the Department of Transport and Main Roads and the Queensland University of Technology.

The largest cooperative vehicle trial in Australia to date will involve up to 500 privately-owned vehicles, testing connectivity between vehicles and roadside infrastructure.

A related initiative, the Cooperative and Highly Automated Driving Pilot, is trialing automated vehicles. A modified Renault Zoe, a level 4 highly automated vehicle, was first demonstrated in Shailer Park, Logan in August 2019, and remains the subject of an ongoing research program.

As this technology evolves, we need to ensure the Queensland CTP insurance scheme adapts to meet the needs of our community. This includes Queenslanders who plan to own or use an automated vehicle and those who are unfortunately injured by one. MAIC continues to meet regularly with other regulators and managers of CTP insurance schemes in Australia, guided by the key principles that no one should be worse off if they are injured by an automated vehicle than if they were injured by a non-automated vehicle – either in terms of the compensation they receive or the process of making a CTP insurance claim.

MAIC continues to work alongside its interstate counterparts and the National Transport Commission (NTC) to facilitate the continued introduction of automated vehicles.

## Digitising the CTP insurance claims process

In partnership with industry stakeholders, MAIC is uncovering exciting opportunities for improving the way Queenslanders can access support through the CTP insurance scheme. In November 2019, MAIC commenced its exploratory work with significant industry consultation, including a series of large workshops and smaller stakeholder interviews involving CTP insurers and representatives of the legal industry. MAIC identified significant industry appetite for digitisation of key aspects of the CTP insurance claims process.

In January 2020, the first stream that commenced was electronic claim lodgement. A three-month investigation led to the design of a digital claim form, due for implementation in 2020-21. This new digital channel aims to improve the lodgement experience for injured people. It offers new opportunities for efficient, real-time submission of claims data to the relevant insurer. The outcome is a more streamlined claims process. With decreased time to rehabilitation, injured people are more likely to achieve better health and return-to-work outcomes.

In April 2020, a second stream of exploration was commissioned into the use of a digital platform to enhance the ongoing provision of rehabilitation. This stream seeks opportunities to make the rehabilitation process transparent for all parties involved, leading to quicker timeframes around the provision of treatment and more efficient administration. This exploratory stream will return recommendations in 2020-21.

## Managing Nominal Defendant claims prudently

The Nominal Defendant continues to deliver important protection for Queensland road users who are injured by an unidentified or uninsured vehicle. Nominal Defendant claims require a particularly stringent approach to claim management, especially where the involvement of an unidentified vehicle is alleged. To ensure claims management standards are in line with what is considered best practice, the Nominal Defendant encourages a culture of continuous improvement. This was evident during the recent COVID-19 pandemic as the Nominal Defendant worked collaboratively with claimants and their legal representatives, employing an agile response to claims to deliver a seamless claims experience. Over the past decade, the Nominal Defendant levy paid by all motorists has in fact been reduced on several occasions due to the ongoing excellent performance of the Nominal Defendant team.

## Monitoring the NISQ

The National Injury Insurance Agency, Queensland (NISQ Agency) assesses, decides and funds necessary and reasonable lifetime treatment, care and support for people who sustain an eligible serious personal injury in a motor accident in Queensland, on or after 1 July 2016.

The NISQ Agency administers the National Injury Insurance Scheme, Queensland (NISQ) and performs other key functions as listed in the *National Injury Insurance Scheme (Queensland) Act 2016*.

The cost of administering NISQ during 2019-20 was \$823.378 million. To learn more, view the NISQ Agency's annual report at [niis.qld.gov.au](https://niis.qld.gov.au).

As at 30 June 2020, NISQ has 266 interim and lifetime participants.

Further information about NISQ and NISQ Agency's operations can be found in the NISQ Agency Annual Report at [niis.qld.gov.au](https://niis.qld.gov.au).

## Investing in road safety and rehabilitation

MAIC supports 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. From the third quarter of the financial year, a number of MAIC's current research initiatives and stakeholders were impacted in various ways by COVID-19. MAIC reiterated our support to our research stakeholders to work together to overcome the challenges presented by this pandemic. Learn more about the initiatives we support on the following pages.

## Rehabilitation Research

Institution	Title
University of Queensland	Recover Injury Research Centre Pilot social skills training program for children with an acquired brain injury Whiplash Clinical Pathway Healthcare utilisation after a traumatic brain injury in children Non-invasive study to treat post-concussion syndrome
Griffith University	The Hopkins Centre Spinal Injury Project BioSpine Project
Queensland University of Technology	Data Linkage Fellowship Queensland Trauma Data Warehouse Fellowship
Metro North Hospital and Health Service	Jamieson Trauma Institute Associate Professor Cliff Pollard Trauma Fellowship
Metro South Hospital and Health Service	Acquired Brain Injury Transitional Rehabilitation Service
Spinal Life Australia	Spinal Education Awareness Team Back2Work Vocational Rehabilitation Program Healthy Living Centre
Queensland Brain Institute	Senior Research Fellowship in Traumatic Brain Injury
Queensland Children's Hospital	Chair of Paediatric Rehabilitation

In 2019-20, MAIC funded a range of rehabilitation related research and education activities. The activities supported by MAIC reflected the spectrum of injuries that can result from road traffic crashes, including musculoskeletal injuries, spinal cord injuries and brain injuries. MAIC funded researchers focused on improving healthcare from the point of injury, with ambulance care, through emergency department, acute, and hospital and community-based rehabilitation services.

The 2019-20 funding year saw a focus on projects to support people with a spinal cord injury. The Spinal Injury Project run by Griffith University completed phase one of their funding and demonstrated strong progress towards the development of a therapy for repairing chronic spinal cord damage using olfactory ensheathing cells taken from the nose and a 3D printed biodegradable nerve bridge. The research group developed techniques for purifying, combining and amplifying the required cells, developed the 3D nerve bridge, and transplantation devices and considered the best approach to rehabilitation post-surgery. Phase two of this project commenced in April 2020 and will see further development of the therapy in the lead up to a potential clinical trial in future.

Complementing the Spinal Injury Project, MAIC also chose to extend funding to the Back2Work program, an early intervention vocational rehabilitation program run by Spinal Life Australia. The program commenced in 2016 in the Spinal Injuries Unit at Princess Alexandra Hospital to ensure people have access to vocational rehabilitation at the earliest possible time post-injury. Approximately 150 clients have participated in the program between 2016 and 2019, with promising results regarding rates of employment and study for people following spinal cord damage. Further refinement of the service model and understanding of the impact of the program is needed and MAIC has extended its support for a further three years to allow for this process to be completed.

This year, MAIC further expanded its grants program to include providing funds to support infrastructure that aids in the rehabilitation of people injured in road traffic crashes. In late 2019, MAIC provided \$3 million to Spinal Life Australia as a contribution towards the development of the Healthy Living Centre in Cairns, which provides an accessible gym, hydrotherapy pool and suites for therapy services alongside accessible accommodation, care and support services. The facility expands the availability of specialist services for people with spinal cord injuries and physical disabilities, particularly within Far North Queensland.

## Road Safety Research

Institution	Title
University of Sunshine Coast	Road Safety Research Collaboration SAFER – Braking the Cycle SAFER – peer passenger SAFER senior drivers' program
Queensland University of Technology	Centre for Accident Research and Road Safety Fatal and serious crash analysis by region
Griffith University	Taxi data analysis
Police Citizens and Youth Welfare Association	Support operations of Braking the Cycle learner driver mentor program
Queensland Trucking Association	Driving monitoring pilot
Department of Transport and Main Roads	Cooperative and Autonomous Vehicles Initiative
Transport New South Wales	MotoCAP motorcycle safety gear ratings
Sunshine Coast Council	Study on reducing rear-end collisions

MAIC's road safety research in 2019-20 covered a broad range of topics, including investigating road safety issues for younger and older drivers, understanding driver behaviours such as tailgating and impaired driving, and examining issues that affect specific road user groups like taxis, motorcyclists and heavy vehicle operators. With the growth in vehicle and road infrastructure technology, MAIC also continued its support of research in relation to autonomous and cooperative vehicles.

MAIC's investment in the 'Braking the Cycle' learner driver mentoring program has continued to reap strong outcomes in terms of providing an opportunity for disadvantaged young people to obtain the 100 hours of supervised driving necessary to be eligible to sit their driving test.

During the 2019-20 financial year, MAIC's funding supported operation of the program at up to 31 sites across Queensland. Through this funding 1,178 participants were engaged, with over 14,000 supervised driving hours logged and 289 participants obtaining their driver's licence. This is a significant outcome in terms of reducing the risk of unlicensed driving, a behaviour which is associated with overrepresentation in serious crashes. Graduates from 'Braking the Cycle' also report the associated benefits of obtaining their drivers licence, including increased employment and opportunities to participate in further education.

MAIC looks forward to continuing our association with this PCYC program with the Insurance Commissioner approving a five-year funding extension to commence from 1 July 2020. This extension will incorporate additional funds to expand the program to service

additional regions including Bundaberg, Mount Isa, Innisfail and South Burnett, whilst consolidating operations at branches already in place.

MAIC is partnering with the Queensland Trucking Association to pilot the use of driver monitoring technology for heavy vehicle drivers in terms of trialling the use of emerging driver monitoring technology in reducing the incidence of driver distraction, inattention and fatigue episodes within the industry.

Eleven transport companies of diverse freight sectors and fleet sizes are involved in this pilot, with many reporting positive initial outcomes following the installation of this equipment in their vehicles. On-road data collection has commenced with Dr Darren Wishart from Griffith University engaged to assist in undertaking the research piece to independently measure the effectiveness of this technology from a road safety perspective.

MAIC also continued its partnership in the MotoCAP consortium led by Transport New South Wales around motorcycle protective clothing. Through a series of scientifically-based testing processes, riders are provided with information on the relative protection and comfort on a range of motorcycle protective jackets, pants and gloves available in Australia and New Zealand.

Whilst in its infancy having been established in 2018, the innovative nature of MotoCAP has already been recognised. In late 2019, MotoCAP was awarded a Federation Internationale de Motocyclisme (FIM) Road Safety Award for its contribution to improving road safety for motorcycle, scooter and moped riders.



# Governance

## Our people

We strive to create a positive workplace environment where our people are engaged, committed and highly capable. Our dedicated and focused team is committed to ensuring that Queensland's CTP insurance scheme protects motorists and supports people who are injured in motor vehicle crashes.

We rely on the commitment and capabilities of our staff to achieve sound scheme outcomes. In 2019-20, to counter risks such as car crash scamming, fraud, and issues relating to insurer monitoring, we invested in staff development focused on:

- building resilience in Nominal Defendant staff whose work involves complex claims where decisions affect the day-to-day lives of people
- developing legislative responses to mitigate risk
- effective leadership of programs and support of staff
- embracing innovation and change.

We further support our staff through active recruitment and selection strategies, strong employee performance management and development programs, regular staff check-ins through the Working for Queensland survey, other pulse surveys, and workplace health and safety strategies.

During the year, staff participated in the Working for Queensland survey. Staff engagement measures from the survey showed 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. We also conducted workplace civility training and collaborated on team agreements.

We meet our obligations under the *Public Service Ethics Act 1994* by ensuring that MAIC and ND staff complete Treasury's suite of online training modules, including modules related to the Code of Conduct. The online training package is rolled out to all new staff. This year, the induction manual was reviewed and improved to include a module on the *Human Rights Act 2019*.

MAIC staff expenses and key executive management personnel and remuneration information can be found in the Financial Information (page 37 for MAIC, and page 65 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.

## Human Rights

As part of our commitment to furthering the objectives of Queensland's *Human Rights Act 2019*, we:

- conducted a self-audit of the *Motor Accident Insurance Act 1994* and its subordinate legislation to assess its compatibility with human rights under the *Human Rights Act 2019*, which found that no provisions had a high risk of incompatibility
- completed Human Rights Certificates to accompany amendments to the *Motor Accident Insurance Regulation 2018*
- ensured all staff completed mandatory training on the *Human Rights Act 2019*
- incorporated human rights into staff induction and orientation programs
- incorporated a commitment to human rights into our strategic and operational plans
- progressed a review all decision-making frameworks including policies, procedures, processes and complaint handling practices to incorporate human rights considerations
- updated our website to feature a Complaints and Feedback webform to include information on human rights, human rights complaints and a link to the Human Rights Commission
- commenced a human rights review of the electronic Notice of Accident Claim Form (eNOAC) project
- established Human Rights Champions within our senior leadership team
- commenced a First Peoples' initiative to support Aboriginal and Torres Strait Islander peoples through the CTP claims process and related road safety initiatives.

To continue supporting Human Rights during the COVID-19 pandemic, we also:

- enabled employees to work effectively from home and focused on staff wellbeing
- implemented a return to office plan, aligned with Queensland Government health advice to ensure a safe and gradual return to office
- collaborated with stakeholders to implement protocols aimed at encouraging a flexible approach to claims management
- supported changes to digital signatures, telehealth and virtual settlement conferences to ensure claimants could continue to access treatment and have their claims resolved while ensuring compliance with social distancing requirements.

No human rights complaints were received during the 2019-20 reporting period.

## **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

### **Unleash potential**

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

### **Empower people**

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

### **Ideas into action**

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

### **Be courageous**

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



# Our leadership team

The Insurance Commissioner sets the direction for MAIC and the Nominal Defendant and reports to the State Parliament through the Treasurer, Minister for Infrastructure and Planning. Our leadership team includes the Insurance Commissioner; General Manager Motor Accident Insurance Commission; Director Finance, Procurement and Systems; Director Policy, Performance and Improvement; and Director Analytics.

Our leadership team is responsible for setting the strategic direction of MAIC and the Nominal Defendant, overseeing operational performance, determining operation policy and project management.

The leadership team supports the Insurance Commissioner, as the accountable officer, to meet legislative requirements and accountabilities and the identification and management of key areas of risk. As at 30 June 2020, the leadership team comprised of:

## 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.

## David Vincent

*General Manager Motor Accident Insurance Commission*

David has over 25 years' insurance experience including roles in personal injury claims management and underwriting, along with positions involving insurance regulation and government policy development. David is responsible for leading the strategic management of the Nominal Defendant claims unit, the supervision of licensed insurer claims management compliance and performance and managing claims related legislative functions.

## Lina Lee

*Director Finance, Procurement and Systems  
B. Commerce, CA*

Appointed to MAIC in 2006, Lina oversees the financial management and procurement of MAIC and oversight of the IT system roadmap for the organisation. Lina has an accounting and auditing background covering the chartered profession, commerce, industry and the Queensland public sector.

## Vicki Vanderent

*Director Policy, Performance and Improvement  
B. Business, MBA, Grad. Cert Business (Behavioural Economics)*

Appointed in 2006, Vicki oversees the policy, performance and improvement functions for MAIC. She defines and shapes strategies, policies and plans that improve the Queensland CTP insurance scheme and promotes measures that eliminate or reduce causes of motor vehicle accidents and mitigates their results. Vicki has more than 20 years' experience across government, university and private sectors in Queensland.

## Youyou Luo

*Director Analytics  
B. Actuarial Studies, PhD (Finance)*

Appointed to MAIC in 2018, Youyou is responsible for leading the Insurance Commission's data analytics, premiums and levies advice, business intelligence and scheme reporting functions. Youyou has a research background and over 10 years of public sector experience in data analytics and business intelligence across several government organisations.

# Risk management

We are committed to effective risk management and have adopted Treasury's framework for proactively identifying, assessing and managing risks. Our risk management approach ensures:

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

Everyone in Treasury is responsible for managing risk. A robust risk management framework is integrated into all Treasury business activities and systems; and our leadership team is accountable for risks that may affect our ability to achieve our strategic objectives. Risks are managed through our corporate governance framework providing the foundation for effective decision-making, sound management and clear accountability.

A risk register is maintained and reviewed by the leadership team biannually. Risks are monitored with risk controls and treatment strategies assigned to risks where appropriate. Treasury's Executive Leadership Team reviews the MAIC risk register from a consolidated Treasury perspective and MAIC has external auditors which 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 our 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.

The Audit and Risk Management Committee helps Under Treasurer Rachel Hunter to meet her responsibilities under the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and other prescribed requirements. It does this by carrying out a range of activities to maintain oversight of key financial, risk and performance management activities for our organisation, including:

- financial statements – reviewing the appropriateness of Treasury's accounting policies and financial performance
- risk management – reviewing the effectiveness of our risk management framework, including processes for identifying, monitoring and managing significant business risks
- integrity oversight and misconduct prevention – monitoring any misconduct trends and prevention approaches and highlighting any issues or areas for improvement with management
- internal control – reviewing, with the assistance of internal and external audit functions, the adequacy of internal controls, including IT security
- internal and external audit – reviewing and approving Treasury's Internal Audit Plan; consulting with External Audit on the proposed audit strategy; and considering audit findings and recommendations to ensure key risks are considered and mitigated.

The committee also performs oversight functions for select related entities which sit within Treasury's broader portfolio but prepare independent financial statements. In 2019–20, these entities were the Motor Accident Insurance Commission and the Nominal Defendant. Through participation in this forum, the Insurance Commissioner 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 2019*, and other prescribed requirements.

## 2019–20 Audit and Risk Management Committee (as of June 2020)

### Chair:

Executive General Manager, Corporate

### Members:

Head of Budget and Financial Management  
Insurance Commissioner

Commissioner, State Revenue

Independent member and finance expert

### Standing invitations:

Under Treasurer

Chief Finance Officer

Queensland Audit Office (QAO) Internal Audit

## Achievements in 2019–20

In 2019–20, the committee met five times and fulfilled its responsibilities in accordance with its charter and an approved work plan, which included:

- reviewing the 2019–20 Financial Statements for Queensland Treasury, Motor Accident Insurance Commission and Nominal Defendant
- reviewing the three-year strategic Internal Audit Plan and endorsing the 2019–20 Internal Audit activity
- considering issues raised by QAO including recommendations from performance audits
- considering Treasury-related QAO reports to Parliament
- monitoring progress of the implementation of internal audit recommendations.

## 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 PricewaterhouseCoopers (PwC). PwC provides an independent and objective internal audit service in accordance with our Internal Audit Charter and ethical standards. Although independent, Internal Audit regularly liaises with QAO to ensure appropriate assurance services are provided to Treasury. In 2019–20, Internal Audit delivered a program of work for Treasury's three-year Internal Audit Plan (approved by the Audit and Risk Management Committee). This plan is aligned to our key risk areas, operations, and strategic objectives and draws on additional specialist expertise as needed.

Externally, MAIC and the Nominal Defendant are audited by 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 committee are detailed in Queensland Treasury's annual report.

## Information systems and recordkeeping

In 2019-20, our commitment to information systems and recordkeeping remained robust. We abided by the disposal freeze that was implemented by Queensland State Archives and instigated a deeper review of our files. Our records are managed throughout their lifecycle and archiving, and disposal is done in accordance with the *General Retention and Disposal schedule* and/or Treasury's *Retention and Disposal schedule* (implementation version).

We continue to record the 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 2019-20, we released 15 datasets including CTP insurance scheme statistical data and annual report data. Our Open Data sets are available at [data.qld.gov.au/dataset/compulsory-third-party-ctp-statistics](https://data.qld.gov.au/dataset/compulsory-third-party-ctp-statistics).

# Statistics

MAIC produces quarterly CTP Scheme Insights reports to highlight the great work of our research partners and to demonstrate key aspects of scheme performance. These reports objectively inform the community about scheme experience as well as enhancing scheme awareness. The publications are available through the MAIC website: [maic.qld.gov.au/ctp-scheme-insights](http://maic.qld.gov.au/ctp-scheme-insights).

## Affordability

CTP insurance premiums remain affordable to motorists and have remained stable for many years. On 30 June 2020, the class 1 premium (\$351.20) represented 21.8% of Average Weekly Earnings (\$1,609).

### Affordability Index

Affordability Level on 30 June 2020	Affordability Index
21.8%	45.0%

We monitor premium affordability using an affordability index. This index compares the Class 1 premium with the weekly earnings of a full-time adult Queenslander (ordinary time), as published by the Australian Bureau of Statistics. Our goal, known as the 'Affordability Index' is to be less than 45% of the average weekly earnings, which we have consistently achieved.

### Average filed premiums (Class 1 vehicles)

Insurer	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
AAMI	\$327.60						
Allianz	\$332.85	\$334.60	\$331.35	\$353.60	\$353.50	\$343.20	\$355.20
NRMA	\$331.10						
QBE	\$333.35	\$336.60	\$331.35	\$354.85	\$353.50	\$343.20	\$355.20
RACQI	\$333.35	\$336.60	\$331.35	\$354.85	\$353.50	\$343.20	\$355.20
Suncorp	\$333.35	\$333.35	\$329.85	\$354.85	\$353.50	\$343.20	\$355.20

## Class 1 premium breakdown

Calendar Quarter	Insurer's premium	Insurer's expenses and profit	CTP levies and fee	NIISQ levy
2016 QTR 1	\$247.00	\$43.00	\$39.60	
2016 QTR 2	\$253.11	\$43.89	\$39.60	
2016 QTR 3	\$247.03	\$42.97	\$39.60	
2016 QTR 4	\$220.43	\$39.57	\$39.60	\$69.00
2017 QTR 1	\$220.45	\$39.55	\$39.60	\$69.00
2017 QTR 2	\$206.32	\$37.68	\$39.60	\$69.00
2017 QTR 3	\$193.58	\$36.42	\$37.00	\$85.00
2017 QTR 4	\$193.56	\$36.44	\$37.00	\$85.00
2018 QTR 1	\$195.25	\$37.75	\$37.00	\$85.00
2018 QTR 2	\$195.25	\$37.75	\$37.00	\$85.00
2018 QTR 3	\$189.12	\$36.88	\$36.00	\$88.20
2018 QTR 4	\$183.84	\$36.16	\$36.00	\$88.20
2019 QTR 1	\$179.47	\$35.53	\$36.00	\$88.20
2019 QTR 2	\$179.46	\$35.54	\$36.00	\$88.20
2019 QTR 3	\$185.50	\$38.50	\$36.70	\$90.50
2019 QTR 4	\$192.52	\$39.48	\$36.70	\$90.50
2020 QTR 1	\$192.59	\$39.41	\$36.70	\$90.50
2020 QTR 2	\$185.48	\$38.52	\$36.70	\$90.50

Notes: **Insurer's premium** is the Class 1 premium (including GST).

**Insurer's expenses and profit** includes claims handling expenses, policy expenses, reinsurance expenses, and insurer profits.

**CTP levies and fee** includes Hospital and Emergency Services levy, Nominal Defendant levy, Statutory Insurance Scheme levy, and Queensland Department of Transport and Main Roads administration fee.

**NIISQ levy** includes the National Injury Insurance Scheme, Queensland (NIISQ) levy. NIISQ is a no-fault scheme that provides necessary and reasonable lifetime treatment, care and support to people who sustain eligible serious personal injuries in a motor vehicle accident in Queensland, on or after 1 July 2016.

## Insurer offer and benefits

Insurers may also offer eligible motorists an incentive or benefit that makes it worthwhile to explore switching insurers.

Insurer	At-fault driver protection	Gift card for switching	Multi-policy discount
Allianz	Yes	No	No
QBE	Yes	Yes	Yes
RACQI	Yes	No	No*
Suncorp	Yes	Yes	Yes

Note: \*RACQI offer a multi-policy discount, however, CTP insurance is not included. RACQI also offers club membership discounts.

## Efficiency

### Claimant benefits and scheme delivery costs

The insurer's premium is split between claimant benefits and delivery costs.

The portion of premium being paid as claimant benefits has improved over recent years.

Our goal for scheme efficiency is to keep claimant benefits above 60 percent and delivery costs under 40 percent. Scope exists to improve efficiency further.

### Claimant benefits and delivery costs (5-year average to Dec 2019)

Metric	Measure
Claimant benefits	66%
Delivery costs	34%

Claimant benefits includes payments to claimants (e.g. care and medical payments, economic loss), and Hospital and emergency services levy.

Delivery costs includes insurer profits, legal and investigation costs, administration levies, and other costs (acquisition costs, reinsurance costs and claim handling expenses).

MAIC is continuing to tighten premium assumptions to address persistently high insurer profits. This is an ongoing area of priority focus.

Insurer profit margins are expected to move over time closer to the 8 percent margin assumed in pricing.

## Claim duration

*The MAI Act requires insurers to decide liability within 6 months of compliance.*

**99.93% of claims met this requirement in the last 12 months\***

*Note: \*Claims added 1 July 2019 to 30 June 2020 with a liability decision.*

### Average claim duration (months) - last 12 months\*

Insurer	Notification to compliance	Compliance to liability	Liability to settlement	Settlement to finalisation
Allianz	1.1	2.3	16.8	2.4
QBE	0.9	1.8	14.9	3.4
RACQI	1.1	2.1	14.0	3.1
Suncorp	1.2	2.9	18.7	3.4

*Note: \*Finalised claims from 1 July 2019 to 30 June 2020.*

### Average claim duration (months) - last 10 years\*

Insurer	Notification to compliance	Compliance to liability	Liability to settlement	Settlement to finalisation
Allianz	0.8	2.2	17.7	2.4
QBE	0.7	2.5	15.2	2.3
RACQI	1.0	2.9	16.7	4.7
Suncorp	1.0	2.5	18.2	2.9

*Note: \*Finalised claims from 1 July 2010 to 30 June 2020.*



## Fairness

### Rates of legal representation and litigation

Accident financial year	Claims	% Finalised	% Legally represented	% Litigated
1 Jul 2015 - 30 Jun 2016	7,606	92.8%	80.9%	10.1%
1 Jul 2016 - 30 Jun 2017	8,764	85.7%	82.8%	9.4%
1 Jul 2017 - 30 Jun 2018	8,628	70.3%	79.8%	6.3%
1 Jul 2018 - 30 Jun 2019	8,039	41.6%	77.9%	1.8%
1 Jul 2019 - 30 Jun 2020	4,942	10.9%	81.9%	0.0%

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

### Total payments by heads of damage for claims finalised 2019-20

Heads of damage	Total
Economic loss past and future	\$406,306,273
Care & medical	\$211,777,144
General damages	\$102,295,742
Claimant legal	\$99,279,236
Insurer legal & investigation	\$53,992,792
Other	\$25,747,458
Recoveries	-\$2,691,237

Notes: \*\*Other' includes home and vehicle modifications, aids and appliances.

'Recoveries' include money recovered from insured, other parties, uninsured driver/owners or interstate insurers.

## Responsiveness

*The scheme responds to meet the needs of a wide range of people of all different ages, genders, types of crashes and roles in crashes.*

Developing greater analytics capabilities enables us to better understand and respond to changes in scheme experience.

### Age groups of claimants by gender

Age group (years)	Female	Male	Total
0 to 5	392	412	804
6 to 15	1,301	1,175	2,476
16 to 25	7,404	6,090	13,494
26 to 35	8,660	8,083	16,743
36 to 45	7,747	7,256	15,003
46 to 55	6,731	6,094	12,825
56 to 65	3,804	3,702	7,506
66+	2,239	1,990	4,229
<b>Total</b>	<b>38,278</b>	<b>34,802</b>	<b>73,080</b>

*Note: \*All claims for crashes from 1 July 2010 to 30 June 2020 where relevant details are available.*

### Claim severity

Severity	Number of claims	% of severity
Minor	43,596	74.0%
Moderate	7,923	13.5%
Serious	3,028	5.1%
Severe	382	0.7%
Critical	193	0.3%
Maximum	624	1.1%
Admin	3,136	5.3%

*Note: \*Finalised claims for crashes between 1 July 2010 and 30 June 2020.*

MAIC is responsive to scheme experience by investing in research and initiatives, legislative reform, education and awareness campaigns.

These actions help ensure that injured people are assisted in recovering from the effects of their injuries while also keeping premiums affordable for motorists.

## Claimant role

Role	Number of claims by role	% of claims by role
Bicycle	2,956	4.0%
Driver	41,194	56.3%
Motorcyclist/pillion	4,914	6.7%
Other	1,589	2.2%
Passenger	18,691	25.6%
Pedestrian	3,814	5.2%

Note: \*Crashes from 1 July 2010 to 30 June 2020.

## Crash details

Crash details	Number of crashes	% of crashes
Intersection	14,164	19.4%
Manoeuvring	2,070	2.8%
Miscellaneous	2,005	2.7%
Non-collision on curve	925	1.3%
Non-collision on straight	2,020	2.8%
On path	1,209	1.7%
Opposing directions	9,602	13.1%
Overtaking	907	1.2%
Pedestrian	3,666	5.0%
Same direction	36,547	50.0%
Unknown	43	0.1%

Note: \*Crashes from 1 July 2010 to 30 June 2020.

Currently, the most common claim type is from drivers experiencing minor injury from a crash where the vehicles were traveling in the same direction.

## Queensland crash claims by region

Region	Number	Number of high severity crashes	% of high severity crashes
Queensland	37,979	2,635	6.9%
Queensland - Outback	159	31	19.5%
Cairns	1,269	143	11.3%
Townsville	976	104	10.7%
Mackay - Isaac - Whitsunday	712	114	16.0%
Central Queensland	729	109	15.0%
Wide Bay	1,440	195	13.5%
Darling Downs - Maranoa	454	87	19.2%
Brisbane	12,837	555	4.3%
Gold Coast	5,537	292	5.3%
Ipswich	2,552	199	7.8%
Logan - Beaudesert	3,699	185	5.0%
Moreton Bay	2,830	173	6.1%
Sunshine Coast	2,258	196	8.7%
Toowoomba	769	67	8.7%
Interstate	1,674	183	10.9%
Unknown	84	2	2.4%

Note: \*Crashes from 1 July 2010 to 30 June 2020.

Metropolitan areas experience more crashes than regional areas and have a higher proportion of minor and moderate injuries compared to regional areas. Regional areas experience fewer crashes than metropolitan areas but have a higher proportion of severe injuries.

## Insured vehicles by class (as at 30 June 2020)

Insurance class	Class description	Vehicle count	Proportion
1	Cars and station wagons	2,874,476	65.5%
2	Motorised homes	17,485	0.4%
3	Taxis	1,965	0.0%
4	Hire vehicles	32,568	0.7%
5	Vintage, veteran, historic or street rods	35,407	0.8%
6	Trucks, utilities and vans with a GVM of 4.5t or less	944,412	21.5%
7	Trucks, prime movers and vans with a GVM > 4.5t	79,510	1.8%
8	Non-commercial buses	5,974	0.1%
9	Buses for school/health use	4,017	0.1%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,420	0.1%
10B	Buses operating under an integrated mass transit service contract, other than school service or restricted school service	2,224	0.1%
11	Buses not in class 8, 9, 10A or 10B	5,685	0.1%
12	Motorcycles with driver only	94,170	2.1%
13	Motorcycles with pillion passenger or side car	121,396	2.8%
14	Tractors	25,370	0.6%
15	Self-propelled machinery, fire engines	6,622	0.2%
16	Ambulances	1,192	0.0%
17	Motor vehicles used only for primary production	38,583	0.9%
19	Limited access registration	48,741	1.1%
20	Zone access registration	12,388	0.3%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	8,679	0.2%
23	Dealer plates	6,226	0.1%
24	Trailers registered under the <i>Interstate Road Transport Act 1985</i> (Cwlth) or trailers with a GVM > 4.5t	4,407	0.1%
26	Booked hire vehicles (cars, station wagons and utilities) and limousines (cars and station wagons)	16,536	0.4%

# Nominal Defendant

## Claims received by accident year

Accident year	Unidentified claims	Uninsured claims
2015/2016	158	76
2016/2017	157	79
2017/2018	144	89
2018/2019	123	74
2019/2020	100	57

Notes: 1. Accidents from 1 July 2015 to 30 June 2020.

2. Queensland Nominal Defendant managed compliant claims only. Recent accident year's data immature due to the long-tail nature of CTP claims.

## Claimants by role in accidents involving an unidentified vehicle

Claimant role	Number of claims	% of claims
Cyclist	59	8.7%
Driver	264	39.1%
Motorcyclist	144	21.3%
Other	19	2.8%
Passenger - at fault vehicle	8	1.2%
Passenger - other vehicle	92	13.6%
Pedestrian	90	13.3%
<b>Total</b>	<b>676</b>	<b>100%</b>

Notes: 1. Accidents from 01 July 2015 to 30 June 2020.

2. Queensland Nominal Defendant claims only.

# Finances

## Our financial information

### Motor Accident Insurance Commission

#### Financial statements 2019-20

Statement of comprehensive income	30
Statement of financial position	31
Statement of changes in equity	32
Statement of cash flows	33
Notes to and forming part of the financial statements	35
Management certificate	51
Independent auditor's report	52

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 1800 CTP QLD (1800 287 753), 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 2019-20

Statement of comprehensive income	56
Statement of financial position	57
Statement of changes in equity	58
Statement of cash flows	59
Notes to and forming part of the financial statements	61
Management certificate	81
Independent auditor's report	82

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 2019-20

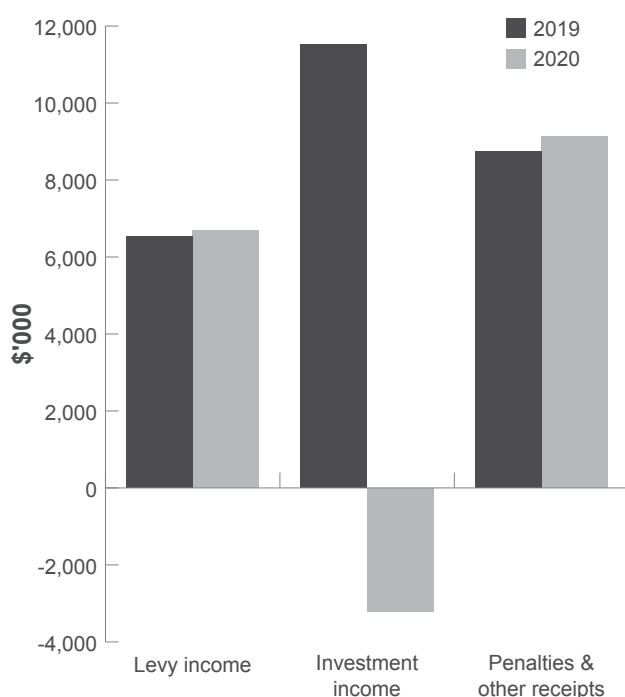
The operating result for MAIC for the year ended 30 June 2020 was a deficit of -\$31.04 million compared to the prior year's operating deficit of -\$6.49 million. The decrease was driven by an increase in grants expenses and negative returns on financial assets. MAIC continues to hold a significant financial asset balance to fund the operating losses experienced. The investment losses on financial assets were -\$3.21 million versus prior year's \$11.53 million gain reflects the impact of the COVID-19 pandemic on equity markets during the second half of the financial year.

The Statutory Insurance Scheme Levy per vehicle remained unchanged from 1 July 2019 at \$1.50 per annum. Penalties and other revenue rose by \$0.38 million to \$9.13 million. User charges revenue was reduced to zero due to the cessation of corporate support services to the National Injury Insurance Agency, Queensland (NIIAQ).

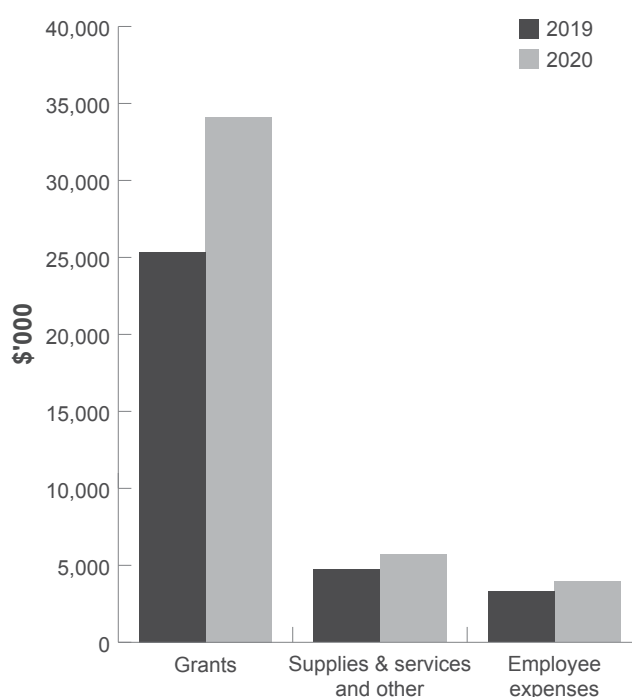
Total expenses increased by \$10.34 million to \$43.64 million in 2019-20. MAIC's largest expense item relates to \$33.92 million grants spent on the continued funding of research programs to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of \$8.62 million was largely due to additional funding for rehabilitation initiatives research and strategic accident prevention research. Details of grant funding are provided in Appendix 5.

MAIC's employee expenses increased by \$0.68 million to \$3.96 million due to increased supervision and regulatory oversight of the CTP scheme, strengthening capacity to supervise licensed insurers and an increase in data monitoring and analytical capability. Other operating expenditure increased by \$1.05 million to \$5.76 million primarily due to an increase in fund management fees and corporate services fee.

### Income



### Expenses





# Motor Accident Insurance Commission financial statements 2019-20

## Statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
<b>Income</b>					
Levy	3	6,679	6,590	89	6,535
Penalties	4	8,273	7,500	773	7,895
User charges		-	-	-	77
Other revenue		860	-	860	777
<b>Total revenue</b>		<b>15,812</b>	<b>14,090</b>	<b>1,722</b>	<b>15,284</b>
Net fair value (losses)/gains on other financial assets		(3,209)	8,690	(11,899)	11,530
<b>Total income</b>		<b>12,603</b>	<b>22,780</b>	<b>(10,177)</b>	<b>26,814</b>
<b>Expenses</b>					
Grants	5	33,924	31,679	2,245	25,308
Employee expenses	6	3,960	4,066	(106)	3,283
Supplies and services	7	5,656	4,938	718	4,668
Other expenses	8	101	45	56	44
<b>Total expenses</b>		<b>43,641</b>	<b>40,728</b>	<b>2,913</b>	<b>33,303</b>
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income</b>		<b>(31,038)</b>	<b>(17,948)</b>	<b>(13,090)</b>	<b>(6,489)</b>

\* An explanation of major variances is included in Note 17.

The accompanying notes form part of these statements.

## Statement of financial position

as at 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents		3,634	2,500	1,134	1,689
Receivables	9	712	1,077	(365)	1,128
Other financial assets	11&12	168	163	5	166
<b>Total current assets</b>		<b>4,514</b>	<b>3,740</b>	<b>774</b>	<b>2,983</b>
<b>Non-current assets</b>					
Other financial assets	11&12	145,085	149,764	(4,679)	175,331
<b>Total non-current assets</b>		<b>145,085</b>	<b>149,764</b>	<b>(4,679)</b>	<b>175,331</b>
<b>Total assets</b>		<b>149,599</b>	<b>153,504</b>	<b>(3,905)</b>	<b>178,314</b>
<b>Current liabilities</b>					
Payables	10	2,545	494	2,051	263
Accrued employee benefits		192	133	59	152
<b>Total current liabilities</b>		<b>2,737</b>	<b>627</b>	<b>2,110</b>	<b>415</b>
<b>Non-current liabilities</b>					
Payables		-	189	(189)	159
<b>Total non-current liabilities</b>		<b>-</b>	<b>189</b>	<b>(189)</b>	<b>159</b>
<b>Total liabilities</b>		<b>2,737</b>	<b>816</b>	<b>1,921</b>	<b>574</b>
<b>Net assets</b>		<b>146,862</b>	<b>152,688</b>	<b>(5,826)</b>	<b>177,740</b>
<b>Equity</b>					
Contributed equity		57,818	57,818	-	57,818
Accumulated surplus		89,044	94,870	(5,826)	119,922
<b>Total equity</b>		<b>146,862</b>	<b>152,688</b>	<b>(5,826)</b>	<b>177,740</b>

\* An explanation of major variances is included in Note 17.

The accompanying notes form part of these statements.

## Statement of changes in equity

for the year ended 30 June 2020

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2018</b>	126,411	57,818	184,229
Operating result	(6,489)	-	(6,489)
<b>Balance as at 30 June 2019</b>	<b>119,922</b>	<b>57,818</b>	<b>177,740</b>
<b>Balance as at 1 July 2019</b>	119,922	57,818	177,740
Net effect of change in accounting treatment*	160	-	160
Operating result	(31,038)	-	(31,038)
<b>Balance as at 30 June 2020</b>	<b>89,044</b>	<b>57,818</b>	<b>146,862</b>

\* Derecognition of \$0.160M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16. Refer to Note 22 for details.

The accompanying notes form part of these statements.

## Statement of cash flows

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance \$'000	2019 Actual \$'000
<b>Cash flows from operating activities</b>					
<i>Inflows:</i>					
Levy		6,779	6,590	189	6,535
Penalties		8,269	7,500	769	7,863
User charges		-	-	-	77
GST input tax credits from ATO		3,662	-	3,662	2,416
GST collected from customers		85	-	85	73
Other revenue		886	-	886	782
<i>Outflows:</i>					
Grants		(33,997)	(31,727)	(2,270)	(25,397)
Employee expenses		(3,849)	(4,064)	215	(3,283)
Supplies and services		(2,271)	(4,367)	2,096	(4,114)
GST remitted to ATO		(85)	-	(85)	(87)
GST paid to suppliers		(3,439)	-	(3,439)	(2,507)
Other expenses		(95)	(45)	(50)	(41)
<b>Net cash (used in) / provided by operating activities</b>	CF-1	<b>(24,055)</b>	<b>(26,113)</b>	<b>2,058</b>	<b>(17,683)</b>
<b>Cash flows from investing activities</b>					
<i>Inflow:</i>					
Proceeds from sale of other financial assets		26,000	26,113	(113)	19,000
<i>Outflow:</i>					
Payments for other financial assets		-	-	-	(2,000)
<b>Net cash provided by / (used in) investing activities</b>		<b>26,000</b>	<b>26,113</b>	<b>(113)</b>	<b>17,000</b>
<b>Net increase / (decrease) in cash</b>		<b>1,945</b>	<b>-</b>	<b>1,945</b>	<b>(683)</b>
Cash and cash equivalents at beginning of financial year		1,689	2,500	(811)	2,372
<b>Cash and cash equivalents at end of financial year</b>		<b>3,634</b>	<b>2,500</b>	<b>1,134</b>	<b>1,689</b>

\* An explanation of major variances is included in Note 17.

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 2020

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

	2020	2019
	\$'000	\$'000
Operating result	(31,038)	(6,489)
<i>Non-cash items included in operating result:</i>		
Net fair value losses/(gains) on other financial assets	4,245	(10,955)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in receivables	416	(99)
Increase/(decrease) in current payables	2,281	(223)
Increase/(decrease) in non-current payables	-	60
Increase/(decrease) in accrued employee benefits	41	23
<b>Net cash (used in) operating activities</b>	<b>(24,055)</b>	<b>(17,683)</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 2020

## 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 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

### (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 2018-19 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 2020

## 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, Procurement and Systems at the date of signing the Management Certificate.

### (h) Basis of measurement

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

## 2. OBJECTIVES OF MAIC

MAIC is responsible for regulation 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

	2020 \$'000	2019 \$'000
Rehabilitation initiatives research	15,580	9,424
Strategic accident prevention research	12,656	10,320
Road trauma mitigation research	5,669	5,561
Other	19	3
<b>Total</b>	<b>33,924</b>	<b>25,308</b>

The payment of the above grants are 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 2020

### 6. EMPLOYEE EXPENSES

	2020	2019
	\$'000	\$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages*	3,083	2,546
Employer superannuation contributions	395	335
Leave levies	386	317
Employee related expenses	63	70
Other employee benefits	33	15
<b>Total</b>	<b>3,960</b>	<b>3,283</b>

\* Wages and salaries include \$30,873 of \$1,250 one-off, pro-rata payments for 24.70 full-time equivalent employees (announced in September 2019).

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 29 (2019: 27).

#### **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 Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the MAIC to cover the cost of employees' annual leave and 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 18**.



## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 7. SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
Consultants and contractors	2,110	1,706
QIC management fee	994	533
Rent	403	480
Corporate services fee	845	650
Queensland Treasury Actuarial fees	407	397
IT related expenses	257	226
Supplies and consumables	192	207
Legal Fee	359	245
Advertising	89	224
<b>Total</b>	<b>5,656</b>	<b>4,668</b>

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

Under AASB 16 *Leases* effective 1 July 2019, lease arrangements with substantive substitution rights and are of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. Accommodation and other property expenses incurred in relation to 1 William Street are recognised under "Rent" as these are considered exempt from lease accounting under AASB16.

### 8. OTHER EXPENSES

	2020 \$'000	2019 \$'000
Queensland Audit Office - external audit fees	22	22
Insurance premiums - QGIF	23	22
Internal audit fees	56	-
<b>Total</b>	<b>101</b>	<b>44</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$22,500 (2019: \$22,100).

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 9. RECEIVABLES

	2020	2019
	\$'000	\$'000
Accrued penalties	387	384
GST receivable	247	469
Accrued SIS levy	72	172
Leave reimbursements	6	77
Accrued interest income	-	26
<b>Total</b>	<b>712</b>	<b>1,128</b>

Receivables are recognised at the amounts due at the time of 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 and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

MAIC's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 12** for MAIC's credit risk disclosures. Where MAIC has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

### 10. PAYABLES

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Trade creditors	2,143	165
Accrued expenses	400	96
FBT payable	2	2
<b>Total</b>	<b>2,545</b>	<b>263</b>

Trade creditors are recognised upon receipt of the goods or services ordered. Grants payable are recognised upon receipt of invoices. They are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 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 2020

### 12. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

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

Category	Note	2020 \$'000	2019 \$'000
<b>Financial assets</b>			
Cash and cash equivalents		3,634	1,689
Receivables (amortised cost)	9	712	1,128
Other financial assets (FVTPL)		145,253	175,497
<b>Total</b>		<b>149,599</b>	<b>178,314</b>
<b>Financial liabilities</b>			
Current payables (amortised cost)	10	2,545	263
Non-current payables (amortised cost)		-	159
<b>Total</b>		<b>2,545</b>	<b>422</b>

MAIC's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

MAIC's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

#### (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 2020

### 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
- 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.

MAIC does not expect any material credit losses in relation to its receivables disclosed in **Note 9**. The debtor group comprises of Queensland and Australian Government entities. They are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

#### (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 2020

### 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	2020				2019			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
	%	%	\$'000	\$'000	%	%	\$'000	\$'000
QIC Long Term Diversified Fund (formerly Growth Fund)	-11	10	(15,959)	14,509	-12	12	(21,040)	21,040

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

### 13. CONTINGENCIES

MAIC did not have any contingent assets and liabilities at 30 June 2020.

### 14. 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:

	2020 \$'000	2019 \$'000
Not later than one year	25,734	23,247
Later than one year and not later than five years	29,037	21,649
<b>Total</b>	<b>54,771</b>	<b>44,896</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 2020

### 15. EVENTS OCCURRING AFTER THE REPORTING DATE

MAIC does not have any material events occurring after 30 June 2020.

### 16. 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 1059 Service Concession Arrangements: Grantors**

AASB 1059 will first apply to MAIC's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. MAIC does not currently have any arrangements that would fall within the scope of AASB 1059.

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.

### 17. 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>Other revenue</i>	The increase in other revenue relates to return of surplus grant funds.
<i>Net fair value losses/gains on other financial assets</i>	The net fair value losses on other financial assets is primarily due to lower than expected earnings on investments as a result of equity market volatility in response to the coronavirus pandemic.
<i>Grants</i>	The variance in grant payments is due to higher than anticipated investment in research activities.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 17. BUDGETARY REPORTING DISCLOSURES - continued

#### 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 fluctuations in accrued receivables as at 30 June 2020.
<i>Other financial assets (non-current)</i>	The variance in other financial assets reflects a decrease in the projected operating result available for investment and drawdowns from the investment fund, partially offset by a higher actual audited opening balance than projected in the budget.
<i>Payables (current)</i>	The variance is due to fluctuations in accrued expenses at 30 June 2020.
<i>Payables (non-current)</i>	The decrease in payables is due to derecognition of lease liability as a result of a change in accounting treatment from 1 July 2019.
<i>Accumulated surplus</i>	The decrease in accumulated surplus reflects lower than anticipated operating result in 2019-20.

#### 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>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 for.
<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>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.
<i>GST paid to suppliers</i>	The variance is due to the amount of GST paid for supplier invoices processed which was not budgeted for.



## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 18. 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 2019-20 and 2018-19. All key management personnel also provide services to the Nominal Defendant and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The remuneration disclosed below relates to their service as a KMP of MAIC for the period. 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	Leads and manages the strategies, policies and performance with respect to the regulation of the CTP scheme.
Director Finance, Procurement and Systems	Responsible for the efficient, effective and economic financial management and procurement of MAIC and oversight of the IT system roadmap for the organisation.
Director Policy Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis and reporting, premiums and levies advice and business intelligence functions for MAIC.

#### 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.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

#### Remuneration expense

The following disclosures focus on the expenses incurred solely by MAIC that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

#### 1 July 2019 to 30 June 2020

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	142	3	16	-	161
General Manager MAIC	140	3	15	-	158
Director Finance, Procurement and Systems	103	2	13	-	118
Director Policy, Performance and Improvement	93	2	11	-	106
Director Analytics	103	2	12	-	117

\*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

#### 1 July 2018 to 30 June 2019

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	121	3	13	-	137
General Manager MAIC (to 29 May 2019)	128	3	14	-	145
General Manager MAIC (from 3 June 2019)	12	-	1	-	13
Director Finance, Procurement and Systems	103	2	13	-	118
Director Policy Performance and Improvement	85	2	11	-	98
Director Analytics (from 23 August 2018)	92	2	11	-	105

\*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

No KMP remuneration packages provide for performance or bonus payments.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 19. 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 levy income from the Department of Transport and Main Roads (DTMR) in accordance with the Act. These are disclosed in Note 3.

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. The funding to DTMR also includes a specific allocation to support the pilot of the Cooperative and Autonomous Vehicle Initiative (**Note 5**).

MAIC provided grant funding to both the Metro South and Metro North Hospital and Health Services for supporting Transitional Rehabilitation Service and Jamieson Trauma Institute respectively (**Note 5**).

MAIC receives corporate support and actuarial services from Queensland Treasury, and incurs management fees from QIC for the management of the QIC unlisted unit trusts. These supplies and services are disclosed in (**Note 7**).

### 20. 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) and the Queensland Fire and Emergency Services (QFES). 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		Outstanding levies for remittance to QH, PSBA & QFES	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Levies collected but not remitted in the previous year	7,205	5,265	-	-	-	-
Hospital levy	76,887	73,474	(75,203)	(71,632)	8,528	6,845
Emergency Services levy - QFES	2,758	2,631	(2,691)	(2,579)	312	245
Emergency Services levy - PSBA	1,295	1,236	(1,267)	(1,191)	144	115
<b>Total</b>	<b>88,145</b>	<b>82,606</b>	<b>(79,161)</b>	<b>(75,402)</b>	<b>8,984</b>	<b>7,205</b>

Levies collected on behalf of QH, PSBA and QFES 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.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 21. 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** and **Note 10** respectively).

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

#### Accounting standards applied for the first time

MAIC applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* for the first time in 2019-20.

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to MAIC for the first time in 2019-20 have any material impact on the financial statements.

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

The adoption of AASB 15 and AASB 1058 did not result in any changes in the recognition of revenues for MAIC. The standards affect the timing of revenue recognition of certain types of revenue from customers and grants. Based on current arrangements, MAIC does not enter into contracts for the sale of goods and services or grants. The revenues are non-contractual income arising from statutory requirements and hence recognised at the time of receipt consistent with requirements of AASB 1058.

#### **AASB 16 Leases**

MAIC applied AASB 16 *Leases* for the first time in 2019-20. MAIC applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

For leases and lease-like arrangements existing at 30 June 2019, MAIC elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

In the 2019-20 financial year, MAIC did not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by MAIC, the operating leases were held by Queensland Treasury (Treasury) from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO).

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 22. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY - continued

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. These arrangements are categorised as procurement of services rather than leases due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

The change in contractual arrangement has resulted in the derecognition of \$0.160M non-current liabilities relating to former operating leases for office accommodation and adjusted against equity at 1 July 2019. Refer to disclosures in the Statement of Changes in Equity.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

MAIC does not have any other lease arrangements.

#### Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

### 23. IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic on the market value of MAIC's other financial assets are reflected in the fair value of the financial assets as reported in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 11 & 12**.

MAIC has not identified any other significant impacts of COVID-19 on the financial report as at 30 June 2020.

### 24. CLIMATE RISK DISCLOSURE

MAIC has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

# Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 financial 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 2020 and of the financial position of MAIC at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



L LEE

B.Com, CA

Director Finance, Procurement and Systems

26 August 2020



N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2020

# Independent auditor's report

To the Insurance Commissioner of Motor Accident Insurance Commission

## 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 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 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 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 entity 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 2019 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 it is intended to abolish the entity or to otherwise cease operations.

### **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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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

### Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

### Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Sri Narasimhan  
as delegate of the Auditor-General

27 August 2020

Queensland Audit Office  
Brisbane

# Nominal Defendant

## Financial summary 2019-20

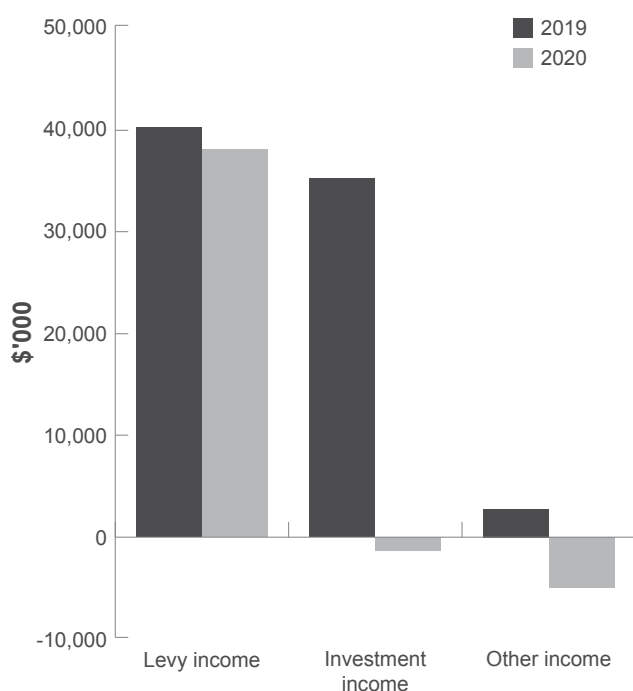
The Nominal Defendant's operating surplus for the financial year 2019-2020 was \$8.68 million. The lower operating surplus this year compared to prior year's \$31.97 million surplus was driven by the negative returns on financial assets. The Nominal Defendant is in a fully funded position with financial assets more than sufficient to meet all obligations arising from the outstanding claims liability.

Investment losses on financial assets were -\$1.30 million as at 30 June 2020; representing a \$36.54 million decrease from 30 June 2019. This reflects the impact of the COVID-19 pandemic on the equity markets during the second half of the financial year.

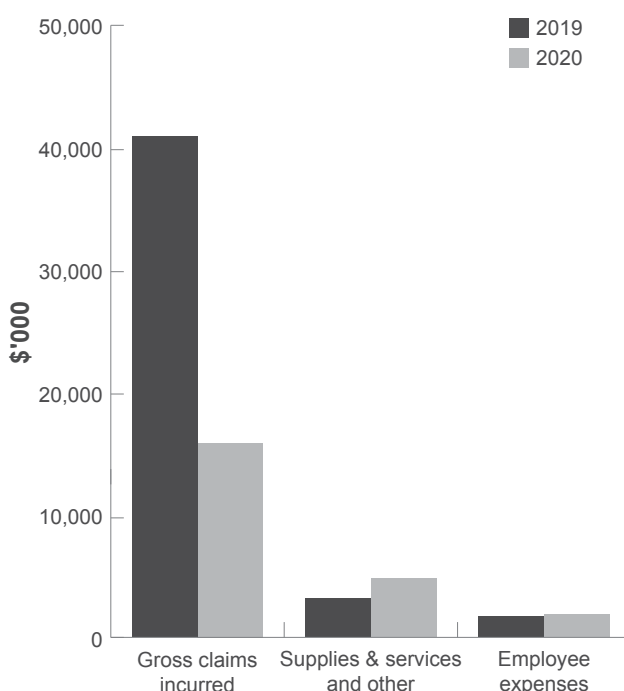
Other drivers contributing to the \$46.64 million reduction in total income are reductions in the Nominal Defendant Levy, and reinsurance and other recoveries. From 1 July 2019, the Nominal Defendant levy decreased by \$0.50 to \$8.50 per Class 1 vehicle and generated income of \$37.96 million - a reduction of \$2.29 million from the prior year. Actuarial assessments at 30 June 2020 resulted in a decrease of \$7.77 million in reinsurance and other recoveries.

Total expenses decreased from \$46.29 million in 2018-2019, to \$22.94 million in 2019-2020. This is primarily a result of lower outstanding claims liability projections. The Nominal Defendant's gross outstanding claims liabilities were actuarially assessed at 30 June 2020 to be \$141.95 million, a decrease of \$3.93 million from the prior year. Nominal Defendant claim payments were \$20.61 million (prior year \$16.02 million) and claim recoveries were \$0.45 million (prior year \$0.28 million).

### Income



### Expenses



# Nominal Defendant financial statements 2019-20

## Statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
<b>Income</b>					
Levy	3	37,959	37,139	820	40,253
Reinsurance and other recoveries	4	(5,101)	-	(5,101)	2,670
Other revenue		55	-	55	93
<b>Total revenue</b>		<b>32,913</b>	<b>37,139</b>	<b>(4,226)</b>	<b>43,016</b>
Net fair value (losses)/gains on other financial assets		(1,302)	21,386	(22,688)	35,238
<b>Total income</b>		<b>31,611</b>	<b>58,525</b>	<b>(26,914)</b>	<b>78,254</b>
<b>Expenses</b>					
Gross claims incurred	4	16,112	38,505	(22,393)	41,347
Employee expenses	5	1,877	1,996	(119)	1,679
Supplies and services	6	4,373	2,641	1,732	2,702
Depreciation and amortisation		519	519	-	519
Other expenses	7	55	42	13	42
<b>Total expenses</b>		<b>22,936</b>	<b>43,703</b>	<b>(20,767)</b>	<b>46,289</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>8,675</b>	<b>14,822</b>	<b>(6,147)</b>	<b>31,965</b>

\* An explanation of major variances is included in Note 16.

The accompanying notes form part of these statements.

## Statement of financial position

as at 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents		17,466	3,500	13,966	2,650
Receivables	8	467	1,188	(721)	1,142
Other financial assets	11 & 12	186,076	182,353	3,723	180,191
Claim recoveries	10	769	857	(88)	1,079
<b>Total current assets</b>		<b>204,778</b>	<b>187,898</b>	<b>16,880</b>	<b>185,062</b>
<b>Non-current assets</b>					
Other financial assets	11 & 12	346,982	344,471	2,511	357,609
Claim recoveries	10	7,192	10,268	(3,076)	12,434
Intangible assets	9	433	433	-	952
<b>Total non-current assets</b>		<b>354,607</b>	<b>355,172</b>	<b>(565)</b>	<b>370,995</b>
<b>Total assets</b>		<b>559,385</b>	<b>543,070</b>	<b>16,315</b>	<b>556,057</b>
<b>Current liabilities</b>					
Payables		278	312	(34)	154
Accrued employee benefits		93	69	24	78
Outstanding claims liability	10	46,472	44,175	2,297	52,524
Unearned levies	3	14,870	17,461	(2,591)	15,788
<b>Total current liabilities</b>		<b>61,713</b>	<b>62,017</b>	<b>(304)</b>	<b>68,544</b>
<b>Non-current liabilities</b>					
Payables		-	55	(55)	85
Outstanding claims liability	10	100,692	89,690	11,002	99,208
<b>Total non-current liabilities</b>		<b>100,692</b>	<b>89,745</b>	<b>10,947</b>	<b>99,293</b>
<b>Total liabilities</b>		<b>162,405</b>	<b>151,762</b>	<b>10,643</b>	<b>167,837</b>
<b>Net assets</b>		<b>396,980</b>	<b>391,308</b>	<b>5,672</b>	<b>388,220</b>
<b>Equity</b>					
Accumulated surplus		396,980	391,308	5,672	388,220
<b>Total equity</b>		<b>396,980</b>	<b>391,308</b>	<b>5,672</b>	<b>388,220</b>

\* An explanation of major variances is included in Note 16.

The accompanying notes form part of these statements.

## Statement of changes in equity

for the year ended 30 June 2020

	Accumulated surplus	Total equity
	\$'000	\$'000
<b>Balance as at 1 July 2018</b>	356,255	356,255
Operating result	31,965	31,965
<b>Balance as at 30 June 2019</b>	<b>388,220</b>	<b>388,220</b>
 <b>Balance as at 1 July 2019</b>	 388,220	 388,220
Net effect of change in accounting treatment*	85	85
Operating result	8,675	8,675
<b>Balance as at 30 June 2020</b>	<b>396,980</b>	<b>396,980</b>

\* Derecognition of \$0.085M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16. Refer to Note 20 for details.

The accompanying notes form part of these statements.

## Statement of cash flows

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
<b>Cash flows from operating activities</b>					
<i>Inflows:</i>					
Levy		37,640	37,139	501	38,668
Claim recoveries		451	-	451	282
GST input tax credits from Australian Taxation Office (ATO)		1	-	1	2
GST collected from customers		629	-	629	446
Other revenue		62	-	62	104
<i>Outflows:</i>					
Gross claims incurred		(20,680)	(33,370)	12,690	(16,064)
Employee expenses		(1,825)	(1,995)	170	(1,690)
Supplies and services		(828)	(1,126)	298	(1,206)
GST paid to suppliers		(598)	-	(598)	(485)
GST remitted to ATO		(2)	-	(2)	(1)
Other expenses		(34)	(42)	8	(52)
<b>Net cash provided by operating activities</b>	CF-1	<b>14,816</b>	<b>606</b>	<b>14,210</b>	<b>20,004</b>
<b>Cash flows from investing activities</b>					
<i>Inflow:</i>					
Proceeds from sale of other financial assets		(7,500)	-	(7,500)	-
<i>Outflow:</i>					
Payments for other financial assets		7,500	(606)	8,106	(21,000)
<b>Net cash used in investing activities</b>		<b>0</b>	<b>(606)</b>	<b>606</b>	<b>(21,000)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>14,816</b>	<b>-</b>	<b>14,816</b>	<b>(996)</b>
Cash and cash equivalents at beginning of financial year		2,650	3,500	(850)	3,646
<b>Cash and cash equivalents at end of financial year</b>		<b>17,466</b>	<b>3,500</b>	<b>13,966</b>	<b>2,650</b>

\* An explanation of major variances is included in Note 16.

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 2020

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

	Note	2020 \$'000	2019 \$'000
Operating result		8,675	31,965
<i>Non-cash items included in operating result:</i>			
Net fair value losses/(gains) on other financial assets		4,742	(33,722)
Depreciation and amortisation		519	519
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in receivables and claim recoveries	8,10	6,227	(2,350)
Increase/(decrease) in current payables		124	(58)
Increase/(decrease) in unearned levies		(918)	(1,673)
Increase/(decrease) in outstanding claims liability	10	(4,568)	25,282
Increase/(decrease) in accrued employee benefits		15	11
Increase/(decrease) in non-current payables		-	30
<b>Net cash provided by operating activities</b>		<b>14,816</b>	<b>20,004</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 2020

### 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 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

#### (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 18-19 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.

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 General Insurance Company Limited (FAI) can be found in the Appendices.



# Notes to and forming part of the financial statements

for the year ended 30 June 2020

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

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 11**), 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, Procurement and Systems at the date of signing the Management Certificate.

### (h) Basis of Measurement

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

## 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.

The 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 2020

### 4. NET CLAIMS INCURRED

	2020 \$'000	2019 \$'000
Gross claims incurred	16,112	41,347
Reinsurance and other recoveries	5,101	(2,670)
<b>Total net claims incurred</b>	<b>21,213</b>	<b>38,677</b>

#### (a) Claims development

##### Attributable to Nominal Defendant

	2020			2019		
	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	38,110	(23,978)	14,132	35,823	862	36,685
Discount	(607)	3,158	2,551	(1,250)	4,080	2,830
<b>Provisions made (Note 10)</b>	<b>37,503</b>	<b>(20,820)</b>	<b>16,683</b>	<b>34,573</b>	<b>4,942</b>	<b>39,515</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	680	(6,202)	(5,522)	798	1,367	2,165
Discount	(11)	432	421	(28)	605	577
	669	(5,770)	(5,101)	770	1,972	2,742
<b>Net claims incurred</b>	<b>36,834</b>	<b>(15,050)</b>	<b>21,784</b>	<b>33,803</b>	<b>2,970</b>	<b>36,773</b>

##### Attributable to FAI

	2020			2019		
	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	-	(627)	(627)	-	1,600	1,600
Discount	-	56	56	-	232	232
<b>Provisions made (Note 10)</b>	<b>-</b>	<b>(571)</b>	<b>(571)</b>	<b>-</b>	<b>1,832</b>	<b>1,832</b>
<b>Reinsurance and other recoveries</b>						
Undiscounted	-	-	-	-	(77)	(77)
Discount	-	-	-	-	5	5
	-	-	-	-	(72)	(72)
<b>Net claims incurred</b>	<b>-</b>	<b>(571)</b>	<b>(571)</b>	<b>-</b>	<b>1,904</b>	<b>1,904</b>

<b>Total gross claims incurred</b>	<b>37,503</b>	<b>(21,391)</b>	<b>16,112</b>	<b>34,573</b>	<b>6,774</b>	<b>41,347</b>
<b>Total recoveries</b>	<b>669</b>	<b>(5,770)</b>	<b>(5,101)</b>	<b>770</b>	<b>1,900</b>	<b>2,670</b>
<b>Total net claims incurred</b>	<b>36,834</b>	<b>(15,621)</b>	<b>21,213</b>	<b>33,803</b>	<b>4,874</b>	<b>38,677</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 years.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 4. NET CLAIMS INCURRED – continued

#### (b) Claims reconciliation

	Nominal Defendant		FAI		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross claims incurred and related expenses</b>						
Claims and associated settlement costs	20,614	16,022	66	43	20,680	16,065
Movement in outstanding claims liability	(3,931)	23,493	(637)	1,789	(4,568)	25,282
<b>Total gross claims incurred</b>	<b>16,683</b>	<b>39,515</b>	<b>(571)</b>	<b>1,832</b>	<b>16,112</b>	<b>41,347</b>
<b>Reinsurance and other recoveries</b>						
Reinsurance and other recoveries	451	282	-	-	451	282
Movement in other recoveries receivable	(5,552)	2,460	-	(72)	(5,552)	2,388
<b>Total recoveries</b>	<b>(5,101)</b>	<b>2,742</b>	<b>-</b>	<b>(72)</b>	<b>(5,101)</b>	<b>2,670</b>
<b>Net claims incurred</b>	<b>21,784</b>	<b>36,773</b>	<b>(571)</b>	<b>1,904</b>	<b>21,213</b>	<b>38,677</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 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 2020

### 5. EMPLOYEE EXPENSES

	2020 \$'000	2019 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages*	1,485	1,329
Employer superannuation contributions	197	179
Leave levies	187	163
Employee related expenses	8	8
<b>Total</b>	<b>1,877</b>	<b>1,679</b>

\*Wages and salaries includes \$18,520 of \$1,250 one-off, pro-rata payments for 14.82 full-time equivalent employees (announced in September 2019).

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 15 (2019: 16).

#### **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**

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 Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the Nominal Defendant to cover the cost of employees' annual leave and 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 17**.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 6. SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
QIC management fee	3,347	1,423
Corporate services fee	455	350
Rent	203	254
IT related expense	151	158
Queensland Treasury Actuarial fees	104	102
Supplies and consumables	62	83
Consultants and contractors	51	332
<b>Total</b>	<b>4,373</b>	<b>2,702</b>

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

Under AASB 16 *Leases* effective 1 July 2019, lease arrangements with substantive substitution rights and are of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. Accommodation and other property expenses incurred in relation to 1 William Street are recognised under "Rent" as these are considered exempt from lease accounting under AASB16.

### 7. OTHER EXPENSES

	2020 \$'000	2019 \$'000
Queensland Audit Office - external audit fees	54	40
Insurance premiums - QGIF	1	2
<b>Total</b>	<b>55</b>	<b>42</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$53,680 (2019: \$40,400).

### 8. RECEIVABLES

	2020 \$'000	2019 \$'000
Accrued ND levy	396	996
GST receivable	63	94
Leave reimbursements	8	45
Accrued interest income	-	7
<b>Total</b>	<b>467</b>	<b>1,142</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 and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

The Nominal Defendant's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 12** for the Nominal Defendant's credit risk disclosures. Where the Nominal Defendant has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 8. RECEIVABLES – continued

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.

### 9. INTANGIBLES

	2020 \$'000	2019 \$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: Accumulated amortisation	(3,201)	(2,682)
<b>Carrying amount at 30 June</b>	<b>433</b>	<b>952</b>
<i>Represented by movements in carrying amount:</i>		
Carrying amount at 1 July	952	1,471
Amortisation	(519)	(519)
<b>Carrying amount at 30 June</b>	<b>433</b>	<b>952</b>

Intangible assets with a historical cost or other value greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed.

The Nominal Defendant's only intangible asset is an internally generated software. There is no active market for the intangible asset. As such, the asset is recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Costs associated with the development of the internally generated software have been capitalised and expenditure on research activities have been expensed in the period in which they were incurred.

The intangible asset has a finite useful life and is amortised on a straight-line basis over its estimated useful life to the Nominal Defendant, commencing from the date the asset became available for use. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The asset is estimated to have a useful life of 7 years.

A review of asset useful life and assessment for impairment indicators is performed annually. Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset. During the financial year 2019-20, the Nominal Defendant did not identify any impairment events.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 10. NET OUTSTANDING CLAIMS

	Nominal Defendant		FAI		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross outstanding claims	133,330	139,770	5,223	5,916	138,553	145,686
Claims settlement costs	11,261	11,304	-	-	11,261	11,304
	144,591	151,074	5,223	5,916	149,814	156,990
Discount to present value	(2,638)	(5,190)	(12)	(68)	(2,650)	(5,258)
<b>Gross outstanding claims liability</b>	<b>141,953</b>	<b>145,884</b>	<b>5,211</b>	<b>5,848</b>	<b>147,164</b>	<b>151,732</b>
<i>Represented by</i>						
Current	42,700	48,123	3,772	4,401	46,472	52,524
Non-current	99,253	97,761	1,439	1,447	100,692	99,208
<b>Gross outstanding claims liability</b>	<b>141,953</b>	<b>145,884</b>	<b>5,211</b>	<b>5,848</b>	<b>147,164</b>	<b>151,732</b>
Reinsurance and other recoveries	8,205	14,178	-	-	8,205	14,178
Discount to present value	(244)	(665)	-	-	(244)	(665)
<b>Reinsurance and other recoveries</b>	<b>7,961</b>	<b>13,513</b>	<b>-</b>	<b>-</b>	<b>7,961</b>	<b>13,513</b>
<i>Represented by</i>						
Current	769	1,079	-	-	769	1,079
Non-current	7,192	12,434	-	-	7,192	12,434
<b>Reinsurance and other recoveries</b>	<b>7,961</b>	<b>13,513</b>	<b>-</b>	<b>-</b>	<b>7,961</b>	<b>13,513</b>
<b>Net outstanding claims</b>	<b>133,992</b>	<b>132,371</b>	<b>5,211</b>	<b>5,848</b>	<b>139,203</b>	<b>138,219</b>
Central estimate	133,992	132,371	4,492	5,042	138,484	137,413
Risk margin	-	-	719	806	719	806
<b>Net outstanding claims</b>	<b>133,992</b>	<b>132,371</b>	<b>5,211</b>	<b>5,848</b>	<b>139,203</b>	<b>138,219</b>

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

	Nominal Defendant		FAI		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at 1 July	132,371	111,338	5,848	3,987	138,219	115,325
<b>Prior periods</b>						
Claim payments	(19,798)	(15,528)	(66)	(43)	(19,864)	(15,571)
Claims handling expenses	(3,398)	(3,470)	-	-	(3,398)	(3,470)
Discount unwind	1,020	1,602	58	89	1,078	1,691
Risk margin release	-	-	(10)	(7)	(10)	(7)
Effect of changes in assumptions and experience	(12,672)	4,839	(619)	1,822	(13,291)	6,661
<b>Current period</b>						
Provision for current period	36,469	33,590	-	-	36,469	33,590
<b>Net outstanding claims</b>	<b>133,992</b>	<b>132,371</b>	<b>5,211</b>	<b>5,848</b>	<b>139,203</b>	<b>138,219</b>
Reinsurance and other recoveries	(7,961)	(13,513)	-	-	(7,961)	(13,513)
<b>Gross outstanding claims</b>	<b>141,953</b>	<b>145,884</b>	<b>5,211</b>	<b>5,848</b>	<b>147,164</b>	<b>151,732</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 2020

### 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Inflation rate	2.41%	3.52%	2.10%	3.00%
Discount rate	0.60%	1.18%	0.25%	1.00%
Claims handling expenses	9.00%	9.00%	0.00%	0.00%
Risk margin	0.00%	0.00%	16.00%	16.00%
Weighted average expected term to settlement	3.1 years	3.0 years	0.9 years	1.2 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.

#### (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	Financial impact			
		Profit/(loss) 2020 \$'000	Equity 2020 \$'000	Profit/(loss) 2019 \$'000	Equity 2019 \$'000
Inflation rate	+1%	(4,462)	(4,462)	(4,134)	(4,134)
	-1%	4,216	4,216	3,909	3,909
Discount rate	+1%	3,767	3,767	3,485	3,485
	-1%	(4,073)	(4,073)	(3,769)	(3,769)
Claims handling expenses	+1%	(1,229)	(1,229)	(1,214)	(1,214)
	-1%	1,229	1,229	1,214	1,214
Weighted average term to settlement	+0.5 years	(1,316)	(1,316)	(1,668)	(1,668)
	-0.5 years	1,303	1,303	1,647	1,647



## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 10. NET OUTSTANDING CLAIMS – continued

Attributable to FAI					
Net outstanding claims	Movement in variable	Profit/(loss)	Financial impact		
		2020	Equity	Profit/(loss)	Equity
		\$'000	2020 \$'000	2019 \$'000	2019 \$'000
Inflation rate	+1%	(54)	(54)	(73)	(73)
	-1%	53	53	72	72
Discount rate	+1%	47	47	65	65
	-1%	(49)	(49)	(68)	(68)
Claims handling expenses	+1%	(52)	(52)	(58)	(58)
	-1%	52	52	58	58
Risk margin	+1%	(45)	(45)	(50)	(50)
	-1%	45	45	50	50
	+0.5 years	(54)	(54)	(65)	(65)
Weighted average term to settlement	-0.5 years	54	54	64	64

#### (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 2018-19 and 2019-20 financial years. This was based on considerations of the cost of reinsurance and the Nominal Defendant's exposure to large loss claims.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 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 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.

### 12. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

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

Category	Note	2020 \$'000	2019 \$'000
<b>Financial assets</b>			
Cash and cash equivalents		17,466	2,650
Receivables (amortised cost)	8	467	1,142
Other financial assets (FVTPL)		533,058	537,800
<b>Total</b>		<b>550,991</b>	<b>541,592</b>
<b>Financial liabilities</b>			
Current payables (amortised cost)		278	154
Non-current payables (amortised cost)		-	85
<b>Total</b>		<b>278</b>	<b>239</b>

The Nominal Defendant's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

Nominal Defendant's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 12. 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 12(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
- 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.

The Nominal Defendant does not expect any material credit losses in relation to its receivables disclosed in **Note 8**. The debtor group comprises of Queensland and Australian Government entities and are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

#### (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 2020

### 12. 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.

	2020				2019			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
Investments	Low %	High %	Decrease \$'000	Increase \$'000	Low %	High %	Decrease \$'000	Increase \$'000
QIC Cash fund	-0.23	0.23	(110)	110	-0.22	0.22	(104)	104
QIC Australian Fixed Interest Fund	-0.51	0.52	(705)	719	-0.27	0.27	(359)	359
QIC Long Term Diversified Fund (formerly Growth Fund)	-11.00	10.00	(38,168)	34,698	-12.00	12.00	(42,913)	42,913
<b>Total</b>			<b>(38,983)</b>	<b>35,527</b>			<b>(43,376)</b>	<b>43,376</b>

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

### 13. CONTINGENCIES

The Nominal Defendant did not have any contingent assets and liabilities at 30 June 2020.

### 14. EVENTS OCCURRING AFTER THE REPORTING DATE

The Nominal Defendant does not have any material events occurring after 30 June 2020.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 15. 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 1059 Service Concession Arrangements: Grantors**

AASB 1059 will first apply to the Nominal Defendant's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. The Nominal Defendant does not currently have any arrangements that would fall within the scope of AASB 1059.

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.

### 16. 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 decrease in reinsurance and other recoveries reflects the movement in claim recoveries on outstanding claims as at 30 June.
<i>Net fair value losses/gains on other financial assets</i>	The net fair value losses on other financial assets is primarily due to lower than expected earnings on investments as a result of equity market volatility in response to the coronavirus pandemic.
<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of \$12.6M lower than anticipated claims costs and \$9.7M lower than anticipated movement in outstanding claims liability. The outstanding claims liability is based on actuarial assessment.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 16. BUDGETARY REPORTING DISCLOSURES - continued

#### 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 fluctuations in accrued receivables as at 30 June 2020.
<i>Other financial assets (current)</i>	The increase in other financial assets reflects investment earnings reinvested into the fund.
<i>Other financial assets (non-current)</i>	The variance in other financial assets reflects a higher actual audited opening balance than projected, partially offset by a decrease in the projected operating result available for investment.
<i>Claim Recoveries (current and non-current)</i>	The variance in claim recoveries on outstanding claims reflects actuarial assessment as at 30 June 2020.
<i>Unearned levies</i>	The variance in unearned levies reflects the reduction in the Nominal Defendant levy.
<i>Outstanding claims liability</i>	The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2020.
<i>Accumulated surplus</i>	The increase in accumulated surplus reflects a higher actual audited opening balance than expected, partially offset by a decrease in the projected operating result.

#### 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 2019-20 budget was based on 30 June 2018 projection.
<i>Investing activities</i>	The variances in cash flows from investing activities reflect cash investments and drawdowns.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

### 17. 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 2019-20 and 2018-19. All key management personnel also provide services to the Motor Accident Insurance Commission (MAIC) and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The remuneration disclosed below relates to their service as a KMP of the Nominal Defendant for the period. 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	Leads and manages the strategies, policies and performance with respect to the Nominal Defendant claims unit.
Director Finance, Procurement and Systems	Responsible for the efficient, effective and economic financial administration and procurement of the Nominal Defendant and oversight of the development and maintenance of the core business system for the organisation.
Director Policy, Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis, reporting and business intelligence functions for the Nominal Defendant.

#### 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 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.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

#### Remuneration expense

The following disclosures focus on the expenses incurred solely by the Nominal Defendant that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

#### 1 July 2019 to 30 June 2020

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	47	1	5	-	53
General Manager MAIC	47	1	5	-	53
Director Finance, Procurement and Systems	29	1	4	-	34
Director Policy, Performance and Improvement	20	-	2	-	22
Director Analytics	15	-	2	-	17

\*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.



## Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

1 July 2018 to 30 June 2019

Position	Short term employee expenses - monetary expenses* \$'000	Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Insurance Commissioner	48	1	5	-	54
General Manager MAIC (to 29 May 2019)	43	1	5	-	49
General Manager MAIC (from 3 June 2019)	4	-	-	-	4
Director Finance, Procurement and Systems	29	1	4	-	34
Director Policy, Performance and Improvement	18	-	2	-	20
Director Analytics (from 23 August 2018)	13	-	2	-	15

\*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.

No KMP remuneration packages were provided for performance or bonus payments.

### 18. 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 the Nominal Defendant.

#### 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. These supplies and services are disclosed in **Note 6**.

The Nominal Defendant received levy income from the Department of Transport and Main Roads in accordance with the Act. These are disclosed in **Note 3**.

### 19. 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**).

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

#### Accounting standards applied for the first time

The Nominal Defendant applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time in 2019-20.

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to the Nominal Defendant for the first time in 2019-20 have any material impact on the financial statements.

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

The adoption of AASB 15 and AASB 1058 did not result in any changes in the recognition of revenues for the Nominal Defendant. The standards affect the timing of revenue recognition of certain types of revenue from customers and grants. Based on current arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services or grants. The revenues are non-contractual income arising from statutory requirements and hence recognised at the time of receipt consistent with requirements of AASB 1058.

#### AASB 16 *Leases*

The Nominal Defendant applied AASB 16 *Leases* for the first time in 2019-20. The Nominal Defendant applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

For leases and lease-like arrangements existing at 30 June 2019, the Nominal Defendant elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

In the 2019-20 financial year, the Nominal Defendant did not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by the Nominal Defendant, the operating leases were held by Queensland Treasury (Treasury) from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO).

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. These arrangements are categorised as procurement of services rather than leases due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

The change in contractual arrangement has resulted in the derecognition of \$0.085M non-current liabilities relating to former operating leases for office accommodation and adjusted against equity at 1 July 2019. Refer to disclosures in the Statement of Changes in Equity.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

The Nominal Defendant does not have any other lease arrangements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

#### Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

### 21. IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic on the market value of Nominal Defendant's other financial assets are reflected in the fair value of the financial assets as reported in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 11 & 12**.

The Nominal Defendant has not identified any other significant impacts of COVID-19 on the financial report as at 30 June 2020.

### 22. CLIMATE RISK DISCLOSURE

The Nominal Defendant has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

# Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 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 2020 and of the financial position of the Nominal Defendant at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



L LEE

B.Com, CA

Director Finance, Procurement and Systems

26 August 2020



N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2020

# Independent auditor's report

To the Insurance Commissioner of Nominal Defendant

## 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 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 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 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 entity 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 2019 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 it is intended to abolish the entity or to otherwise cease operations.

### **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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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**

### **Statement**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

### **Prescribed requirements scope**

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



27 August 2020

Sri Narasimhan  
as delegate of the Auditor-General

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 2020

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 2020 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 2020 Nominal Defendant". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 302 of the Institute of Actuaries of Australia.

### Results

The recommended provision for the Nominal Defendant as at 30 June 2020 is \$134.0 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.



Arie van den Berg

Fellows of the Institute of Actuaries of Australia  
31 July 2020



Michael 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 2020

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 2020 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 2020 Nominal Defendant". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 302 of the Institute of Actuaries of Australia.

### Results

The recommended provision for the Nominal Defendant as at 30 June 2020 is \$5.2 million, comprising the central estimate of the liability for outstanding claims and a risk 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.



Arie van den Berg

Fellows of the Institute of Actuaries of Australia  
31 July 2020



Michael Clacher

## Appendix 3: Licensed insurers

Currently licensed CTP insurers	Previously licensed CTP insurers
<b>AAI Limited (trading as Suncorp Insurance)</b> GPO Box 1453 Brisbane QLD 4001 Ph 13 11 60 (CTP) ABN 48 005 297 807	<b>Insurance Australia Limited (trading as NRMA Insurance)</b> ABN 11 000 016 722 <i>Licence withdrawn 1 January 2014.</i>
<b>Allianz Australia Insurance Limited</b> GPO Box 2226 Brisbane Qld 4001 Ph 131 000 ABN 15 000 122 850	<b>Suncorp Metway Insurance Limited</b> ABN 83 075 695 966 <i>Licence withdrawn 1 July 2013.</i>
<b>QBE Insurance (Australia) Limited</b> GPO Box 1072 Brisbane Qld 4001 Ph (07) 3031 8418 (CTP) ABN 78 003 191 035	<b>Australian Associated Motor Insurers Limited</b> ABN 92 004 791 744 <i>Licence withdrawn 1 July 2013.</i>
<b>RACQ Insurance Limited</b> PO Box 3004 Logan City DC QLD 4114 Ph (07) 3893 9001 (CTP) ABN 50 009 704 152	<b>FAI Allianz Limited (trading as FAI Insurance)</b> ABN 80 094 802 525 <i>Licence withdrawn 1 July 2002.</i>
	<b>FAI General Insurance Company Limited</b> ABN 15 000 327 855 <i>Licence suspended on 1 January 2001.            Insurer became insolvent on 15 March 2001.</i>
	<b>Fortis Insurance Limited (formerly VACC Insurance Co. Limited)</b> ACN 004 167 953 <i>Licence withdrawn 25 September 2017.</i>
	<b>Zurich Australian Insurance Limited</b> ACN 000 296 640 <i>Licence withdrawn 15 November 1997.</i>
	<b>Commercial Union Assurance of Australia Ltd</b> ACN 004 478 371 <i>Licence withdrawn 1 March 1997.</i>
	<b>CIC Insurance Limited</b> ACN 004 078 880 <i>Licence withdrawn 22 January 1996.            Insurer became insolvent on 15 March 2001.</i>
	<b>GIO General Limited</b> ACN 002 861 583 <i>Licence withdrawn 30 June 1996.</i>
	<b>Mercantile Mutual Insurance (Australia) Ltd</b> ACN 000 456 799 <i>Licence withdrawn 1 November 1996.</i>

## Appendix 4: Performance statement (SDS)

Service standards	Notes	2019-20 Published Annual Target	2019-20 Revised Annual Target	2019-20 YTD Actual
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		<45%	<45%	22%
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year	1	50%	50%	64%
Percentage of Nominal Defendant claims settled within two years of compliance	2	50%	50%	62%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date		95%	95%	90%

Notes: 1. Favourable variance is due to higher than anticipated number of claims being finalised.

2. Claims can take a few 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*	2019/20 \$	2018/19 \$
<b>RECOVER Injury Research Centre formerly (CONROD) (2014-2019) and (2020- 2022)</b>	2,871,453	2,639,305	1,307,298
<b>Centre for Accident Research and Road Safety Queensland (CARRS-Q) (2019 – 2021)</b>	2,449,744	2,384,317	2,873,998
<b>Department of Transport and Main Roads -</b> Funding to support Transport Academic Partnership 2015-2020 - formerly Academic Strategic Transport Alliance (ASTRA).	*To be determined	59,982	58,518
<b>Griffith University -</b> Spinal Cord Therapy research.	3,908,047	1,805,852	1,629,427
<b>Police Citizens Youth Welfare Association (PCYC Queensland) -</b> Funding to support operation of Braking the Cycle program.	15,965,670	1,744,790	1,710,578
<b>Spinal Life Australia -</b> Back 2 Work – Vocational rehabilitation project.	735,102	264,366	176,791
<b>University of Sydney -</b> Partnership funding to develop website to support improved physiotherapy treatment for people with whiplash.	25,000	25,000	25,000
<b>University of Queensland -</b> To support a Professorial Fellowship in Traumatic Brain Injury Research at the Queensland Brain Institute (2015-2020).	*To be determined	300,000	300,000
<b>Metro South Hospital and Health Service -</b> Transitional rehabilitation service pilot (2016-2021).	3,105,725	3,002,467	2,935,730
<b>University of Queensland via Children's Health Foundation Queensland -</b> Partnership funding to establish a Queensland Chair in Paediatric Rehabilitation (2017 – 2022)	350,000	200,000	200,000
<b>University of Queensland (formerly Griffith University) -</b> Partnership funding to develop a clinical pathway of care for whiplash injury.	0	0	73,750
<b>Griffith University -</b> Partnership funding to establish a Professor of Disability and Rehabilitation.	0	0	37,455
<b>Spinal Life Australia -</b> Contribution towards continuation of Queensland school awareness programme –Spinal Education Awareness Team (SEAT).	60,000	60,000	80,000
<b>Griffith University -</b> Provide funding to establish Hopkins Centre to foster research into disability and rehabilitation.	2,332,523	1,278,539	1,029,524
<b>Queensland University of Technology -</b> Establish Trauma Data Warehouse Fellowship.	0	199,078	188,494
<b>University of Queensland -</b> Funding to pilot social skills training program (PEERS) with children with acquired brain injury.	0	0	55,294

Organisation	Future commitment*	2019/20 \$	2018/19 \$
<b>Queensland University of Technology -</b> Identifying pre-hospital retrieval pathways for road trauma patients.	0	0	150,000
<b>University of Sunshine Coast -</b> A study of situation awareness fast tracking, including identifying escape routes (SAFER) with senior drivers.	0	0	84,369
<b>University of Sunshine Coast -</b> A study of situation awareness fast tracking, including identifying escape routes (SAFER) focused on peer passengers.	0	89,491	0
<b>Jamieson Trauma Institute -</b> Advance trauma prevention, research, trauma systems and clinical management to deliver best possible care for people who suffer a traumatic injury.	6,054,072	1,774,094	1,000,144
<b>Metro North Hospital and Health Service -</b> Dr Cliff Pollard Trauma Fellowship	760,293	241,527	0
<b>University of Sunshine Coast -</b> Process and impact evaluation of Braking the Cycle program incorporating SAFER.	0	47,981	47,982
<b>Centre for Accident Research and Road Safety (CARRS-Q) -</b> Undertake analysis of fatal and serious injury crashes by region.	0	39,000	0
<b>Road Trauma Mitigation Fund -</b> Collaborate with Queensland Police Service (QPS) and Department of Transport and Main Roads (TMR) around identified initiatives to reduce claims frequency and support Qld Road Safety Strategy and Action Plan.	6,528,608	5,669,087	5,560,790
<b>Transport New South Wales -</b> Contributory funding towards Motorcycle Protective Clothing testing initiative.	85,000	82,500	80,000
<b>Department of Transport and Main Roads Queensland -</b> Contributory funding towards Cooperative and Autonomous Vehicle pilot.	1,500,000	6,000,000	4,500,000
<b>Queensland University of Technology -</b> Compulsory third party (CTP) insurance claims processing – Best practice model.	0	0	180,000
<b>University of Sunshine Coast -</b> Road Safety Research Collaboration.	2,752,609	846,895	816,110
<b>Queensland University of Technology -</b> Support Fellowship to establish a linked road crash injury database.	157,603	147,975	148,517
<b>University of Queensland -</b> Healthcare utilisation after childhood traumatic brain injury in Queensland.	0	57,224	55,254
<b>University of Queensland -</b> Improving outcomes for children with persistent post-concussive symptoms.	184,159	115,816	0

Organisation	Future commitment*	2019/20 \$	2018/19 \$
<b>Griffith University -</b> Driver monitoring pilot research.	0	59,223	0
<b>Griffith University -</b> Taxi Claims data analysis.	0	12,982	0
<b>Griffith University -</b> Developing and testing a novel neural restoration technology for people with a spinal cord injury (Biospine).	1,481,280	518,720	0
<b>Spinal Life Australia -</b> Healthy Living Centre.	0	3,000,000	0
<b>RACQ -</b> Driver Distraction Campaign.	0	943,867	0
<b>Queensland Trucking Association -</b> A pilot study monitoring truck drivers.	49,100	196,400	0
<b>Metro North Hospital and Health Service -</b> Professor and Chair of Trauma Surveillance and Data Analytics.	0	97,786	0
<b>University of Sunshine Coast -</b> Establish specialised drug driving research unit.	3,131,412	0	0
<b>Sunshine Coast Council -</b> Rear endsers pilot study.	196,000	0	0
<b>Centre for Accident Research and Road Safety (CARRS-Q) -</b> Recidivist drivers research study.	87,883	0	0
<b>Sponsorships -</b> Provide sponsorships to one off activities aimed at accident prevention or enhancing injury management/rehabilitation.	0	19,010	3,013
<b>Total funding committed/allocated</b>	<b>54,771,283</b>	<b>33,923,274</b>	<b>25,308,036</b>
<i>Less refunds of residual grant funding</i>			
<b>Road Trauma Mitigation Fund</b>		(436,065)	(154,056)
<b>Metro South Hospital and Health Service -</b> Transitional rehabilitation service pilot (2016-2021).		(274,084)	(420,336)
<b>Queensland University of Technology -</b> Establish Trauma Data Warehouse Fellowship.		(98,011)	0
<b>Centre for Accident Research and Road Safety Queensland (CARRS-Q) (2016 – 2019)</b>		0	(38,436)
<b>RECOVER Injury Research Centre formerly (CONROD) (2014-2019)</b>		(43,044)	0
<b>Total Funding Returned</b>		<b>(851,204)</b>	<b>(612,828)</b>
<b>GRANT TOTAL (Allocated less returned)</b>		<b>33,072,070</b>	<b>24,695,208</b>

Note: \*Estimate of grant funding committed for expenditure from 1 July 2020.

## 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

## Research centres

The four Commission funded research centres (RECOVER, CARRS-Q, Hopkins Centre and Jamieson Trauma Institute) 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 their research and activities is available by visiting [www.recover.centre.uq.edu.au](http://www.recover.centre.uq.edu.au), [www.carrsq.qut.edu.au](http://www.carrsq.qut.edu.au), [www.hopkinscentre.edu.au](http://www.hopkinscentre.edu.au), and [www.metronorth.health.qld.gov.au/jamieson-trauma-institute](http://www.metronorth.health.qld.gov.au/jamieson-trauma-institute).

## Appendix 6: Glossary

Term	Definition
Claim farming (car crash scamming)	A process where people receive unsolicited contact from someone they do not know about being involved in a motor vehicle accident. Car crash scammers may use unethical or high-pressure tactics to obtain personal details and 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.
<i>Motor Accident Insurance Act 1994 (MAI Act)</i>	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.
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 uninsured (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 (NIISQ Act)</i>	Legislation that governs the National Injury Insurance Scheme, Queensland.
National Injury Insurance Scheme, Queensland (NIISQ)	A scheme to ensure that people who suffer eligible 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 or NIISQ Agency)	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.





