Motor Accident Insurance Commission

ANNUAL REPORT 2011-2012

The Honourable Tim Nicholls MP
Treasurer of Queensland and Minister for Trade
GPO Box 611
Brisbane Qld 4000

Dear Treasurer

I am pleased to present the 2011-12 annual report 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*, *Financial and Performance Management Standard 2009* and the *Motor Accident Insurance Act 1994*, 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 at http://www.maic.qld.gov.au/annual-report/2011-12/index.shtml

Yours sincerely

Neil Singleton
Insurance Commissioner

ISSN: 1837 – 1450

Interpreter

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

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Visit www.maic.qld.gov.au/annual-report/2011-12 for additional copies of this annual report and to view additional information which meets the disclosure of additional information requirements.

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QUEENSLAND'S CTP SCHEME

Queensland's Compulsory Third Party (CTP) scheme is a common law 'fault' based scheme and is currently underwritten by six licensed private insurers who accept applications for insurance and manage claims on behalf of their policyholders. The scheme has operated since 1936, overseeing the provision of insurance policies covering unlimited liability for personal injuries to motor vehicle owners, drivers, passengers and other persons injured in motor vehicle accidents to which the *Motor Accident Insurance Act 1994* (the MAI Act) applies.

The Motor Accident Insurance Commission (MAIC) regulates insurance premium costs by setting floor and ceiling premium bands for each vehicle class within which CTP insurers must set premiums. An efficient system of premium collection, through the motor vehicle registry of the Department of Transport and Main Roads (DTMR), minimises administration costs within the scheme and provides motorists with a relatively convenient transaction.

The Nominal Defendant is a statutory body established under the MAI Act for the purpose of compensating people who are injured as a result of the negligent driving of unidentified and/or uninsured (no CTP insurance) motor vehicles. The Nominal Defendant has the extended role of meeting the claims costs of any licensed insurer which may become insolvent.

CTP premium levels for ordinary private vehicles have remained stable in 2011-12 and are the second cheapest in Australia amongst all states and territories. Queensland continues to offer common law access for injured people with no threshold entry level for claims but with limits on certain heads of damage.

ABOUT US

Who we are

MAIC is responsible for regulating Queensland's CTP insurance scheme and managing the Nominal Defendant Fund.

Established under the MAI Act, MAIC has been located in Brisbane since it commenced operations on 1 September 1994.

/ Our vision

Ensuring financial protection that makes Queensland stronger, fairer and safer, through:

- overseeing an affordable and efficient CTP scheme, and
- sound research funding, service delivery, policy development and strategic advice.

/ Our purpose

MAIC is responsible for ensuring a fair, efficient, affordable and effective motor accident insurance scheme. It achieves this by regulating private sector insurers so premiums charged to insured vehicle owners are reasonable and sustainable, and so treatment and payments to the injured are accessible and consistent.

/ Our responsibilities

MAIC is responsible for:

- ensuring people injured in road accidents receive fair compensation;
- compensating people who are injured as a result of the negligent driving of unidentified and/or uninsured motor vehicles through the Nominal Defendant;
- ensuring Queensland motorists receive affordable premiums;
- the regulation of insurers' activity and compliance; and
- meeting any claim costs of insolvent insurers.

/ Functions

MAIC's key functions involve:

- the licensing and supervision of CTP insurers;
- monitoring the operation of the scheme;
- fixing the range within which each insurer's premium must fall and recommending to Government the levies payable;
- promoting research, education and the infrastructure to facilitate the rehabilitation of the injured person;
- developing and maintaining a claims register and statistical database for the purpose of providing management information; and
- administering the Nominal Defendant Fund.

/ How we contribute to the Queensland Government objectives for the community:

MAIC contributes to **growing a four pillar economy** by maintaining prudent investment strategies for the Motor Accident Insurance and Nominal Defendant funds.

MAIC contributes to **lowering the cost of living for families** by monitoring CTP scheme affordability and advising the Queensland Government on appropriate action.

MAIC contributes to **revitalising front line services** by investing in targeted research and service delivery initiatives which benefit motorists and improve health outcomes for people injured in motor vehicle crashes.

INSURANCE COMMISSIONER'S REPORT

The Queensland CTP scheme (the scheme) continues to serve Queensland well, providing affordable premiums for motorists as well as fair and timely compensation for injured claimants.

CTP premiums currently average around 25 per cent of average weekly earnings compared to levels above 40 per cent a decade ago. The average duration of claims has also reduced indicating that injured claimants are generally receiving appropriate rehabilitation and fair compensation faster. These are positive outcomes and testament to the overall stability and performance of the scheme.

While scheme experience remains sound, broader economic uncertainty has led to a slight increase in CTP premiums during the year. MAIC is continuing to monitor this aspect to ensure the scheme remains fully-funded while also maintaining an appropriate balance when setting premium bands.

Premium based competition has reduced with licensed insurers currently setting their premiums at the highest permissible level for most vehicle classes. While this may disappoint those who would like to see evidence of price competition, it is important to recognise that insurers are delivering a CTP policy that provides unlimited liability protection at a cost that represents good value for money.

During 2011-12, MAIC implemented a range of initiatives to seek to continually improve the performance of the scheme. Included amongst these initiatives was the development of the Scheme Performance Report (SPR). The SPR measures the proportion of premium that goes to the benefit of injured claimants compared to the proportion that goes to scheme and insurer delivery costs. Over time the SPR will provide greater transparency and understanding of Scheme performance.

I thank all staff at MAIC for their ongoing commitment and support during 2011-12 and for their clear passion and enthusiasm in helping position MAIC as a professional, contemporary scheme regulator.

I would like to make particular mention of the significant contribution of two members of the MAIC Advisory Committee whose terms of appointment concluded on 30 June 2012. Henry Smerdon and Shauna Tomkins have been members of the Advisory Committee since 1999 and 2001 respectively and during this time they have played critical roles in providing insight and advice across a range of issues that are fundamental to the ongoing strength and stability of the Scheme. I thank Henry and Shauna for their support to me personally over the last year and to the support given more broadly to MAIC over many years.

I also acknowledge the contribution of so many stakeholders to the scheme during the year whether through the provision of research, through service delivery to motorists or injured people or in supporting initiatives to improve scheme performance.

MAIC is well positioned to continue working with all stakeholders to ensure Queensland enjoys a stable, fair and affordable CTP scheme into the future.

OUR YEAR IN REVIEW

In 2011-12, MAIC continued to work hard to support, monitor and regulate Queensland's CTP scheme through activities in premium setting, auditing insurer compliance, investing in research and service delivery initiatives while compensating those injured by unidentified or uninsured motor vehicles through the Nominal Defendant.

At 30 June 2012, the CTP scheme covered 3.68 million registered vehicles in Queensland. In the last financial year there were close to 6,500 claims notified to CTP insurers, with $810 million paid in claim benefits and costs*.

Throughout the past 12 months, MAIC has examined the adequacy of resources for claimants wishing to self-manage their claims. In the year ahead, MAIC will build on this work with the aim of improving support and resources to ensure all claimants, whether legally or self-represented, have the information available to make informed decisions about compensation, treatment and rehabilitation.

MAIC has also commenced a review of information collected by the Personal Injuries Register. This comprehensive database of claims statistics and information is a key tool used by MAIC to monitor the scheme and ensure insurer compliance with the MAI Act. Improvements to this tool over the forthcoming year will ensure MAIC has access to the most relevant data to enable the most effective monitoring of the scheme.

These ongoing improvements in data and information collection and service delivery, as well as internal reviews of research investment and systems integration, promise to further enhance MAIC's ability to ensure the scheme remains efficient, stable and equitable while maintaining affordability for Queensland drivers.

In 2012-13, MAIC will focus on expanding these ongoing improvements while exploring new opportunities to improve the performance and efficiency of the scheme. Key to this goal will be strengthening strategic relationships with agencies such as DTMR, Queensland Health and the Queensland Police Service. These relationships enable MAIC to maximise the benefit from investments in road safety, injury mitigation and management and service delivery.

* The CTP scheme by nature is long-tail, with payments made during the 2011-12 financial year, representing compensation for claims lodged in the years up to 2011-12.

OUR REPORT CARD

Objective	Highlights	Performance indicators	Target	Outcome
Provide a viable and equitable personal injury motor accident insurance scheme.	> Expended $5.57 million on initiatives aimed at eliminating or reducing the frequency of motor vehicle accidents and minimising their impact. > Established the scheme performance report to monitor the balance of how CTP premiums are applied to claimant benefits and delivery costs.	Setting of premium bands within legislated timeframes.	100%	100%
		Recommended to the Treasurer of annual CTP levies by legislated timeframes.	100%	100%
		Funds expended on grants per registered vehicle.	$0.48	$0.36*
Improve the performance of the operation of the Nominal Defendant.	> Finalised 373 claims (including 10 FAI claims) (10.3 per cent more claims than 2010/11). > Recovered $520,119.37 (2.3 per cent more recovered than in 2010/11). > Earned $494,000 in investment income on the Nominal Defendant Fund. > Received $2.96 million from HIH Liquidators. > Commenced a business process improvement project which will deliver best practice claims management processes and replace the Nominal Defendant's aged claims management system.	Percentage of Nominal Defendant claims finalised as a percentage of the number outstanding at the start of the financial year.	50%	52%
		Percentage of Nominal Defendant claims settled within two years of compliance.	50%	51%
		Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date.	95%	95%
Provide a corporate governance model that facilitates the Commission's vision and meets the State's financial and performance standards.	> External audit reports and ongoing internal audits confirm our financial corporate governance structure is appropriate and meets requirements. > Conducted a review of internal communication to identify areas of improvement in MAIC's business communication processes.	Financial requirements outlined in the *Financial Accountability Act 2009* are met.	100%	100%
		Planning and reporting requirements outlined in the *Financial and Performance Management Standard 2009* are met.	100%	100%
		Staff capabilities align with strategic plan.	100%	100%

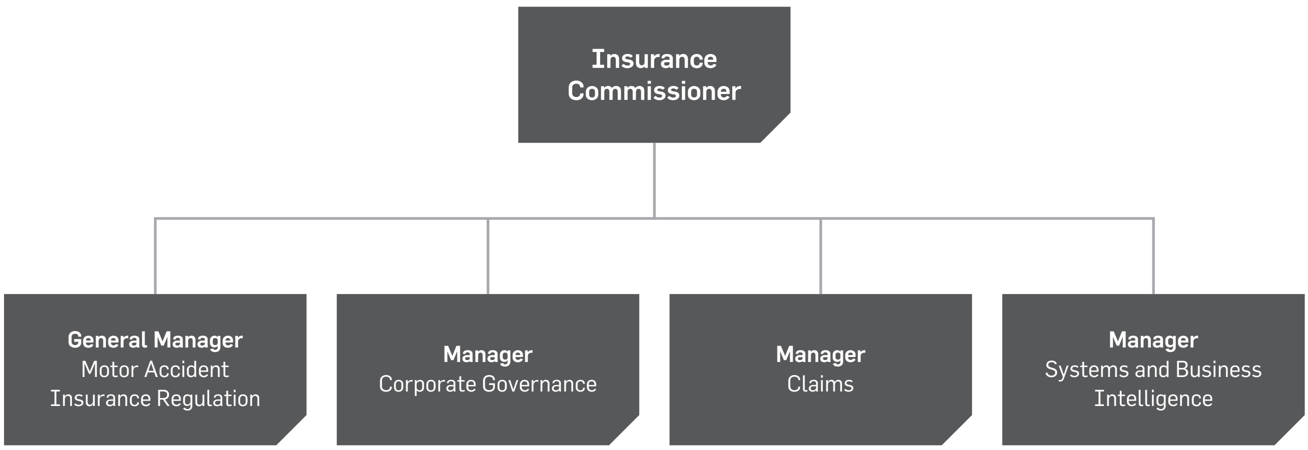
* The decrease in funds expended on grants per registered vehicle is primarily due to an increase in MAIC's operating expenses as a result of additional positions approved in August 2011 following a review of operational requirements. However, other funding sources are available to fully fund grant commitments as grants are funded from Statutory Insurance Scheme Levy, penalties revenue and Queensland Investment Corporation investments.

The grants program is developed to meet legislative requirements to fund activities including research that contributes to a reduction in the frequency and severity of road traffic crashes as well as improves outcomes for injured parties through enhanced injury management and rehabilitation practices.

GOVERNANCE

MAIC's leadership team works together with Queensland Treasury and Trade to ensure our governance, workforce management, risk management and internal audit practices have the structure and rigour to allow us to achieve our objectives in a transparent, accountable and ethical way.

Our leadership team



GOVERNANCE

Insurance Commissioner

Neil Singleton, B. Business (Insurance), MBA, ANZIIF (Fellow), CIP, GAICD

Appointed as Insurance Commissioner in December 2010. Prior to this appointment Neil acquired over 30 years 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 scheme in Queensland.

General Manager, Motor Accident Insurance Regulation

Kim Birch, B.HSc. RN

Appointed to MAIC in 2001, Kim's responsibilities include providing high-level strategic advice to the Insurance Commissioner and leading the development and implementation of strategies and policies for regulating the CTP Insurance Scheme in Queensland. Her roles within MAIC have encompassed management and policy advice on CTP insurance issues, injury management and claims. Kim has a nursing background covering all areas of clinical care and management and a further six-years experience with the insurance industry working with CTP claims prior to her appointment to MAIC.

Manager, Corporate Governance

Lina Lee, B.Com, CA

Appointed to MAIC in 2006, Lina's responsibilities include strategic and business planning, financial management, office management, records management, workforce planning and ensuring MAIC meets statutory and government reporting obligations. Lina has an accountancy and auditing background covering the chartered profession, commerce, industry, and more recently the public sector.

Manager, Claims

Michael Jarrett

Appointed to MAIC in 2010, Mike's responsibilities include the efficient and effective day to day management of the claims function of the Nominal Defendant. His roles within MAIC have encompassed the provision of strategic advice and the development and implementation of claims management initiatives. Mike has extensive operational insurance experience and prior to his appointment to MAIC held a number of management positions within the personal injury claims environment.

Manager, Systems and Business Intelligence

Gavin Charlton

Appointed as Manager Systems and Business Intelligence in October 2011. Prior to this appointment Gavin has acquired 20 years of experience working in the Information Technology and Business Intelligence domains across a number of sectors including insurance, rail and media. Gavin's responsibilities include providing strategic and operational direction of the Information Technology and Business Intelligence assets for MAIC.

GOVERNANCE

Managing our workforce

MAIC works in partnership with Queensland Treasury and Trade to ensure our workforce has the skills and capabilities to progress our strategic objectives. As part of this partnership, MAIC has adopted Treasury and Trade's frameworks for workforce planning, performance management and leadership development. Treasury and Trade's Human Resources branch provides MAIC with strategic advice on issues such as recruitment, induction, performance development, talent management, retention, workplace health and safety and industrial relations.

/ Training and education

MAIC's workforce is encouraged to participate in Treasury and Trade's internal education programs including the Professional Excellence Program, from which two MAIC staff graduated in 2011-12. MAIC maintains its own legislation-based, training modules, which all new claims staff must complete. In 2011-12, MAIC staff participated in external training in areas such as Queensland Parliamentary processes, statistical and business process management software, selection panels, settlement and negotiation skills, independent medical examinations and risk management. Staff were also supported to maintain currency on first aid training.

/ Voluntary Separation Program

In 2011-12, MAIC participated in the Queensland Government's voluntary separation program. The Voluntary Separation Program (VSP) was introduced by the State Government as part of the Mid-Year Fiscal and Economic Review in January 2011. This program was one of a number of measures designed to deliver additional savings and reprioritise spending. The program was targeted primarily at non-frontline areas, as a service reprioritisation strategy to ensure continued growth in frontline areas. MAIC sought expressions of interest from all permanent staff across MAIC. Offers were made to eligible employees based on criteria outlined in the relevant Australian Taxation Office ruling. In 2011-12, nine employees accepted offers of voluntary separation packages at a cost of $0.81 million.

/ Code of Conduct

Following the adoption of the Code of Conduct for the Queensland Public Service in 2011, MAIC worked with Treasury and Trade to ensure the Code was implemented effectively. Firstly, all staff were provided with access to a copy of the Code; this continues today with all new staff receiving a copy of the Code as part of their induction. Secondly, all staff completed an online training package about the Code and ethical decision making. The online training package is rolled out to all new staff and all staff will be required to complete the training annually.

More information on Treasury and Trade's Workforce Strategy, along with workforce statistics that include MAIC, can be located in Treasury and Trade's annual report.

GOVERNANCE

Ensuring accountability and managing risk

/ Ensuring accountability

Our governance framework incorporates both internal and external accountability measures.

Treasury and Trade provides internal audit services to MAIC and the Nominal Defendant through Treasury's Audit Committee, of which the Insurance Commissioner is a member. Supporting the Audit Committee is Treasury and Trade's Internal Audit Unit, which regularly evaluates financial and operating systems. The results of internal audits are reported to the Under Treasurer and include recommendations regarding the adequacy and effectiveness of financial, operational, administrative and computer controls.

In 2011-12, Internal Audit carried out an audit of MAIC's vendor controls and grants payment processes. The result of this audit was reported to the Under Treasurer and recommendations will be implemented during the 2012-13 financial year.

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

Information on the Treasury and Trade Audit Committee and Internal Audit, can be located in Treasury and Trade's annual report.

/ Recognising and managing risk

MAIC is committed to establishing an organisational culture that ensures risk management is an integral part of all activities and a core management capability. Our risk management philosophy is aided by Treasury and Trade, who provides us with a framework for regularly reviewing the importance, probability and treatment of risks.

As part of MAIC's annual planning and reporting processes, the leadership team identifies risks and opportunities which could impact on MAIC achieving its objectives. Risk mitigating strategies are identified and implemented. Risks are recorded in MAIC's risk register and reviewed on a six-monthly basis. The risk register is also reviewed annually by external auditors.

MAIC is also committed to business continuity management as an integral component of risk management, to ensure continuity of key business services which are essential for or contribute to achievement of MAIC's goals.

In addition to managing operational risks, as part of our project management methodology, we identify risks associated with projects and develop solutions to mitigate and manage them. Project reporting includes continual assessment of risks, their impact and the need for intervention.

GOVERNANCE

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 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 and an Administration Fee (payable to the DTMR).

/ The Statutory Insurance Scheme Levy

The Statutory Insurance Scheme Levy covers the estimated operating costs of administering the MAI Act and also provides funding for research into accident prevention and injury mitigation. From 1 July 2011, the Levy increased by 5 cents to $1.85 per policy and the Levy collected income of $6.90 million.

/ The Nominal Defendant Levy

The Nominal Defendant Levy, which varies by vehicle class, covers the estimated costs of the Nominal Defendant scheme which provides funds to pay for claims relating to uninsured or unidentified vehicles. The Levy is set having regard to an actuarial assessment of claim trends. From 1 July 2011, the Levy for Class 1 vehicles was $12.35, a decrease of 85 cents from 2010-11, with $45.27 million collected in 2011-12.

/ The 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 accidents, who use such services and who are claimants or potential claimants under the CTP scheme. The Levy amount calculated varies by vehicle class. From 1 July 2011, the Hospital and Emergency Services Levy increased by $1.70 to $16.10 for Class 1 vehicles. Proceeds from this levy are then apportioned to Queensland Health and the Department of Community Safety.

/ The Administration Fee

The Administration Fee is the fee payable to the DTMR for delivering administrative support for the CTP scheme. From 1 July 2011, the Fee increased by 10 cents to $7.70 per policy to meet increasing staff and transaction costs. In the 2011-12 year, $31.06 million was collected.

STATISTICAL INFORMATION 2011-2012

Major legislative changes impacting on the Queensland CTP Scheme

The Queensland CTP scheme has undergone a number of legislative changes since 1994. When considering the statistics provided by MAIC in this report, reference should be made to how these amendments to legislation may have impacted on the data.

Legislation	Commencement	Key features
Motor Accident Insurance Act 1994	1 September 1994	• Provided a legislative framework around the existing common law process • Key objectives: - Provide for the licensing and supervision of CTP motor vehicle insurers - Encourage the speedy resolution of claims - Promote and encourage the rehabilitation of injured persons - Establish and keep a register of claims to help administer the statutory insurance scheme
Motor Accident Insurance Amendment Act 1999	14 December 1999	• Prohibited touting
Motor Accident Insurance Amendment Act 2000	1 July 2000 & 1 October 2000	• Competitive premium filing model • Simplified Notice of Accident Claim Form • Introduction of a medical certificate • Requirement for insurers to make early decision on rehabilitation • Thresholds for recovery of legal costs • A mediation process for rehabilitation disputes • Requirement to report accidents to Police • Compulsory pre-proceedings conference
Civil Liability Act 2003	2 December 2002	• Introduction of prescribed injury scale value from 0-100 points with corresponding amounts for general damages • Consistency between assessments for general damages awarded
Civil Liability and Other Legislation Amendment Act 2010	1 July 2010	• Re-based and facilitates the future indexation of monetary amounts including the legal cost thresholds and caps on general damages
Motor Accident Insurance and Other Legislation Amendment Act 2010	1 October 2010	• Reduced delivery and acquisition costs by banning commissions and inducements paid by insurers to third parties

The majority of the data represented in the statistical section is based on accidents from 2 December 2002 to 30 June 2012.

Further statistical data is available on MAIC's website *(www.maic.qld.gov.au)*. This information is updated on a regular basis.

STATISTICAL INFORMATION 2011-2012

Insured vehicles by class

(Registrations as at 30 June 2012)

Class	Description	Vehicles	%
1	Cars and station wagons	2,492,641	67.61%
2	Motorised homes	12,588	0.34%
3	Taxis	2,698	0.07%
4	Hire vehicles	43,194	1.17%
5	Vintage, veteran, historic or street rods	19,867	0.54%
6	Trucks, utilities and vans with a GVM of 4.5t or less	711,533	19.30%
7	Trucks, prime movers and vans with a GVM > 4.5t	72,820	1.98%
8	Non-commercial buses	5,496	0.15%
9	Buses for school/health use	3,767	0.10%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,705	0.07%
10B	Buses under Translink service contract other than school or restricted school service	2,147	0.06%
11	Buses not in class 8, 9, 10A or 10B	6,270	0.17%
12	Motorcycles with driver only	57,871	1.57%
13	Motorcycles with pillion passenger or side car	113,135	3.07%
14	Tractors	25,042	0.68%
15	Self-propelled machinery, fire engines	8,618	0.23%
16	Ambulances	1,025	0.03%
17	Motor vehicles used only for primary production	38,427	1.04%
19	Limited access registration	39,112	1.06%
20	Zone access registration	11,098	0.30%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	8,765	0.24%
23	Dealer plates	5,443	0.15%
24	Trailers	2,277	0.06%
Total		3,686,539	100.00%

Premium levy and fee collection

(1 July 2011 to 30 June 2012)

Description	$ ('000)
Total insurance premiums collected*	**1,284,603**
Nominal Defendant levy	-45,266
Statutory insurance scheme levy	-6,899
Hospital and emergency services levy	-58,922
Administration fee (Transport fee)	-31,065
Insurers' premiums#	**1,142,451**

Note: * Net of cancellations
Includes GST
Levies received for the period 1 July 2011 to 30 June 2012 are on a cash basis.

Distribution of hospital and emergency services levy

	$ ('000)
Hospital	-42,689
Emergency	-16,233
	-58,922

STATISTICAL INFORMATION 2011-2012

Scheme Performance

Scheme Delivery

0% Super Imposed inflation scenario *	Scheme delivery							
	Claimant benefits			Delivery costs				
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total
Most recent 2 years	58.9%	4.8%	**63.8%**	2.3%	3.1%	9.8%	21.0%	**36.2%**
Most recent 3 years	56.8%	4.6%	**61.3%**	2.4%	3.1%	11.2%	22.1%	**38.7%**
Most recent 5 years	56.9%	4.4%	**61.3%**	2.7%	3.2%	13.2%	19.5%	**38.7%**

2.5% Super Imposed inflation scenario *	Scheme delivery							
	Claimant benefits			Delivery costs				
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total
Most recent 2 years	63.5%	4.8%	**68.3%**	2.5%	3.1%	10.0%	16.0%	**31.7%**
Most recent 3 years	60.5%	4.6%	**65.0%**	2.5%	3.1%	11.4%	18.0%	**35.0%**
Most recent 5 years	59.6%	4.4%	**64.1%**	2.8%	3.2%	13.4%	16.5%	**35.9%**

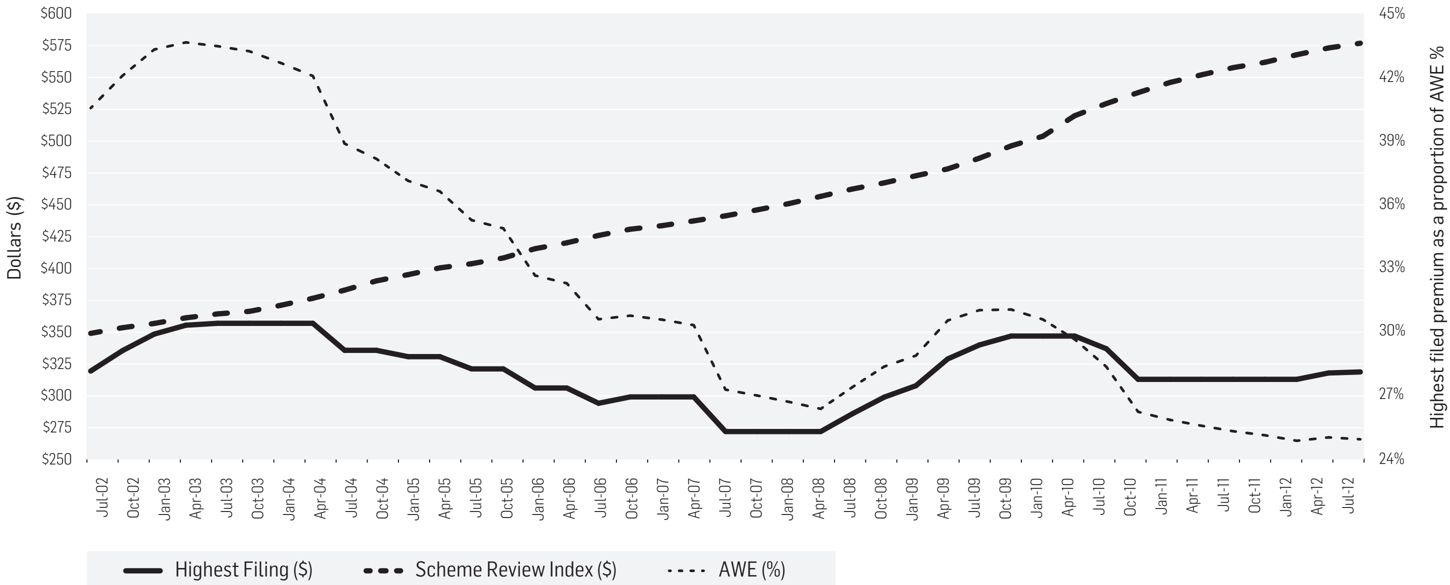
5.0% Super Imposed inflation scenario *	Scheme delivery							
	Claimant benefits			Delivery costs				
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total
Most recent 2 years	68.5%	4.8%	**73.3%**	2.7%	3.1%	10.3%	10.5%	**26.7%**
Most recent 3 years	64.5%	4.6%	**69.1%**	2.7%	3.1%	11.6%	13.6%	**30.9%**
Most recent 5 years	62.7%	4.4%	**67.1%**	3.0%	3.2%	13.5%	13.1%	**32.9%**

The table excludes any premium component associated with the Nominal Defendant. The claimant benefits part of Scheme Delivery is defined as the proportion of Class 1 collected premium that is paid back to, or in respect of claimants. Scheme Delivery has been projected using current best estimate assumptions of claim frequency, claim size, inflation, superimposed inflation and investment returns. These actuarial assumptions are estimates and actual experience may deviate, perhaps materially.

* Super Imposed Inflation is defined as, any inflationary factor which results in a rate of inflation greater than general economic inflation. The table shows three scenarios which are not to be viewed as upper or lower bounds of Super Imposed Inflation but rather as examples of different assumptions on the components of Scheme Delivery.

Scheme Affordability

Scheme Review Index vs Highest Filed Class 1 CTP Premium



Note: The scheme review index, also known as the affordability index is 45 per cent of the seasonally adjusted amount of Queensland full-time adult persons ordinary time weekly earnings averaged over the last four quarters as declared by the Australian Bureau Statistics.

STATISTICAL INFORMATION 2011-2012

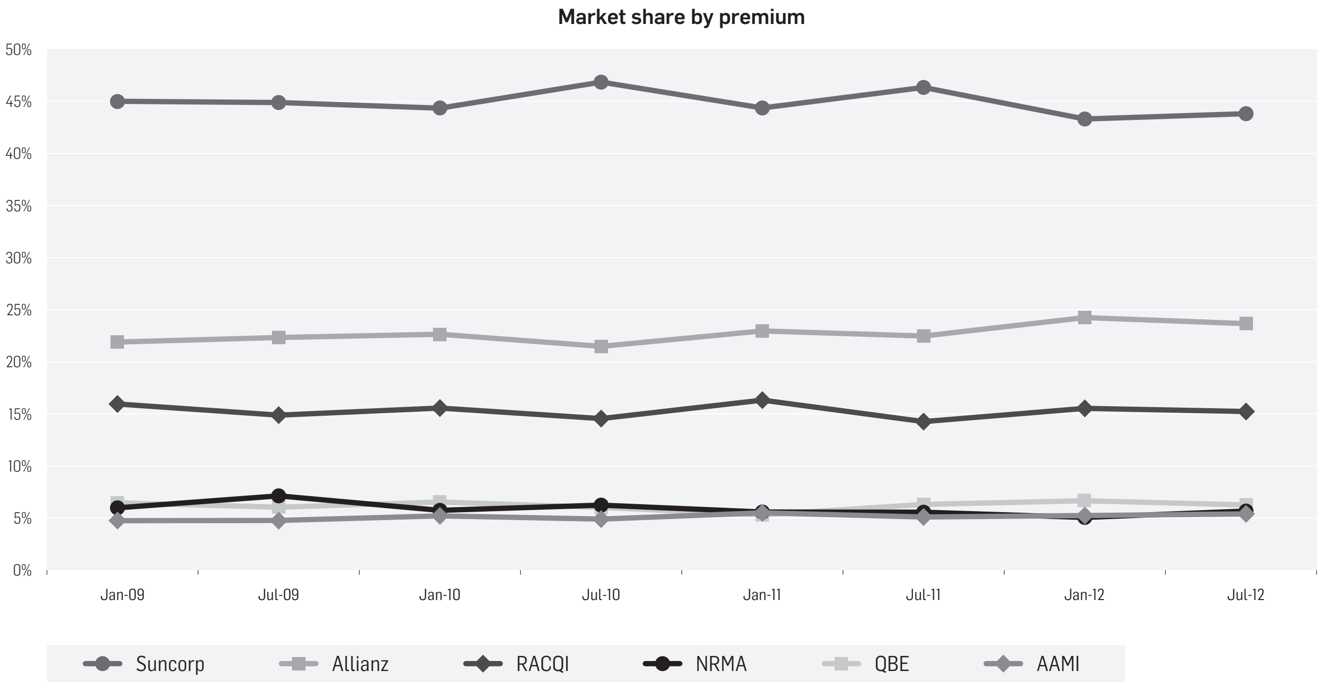
Average Class 1 filed premium

Insurer	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
AAMI	$339.75	$357.00	$322.80	$301.45	$290.95	$272.00	$305.50	$344.00	$317.50	$311.25
Allianz	$339.75	$357.00	$326.05	$303.95	$292.20	$270.50	$302.50	$344.50	$315.25	$310.50
NRMA	$339.75	$357.00	$320.80	$299.70	$281.90	$259.30	$300.15	$345.25	$319.00	$314.25
QBE	$334.25	$353.25	$325.10	$301.78	$281.80	$263.80	$300.70	$345.25	$319.00	$314.25
RACQI	$339.50	$357.00	$330.05	$305.70	$295.70	$272.00	$305.50	$345.25	$319.00	$314.25
Suncorp	$337.50	$355.75	$324.30	$303.70	$292.20	$272.00	$305.50	$345.25	$319.00	$314.25

Note: Average Class 1 filed premiums include levies.

Market share by premium

(Six-month intervals from 2009-2012)



STATISTICAL INFORMATION 2011-2012

Number of accidents by region

(Accidents from 2 December 2002 to 30 June 2012)

Accident date	2 Dec 2002 - 30 Jun 2003		1 Jul 2003 - 30 Jun 2004		1 Jul 2004 - 30 Jun 2005		1 Jul 2005 - 30 Jun 2006		1 Jul 2006 - 30 Jun 2007	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
Brisbane	2,064	51.7%	3,293	51.8%	2,886	49.9%	2,786	50.8%	2,675	49.8%
Other SE QLD Region	1,179	29.5%	1,828	28.8%	1,677	29.0%	1,542	28.1%	1,572	29.2%
Regional QLD Region	571	14.3%	959	15.1%	958	16.6%	886	16.2%	879	16.4%
Interstate	180	4.5%	273	4.3%	258	4.5%	271	4.9%	249	4.6%
Total	3,994	100.0%	6,353	100.0%	5,779	100.0%	5,485	100.0%	5,375	100.0%

Note: The recent accident years' data is immature due to the long-tail nature of CTP claims.
Other SE QLD Region includes Ipswich, Gold Coast and Sunshine Coast.
Regional QLD Region includes Toowoomba, Rockhampton, Mackay, Townsville, Mt Isa and Cairns.

Age group of claimants by gender

(All claims for accidents from 2 December 2002 to 30 June 2012 where relevant details are available)

Age group	Male	Female	Total	%
0-5	424	413	837	1.3%
6-15	1,334	1,399	2,733	4.3%
16-25	6,255	7,886	14,141	22.0%
26-35	6,602	7,492	14,094	22.0%
36-45	6,163	6,952	13,115	20.4%
46-55	4,706	5,558	10,264	16.0%
56-65	2,625	3,002	5,627	8.8%
66+	1,448	1,876	3,324	5.2%
Total	29,557	34,578	64,135	100.0%

STATISTICAL INFORMATION 2011-2012

	1 Jul 2007 - 30 Jun 2008		1 Jul 2008 - 30 Jun 2009		1 Jul 2009 - 30 Jun 2010		1 Jul 2010 - 30 Jun 2011		1 Jul 2011 - 30 Jun 2012	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
	2,608	49.0%	2,864	50.3%	2,633	50.1%	2,730	49.3%	1,907	51.5%
	1,594	30.0%	1,646	28.9%	1,491	28.4%	1,632	29.5%	1,044	28.2%
	847	15.9%	903	15.9%	843	16.0%	869	15.7%	556	15.0%
	272	5.1%	281	4.9%	290	5.5%	309	5.6%	193	5.2%
	5,321	100.0%	5,694	100.0%	5,257	100.0%	5,540	100.0%	3,700	100.0%

Claim severity

(Finalised claims for accidents from 2 December 2002 to 30 June 2012)

AIS severity*	Description	Claims	%
1	Minor	36,541	71.1%
2	Moderate	7,139	13.9%
3	Serious	2,879	5.6%
4	Severe	333	0.6%
5	Critical	171	0.3%
6	Maximum#	728	1.4%
9	Admin^	3,613	7.0%
	Total	51,404	100.0%

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

Maximum severity is predominantly fatalities.

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

STATISTICAL INFORMATION 2011-2012

Rates of legal representation and litigation

(Accidents from 2 December 2002 to 30 June 2012)

Accident date	2 Dec 2002 - 30 Jun 2003	1 Jul 2003 - 30 Jun 2004	1 Jul 2004 - 30 Jun 2005	1 Jul 2005 - 30 Jun 2006	1 Jul 2006 - 30 Jun 2007
Claims	5,070	7,853	7,091	6,659	6,505
% Finalised	98.9%	98.6%	97.9%	96.8%	94.7%
% Legal rep	81.1%	77.0%	73.3%	71.7%	72.9%
% Litigated	6.2%	5.7%	5.0%	6.1%	8.0%

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

Claim duration by licensed insurer

(Finalised claims for accidents from 2 December 2002 to 30 June 2012 where relevant details are available)

	AAMI	Allianz	NRMA	QBE	RACQI	Suncorp	Average
Notification date to compliance date	0.7	0.6	0.6	0.6	0.7	0.9	0.8
Compliance date to liability decision date	0.8	2.3	2.0	3.1	3.7	3.4	3.0
Liability decision date to settlement date	17.1	17.7	13.0	16.1	14.6	16.8	16.5

Note: Timeframes = Average in months

STATISTICAL INFORMATION 2011-2012

	1 Jul 2007 - 30 Jun 2008	1 Jul 2008 - 30 Jun 2009	1 Jul 2009 - 30 Jun 2010	1 Jul 2010 - 30 Jun 2011	1 Jul 2011 - 30 Jun 2012
	6,496	6,978	6,430	6,666	4,511
	91.2%	83.1%	66.2%	40.2%	10.6%
	73.4%	74.5%	74.7%	72.5%	74.8%
	8.2%	7.1%	4.4%	1.1%	0.0%

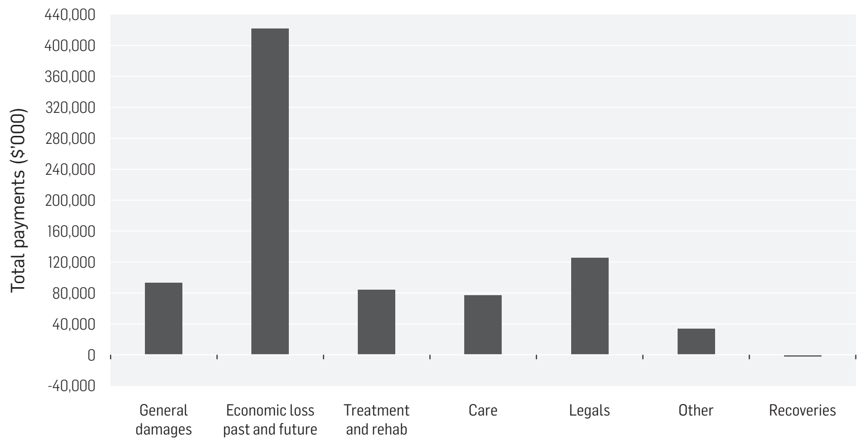
Heads of Damage breakdown

(Finalised claims from 1 July 2011 to 30 June 2012 for accidents from 2 December 2002 to 30 June 2012)

	General damages	Economic loss past and future	Treatment and rehab	Care	Legals	Other*	Recoveries#	Total
Finalised claims^	6,045	5,610	7,031	1,665	4,776	6,435	145	**7,651**
% Finalised payments	11.2%	50.6%	10.1%	9.2%	15.1%	4.1%	-0.3%	**100.0%**
Total payments ($'000)	93,426	421,928	84,160	77,000	125,734	33,997	-2,394	**833,850**

Note: * Other includes home and vehicle modifications, aids and appliances and investigation costs.
Monies recovered from the insured, other parties, uninsured driver/owners or interstate insurers
^ Nil claims (zero payments) have been excluded from the data.

Total payments by Heads of Damage for claims finalised 2011-12



STATISTICAL INFORMATION 2011-2012

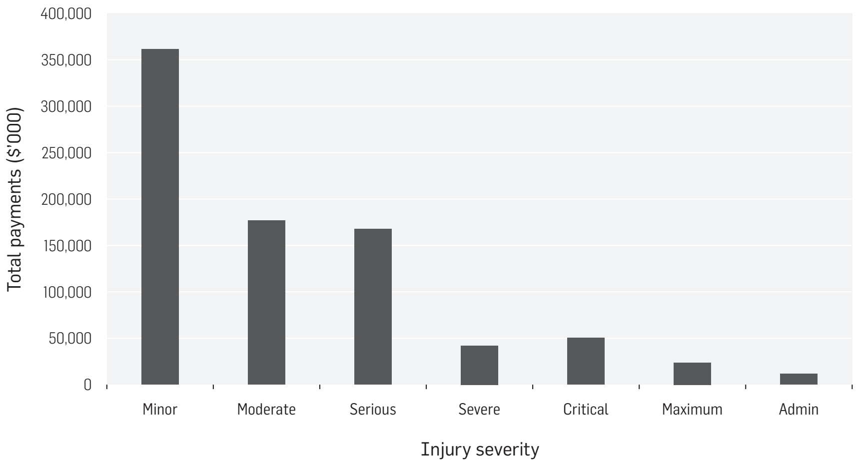
Injury severity costs breakdown

(Finalised claims from 1 July 2011 to 30 June 2012 for accidents from 2 December 2002 to 30 June 2012)

	AIS severity description							
	Minor	Moderate	Serious	Severe	Critical	Maximum*	Admin#	Total
Finalised claims^	5,207	1,249	551	68	36	119	421	**7,651**
% Total payments	43.3%	21.2%	20.1%	5.0%	6.1%	2.8%	1.4%	**100.0%**
Average payment ($)	69,384	141,717	304,421	617,527	1,401,359	199,387	27,695	**108,986**
Total payments ($'000)	361,283	177,004	167,736	41,992	50,449	23,727	11,660	**833,850**

Note: Due to minor claims generally settling in a shorter period, the above figures are not truly reflective of the relationship of total payments to severity.
* Maximum severity is predominantly fatalities.
# Admin severity includes but is not limited to unconfirmed injuries, nervous shock and business claims.
^ Nil claims (zero payments) and claims without injury codes have been excluded from the data.
Injury severities are based on AIS 2005.

Total payments by severity for claims finalised 2011-12



FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission Financial Statements 2011-12
for the year ended 30 June 2012

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

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

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

Level 9, 33 Charlotte Street
GPO Box 1083
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 please call 07 3035 6327, email maic@maic.qld.gov.au or visit the Commission's internet site www.maic.qld.gov.au.

Nominal Defendant Financial Statements 2011-12
for the year ended 30 June 2012

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These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:

Level 9, 33 Charlotte 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 or visit the Nominal Defendant's internet site www.maic.qld.gov.au.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

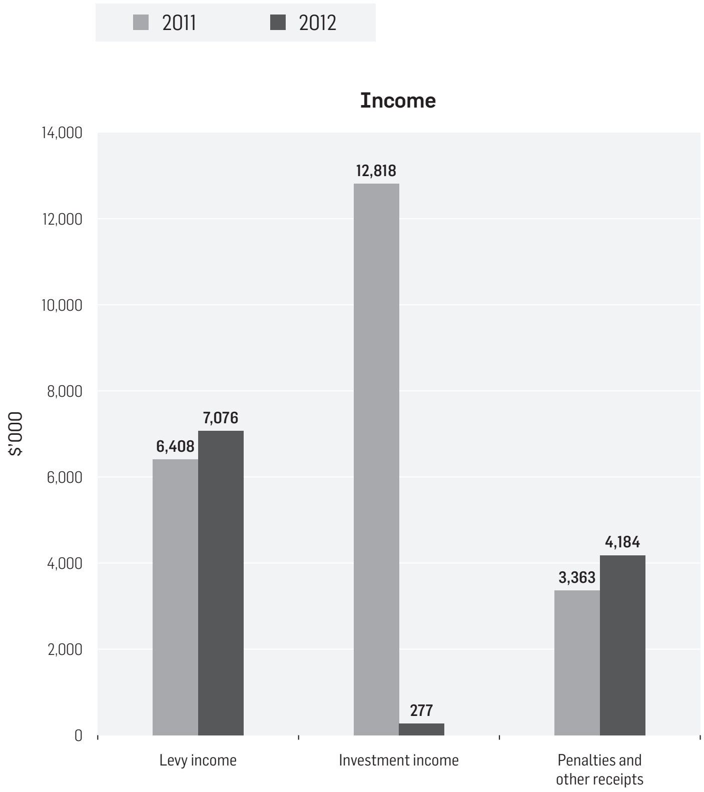
Financial summary 2011-2012

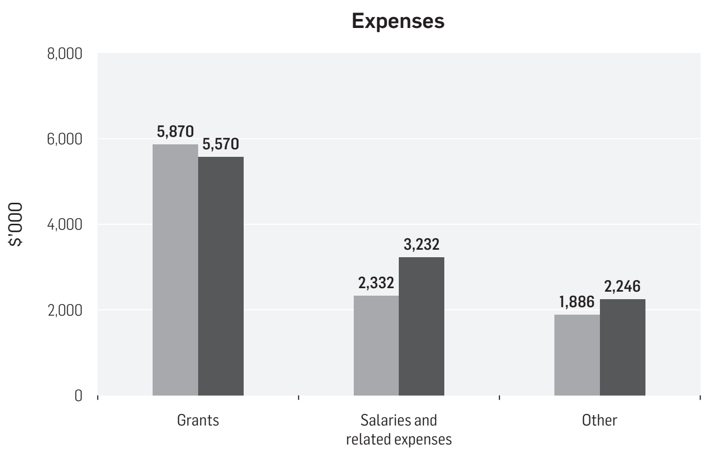
MAIC managed its business within budget and achieved an operating surplus of $0.49 million for the year ended 30 June 2012.

This was achieved despite minimal investment earnings for the year. The Statutory Scheme Levy was set at $1.85 per CTP policy (compared to prior year $1.80 per vehicle) and generated $7.08 million income. Penalty fines and other receipts rose by $0.82 million to $4.18 million for the year.

MAIC's expenses for the year increased due to a number of staff accepting Voluntary Separation Payments during the year and additional positions being approved following a review of operational requirements in August 2011.

MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma.





FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Income			
Levy income		7,076	6,408
Net fair value gains on financial assets		2	12,582
Interest income		275	236
Penalties and miscellaneous receipts		4,118	3,290
User charges		66	73
Total income		**11,537**	**22,589**
Expenses			
Grants		5,570	5,870
Employee expenses	2, 3	3,232	2,332
Supplies and services	4	2,182	1,776
Depreciation and amortisation	5	7	43
Other expenses	6	57	67
Total expenses		**11,048**	**10,088**
Operating result		**489**	**12,501**
Other comprehensive income		–	–
Total comprehensive income		**489**	**12,501**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2012

	Notes	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	7	2,119	1,544
Receivables	8	429	191
Financial assets	9	15,216	11,163
Prepayments		–	7
Total current assets		**17,764**	**12,905**
Non-current assets			
Financial assets	9	99,790	104,207
Plant and equipment	10	30	37
Intangible assets	11	–	–
Total non-current assets		**99,820**	**104,244**
Total assets		**117,584**	**117,149**
Current liabilities			
Payables	12	209	283
Accrued employee benefits	13	229	217
Total current liabilities		**438**	**500**
Non-current liabilities			
Accrued employee benefits	13	14	6
Total non-current liabilities		**14**	**6**
Total liabilities		**452**	**506**
Net assets		**117,132**	**116,643**
Equity			
Contributed equity	1 (s)	57,818	57,818
Accumulated surplus		59,314	58,825
Reserves	14	–	–
Total equity		**117,132**	**116,643**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2012

	Contributed equity $'000	Accumulated surplus $'000	Reserves $'000	Total equity $'000
Balance as at 1 July 2010	–	29,824	16,500	46,324
Operating result	–	12,501	–	12,501
Other comprehensive income				
Transfer from reserves				
- Income maintenance	–	10,500	(10,500)	–
- Accident prevention initiatives	–	2,375	(2,375)	–
- Rehabilitation initiatives	–	3,625	(3,625)	–
Transactions with owners as owners:				
- Transfer of funds from the Nominal Defendant refer Note 1 (s)	57,818	–	–	57,818
Balance as at 30 June 2011	**57,818**	**58,825**	**–**	**116,643**
Balance as at 1 July 2011	57,818	58,825	–	116,643
Operating result	–	489	–	489
Other comprehensive income	–	–	–	–
Balance as at 30 June 2012	**57,818**	**59,314**	**–**	**117,132**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Inflows:			
Levy income		6,899	6,408
Interest income		270	220
Penalties and miscellaneous receipts		4,091	3,275
User charges		54	67
GST input tax credits from ATO		693	839
GST collected from customers		7	7
Outflows:			
Grants		(5,570)	(7,174)
Employee expenses		(3,121)	(2,323)
Supplies and services		(1,987)	(1,507)
GST remitted to ATO		(5)	(7)
GST paid to suppliers		(706)	(850)
Other		(50)	(67)
Net cash provided by (used in) operating activities	15	**575**	**(1,112)**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		2,000	3,000
Outflows:			
Payments for plant and equipment		–	(10)
Payments for financial assets		(2,000)	(59,500)
Net cash provided by (used in) investing activities		**–**	**(56,510)**
Cash flows from financing activities			
Inflows:			
Transfer of funds from the Nominal Defendant		–	57,818
Net cash provided by financing activities		**–**	**57,818**
Net increase in cash and cash equivalents		**575**	**196**
Cash and cash equivalents at beginning of financial year		1,544	1,348
Cash and cash equivalents at end of financial year	7	**2,119**	**1,544**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

Objectives and principal activities of the Commission

The Motor Accident Insurance Commission (the Commission) is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund.

Established under the *Motor Accident Insurance Act 1994*, the Commission commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

1. Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with Section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Treasury's *Financial Reporting Requirements* for the year ending 30 June 2012, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Commission has applied those requirements applicable to not-for-profit entities, as the Commission is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Commission.

(c) Levy collection, contributions and penalties

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

Levies collected on behalf of the Queensland Health and the Department of Community Safety 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 Queensland Health and the Department of Community Safety have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Health and the Department of Community Safety are provided in Note 16.

Penalties imposed under Section 20 of the *Motor Accident Insurance Act 1994* are recognised as revenue at the time they are legally due to be paid by the Department of Transport and Main Roads and Department of Justice and Attorney General to the Commission, upon receipt of monies from uninsured motorists.

(d) Grants

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

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(e) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(f) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities of the Commission and are recognised at their assessed values.

(g) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(h) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

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

(i) Revaluations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, is measured at cost in accordance with Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

(j) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the Commission, less any anticipated residual value. The residual value is zero for all the Commission's intangible assets.

It has been determined that there is no active market for any of the Commission's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(j) Intangibles – continued

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

(k) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Commission.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate %
Plant and equipment:	
Computer hardware	20 – 25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Internally generated software	20

(l) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Commission determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

(m) Leases

The Commission has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 17.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

The Commission does not have any finance leases.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(n) Financial assets

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

(o) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

(p) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Commission becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

The Commission does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Commission holds no financial assets classified at fair value through profit and loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the Commission are included in Note 18.

(q) Employee benefits

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

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

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

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(q) Employee benefits – continued

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Commission to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the Commission's financial statements, the liability being 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*.

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 Commission's obligation is limited to its contribution to QSuper.

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 AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Key executive management personnel and remuneration
Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 3 for the disclosures on key executive management personnel and remuneration.

(r) Insurance

The Commission's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Commission pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(s) Contributed equity

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

(t) Reserves

The funds in equity were sub-classified in the Statement of Financial Position, to fulfil our charter under section 10(1) of the *Motor Accident Insurance Act 1994*. These funds were to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

The Income Maintenance reserve was held to give the Commission and its creditors an added measure of protection from the effects of losses.

For the financial year ended 30 June 2011, the reserves were no longer required and the balances transferred to accumulated surplus.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(u) Taxation

The Commission is a State 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 Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 8).

(v) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Manager, Corporate Governance at the date of signing the Management Certificate.

(w) 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The Commission has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(x) Rounding and comparatives

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.

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

(y) New and revised accounting standards

The Commission did not voluntarily change any of its accounting policies during 2011-12. Australian Accounting Standards changes applicable for the first time for 2011-12 have had minimal effect on the Commission's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. Given the Commission's existing financial instruments, there was only a minor impact on the Commission's financial instruments note (Note 18), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the Commission's financial assets as at 30 June 2012 (and as at 30 June 2011), financial assets are not included in the credit risk disclosure in this year's financial statements.

As the Commission held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the Commission's financial instruments notes arising from the amendments to AASB 7 *Financial Instruments: Disclosures*.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the Commission's previous disclosure practices, AASB 1054 had minimal impact on the Commission. One of the footnotes to Note 6 Other expenses, regarding audit fees, has been slightly amended to identify the Commission's auditor and clarify the nature of work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113)* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the Commission from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the Commission's commitments note (Note 17).

The Commission is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Treasury. Consequently, the Commission has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The Commission applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 143, 1039 & 1049]* applies as from reporting periods beginning on or after 1 July 2012. The only impacts for the Commission will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Commission's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

No significant changes are anticipated, based on the fair value methodologies presently used, accordingly, at this stage, no consequential material impacts are expected for the Commission's plant and equipment as from 2013-14.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* becomes effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Commission are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Commission has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Commission's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Commission enters into, it is not expected that any of the Commission's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Commission's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(p) and 18). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Commission's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments the Commission enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through comprehensive income and derecognition of these.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*; and
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*.

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the Commission is not yet in a position to reliably determine the future implications of these new and revised standards for the Commission's financial statements.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the Commission will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the Commission will be required to make as from its 2013-14 financial statements will depend on the Commission's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the Commission's circumstances, the only implications for the Commission are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise termination benefits will need to be measured according to AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". The Commission is not a member of the Queensland Government central scheme for annual leave and if the amended "short-term employee benefits" definition is not met, those employee benefits will need to be accounted for as "other long-term employee benefits". However, as the Commission is a member of the Queensland Government central scheme for long service leave, this change in criterion has no impact on the financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. However, as the Commission only contributes to the QSuper defined benefit plan, this change will have no impact on the Commission, as the corresponding QSuper employer benefit obligation is held by the State.

AASB 1053 *Application of Tiers of Australian Accounting* Standards applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in standards AASB 2010-2 AASB 2011-2, AASB 2011-6 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Treasury's Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

Pursuant to AASB 1053, public sector entities like the Commission may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the Commission, Treasury is the regulator. Treasury has advised that its policy decision is to require adoption of tier 1 reporting requirements by all Queensland Government departments and statutory bodies (including the Commission) that are consolidated into the whole-of-Government financial statements. Treasury's policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the Commission.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the Commission's activities, or have no material impact on the Commission.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
2. Employee expenses		
Employee benefits		
Salaries and wages	2,724	1,913
Employer superannuation contributions*	258	224
Long service leave levy*	47	27
Other employee benefits	17	28
Employee related expenses		
Workers' compensation premium*	7	6
Payroll tax*	142	107
Other employee related expenses	37	27
Total	**3,232**	**2,332**

**Refer to Note 1(q).*

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2012	2011
Number of employees	26	22

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

3. Key executive management personnel and remuneration

(a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Commission during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Leadership Team.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Provide strong strategic leadership to ensure a viable, affordable and equitable CTP scheme in Queensland, administers the QGIF and provides advice to Government on insurance related matters.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
General Manager, Motor Accident Insurance Regulation	Responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	SES2; common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*	6-Feb-12
Manager, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Commission.	SO; *Public Service Act 2008*	13-Feb-06
Manager, Systems and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and supports decision making.	SO; *Public Service Act 2008*	7-Nov-11

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

3. Key executive management personnel and remuneration – continued

(b) Remuneration

Remuneration policy for the Commission's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments 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.
- Performance payments are not applicable.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

3. Key executive management personnel and remuneration – continued

(b) Remuneration – continued

1 July 2011 to 30 June 2012

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Insurance Commissioner	220	–	5	21	–	246
General Manager, Motor Accident Insurance Regulation	134	13	4	16	–	167
Manager, Corporate Governance	127	–	3	15	–	145
Manager, Systems and Business Intelligence	81	–	2	10	–	93

1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Insurance Commissioner (resigned 20-Aug-10)	21	–	–	3	185	209
Acting Insurance Commissioner (23-Aug to 3-Dec-10)	59	–	1	5	–	65
Insurance Commissioner (appointed 6-Dec-10)	127	–	3	12	–	142
General Manager, Motor Accident Insurance	139	16	(14)	16	–	157
Manager, Corporate Governance	119	–	(2)	15	–	132

There were no performance bonuses paid in 2011-12 and 2010-11 financial years.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
4. Supplies and services		
Computer facilities management fee	545	398
Consultants and contractors	608	439
Rent	242	296
Supplies and consumables	251	209
Corporate services fee	115	111
QIC management fee	341	301
Professional services	77	20
Other	3	2
Total	**2,182**	**1,776**

5. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

	2012 $'000	2011 $'000
Plant and equipment	7	11
Intangibles	–	32
Total	**7**	**43**

6. Other expenses

	2012 $'000	2011 $'000
External audit fees	20	19
Insurance premiums – QGIF	26	26
Other	11	22
Total	**57**	**67**

Total audit fees paid to the Queensland Audit Office relating to the 2011-12 financial year are estimated to be $19,900 (2010-11 $19,490). There are no non-audit services included in this amount.

7. Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and on hand	2,119	1,544
Total	**2,119**	**1,544**

Interest earned on cash held with Queensland Treasury earned between 3.26% to 3.98% in 2012 (2011: 3.84% to 3.96%).

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
8. Receivables		
Accrued investment and levy income	248	65
Penalties receivable	116	89
GST receivable	34	22
GST payable	(2)	–
Other receivables	33	15
Total	**429**	**191**
9. Financial assets		
Current		
Queensland Investment Corporation investments	15,216	11,163
Non-current		
Queensland Investment Corporation investments	99,790	104,207
Total	**115,006**	**115,370**
10. Plant and equipment		
Plant and equipment:		
At cost	60	159
Less: accumulated depreciation	(30)	(122)
Total	**30**	**37**
Plant and equipment reconciliation		
Carrying amount at 1 July	37	38
Acquisitions	–	10
Depreciation	(7)	(11)
Carrying amount at 30 June	**30**	**37**

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
11. Intangible assets		
Internally generated software:		
At cost	270	270
Less: accumulated amortisation	(270)	(270)
Total	–	–
Intangibles reconciliation		
Carrying amount at 1 July	–	32
Amortisation	–	(32)
Carrying amount at 30 June	–	–
12. Payables		
Sundry creditors and accruals	209	283
Total	**209**	**283**
13. Accrued employee benefits		
Current		
Recreation leave	229	217
Total	**229**	**217**
Non-current		
Recreation leave	14	6
Total	**14**	**6**

The discount rate used to calculate the present value of the non-current recreation leave is 2.9% (2011: 4.8%).

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
14. Reserves		
Composition and movements		
Income maintenance		
Balance at beginning of year	–	10,500
Transfer to accumulated surplus	–	(10,500)
Balance at end of year	–	–
Accident prevention initiatives		
Balance at beginning of year	–	2,375
Transfer to accumulated surplus	–	(2,375)
Balance at end of year	–	–
Rehabilitation initiatives		
Balance at beginning of year	–	3,625
Transfer to accumulated surplus	–	(3,625)
Balance at end of year	–	–
Total	–	–

	2012 $'000	2011 $'000
15. Reconciliation of operating result to net cash from operating activies		
Operating result	489	12,501
Add/(subtract) items classified as investing activities:		
QIC management fees	341	300
(Increase)/decrease in net market value of investments	(2)	(12,582)
Non-cash items:		
Depreciation	7	11
Amortisation	–	32
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	7	10
(Increase)/decrease in receivables	(238)	(52)
Increase/(decrease) in payables	(48)	(1,338)
Increase/(decrease) in accrued employee benefits	19	6
Net cash from operating activities	**575**	**(1,112)**

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000

16. Agency transactions

The Commission receives Hospital and Emergency Services Levy amounts from the Department of Transport and Main Roads on behalf of Queensland Health and the Department of Community Safety. Details of amounts collected and administered by the Commission during the year and the amount held on behalf of Queensland Health and the Department of Community Safety at year end are as follows:

Levies
Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.

	2012 $'000	2011 $'000
Levies collected but not remitted in the previous year	4,444	4,218
Hospital levy	42,689	36,833
Emergency Services levy	16,233	14,006
Total	**63,366**	**55,057**

Contributions
Comprise payments to Queensland Health and the Department of Community Safety on account of levies received from the Department of Transport and Main Roads.

	2012 $'000	2011 $'000
Hospital levy contributions	42,042	36,669
Emergency Services levy contributions	15,987	13,944
Total	**58,029**	**50,613**

Amounts collected on behalf of but not yet remitted to Queensland Health and the Department of Community Safety in respect of hospital and emergency services levies at 30 June:

	2012 $'000	2011 $'000
Hospital levy	3,867	3,220
Emergency Services levy	1,470	1,224
Total	**5,337**	**4,444**

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000

17. Commitments for expenditure

(a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2012 $'000	2011 $'000
- Not later than one year	265	235
- Later than one year and not later than five years	–	–
Total	**265**	**235**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(b) Other expenditure commitments

Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2012 $'000	2011 $'000
- Not later than one year	698	841
- Later than one year and not later than five years	8	163
Total	**706**	**1,004**

(c) Grant commitments

Approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies inclusive of GST provided certain criteria are met:

	2012 $'000	2011 $'000
- Not later than one year	5,391	2,854
- Later than one year and not later than five years	2,891	2,685
Total	**8,282**	**5,539**

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

18. Financial instruments

(a) Categorisation of financial instruments

The Commission has the following categories of financial assets and financial liabilities:

Category	Note	2012 $'000	2011 $'000
Financial assets			
Cash and cash equivalents	7	2,119	1,544
Receivables	8	429	191
Financial assets	9	115,006	115,370
Total		**117,554**	**117,105**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	12	209	283
Total		**209**	**283**

(b) Financial risk management

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

Financial risk management is implemented pursuant to Government and Commission policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Commission.

All financial risk is managed by Corporate Governance under policies approved by the Commission. The Commission provides written principles for overall risk management, as well as policies covering specific areas.

The Commission measures risk exposure using a variety of methods as follows –

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

18. Financial instruments – continued

(c) Credit risk exposure

Credit risk exposure refers to the situation where the Commission may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

The Commission manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Commission invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	More than 90 days $'000	Total $'000
2012					
Receivables	429	–	–	–	429
Total	**429**	**–**	**–**	**–**	**429**
2011					
Receivables	191	–	–	–	191
Total	**191**	**–**	**–**	**–**	**191**

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

18. Financial instruments – continued

(d) Liquidity risk

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

The Commission manages liquidity through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Commission has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the Commission. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

Financial liabilities

		Payable in			
	Note	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total $'000
2012					
Payables	12	209	–	–	209
Total		**209**	**–**	**–**	**209**
2011					
Payables	12	283	–	–	283
Total		**283**	**–**	**–**	**283**

(e) Market risk

The Commission does not trade in foreign currency and is not materially exposed to commodity price changes. The Commission is exposed to interest rate risk through cash deposited in interest bearing accounts. The Commission does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2011-12

18. Financial instruments – continued

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Commission's financial assets. With all other variables held constant, the Commission would have a surplus and equity increase/(decrease) of $21,000 (2011: $15,000) due to interest rate risk and $1,150,000 (2011: $1,154,000) due to unit price risk.

The Commission's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Interest rate risk	+1	21	21	15	15
	-1	(21)	(21)	(15)	(15)

The Commissions's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
Investments	**Movement in variable %**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Unit price risk	+1	1,150	1,150	1,154	1,154
	-1	(1,150)	(1,150)	(1,154)	(1,154)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 – fair values that are derived from data not observable in a market.

According to the above hierarchy, the Commission classifies financial assets at fair value through profit or loss as level 2.

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

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Certificate of the Motor Accident Insurance Commission

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

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 2012 and of the financial position of the Commission at the end of that year.

Lina Lee (CA)
Manager Corporate Governance

29 August 2012

Neil Singleton
Insurance Commissioner

29 August 2012

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Manager Corporate Governance.

The Insurance Commissioner's Responsibility 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

FINANCIAL INFORMATION 2011-2012

Motor Accident Insurance Commission

Independent Auditor's Report – continued

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Motor Accident Insurance Commission for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Motor Accident Insurance Commission for the year ended 30 June 2012. Where the financial report is included on Motor Accident Insurance Commission's website the Insurance Commissioner is responsible for the integrity of Motor Accident Insurance Commission's website and I have not been engaged to report on the integrity of Motor Accident Insurance Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

M Ayoob (CA)
As Delegate of the Auditor-General of Queensland

29 August 2012
Brisbane

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

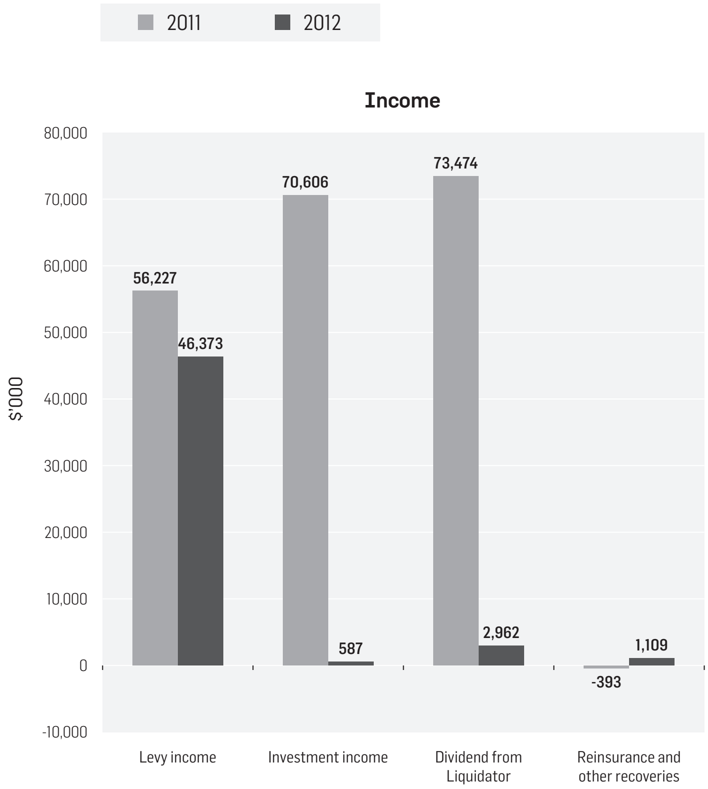
Financial summary 2011-2012

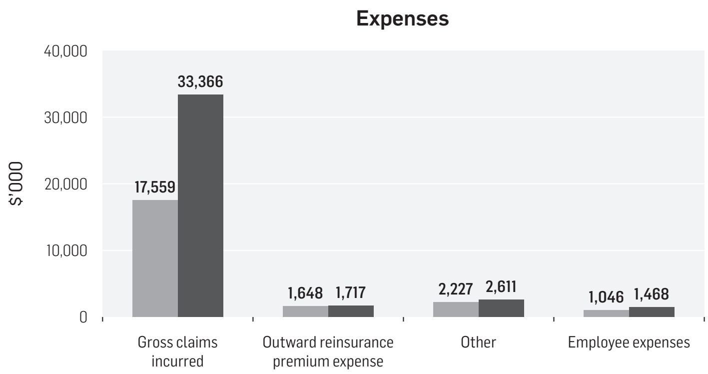
The operating surplus of the Nominal Defendant for the year ended 30 June 2012 was $11.87 million compared to the prior year's operating surplus of $177.43 million.

The major drivers for the decrease were the expected reductions in dividends from the HIH liquidation ($2.96 million versus prior year $73.47 million) and subdued investment returns on Nominal Defendant investments ($0.49 million compared to $70.44 million).

In relation to the normal business of the Nominal Defendant, claim payments were $26.76 million (compared to prior year $31.22 million) and claim recoveries were $0.66 million (prior year $0.62 million). The outstanding claims liabilities were actuarially assessed at 30 June 2012 and adjusted slightly by $6.76 million to $168.23 million.

The Nominal Defendant Levy for the year was set at $12.35 (prior year $13.20) per Class 1 vehicle reflecting overall stability in claims experience. Levy income was $46.37 million (prior year $56.23 million) due to factors associated with the removal of the HIH Surcharge from October 2010.





FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Income			
Levy income	2	46,373	56,227
Net fair value gains on financial assets		494	70,441
Dividends received from FAI liquidator		2,962	73,474
Reinsurance and other recoveries	3	1,109	(393)
Interest income		93	165
Total income		**51,031**	**199,914**
Expenses			
Gross claims incurred	3	33,366	17,559
Outward reinsurance premium expense	2	1,717	1,648
Employee expenses	4, 5	1,468	1,046
Supplies and services	6	2,555	2,173
Depreciation and amortisation	7	18	18
Other	8	38	36
Total expenses		**39,162**	**22,480**
Operating result		**11,869**	**177,434**
Other comprehensive income		–	–
Total comprehensive income		**11,869**	**177,434**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Statement of Financial Position

as at 30 June 2012

	Notes	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	9	3,273	1,704
Receivables	10	1,343	32,031
Financial assets	11	123,125	103,067
Reinsurance and other recoveries on outstanding claims	16	1,428	1,257
Prepayments		–	5
Total current assets		**129,169**	**138,064**
Non-current assets			
Financial assets	11	455,743	433,180
Reinsurance and other recoveries on outstanding claims	16	5,071	5,049
Plant and equipment	12	13	14
Intangible assets	13	248	13
Total non-current assets		**461,075**	**438,256**
Total assets		**590,244**	**576,320**
Current liabilities			
Payables	14	589	366
Accrued employee benefits	15	121	106
Outstanding claims liability	16	41,298	35,993
Unearned levies	1 (d)	23,408	23,342
Total current liabilities		**65,416**	**59,807**
Non-current liabilities			
Accrued employee benefits	15	7	3
Outstanding claims liability	16	152,686	156,244
Total non-current liabilities		**152,693**	**156,247**
Total liabilities		**218,109**	**216,054**
Net assets		**372,135**	**360,266**
Equity			
Contributed equity		121	121
Accumulated surplus		372,014	360,145
Total equity		**372,135**	**360,266**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2012

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2010	182,711	57,938	240,649
Operating result	177,434	–	177,434
Other comprehensive income	–	–	–
Transactions with owners as owners:			
- Transfer of funds to the Motor Accident Insurance Commission refer Note 1 (v)	–	(57,817)	(57,817)
Balance as at 30 June 2011	**360,145**	**121**	**360,266**
Balance as at 1 July 2011	360,145	121	360,266
Operating result	11,869	–	11,869
Other comprehensive income	–	–	–
Balance as at 30 June 2012	**372,014**	**121**	**372,135**

The accompanying notes form part of these financial statements.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Inflows:			
Levy income		45,266	50,188
Interest income		114	163
Dividends received from FAI liquidator		34,822	62,746
Reinsurance and other recoveries		907	2,286
GST input tax credits from ATO		788	693
Outflows:			
Gross claims incurred		(31,619)	(37,108)
Outward reinsurance premium expense		(1,678)	(1,645)
Employee expenses		(1,444)	(1,019)
Supplies and services		(626)	(476)
GST paid to suppliers		(790)	(690)
Other		(31)	(35)
Net cash provided by operating activities	17	**45,709**	**75,103**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		2,000	55,000
Outflows:			
Payments for plant and equipment and intangibles		(140)	–
Payments for financial assets		(46,000)	(73,000)
Net cash used in investing activities		**(44,140)**	**(18,000)**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		–	–
Transfer of funds to the Motor Accident Insurance Commission		–	(57,817)
Net cash used in financing activities		**–**	**(57,817)**
Net increase (decrease) in cash and cash equivalents		**1,569**	**(714)**
Cash and cash equivalents at beginning of financial year		1,704	2,418
Cash and cash equivalents at end of financial year	9	**3,273**	**1,704**

The accompanying notes form part of these statements.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

Objectives and principal activities of the Nominal Defendant

The Nominal Defendant was established under the *Motor Accident Insurance Act 1994* to act 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.

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1. Summary of significant accounting policies

(a) Statement of compliance

The Nominal Defendant has prepared these financial statements in compliance with section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasury's Financial Reporting Requirements for the year ending 30 June 2012, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Nominal Defendant has applied those requirements applicable to not-for-profit entities, as the Nominal Defendant is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equities of the Nominal Defendant.

(c) Funding of the Nominal Defendant

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

(d) Levy income

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *General Insurance Contracts*, the Nominal Defendant levy, as stated in section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

Levy revenue is recognised in the Statement of Comprehensive Income only when it has been earned in accordance with the accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levies) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Comprehensive Income as the levy is earned over time.

In accordance with AASB 1023 the recognition of earned levies is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Department of Transport and Main Roads.

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

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

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(d) Levy income – continued

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

(e) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract.

(f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(g) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

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

(h) Reinsurance and other recoveries on outstanding claims

The reinsurance and other recoveries on outstanding claims has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Reinsurance and other recoveries revenue and a receivable for reinsurance and other recoveries on outstanding claims are recognised for claims incurred but not yet paid and incurred but not yet reported claims.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 1 (r)). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

(i) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government Entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(j) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

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

(k) Revaluations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, is measured at cost in accordance with Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

(l) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the Nominal Defendant, less any anticipated residual value. The residual value is zero for all the Nominal Defendant's intangible assets.

It has been determined that there is no active market for any of the Nominal Defendant's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Purchased software
The purchase cost, together with any internal development costs, of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the Nominal Defendant, namely 7 years.

(m) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Nominal Defendant.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate %
Plant and equipment:	
Computer hardware	20 – 25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Purchased software	14.29

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(n) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Nominal Defendant determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

(o) Leases

The Nominal Defendant has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 18.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

The Nominal Defendant does not have any finance leases.

(p) Financial assets

All funds not required for the day to day management of the Nominal Defendant are invested with the Queensland Investment Corporation (QIC) and are recorded in the financial statements at net market value.

(q) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

(r) Outstanding claims liability

The liability for outstanding claims has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

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, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(s) **Financial instruments**

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Nominal Defendant becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:
- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

The Nominal Defendant does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Nominal Defendant holds no financial assets classified at fair value through profit and loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Nominal Defendant are disclosed in Note 19.

(t) **Employee benefits**

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

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

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

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover the cost of employee's long service leave. The levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

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

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(t) Employee benefits – continued

Superannuation
Employer superannuation contributions are paid to QSuper, the superannuation plan 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 Nominal Defendant's obligation is limited to its contribution to QSuper.

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 AASB 1049 *Whole of Government Sector Financial Reporting*.

Key executive management personnel and remuneration
Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 5 for the disclosures on key executive management personnel and remuneration.

(u) Insurance

The Nominal Defendant's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Nominal Defendant pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(v) Contributed equity

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

(w) Taxation

The Nominal Defendant is a State 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 10).

(x) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Manager, Corporate Governance at the date of signing the Management Certificate.

(y) 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(y) Judgements and assumptions – continued

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (h), 1 (r) and 16.

The Nominal Defendant has made no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(z) Rounding and comparatives

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.

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

(aa) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2011-12. Australian Accounting Standards changes applicable for the first time for 2011-12 have had minimal effect on the Nominal Defendant's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. Given the Nominal Defendant's existing financial instruments, there was only a minor impact on the Nominal Defendant's financial instruments note (Note 19), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the Nominal Defendant's financial assets as at 30 June 2012 (and as at 30 June 2011), financial assets are not included in the credit risk disclosure in this year's financial statements.

As the Nominal Defendant held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the Nominal Defendant's financial instruments notes arising from the amendments to AASB 7 *Financial Instruments: Disclosures*.

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the Nominal Defendant's previous disclosure practices, AASB 1054 had minimal impact on the Nominal Defendant. One of the footnotes to Note 8 Other expenses, regarding audit fees, has been slightly amended to identify the Nominal Defendant's auditor and clarify the nature of work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113)* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the Nominal Defendant from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury's *Financial Reporting Requirements* require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the Nominal Defendant's commitments note (Note 18).

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

The Nominal Defendant is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Treasury. Consequently, the Nominal Defendant has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The Nominal Defendant applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 143, 1039 & 1049]* applies as from reporting periods beginning on or after 1 July 2012. The only impacts for the Nominal Defendant will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Nominal Defendant's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

No significant changes are anticipated, based on the fair value methodologies presently used, accordingly at this stage, no consequential material impacts are expected for the Nominal Defendant's plant and equipment as from 2013-14.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* becomes effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Nominal Defendant are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

The Nominal Defendant has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Nominal Defendant's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Nominal Defendant enters into, it is not expected that any of the Nominal Defendant's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Nominal Defendant's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(s) and 19). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Nominal Defendant's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the Nominal Defendant enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through comprehensive income and derecognition of these.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –
- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*; and
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*.

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the Nominal Defendant is not yet in a position to reliably determine the future implications of these new and revised standards for the Nominal Defendant's financial statements.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the Nominal Defendant will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the Nominal Defendant will be required to make as from its 2013-14 financial statements will depend on the Nominal Defendant's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

1. Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the Nominal Defendant's circumstances, the only implications for the Nominal Defendant are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise termination benefits will need to be measured according to AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". The Nominal Defendant is not a member of the Queensland Government central scheme for annual leave and if the amended "short-term employee benefits" definition is not met, those employee benefits will need to be accounted for as "other long-term employee benefits". However, as the Nominal Defendant is a member of the Queensland Government central scheme for long service leave, this change in criterion has no impact on the financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. However, as the Nominal Defendant only contributes to the QSuper defined benefit plan, this change will have no impact on the Nominal Defendant, as the corresponding QSuper employer benefit obligation is held by the State.

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in standards AASB 2010-2 AASB 2011-2, AASB 2011-6 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Treasury's Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the Nominal Defendant may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the Nominal Defendant, Treasury is the regulator. Treasury has advised that its policy decision is to require adoption of tier 1 reporting requirements by all Queensland Government departments and statutory bodies (including the Nominal Defendant) that are consolidated into the whole-of-Government financial statements. Treasury's policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the Nominal Defendant.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the Nominal Defendant's activities, or have no material impact on the Nominal Defendant.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
2. Net levy income		
Levy income	46,373	56,227
Outward reinsurance premium expense	(1,717)	(1,648)
Net levy income	**44,656**	**54,579**
3. Net claims incurred		
(a) Claims analysis		
Gross claims incurred	33,366	17,559
Reinsurance and other recoveries	(1,109)	393
Total net claims incurred	**32,257**	**17,952**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	33,518	16,810
Reinsurance and claims recoveries	(843)	52
	32,675	16,862
Net claims incurred attributable to FAI		
Gross claims incurred	(152)	749
Reinsurance and other recoveries	(266)	341
	(418)	1,090
Total net claims incurred	**32,257**	**17,952**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

3. Net claims incurred – continued

(b) Claims development

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

	2012			2011		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Claims attributable to Nominal Defendant						
Gross claims incurred and related expenses						
Undiscounted	51,043	(38,651)	12,392	50,190	(26,003)	24,187
Discount	(5,803)	26,929	21,126	(10,470)	3,093	(7,377)
	45,240	(11,722)	33,518	39,720	(22,910)	16,810
Reinsurance and other recoveries						
Undiscounted	1,272	(1,011)	261	1,249	(1,139)	110
Discount	(142)	724	582	(260)	98	(162)
	1,130	(287)	843	989	(1,041)	(52)
Net claims incurred – discounted	**44,110**	**(11,435)**	**32,675**	**38,731**	**(21,869)**	**16,862**
Claims attributable to FAI						
Gross claims incurred and related expenses						
Undiscounted	–	(3,040)	(3,040)	–	44	44
Discount	–	2,888	2,888	–	705	705
	–	(152)	(152)	–	749	749
Reinsurance and other recoveries						
Undiscounted	–	80	80	–	(575)	(575)
Discount	–	186	186	–	234	234
	–	266	266	–	(341)	(341)
Net claims incurred – discounted	–	**(418)**	**(418)**	–	**1,090**	**1,090**
Total net claims incurred – discounted	**44,110**	**(11,853)**	**32,257**	**38,731**	**(20,779)**	**17,952**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
3. Net claims incurred – continued		
(c) Claims reconciliation		

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

	2012 $'000	2011 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	26,763	31,215
Movement in outstanding claims liability	6,755	(14,405)
	33,518	**16,810**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	4,856	5,895
Movement in outstanding claims liability	(5,008)	(5,146)
	(152)	**749**
Total gross claims incurred	**33,366**	**17,559**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	657	615
Movement in reinsurance and other recoveries receivable	186	(667)
	843	**(52)**
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	259	839
Movement in reinsurance and other recoveries receivable	7	(1,180)
	266	**(341)**
Total reinsurance and other recoveries	**1,109**	**(393)**
Net claims incurred	**32,257**	**17,952**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,248	861
Employer superannuation contributions*	110	111
Long service leave levy*	21	16
Other employee benefits	–	1
Employee related expenses		
Workers' compensation premium*	3	3
Payroll tax*	72	51
Other employee related expenses	14	3
Total	**1,468**	**1,046**

**Refer to Note 1(t).*

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2012	2011
Number of employees	17	13

Employee expenses attributable to FAI are included in the figures listed above:

	2012 $'000	2011 $'000
Employee benefits		
Salaries and wages	63	59
Employer superannuation contributions*	5	8
Long service leave levy*	1	1
Other employee benefits	–	–
Employee related expenses		
Workers' compensation premium*	–	1
Payroll tax*	4	4
Other employee related expenses	–	–
Total	**73**	**73**

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2012	2011
Number of employees	1	1

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

5. Key executive management personnel and remuneration

(a) **Key executive management personnel**

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Leadership Team.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Provide strong strategic leadership to ensure a viable, affordable and equitable CTP scheme in Queensland, administers the QGIF and provides advice to Government on insurance related matters.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
General Manager, Motor Accident Insurance Regulation	Responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	SES2; common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*	6-Feb-12
Manager, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Commission.	SO; *Public Service Act 2008*	13-Feb-06
Manager, Claims	Responsible for the effective management and internal control of the Nominal Defendant claims management unit.	SO; *Public Service Act 2008*	1–Jul-10
Manager, Systems and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and supports decision making.	SO; *Public Service Act 2008*	7-Nov-11

(b) **Remuneration**

Remuneration policy for the Nominal Defendant's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

5. Key executive management personnel and remuneration – continued

(b) Remuneration – continued

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments 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.
- Performance payments are not applicable.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

1 July 2011 to 30 June 2012

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Manager, Claims	121	–	3	15	–	139

1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Manager, Claims	128	–	4	15	–	147

There were no performance bonuses paid in 2011-12 and 2010-11 years.

The other four key executive management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under Note 3.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
6. Supplies and services		
QIC management fee	1,754	1,583
Computer facilities management fee	280	252
Rent	124	123
Consultants and contractors	219	69
Corporate services fee	99	96
Supplies and consumables	78	49
Other supplies and services	1	1
Total	**2,555**	**2,173**
Supplies and services attributable to FAI are included in the figures listed above:		
Computer facilities management fee	24	21
Rent	6	10
Consultants and contractors	5	–
Supplies and consumables	3	2
Total	**38**	**33**
7. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	5	5
Intangibles	13	13
Total	**18**	**18**
8. Other expenses		
Audit fees	35	35
Insurance premiums - QGIF	1	1
Losses from disposal of plant and equipment	1	–
Other	1	–
Total	**38**	**36**

Total audit fees paid to the Queensland Audit Office relating to the 2011-12 financial year are estimated to be $35,600 (2010-11 $34,935). There are no non-audit services included in this amount.

	2012 $'000	2011 $'000
Other expenses attributable to FAI are included in the figures listed above:		
Audit fees	5	10
Total	**5**	**10**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
9. Cash and cash equivalents		
Cash at bank and on hand	3,273	1,704
Total	**3,273**	**1,704**

Interest earned on cash held with Queensland Treasury earned between 3.26% to 3.98% in 2012 (2011: 3.84% to 3.96%).

	2012 $'000	2011 $'000
10. Receivables		
Accrued investment and levy income	1,196	43
Sharing recoveries receivable on paid claims	80	71
Dividend receivable from FAI liquidator	–	31,860
GST receivable	63	61
Other receivables	4	(4)
Total	**1,343**	**32,031**

	2012 $'000	2011 $'000
Receivables attributable to FAI are included in the figures listed above:		
Sharing recoveries receivable on paid claims	80	71
Dividend receivable from FAI liquidator	–	31,860
Total	**80**	**31,931**

	2012 $'000	2011 $'000
11. Financial assets		
Current		
Queensland Investment Corporation investments	123,125	103,067
Non-current		
Queensland Investment Corporation investments	455,743	433,180
Total	**578,868**	**536,247**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
12. Plant and equipment		
Plant and equipment:		
At cost	26	27
Less: accumulated depreciation	(13)	(13)
Total	**13**	**14**
Plant and equipment reconciliation		
Carrying amount at 1 July	14	19
Acquisitions	5	–
Disposals	(1)	–
Depreciation	(5)	(5)
Carrying amount at 30 June	**13**	**14**
13. Intangible assets		
Purchased software:		
At cost	219	219
Less: accumulated amortisation	(219)	(206)
	–	13
Work in progress:		
At cost	248	–
Total	**248**	**13**

	Purchased software		Work in progress		Total	
Intangibles reconciliation	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Carrying amount at 1 July	13	26	–	–	13	26
Acquisitions	–	–	248	–	248	–
Amortisation	(13)	(13)	–	–	(13)	(13)
Carrying amount at 30 June	**–**	**13**	**248**	**–**	**248**	**13**

At 30 June 2012 the Nominal Defendant has purchased software (Claims Management System) with an original cost of $218,730 and a written down value of nil which is still in use. This system is due to be replaced in 2013-14 with a new system which is currently under development. Costs associated with the new system are reported as work in progress.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
14. Payables		
Sundry creditors and accruals	589	366
Total	**589**	**366**
Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	10	11
Total	**10**	**11**
15. Accrued employee benefits		
Current		
Recreation leave	121	106
Total	**121**	**106**
Non-current		
Recreation leave	7	3
Total	**7**	**3**
Accrued employee benefits attributable to FAI are included in the figures listed above:		
Current		
Recreation leave	3	11
Total	**3**	**11**
Non-current		
Recreation leave	–	3
Total	**–**	**3**

The discount rate used to calculate the present value of the non-current recreation leave is 2.9% (2011: 4.8%).

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
16. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	41,298	35,993
Non-current	152,686	156,244
Total	**193,984**	**192,237**
Reinsurance and other recoveries on outstanding claims:		
Current	1,428	1,257
Non-current	5,071	5,049
Total	**6,499**	**6,306**
Net outstanding claims:		
Current	39,870	34,736
Non-current	147,615	151,195
Total	**187,485**	**185,931**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	175,714	189,295
Claims settlement costs	10,236	11,027
	185,950	200,322
Discount to present value	(17,724)	(38,851)
Gross outstanding claims liability	**168,226**	**161,471**
Current	34,810	27,692
Non-current	133,416	133,779
Gross outstanding claims liability	**168,226**	**161,471**
Reinsurance and other recoveries on outstanding claims	5,118	5,513
Discount to present value	(488)	(1,069)
Reinsurance and other recoveries on outstanding claims	**4,630**	**4,444**
Current	958	762
Non-current	3,672	3,682
Reinsurance and other recoveries on outstanding claims	**4,630**	**4,444**
Net outstanding claims	**163,596**	**157,027**
Central estimate	148,724	142,752
Risk margin	14,872	14,275
Net outstanding claims	**163,596**	**157,027**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

16. Net outstanding claims – continued

(a) Net outstanding claims – continued

	2012 $'000	2011 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	27,096	34,691
Claims settlement costs	1,017	1,318
	28,113	36,009
Discount to present value	(2,355)	(5,243)
Gross outstanding claims liability	**25,758**	**30,766**
Current	6,488	8,301
Non-current	19,270	22,465
Gross outstanding claims liability	**25,758**	**30,766**
Reinsurance and other recoveries on outstanding claims	2,021	2,200
Discount to present value	(152)	(338)
Reinsurance and other recoveries on outstanding claims	**1,869**	**1,862**
Current	470	495
Non-current	1,399	1,367
Reinsurance and other recoveries on outstanding claims	**1,869**	**1,862**
Net outstanding claims	**23,889**	**28,904**
Central estimate	20,594	24,917
Risk margin	3,295	3,987
Net outstanding claims	**23,889**	**28,904**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

16. Net outstanding claims – continued

(b) Actuarial assumptions

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

	2012	2011
Assumptions attributable to the Nominal Defendant		
Inflation rate	6.6%	6.7%
Discount rate	2.8%	5.1%
Claims handling expenses	6.0%	6.0%
Risk margin	10.0%	10.0%
Weighted average expected term to settlement	3.8 years	4.7 years
Assumptions attributable to FAI		
Inflation rate	N/A	N/A
Discount rate	2.7%	5.0%
Claims handling expenses	4.0%	4.0%
Risk margin	16.0%	16.0%
Weighted average expected term to settlement	3.4 years	3.4 years

(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 that it cover the range of potential variations.

Sensitivity analysis attributable to the Nominal Defendant

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Inflation rate	+1%	(5,665)	(5,665)	(4,273)	(4,273)
	-1%	5,377	5,377	4,027	4,027
Discount rate	+1%	5,327	5,327	3,927	3,927
	-1%	(5,733)	(5,733)	(4,273)	(4,273)
Claims handling expenses	+1%	(1,543)	(1,543)	(1,473)	(1,473)
	-1%	1,543	1,543	1,527	1,527
Risk margin	+1%	(1,487)	(1,487)	(1,473)	(1,473)
	-1%	1,487	1,487	1,427	1,427
Weighted average term to settlement	+0.5 years	2,145	2,145	3,557	3,557
	-0.5 years	(2,173)	(2,173)	(3,639)	(3,639)

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

16. Net outstanding claims – continued

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

Sensitivity analysis attributable to FAI

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Inflation rate	+1%	N/A	N/A	N/A	N/A
	-1%	N/A	N/A	N/A	N/A
Discount rate	+1%	728	728	803	803
	-1%	(775)	(775)	(897)	(897)
Claims handling expenses	+1%	(233)	(233)	(297)	(297)
	-1%	233	233	303	303
Risk margin	+1%	(206)	(206)	(297)	(297)
	-1%	206	206	203	203
Weighted average term to settlement	+0.5 years	309	309	654	654
	-0.5 years	(313)	(313)	(669)	(669)

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

The objective of the Nominal Defendant is to ensure it is fully funded to enable it to meet its obligations under the *Motor Accident Insurance Act 1994*. This is facilitated by an actuarially derived levy which is incorporated in the Compulsory Third Party (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.

A suitably qualified insurance broker is engaged in a consultancy capacity to provide the Nominal Defendant with the most cost effective plan to protect the Fund against major and catastrophic loss, and provide ongoing insurance risk advice. To this end, the broker facilitates an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurance underwriters from both local and overseas markets to provide reinsurance cover at various layers.

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 36 of the *Financial and Performance Management Standard 2009*) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2011-12 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of $6.0 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000
17. Reconciliation of operating result to net cash from operating activities		
Operating result	11,869	177,434
Add/(subtract) items classified as investing activities:		
QIC management fees	1,754	1,583
(Increase)/decrease in net market value of investments	(494)	(70,440)
Non-cash items:		
Depreciation	5	5
Amortisation	13	13
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	5	2
(Increase)/decrease in receivables	30,495	(8,042)
Increase/(decrease) in payables	230	124
Increase/(decrease) in unearned levies	66	(6,039)
Increase/(decrease) in outstanding claims liability	1,747	(19,551)
Increase/(decrease) in accrued employee benefits	19	14
Net cash from operating activities	**45,709**	**75,103**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

	2012 $'000	2011 $'000

18. Commitments for expenditure

(a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2012 $'000	2011 $'000
- Not later than one year	110	121
- Later than one year and not later than five years	–	–
Total	**110**	**121**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(b) Capital expenditure commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2012 $'000	2011 $'000
Software		
- Not later than one year	584	–
- Later than one year and not later than five years	–	–
Total	**584**	**–**

(c) Other expenditure commitments

Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2012 $'000	2011 $'000
- Not later than one year	329	287
- Later than one year and not later than five years	63	–
Total	**392**	**287**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

19. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2012 $'000	2011 $'000
Financial assets			
Cash and cash equivalents	9	3,273	1,704
Receivables	10	1,343	32,031
Financial assets	11	578,868	536,247
Total		**583,484**	**569,982**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	14	589	366
Total		**589**	**366**

(b) Financial risk management

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

Financial risk management is implemented pursuant to Government and Nominal Defendant policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Nominal Defendant.

All financial risk is managed by Corporate Governance under policies approved by the Nominal Defendant. The Nominal Defendant provides written principles for overall risk management, as well as policies covering specific areas.

The Nominal Defendant measures risk exposure using a variety of methods as follows –

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

19. Financial instruments – continued

(c) Credit risk exposure

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.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to financial assets held by the Nominal Defendant.

The Nominal Defendant manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Nominal Defendant invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the Nominal Defendant's documented risk analysis assessment in conjunction with historic experience and associated industry data.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	More than 90 days $'000	Total $'000
2012					
Receivables (excluding sharing recoveries)	1,263	–	–	–	1,263
Total	**1,263**	**–**	**–**	**–**	**1,263**
2011					
Receivables (excluding sharing recoveries)	31,960	–	–	–	31,960
Total	**31,960**	**–**	**–**	**–**	**31,960**

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

19. Financial instruments – continued

(d) **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 manages liquidity through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Nominal Defendant has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the Nominal Defendant. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at reporting date.

Financial liabilities

		Payable in			
	Note	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total $'000
2012					
Payables	14	589	–	–	589
Total		**589**	**–**	**–**	**589**
2011					
Payables	14	366	–	–	366
Total		**366**	**–**	**–**	**366**

(e) **Market risk**

The Nominal Defendant does not trade in foreign currency and is not materially exposed to commodity price changes. The Nominal Defendant is exposed to interest rate risk through cash deposited in interest bearing accounts. The Nominal Defendant does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Notes to and forming part of the financial statements 2011-12

19. Financial instruments – continued

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $33,000 (2011: $17,000) due to interest rate risk and $5,789,000 (2011: $5,362,000) due to unit price risk.

The Nominal Defendant's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Interest rate risk	+1	33	33	17	17
	-1	(33)	(33)	(17)	(17)

The Nominal Defendant's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
Investments	**Movement in variable %**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**
Unit price risk	+1	5,789	5,789	5,362	5,362
	-1	(5,789)	(5,789)	(5,362)	(5,362)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 – fair values that are derived from data not observable in a market.

According to the above hierarchy, the Nominal Defendant classifies financial assets at fair value through profit or loss as level 2.

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

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Certificate of the Nominal Defendant

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

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2012 and of the financial position of the Nominal Defendant at the end of that year.

Lina Lee (CA)
Manager Corporate Governance

29 August 2012

Neil Singleton
Insurance Commissioner

29 August 2012

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Manager Corporate Governance.

The Insurance Commissioner's Responsibility 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

FINANCIAL INFORMATION 2011-2012

Nominal Defendant

Independent Auditor's Report – continued

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

   (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

   (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Nominal Defendant for the year ended 30 June 2012. Where the financial report is included on Nominal Defendant's website the Insurance Commissioner is responsible for the integrity of Nominal Defendant's website and I have not been engaged to report on the integrity of Nominal Defendant's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

M Ayoob (CA)
as Delegate of the Auditor-General of Queensland

29 August 2012
Brisbane

APPENDICES

Appendix 1: Actuarial Certificate, Nominal Defendant Fund

QUEENSLAND GOVERNMENT

Actuarial Certificate
Queensland Nominal Defendant Fund
Outstanding Claims Liability as at 30 June 2012

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 2012 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 "*Nominal Defendant Outstanding Claims Liability Review 30 June 2012*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2012 is $163.6 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 10% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

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

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

A.A. van den Berg C. A. Harrison
Fellows of the Institute of Actuaries of Australia

3 August 2012

APPENDICES

Appendix 2: Actuarial Certificate Nominal Defendant, FAI Run-off

QUEENSLAND GOVERNMENT

Actuarial Certificate
Queensland Nominal Defendant Fund – FAI Run-Off
Outstanding Claims Liability as at 30 June 2012

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 2012 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 "N*ominal Defendant – FAI Run-Off Outstanding Claims Liability Review 30 June 2012*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2012 is $23.9 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 16% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

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

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

A.A. van den Berg　　　　C. A. Harrison
Fellows of the Institute of Actuaries of Australia

3 August 2012

APPENDICES

Appendix 3: Licensed Insurers

Currently licensed CTP insurers

Allianz Australia Insurance Limited

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

Australian Associated Motor Insurers Limited
(trading as AAMI)

CTP Claims
IPC: GI-008
GPO Box 1453
Brisbane Qld 4001
Ph 132 244
ABN 92 004 791 744

Insurance Australia Limited
(trading as NRMA Insurance)

GPO Box 5730
Brisbane Qld 4001
Ph 07 3135 1600
ABN 11 000 016 722

QBE Insurance (Australia) Limited

GPO Box 1072
Brisbane Qld 4001
Ph 07 3859 5666
ABN 78 003 191 035

RACQ Insurance Limited

PO Box 3313
Tingalpa DC Qld 4173
Ph 131 905
ABN 50 009 704 152

Suncorp Metway Insurance Limited

CTP Claims
IPC: GI-008
GPO Box 1453
Brisbane Qld 4001
Ph 131 160
ABN 83 075 695 966

Previously licensed CTP insurers

CIC Insurance Limited

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

GIO General Limited

ACN 002 861 583
Licence withdrawn 30/06/1996

Mercantile Mutual Insurance (Australia) Ltd

ACN 000 456 799
Licence withdrawn 01/11/1996

Commercial Union Assurance of Australia Ltd

ACN 004 478 371
Licence withdrawn 01/03/1997

Zurich Australian Insurance Limited

ACN 000 296 640
Licence withdrawn 15/11/1997

Fortis Insurance Limited
(formerly VACC Insurance Co. Limited)

ACN 004 167 953
Licence suspended 30/03/1999 pending withdrawal

FAI General Insurance Company Limited

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

FAI Allianz Limited
(trading as FAI Insurance)

ABN 80 094 802 525
Licence withdrawn 01/07/2002

APPENDICES

Appendix 4: Grants and Sponsorships

Organisation	Future commitment*	2011/12 $	2010/11 $
Centre of National Research on Disability and Rehabilitation Medicine (CONROD) (2010-2013)	2,286,204	2,181,898	1,703,320
Centre for Accident Research and Road Safety Queensland (CARRS-Q) (2011-2014)	4,938,966	2,011,141	1,800,000
Department of Transport and Main Roads – Road Safety Initiatives	0	0	525,000
Queensland Health – Queensland Trauma Registry	0	1,096,795	1,358,507
University of Queensland ARC Linkage Grant – Financing and management of lifetime care and support in a mixed economy of care: a study of working age people with acquired disabilities and high support needs	0	0	18,100
University of Queensland ARC Linkage Grant – To investigate whether self-management increases the effectiveness of Vocational Rehabilitation for chronic compensated disorders.	0	0	50,000
University of Queensland – Investigate effectiveness of dry needling for chronic whiplash	0	80,000	80,000
University of Queensland – Randomised controlled trial to investigate effectiveness of a new exercise based treatment for chronic whiplash	0	28,062	28,062
University of Queensland – To undertake stage two of study on the use of stimulants in children with Traumatic Brain Injury	0	101,069	101,069
University of Queensland – To undertake a pilot project looking at the development of resources and trial of a Transition Coordinator position to facilitate the transition from child to adult based services for those with acquired brain injury.	149,288	0	159,288
Department of Transport and Main Roads – Funding to support Academic Strategic Transport Alliance (ASTRA)	154,410	48,501	47,089
Paediatric Rehabilitation Chair** – a collaborative funding initiative to establish a research and clinical Professorship within the Department of Paediatric Rehabilitation	998,087	0	0
Transitional Rehabilitation – service model development – investigating brain injury	Under discussion	22,376	0
Total funding allocated	8,526,955	5,569,842	5,870,435
Less refunds of residual grant funding			
Total Funding Returned	0	0	0
GRANT TOTAL (Allocated less returned)	8,526,955	5,569,842	5,870,435

* Estimate of grant funding committed for expenditure from 1 Jul 2012

** Co-funding over five years pending final funding confirmation from other funding partners

APPENDICES

Appendix 4: Grants and Sponsorships – continued

Ongoing projects funded in previous years

In the majority of cases, the following projects were previously funded by MAIC 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 reporting.

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

Research centres

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

Further information on CARRS-Q and CONROD's research and activities is available by visiting www.carrsq.qut.edu and www.uq.edu.au/conrod.

Sponsorship Program

In the 2011-12 financial year MAIC provided $62,954.54 in sponsorship funding for events and activities that promote either improved outcomes for persons injured in motor vehicle accidents or research and education about road safety and injury prevention. Notably, MAIC continued its sponsorship of the Spinal Education Awareness Team, which educates school children about spinal injuries and disability, and the Physiotherapy Evidence Database (PEDro) that provides physiotherapists with free access to over 19,000 randomised trials, systematic reviews and clinical practice guidelines. Both of these initiatives received $25,000 to subsidise their operations.

APPENDICES

Appendix 5: Committees

Committees as at 30 June 2012

Section 11 of the MAI Act provides that MAIC may establish one or more advisory committees to advise on exercising its statutory functions. MAIC has one Advisory Committee to provide independent and expert advice on a range of matters with the primary activity relating to setting the premium bands.

The structure of the 2011-12 committee was:

Chairperson: Bernard Rowley

Members: Henry Smerdon, Shauna Tomkins and Rowan Ward

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

Committee member	Area of expertise
Bernard Rowley, former CEO of Suncorp	Insurance industry and actuarial experience
Henry Smerdon, former Under Treasurer	Public policy experience
Shauna Tomkins, formerly with the Australian Financial Institutions Commission	Financial system regulatory experience
Rowan Ward, former Executive General Manager, Actuarial Services at Suncorp	Insurance industry and actuarial experience

From 1 July 2011 to 30 June 2012, a total of nine meetings of the Advisory Committee were held with no special assignments. The total remuneration to the Committee for the year was $15,732. These payments were made within the framework of the *Government's Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Justice and Attorney-General.

APPENDICES

Appendix 6: Performance Statement (SDS)

Service area: Motor Accident Insurance Commission/Nominal Defendant

Measures	Notes	2011-12 Target/Est.	2011-12 Est. Actual	2011-12 Actual
Service standards				
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		< 45%	< 45%	< 45%
CTP levy funds expended on grants per registered vehicle	1	$0.48	$0.36	$0.36
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year		50%	52%	52%
Other measures				
Setting of premium bands within legislated timeframes		100%	100%	100%
Recommendation to the Treasurer of annual CTP levies by legislated timeframes		100%	100%	100%
Percentage of Nominal Defendant claims settled within two years of compliance		50%	51%	51%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date		95%	95%	95%

1. The decrease in the 2011-12 Estimated actual is primarily due to an increase in MAIC's operating expenses as a result of additional positions approved in August 2011 following a review of operational requirements. However, other funding sources are available to fully fund grant commitments as grants are funded from Statutory Insurance Scheme Levy, penalties revenue and Queensland Investment Corporation investments.

   The grants program is developed to meet legislative requirements to fund activities including research that contributes to a reduction in the frequency and severity of road traffic crashes as well as improves outcomes for injured parties through enhanced injury management and rehabilitation practices.

APPENDICES

Appendix 7: Glossary

Term	Definition
Administration Fee	The fee payable to the Department of Transport and Main Roads for delivering administrative support for the CTP scheme.
AIS	The Abbreviated Injury Scale is an anatomically-based global severity scoring system that classifies each injury by body region according to its relative importance on a 6-point ordinal scale. This classification represents the 'threat to life' associated with each injury.
ASTRA	Academic Strategic Transport Alliance
CARRS-Q	Centre of Accident Research and Road Safety Queensland
CONROD	Centre of National Research on Disability and Rehabilitation Medicine
CTP	Compulsory Third Party
Heads of Damage	Categories of compensation including general damages, economic loss, treatment and rehabilitation, care, legal and other costs such as home and vehicle modifications.
HIH Surcharge	A component of the Nominal Defendant Levy designed to fund CTP liabilities which arose from the insolvency of FAI General Insurance Company Ltd on 1 March 2001. The HIH Levy was in place from 1 October 2001 to 1 October 2010.
Hospital and Emergency Services Levy	A levy which 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 accidents, who use such services and who are claimants or potential claimants under the CTP scheme.
Long-tail and short-tail insurance	In general terms, this name stems from the length of time (the tail) that it takes for a claim to be made and settled. For short-tail insurance products, claims are usually known and settled within 12 months. For long-tail insurance products, claims may not even be reported within 12 months, and settlements can take many years.
MAI Act	*Motor Accident Insurance Act 1994*
MAIC	Motor Accident Insurance Commission
Nominal Defendant Levy	A levy which covers the estimated costs of the Nominal Defendant scheme which provides funds to pay for claims relating to uninsured or unidentified vehicles.
PEDro	Physiotherapy Evidence Database
SPR	Scheme Performance Report. Measures the proportion of premium that goes to the benefit of injured claimants compared to the proportion that goes to scheme and insurer delivery costs.
Statutory Insurance Scheme Levy	A levy which covers the estimated operating costs of administering the *Motor Accident Insurance Act 1994*
Super Imposed Inflation	Super Imposed Inflation is defined as any inflationary factor which results in a rate of inflation greater than general economic inflation.
TBI	Traumatic Brain Injury
VSP	Voluntary Separation Program