Motor Accident Insurance Commission

Annual Report 2013-14

Letter of compliance/ Certification of financial statements

The Honourable Tim Nicholls MP
Treasurer of Queensland and Minister for Trade
GPO Box 611
Brisbane Qld 4001

Dear Treasurer

I am pleased to present the annual report 2013-14 and financial statements for the Motor Accident Insurance Commission and the Nominal Defendant.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* 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 www.maic.qld.gov.au

Yours sincerely

Neil Singleton

Neil Singleton
Insurance Commissioner

ISSN:1837-1450

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

Motor Accident Insurance Commission
GPO Box 1083, Brisbane Qld 4001
Phone: 1300 302 568
Email: maic@maic.qld.gov.au

Nominal Defendant
GPO Box 2203, Brisbane Qld 4001
Phone: 07 3035 6321
Email: nd@maic.qld.gov.au

Visit www.maic.qld.gov.au to view this annual report.

Table of contents

Letter of compliance/ Certification of financial statements Inside cover

About the CTP scheme and the Motor Accident Insurance Commission 2

Performance

Insurance Commissioner's Report 4

Report Card 6

CTP claimant survey outcomes 7

People

Leading the Motor Accident Insurance Commission 8

Our people 9

Governance

Managing risks 10

Audit and risk management committee 10

Internal and external accountability 10

Information systems and recordkeeping 10

Levies and Administration Fee 11

CTP scheme statistics

Statistical Information 12

Financial Information

Financial Information Table of Contents 21

MAIC Financial Information 22

Nominal Defendant Financial Information 49

Appendices

1-2: Actuarial Certificates 84

3: Licensed Insurers 86

4: Committees 87

5: Performance Statement (SDS) 88

6. Grants and Sponsorship 89

7: Glossary 91

About the CTP scheme and the Motor Accident Insurance Commission

Queensland's CTP scheme

Queensland's Compulsory Third Party (CTP) scheme is a common law, fault based scheme currently underwritten by four 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 a motor vehicle crash to which the *Motor Accident Insurance Act 1994* (the MAI Act) applies.

The Motor Accident Insurance Commission (MAIC) and the Nominal Defendant are statutory bodies established under the MAI Act to regulate and support the CTP scheme. MAIC regulates insurance premium costs by setting floor and ceiling premium bands for each vehicle class within which CTP insurers must set premiums. The Nominal Defendant compensates people who are injured as a result of the negligent driving of an unidentified or uninsured (no CTP insurance) motor vehicle. The Nominal Defendant has the extended role of meeting any claims costs of a licensed insurer who becomes insolvent.

An efficient system of CTP premium collection, through the motor vehicle registry of the Department of Transport and Main Roads (DTMR), minimises administration costs within the scheme.

About MAIC

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

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

Organisationally, MAIC and the Nominal Defendant are positioned within the Corporate Group of Queensland Treasury and Trade.

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.

Values

Customers first

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

Ideas into action

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

Unleash potential

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

Be courageous

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

Empower people

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

Role

MAIC is responsible for ensuring a fair, efficient, affordable and effective motor accident insurance scheme.

Responsibilities

MAIC is responsible for:

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

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 reduce the number of motor vehicle crashes and facilitate rehabilitation of injured people;
- developing and maintaining a claims register and statistical database for the purpose of providing management information; and
- administering the Nominal Defendant Fund.

How MAIC contributes to the Queensland Government objectives for the community

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

MAIC is actively revitalising front line services by investing in targeted research and service delivery initiatives which benefit motorists and improves health outcomes for people injured in motor vehicle crashes.

Strategic opportunities

MAIC has the opportunity to:

- deliver direct and tangible benefits to the insurance industry by reducing red tape in the Queensland CTP scheme; and
- transform the way MAIC and the Nominal Defendant deliver services through innovation, process improvements, strategic partnerships and ongoing renewal initiatives.

Strategic risks and challenges

Ongoing risks and challenges MAIC and the Nominal Defendant face include:

- Environmental factors such as claims trends, delivery costs and broader economic volatility can impact significantly on CTP premium rates. As a result, MAIC must continue to keep Queensland's CTP scheme under review.
- Legislative provisions relating to insurer insolvency and the protection afforded to injured parties through the Nominal Defendant.
- Keeping CTP affordable while managing a competitive insurer premium filing model.

Insurance Commissioner's Report

The Queensland CTP Scheme continues to perform in a stable and equitable manner

- **Annual Class 1 vehicle premiums rose to $334.60 or $336.60 depending on the choice of insurer (up 2.2 per cent and 2.7 per cent)**
    - No increase in the Nominal Defendant levy, DTMR administration fee and MAIC (SIS) levy
    - Taxi premiums fell by 1.3 per cent due to improved claims experience
- **Injured claimant survey reported overall satisfaction with the claims process**
    - Less than 1 per cent of claims progressed to Court Hearings with the majority resolving through early resolution processes
- **Scheme profitability for insurers remains sound**

MAIC remains focused on continually improving the Scheme.

- **Focus on scheme performance**
    - The frequency of new claims is falling – albeit not fast enough.
    - The duration of claims is reducing.
- **Focus on innovating and improving**
    - Supporting programs and initiatives that improve road safety.
        - Targeting 30 per cent reduction in road trauma by 2020
        - Sponsored QLD Central Region Road Safety promoting road safety messages from the Sunshine Coast to Bowen
    - Funded QUT Pilot – During the year, MAIC funded a pilot study by a team from QUT Information Systems School led by Professor Michael Rosemann and Professor Arthur ter Hofstede to identify whether there are opportunities to improve the CTP claims process. The results of the study were positive and it is pleasing to note that a more detailed and extensive study has recently received funding approval. MAIC will work with licensed insurers in supporting the QUT team as they progress this work over the coming two years.
    - MAIC funding for research through CONROD and CARRS-Q continues, with the CONROD funding agreement renewed this year. The new funding agreement introduces contestability principles as part of a focus on continually improving performance and ensuring best value for money outcomes are achieved through investments in research activity.
- **Focus on our people and resources**
    - Advisory Committee – Chair Bernard Rowley and Committee member Rowan Ward were both reappointed during the year. Their extensive CTP experience is highly regarded and I value their advice during each quarterly premium determination process.
    - Management changes – A number of key management personnel left MAIC or changed roles during the year. I thank Kim Birch, Gavin Charlton, Mike Jarrett and Bronwyn Jenner for their contributions to MAIC and the Queensland CTP Scheme. I welcome Bill Dwyer and Sarah Sawyer into key management roles with the Commission.
    - Continuing to invest in business intelligence tools to help improve analysis of Scheme Performance

A key outcome for the year was the Nominal Defendant launching its new claims management system called Connect. A dedicated project team including MAIC and Queensland Treasury and Trade Corporate Services personnel deserve high praise for their expertise and commitment in delivering Connect. The new system enables claims to be managed in a more efficient, paperless environment and supports the ongoing focus of our Claims Manager Kylie Horton and her team in delivering superior service and cost outcomes. All Connect costs were met by the Nominal Defendant and a payback on the investment will be achieved through a range of performance improvements and efficiency gains.

I thank all stakeholders to the scheme for their continued professionalism and support in helping deliver great outcomes for Queensland.

Neil Singleton
Insurance Commissioner

2013-14 **Year in review**

Taxi Premiums Reduced

DTMR Admin fee – no increase

Nominal Defendant Levy – no increase

SIS Levy – no increase

CTP Claims

$762m in claim Payments*

Claimant Survey 3.5/5

6,402 claims notified

3.9m Vehicles insured

Up 2.4% on last year

CTP Premiums

$1.47bn premium

6 month premium flat

12 month premium up only 2.2%

Licensed insurers

4 Insurers

- NRMA Exit **1 January 2014**
- Suncorp Licence Consolidation **1 July 2013**

Market Share by Premium

AAI	ALLIANZ	QBE	RACQI
51%	26%	7%	16%

- CTP insurers now lodge premium filings via Qtender website – paperless, improving efficiency and reducing cost.
- Nominal Defendant invests in new business process system to help further improve efficiency and cost control.
- QUT Information Systems School engaged to explore CTP claim process improvement opportunities.

Note: * Payment amount is based on payment date from 1 July 2013 to 30 June 2014.

Report card

Highlights	Performance Indicators	Notes	Target	Outcome
Objective 1. Provide a viable and equitable personal injury motor accident insurance scheme.				
▪ Effectively managed scheme providers including key changes initiated by NRMA ▪ Amended the MAI Act to facilitate enhanced stakeholder consultation ▪ Surveyed legally represented claimants of the CTP scheme ▪ Implemented enhanced scheme performance monitoring and reporting capability ▪ Transitioned CTP insurance premium filings to QTender, as from 1 July 2014 ▪ Reduced taxi premiums in recognition of improved taxi claim experience	Premium bands and levies set within legislated time-frames.		100%	100%
	MAIC funds expended on motor vehicle injury prevention and rehabilitation grants per registered vehicle.	1.	$1.56	$1.26
	Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings.		<45%	<45%
Objective 2. Continually improve the performance of the operation of the Nominal Defendant.				
▪ 2014-15 Nominal Defendant Levy held at the same level as 2013-14 ▪ Implemented a new Nominal Defendant claims management system ▪ Finalised 268 claims (including six FAI claims) ▪ Recovered $240,226 ▪ Earned $93,325,231 in investment income on the ND fund ▪ Received $50,790,190 from HIH Liquidators	The percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year.	2.	50%	58%
	Percentage of Nominal Defendant claims settled within two years of compliance with the *Motor Accident Insurance Act 1994.*	3.	50%	61.5%
	Percentage of Nominal Defendant claims paid within 60 days of the settlement date.		95%	95.3%
	Investment strategies align with the anticipated claims runoff.		100%	100%
Objective 3. Provide a corporate governance model that facilitates MAIC's vision and meets the State's financial and performance standards.				
▪ Delivered required business performance and outcomes within budget ▪ External audit reports and ongoing internal audits confirm our financial and corporate governance structure is appropriate to meet requirements ▪ Achieved cost efficiencies through reviews of external provider arrangements	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%

1. Actual grant funding to date is lower than anticipated primarily due to a timing difference in the payment of grants.
2. Favourable variance is due to higher than anticipated number of claims being finalised.
3. Claims can take two to three years to settle; consequently it is difficult to estimate the number of claims that will be finalised in any given period.

CTP claimant survey outcomes

In 2014, MAIC commissioned research to better understand the CTP claims experience and delivery of compensation benefits. Researchers interviewed 300 legally represented claimants with recently finalised claims, on various aspects of their experience of the CTP claims process.

The research has provided MAIC with valuable insight into the views and perspectives of CTP claimants.

Although claimants viewed the CTP claims process as complex and lengthy, they were generally satisfied with most aspects surveyed. Results were consistent with or were slightly more positive than results obtained in a previous MAIC commissioned claimant survey (reported in 2011) (Fig 1).

MAIC is also reviewing what actions need to be taken regarding two specific points of feedback - that some claimants advised they did not know the name of the CTP insurer, and some claimants advised they weren't aware they could claim for medical treatment prior to resolving their claim.

A specific area surveyed was around settlement amounts (Fig 2). Results indicated that on average claimants reported receiving 52 per cent of the recalled total settlement amount.

MAIC is undertaking analysis of these results to further understand the breakdown of claimant benefits and the impact on scheme efficiency.

MAIC conducted this research under its functions of reviewing the scheme and monitoring its efficiency.

Figure 2
Average distribution of reported settlement amounts

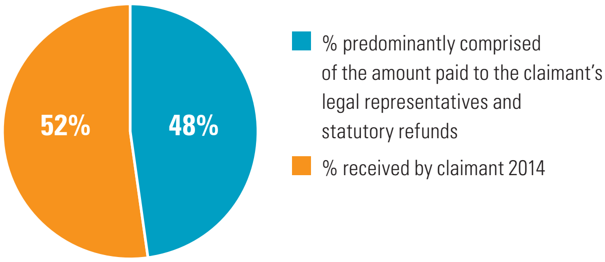
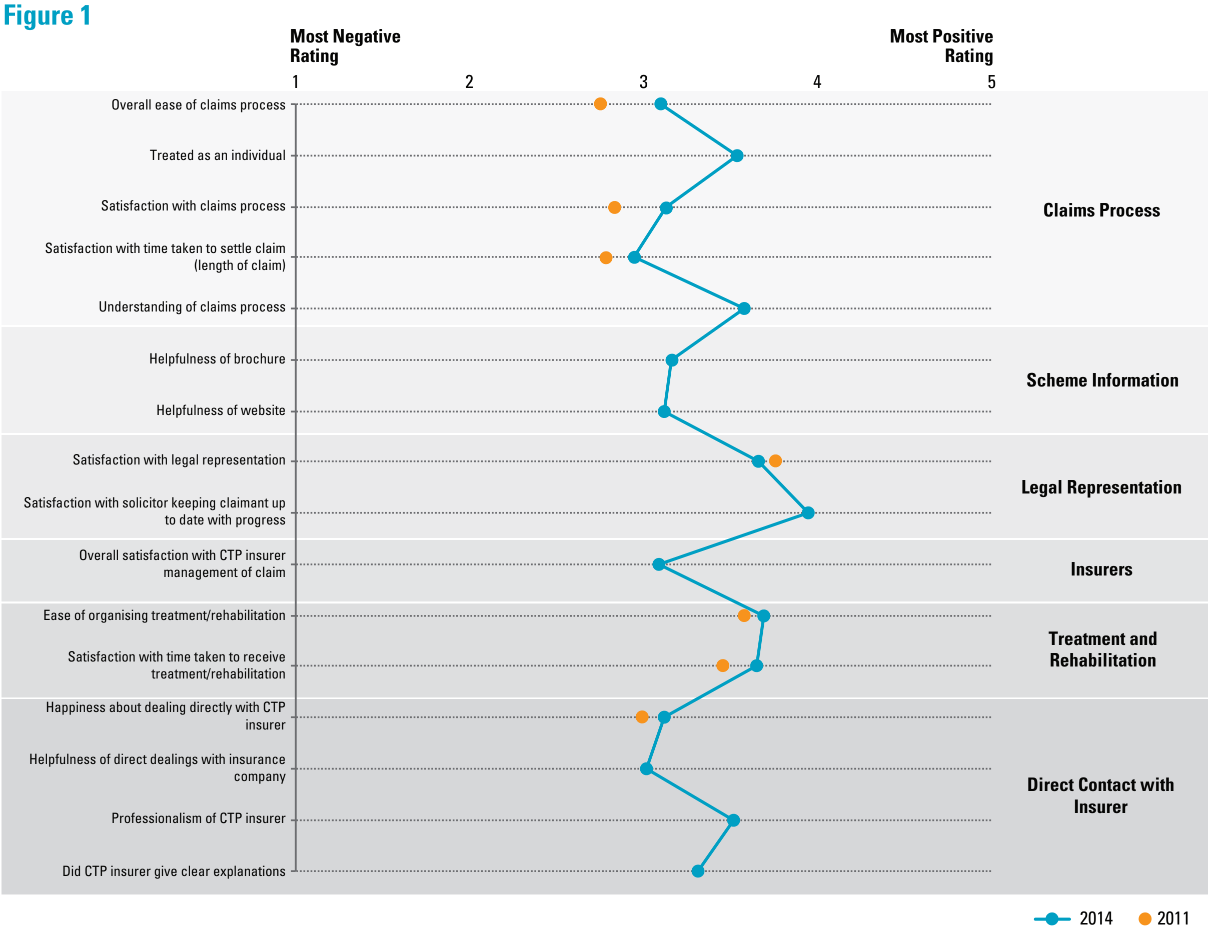


Figure 1



The base for statements above is "all respondents (n=300)" except for the following: *Helpfulness of brochure n=67, Helpfulness of website n=17, Happiness about dealing directly with CTP insurer n=52, Helpfulness of direct dealings with insurance company n=52, Professionalism of CTP insurer n=52, Did CTP insurer give clear explanations n=52.*

Leading the Motor Accident Insurance Commission

Reporting to the State Parliament through the Treasurer and Minister for Trade, Insurance Commissioner Neil Singleton sets the direction for MAIC and the Nominal Defendant. The Insurance Commissioner is supported by Director Corporate Governance Lina Lee, Director Business Solutions Sarah Sawyer, Director Claims Bill Dwyer and Manager Claims CTP Kylie Horton – collectively they are the leadership team.

The leadership team's role is to drive MAIC and the Nominal Defendant's performance, ensuring the organisation meets the objectives and major activities set out in the strategic plan. The Leadership Team is also responsible for determining operational policy and strategies to identify and manage key areas of risk.

The following roles comprised our leadership team, as at 30 June 2014.

Neil Singleton

Insurance Commissioner

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.

Lina Lee

Director Corporate Governance

B.Com, CA

Appointed to MAIC in 2006, Lina's responsibilities include strategic and business planning, financial management, office management, organisational reporting, business support 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.

Sarah Sawyer

Director Business Solutions

GAICD

Appointed to MAIC in June 2014. Prior to this appointment Sarah has acquired 14 years of experience working within QTT, responsible for a range of services including information technology, data, urban development research and office management. Sarah's responsibilities include providing strategic and operational direction for the systems and development, business intelligence and continuous improvement areas of MAIC.

Bill Dwyer

Director Claims

B.Laws

Appointed to MAIC in April 2014, Bill's responsibilities include the efficient and effective management of the claims activities of the Nominal Defendant. Bill has a legal background as well as a further 12 years in the insurance industry working for a national claims management service provider.

Kylie Horton

Manager Claims CTP

Appointed to MAIC in 2012, Kylie's responsibilities include the efficient and effective day-to-day management of the claims function of the Nominal Defendant. In fulfilling her role, Kylie has developed and implemented a number of claims management initiatives. Prior to Kylie's appointment to MAIC she had held a number of management positions within the personal injury claims environment.

Our people

Our people

MAIC works in partnership with Queensland Treasury and Trade (QTT) to create the right workplace with the right skills, culture and behaviour. As part of this partnership, MAIC has adopted QTT's frameworks for capability development, workforce planning, employee performance management, leadership and industrial and employee relations. QTT provides MAIC with strategic advice and support on issues such as recruitment, attraction, retention, induction, performance management, talent management and recognition.

In addition to providing MAIC with human resource support services, QTT's Human Resources branch also assists MAIC with meeting its obligations under the *Public Sector Ethics Act 1994*. MAIC staff access QTT's suite of online training modules specific to public sector ethics and the Queensland Government Code of Conduct. The online training package is rolled out to all new MAIC staff and all staff are required to complete the training annually.

In May 2014, QTT introduced the Great People capability system. Great People underpins our people management framework, ensuring MAIC has talented people within the Commission who are equipped and ready to lead others to deliver outcomes. Great People provide staff with clear, consistent and meaningful capabilities, allowing them to actively manage their career and performance, confident in the knowledge that they will be supported to achieve their full potential.

During the year, MAIC's workforce accessed QTT's flexible work arrangements and policies including part-time work arrangements and telecommuting. Staff also benefited from QTT's workplace health and wellbeing policy and services including annual flu vaccinations, the employee assistance program, access to first aid officers, corporate health insurance rates and the opportunity to attend health workshops.

MAIC's full-time equivalent staff establishment, employee expenses and key executive management personnel and remuneration information can be found in the Financial Information (pages 22-48 for MAIC and pages 49-83 for the Nominal Defendant). Additional information on QTT's workforce strategies and frameworks, along with workforce statistics that include MAIC, can be located in Treasury and Trade's annual report.

Governance

Our corporate governance framework ensures we:

- meet our statutory responsibilities under the MAI Act and other legislation;
- integrate risk management into organisational activity; and
- assess and enhance corporate governance processes, including our systems of internal control.

Managing risks

MAIC is committed to effective risk management and has adopted QTT's framework for proactively identifying, assessing and managing risks. In 2013-14, QTT released an updated policy and framework aimed at enhancing risk management capability, which MAIC has incorporated into its processes.

MAIC's leadership team is accountable for risks. As part of MAIC's ongoing planning and reporting processes, the leadership team identifies and monitors risks that may affect our ability to achieve our strategic objectives. Risk controls and treatment strategies are implemented and maintained. Risks are recorded in the Insurance Commission's risk register and reviewed on a quarterly basis. The updated risk register is forwarded to QTT's Board of Management where it is reviewed from a consolidated QTT perspective. The risk register is also reviewed annually by external auditors.

As an integral component of risk assessment MAIC is committed to business continuity management. This ensures continuity of key business services which are essential for or contribute to achievement of MAIC's objectives.

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

MAIC participates in QTT risk and accountability management through representation on the Audit and Risk Management Committee.

Audit and Risk Management Committee

Insurance Commissioner Neil Singleton represents MAIC on QTT's Audit and Risk Management Committee, where he accesses advice and assurance on the performance or discharge of functions and duties prescribed in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009*, and other relevant legislation and prescribed requirements.

The committee's key responsibilities include:

- considering audit and audit-related findings;
- assessing and enhancing our corporate governance processes including our systems of internal control and the internal audit function;
- evaluating and facilitating the practical discharge of the internal audit function, particularly in planning, monitoring and reporting;
- overseeing and appraising our financial and operational reporting processes through the internal audit function;
- reviewing risk management and mitigation strategies; and
- reviewing the effectiveness of our risk management framework and process for identifying, monitoring and managing significant business risks, including fraud.

In 2013-14, the committee met five times and considered a range of matters including reviewing the 2012-13 financial statements for MAIC and the Nominal Defendant.

Internal and external accountability

MAIC's governance framework includes both internal and external accountability measures.

QTT provide internal audit services to MAIC through an outsourced arrangement with PricewaterhouseCoopers (PwC). In 2013-14, Internal Audit provided an independent and objective assurance service operating in accordance with our Internal Audit Charter which incorporates key internal audit and ethical standards. This function is independent of the Queensland Audit Office (QAO), however, it does liaise with the QAO regularly to ensure appropriate assurance services are provided.

In 2013-14, Internal Audit delivered a program of work pursuant to the QTT three year Internal Audit plan, which was approved by the Audit and Risk Management Committee in July 2013. This plan is aligned to QTT and MAIC's key risk areas. Over the year, Internal Audit reviewed several key risk areas, drawing upon specialists as needed.

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.

More information on QTT's Audit and Risk Management framework including information about the committee can be located in QTT's annual report.

Information systems and recordkeeping

Effective record keeping is fundamental to good business as records are evidence of business activities, transactions and decisions. MAIC's strategic approach is to capture records in electronic formats where possible, and where necessary in paper form. MAIC's records are managed until they have completed their lifecycle where they are archived and disposed of in accordance with the Queensland State Archives Retention and Disposal schedule.

During this financial year we embarked on a significant project to reduce our use of paper and move to electronic record keeping. In May we also introduced a new claims management system which greatly reduces the need for paper as the majority of documents are stored on the system.

Governance – continued

MAIC's recordkeeping framework aligns with QTT's Information Management Framework. The framework aims to ensure our record management practices are consistent with other offices within the QTT portfolio and are compliant with current legislation and best practice record keeping standards. These include *Public Records Act 2002, Information Privacy Act 2009* and the *Right to Information Act 2009* (RTA) and *Information Standard 18 : Information Security, Information Standard 31 : Retention and Disposal of Government Information, Information Standard 34 : Metadata, Information Standard 38 : Use of ICT Facilities and Devices* and *Information Standard 40: Recordkeeping.*

MAIC supports the Queensland Government Open Data Initiative. In 2013-14, MAIC released 14 datasets including CTP scheme statistical data and annual report data. MAIC's Open Data sets are available at the following website: https://data.qld.gov.au/dataset/compulsory-third-party-ctp-statistics

Levies and Administration Fee

Queensland's CTP insurance premium contains levies and an administration fee to help cover the costs involved in delivering different components of the CTP scheme. These levies and administration fee are calculated annually and include the Statutory Insurance Scheme (SIS) Levy, the Nominal Defendant Levy, the Hospital and Emergency Services Levy and an Administration Free (payable to the Department of Transport and Main Roads(DTMR)).

The SIS Levy

The SIS 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 2013, the Levy remained unchanged at $1.85 per policy and the Levy collected income of $7.488 million in 2013-14.

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 2013, the Levy for Class 1 vehicles was $11.50, a reduction of $0.85 from 2012-13, with $45.657 million collected in 2013-14.

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 crashes, 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 2013, the Hospital and Emergency Services Levy increased by $1.65 to $18.55 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 2013, the Fee remains unchanged at $7.70 per policy. In the year 2013-14, $33.888 million was collected.

Statistical information 2013–14

Statistical information 2013–14

Insured vehicles by class

(Registrations as at 30 June 2014)

Class	Description	Vehicles	%
1	Cars and station wagons	2,610,847	66.98%
2	Motorised homes	13,955	0.36%
3	Taxis	2,708	0.07%
4	Hire vehicles	43,068	1.10%
5	Vintage, veteran, historic or street rods	23,302	0.60%
6	Trucks, utilities and vans with a GVM of 4.5t or less	774,084	19.86%
7	Trucks, prime movers and vans with a GVM > 4.5t	76,005	1.95%
8	Non-commercial buses	5,560	0.14%
9	Buses for school/health use	3,763	0.10%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,672	0.07%
10B	Buses operating under an integrated mass transit service contract, other than school service or restricted school service	2,147	0.06%
11	Buses not in class 8, 9, 10A or 10B	6,829	0.18%
12	Motorcycles with driver only	62,503	1.60%
13	Motorcycles with pillion passenger or side car	124,905	3.20%
14	Tractors	25,006	0.64%
15	Self-propelled machinery, fire engines	7,695	0.20%
16	Ambulances	1,056	0.03%
17	Motor vehicles used only for primary production	38,181	0.98%
19	Limited access registration	43,708	1.12%
20	Zone access registration	11,852	0.30%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	9,354	0.24%
23	Dealer plates	5,794	0.15%
24	Trailers	2,725	0.07%
Total		**3,897,719**	**100.00%**

Premium levy and fee collection

(1 July 2013 to 30 June 2014)

Description	$ ('000)
Total insurance premiums collected*	**1,473,481**
Nominal Defendant levy	-45,657
Statutory insurance scheme levy	-7,488
Hospital and emergency services levy	-73,407
Administration fee (Transport fee)	-33,888
Insurers' premiums#	**1,313,041**

Distribution of hospital and emergency services levy

	$ ('000)
Hospital	-65,235
Emergency	-8,172
	-73,407

Note: * Net of cancellations

Includes GST

Levies received for the period 1 July 2013 to 30 June 2014 are on a cash basis.

Statistical information 2013–14

Scheme performance

Delivery

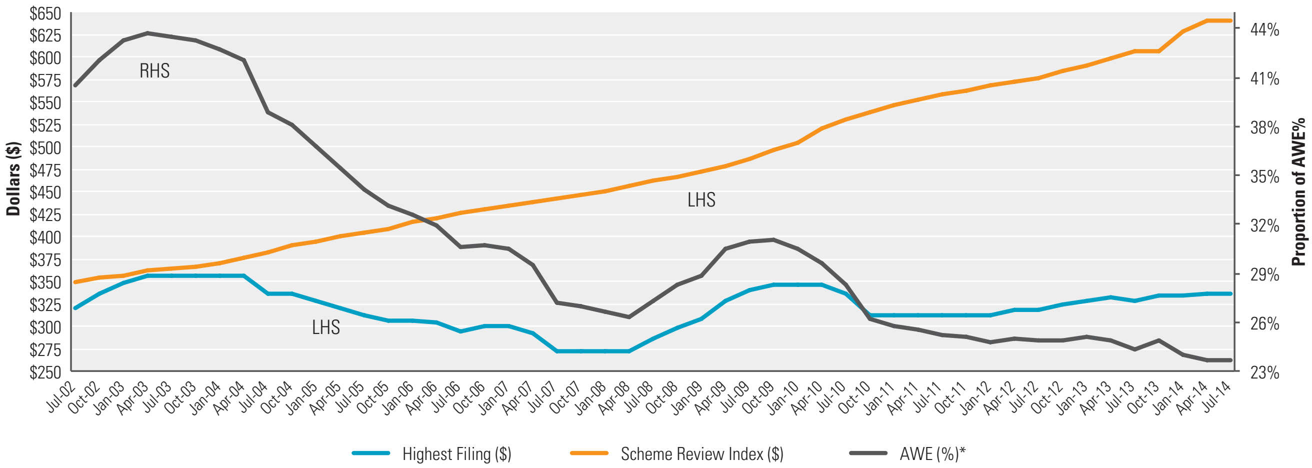
2.5% Super Imposed inflation scenario*	Scheme delivery							
	Claim benefits			Delivery costs				
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total
Most recent 2 years	63.7%	5.6%	**69.3%**	4.7%	3.1%	7.8%	15.0%	**30.7%**
Most recent 3 years	61.1%	5.5%	**66.5%**	4.6%	3.2%	7.7%	18.1%	**33.5%**
Most recent 5 years	55.6%	5.0%	**60.6%**	4.1%	3.1%	9.8%	22.3%	**39.4%**

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

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

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

Scheme Review Index vs Highest Filed Class 1 CTP Premium



Note: The scheme review index, also known as the affordability index means 45 per cent of Queensland full-time adult persons ordinary time earnings declared by the Australian Statistician in the original series of the statistician's average weekly earnings publication most recently published. Prior to the 1 April 2014 filing quarter, the scheme review index was 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.

* AWE(%) represents the highest filed Class 1 premium as a % of AWE (specifically the ordinary time earnings of a full-time adult).

Statistical information 2013–14

Average Class 1 filed premium

Insurer	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
AAMI	$357.00	$322.80	$301.45	$290.95	$272.00	$305.50	$344.00	$317.50	$311.25	$325.80		**
Allianz	$357.00	$326.05	$303.95	$292.20	$270.50	$302.50	$344.50	$315.25	$310.50	$325.80	$332.85	
NRMA	$357.00	$320.80	$299.70	$281.90	$259.30	$300.15	$345.25	$319.00	$314.25	$325.80	$331.10	*
QBE	$353.25	$325.10	$301.78	$281.80	$263.80	$300.70	$345.25	$319.00	$314.25	$325.80	$333.35	
RACQI	$357.00	$330.05	$305.70	$295.70	$272.00	$305.50	$345.25	$319.00	$314.25	$325.80	$333.35	
Suncorp	$355.75	$324.30	$303.70	$292.20	$272.00	$305.50	$345.25	$319.00	$314.25	$325.80	$333.35	**

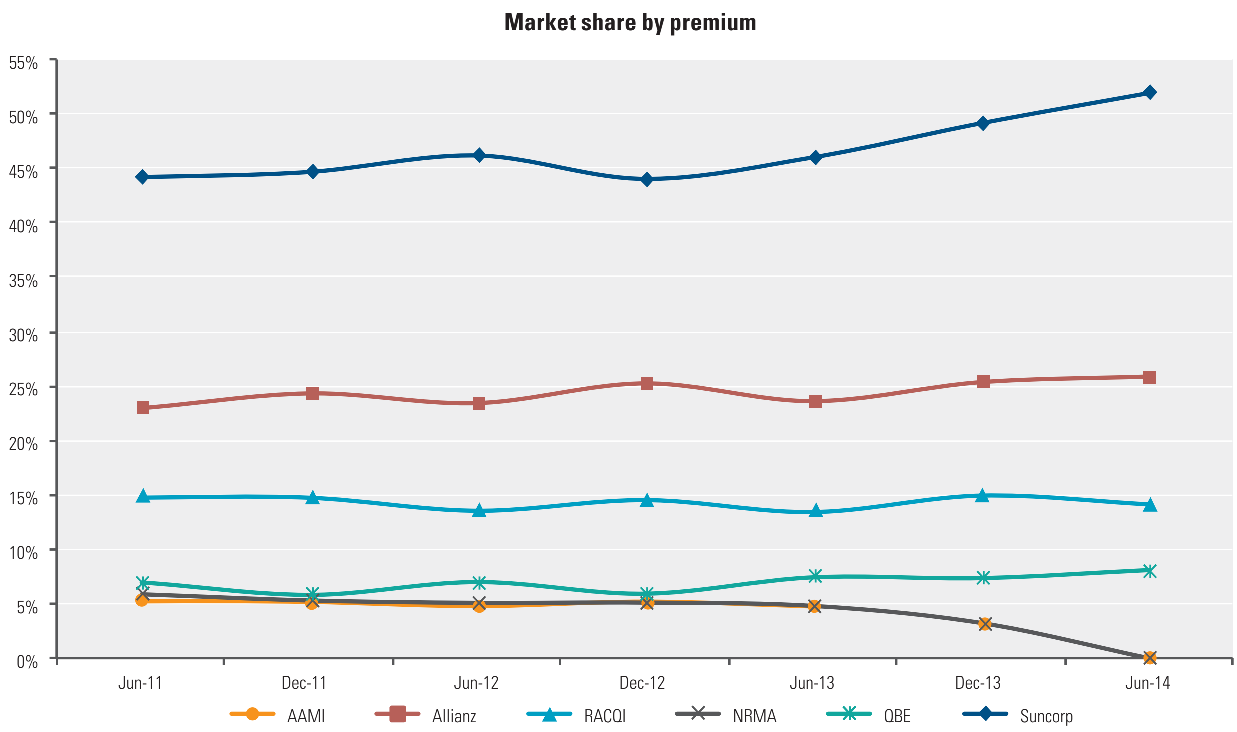
Note: Average Class 1 filed premiums include levies.

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

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

Market share by premium

(Six month intervals from 2011-2014)



Note: AAI (trading as Suncorp) has been granted a Qld CTP licence for writing CTP insurance policies as from 1 July 2013. AAMI and Suncorp had transferred their respective general insurance businesses to AAI on 1 July 2013.

Statistical information 2013–14

Number of accidents by region

(Accidents from 1 July 2004 to 30 June 2014)

Accident date	1 Jul 2004 – 30 Jun 2005		1 Jul 2005 – 30 Jun 2006		1 Jul 2006 – 30 Jun 2007		1 Jul 2007 – 30 Jun 2008		1 Jul 2008 – 30 Jun 2009	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
Brisbane	2,888	49.9%	2,788	50.8%	2,680	49.8%	2,614	49.0%	2,869	50.3%
Other SE QLD Region	1,677	29.0%	1,544	28.1%	1,572	29.2%	1,595	29.9%	1,651	28.9%
Regional QLD Region	959	16.6%	886	16.1%	880	16.3%	852	16.0%	907	15.9%
Interstate	260	4.5%	271	4.9%	251	4.7%	273	5.1%	281	4.9%
Total	**5,784**	**100.0%**	**5,489**	**100.0%**	**5,383**	**100.0%**	**5,334**	**100.0%**	**5,708**	**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 1 July 2004 to 30 June 2014 where relevant details are available)

Age group	Male	Female	Total	%
0-5	413	423	836	1.3%
6-15	1,278	1,386	2,664	4.1%
16-25	5,937	7,528	13,465	20.7%
26-35	6,692	7,418	14,110	21.7%
36-45	6,472	7,160	13,632	20.9%
46-55	5,045	5,821	10,866	16.7%
56-65	2,952	3,225	6,177	9.5%
66+	1,521	1,901	3,422	5.3%
Total	**30,310**	**34,862**	**65,172**	**100.0%**

Statistical information 2013–14

	1 Jul 2009 – 30 Jun 2010		1 Jul 2010 – 30 Jun 2011		1 Jul 2011 – 30 Jun 2012		1 Jul 2012 – 30 Jun 2013		1 Jul 2013 – 30 Jun 2014	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
	2,659	49.8%	2,829	49.0%	2,812	50.9%	2,723	50.7%	1,936	52.4%
	1,519	28.4%	1,698	29.4%	1,522	27.5%	1,477	27.5%	1,017	27.5%
	868	16.2%	914	15.8%	900	16.3%	909	16.9%	558	15.1%
	296	5.5%	331	5.7%	294	5.3%	265	4.9%	183	5.0%
	5,342	**100.0%**	**5,772**	**100.0%**	**5,528**	**100.0%**	**5,374**	**100.0%**	**3,694**	**100.0%**

Claim severity

(Finalised claims for accidents from 1 July 2004 to 30 June 2014)

AIS severity*	Description	Claims	%
1	Minor	37,797	70.8%
2	Moderate	7,844	14.7%
3	Serious	3,211	6.0%
4	Severe	411	0.8%
5	Critical	181	0.3%
6	Maximum#	775	1.5%
9	Admin^	3,136	5.9%
	Total	**53,355**	**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 and business claims.

Statistical information 2013–14

Rates of legal representation and litigation

(Accidents from 1 July 2004 to 30 June 2014)

Accident date	1 Jul 2004 – 30 Jun 2005	1 Jul 2005 – 30 Jun 2006	1 Jul 2006 – 30 Jun 2007	1 Jul 2007 – 30 Jun 2008	1 Jul 2008 – 30 Jun 2009	
Claims	7,100	6,663	6,515	6,514	7,007	
% Finalised	98.9%	98.7%	98.0%	97.1%	95.6%	
% Legal rep	73.3%	71.8%	72.8%	73.5%	74.5%	
% Litigated	5.1%	6.4%	8.3%	9.1%	9.4%	

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

Claim duration by licensed insurer

(Finalised claims for accidents from 1 July 2004 to 30 June 2014 where relevant details are available)

	Allianz	NRMA	QBE	RACQI	Suncorp	Average
Notification date to compliance date	0.6	0.6	0.6	0.8	0.8	0.8
Compliance date to liability decision date	1.9	1.8	3.2	3.7	2.7	2.7
Liability decision date to settlement date	16.2	13.8	15.6	13.8	16.1	15.7

Note: Timeframes = Average in months

Statistical information 2013–14

	1 Jul 2009 – 30 Jun 2010	1 Jul 2010 – 30 Jun 2011	1 Jul 2011 – 30 Jun 2012	1 Jul 2012 – 30 Jun 2013	1 Jul 2013 – 30 Jun 2014
	6,550	7,007	6,828	6,595	4,522
	92.5%	86.1%	70.7%	43.7%	12.9%
	75.5%	74.1%	75.1%	75.3%	78.0%
	9.0%	7.4%	5.4%	2.0%	0.0%

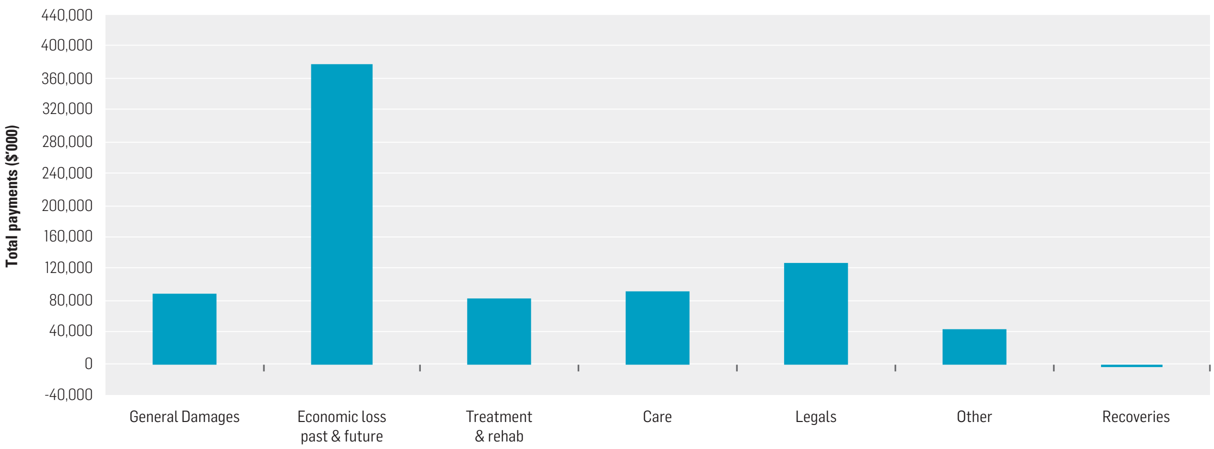
Heads of Damage breakdown

(Finalised claims from 1 July 2013 to 30 June 2014 for accidents from 1 July 2004 to 30 June 2014)

	General damages	Economic loss past & future	Treatment & rehab	Care	Legals	Other *	Recoveries #	Total
Finalised claims ^	5,833	5,305	6,799	1,284	4,296	6,307	127	**7,362**
% Finalised payments	11.0%	46.8%	10.3%	11.3%	15.6%	5.3%	-0.4%	**100.0%**
Total payments ($'000)	89,077	378,827	83,223	91,836	126,546	42,811	-2,994	**809,326**

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 in 2013–14



Statistical information 2013–14

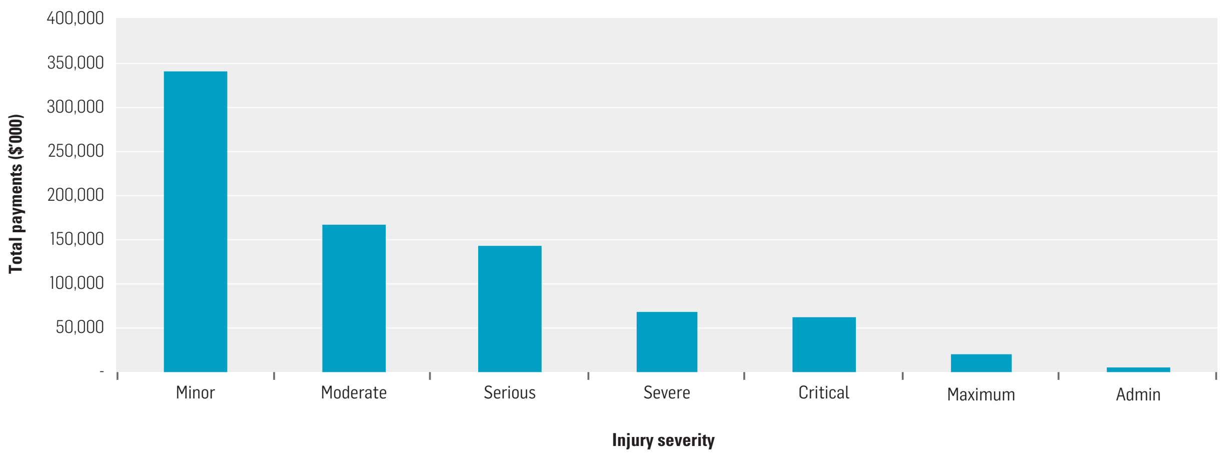
Injury severity costs breakdown

(Finalised claims from 1 July 2013 to 30 June 2014 for accidents from 1 July 2004 to 30 June 2014)

	AIS severity description							
	Minor	Moderate	Serious	Severe	Critical	Maximum *	Admin #	Total
Finalised claims ^	5,186	1,178	481	80	36	100	301	**7,362**
% Total payments	41.9%	20.7%	17.8%	8.4%	7.8%	2.5%	0.7%	**100.0%**
Average payment ($)	65,461	142,354	300,290	847,805	1,761,843	204,477	19,979	**109,933**
Total payments ($'000)	339,482	167,693	144,440	67,824	63,426	20,448	6,014	**809,326**

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 injury severity for claims finalised in 2013–14



Our financial information

Motor Accident Insurance Commission Financial Statements 2013–14

for the year ended 30 June 2014

Contents	Page No.
Statement of Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to and forming part of the financial statements	27
Management Certificate	46
Independent Auditor's Report	47

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 1300 302 568, email maic@maic.qld.gov.au or visit MAIC's internet site www.maic.qld.gov.au.

Nominal Defendant Financial Statements 2013–14

for the year ended 30 June 2014

Contents	Page No.
Statement of Comprehensive Income	50
Statement of Financial Position	51
Statement of Changes in Equity	52
Statement of Cash Flows	53
Notes to and forming part of the financial statements	54
Management Certificate	81
Independent Auditor's Report	82

These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:

Level 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 2013–14

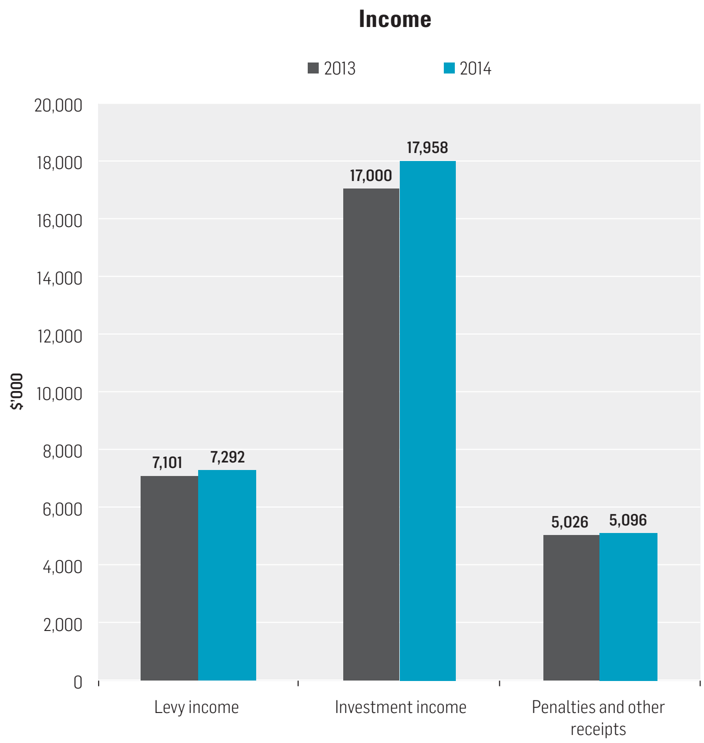
Motor Accident Insurance Commission

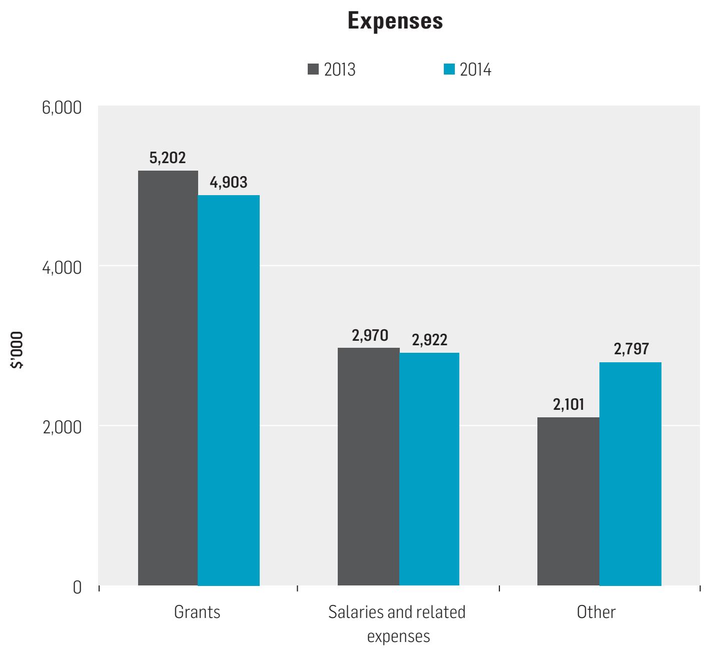
Financial Summary 2013-14

MAIC managed its business within budget and achieved an operating surplus of $19.72 million for the year ended 30 June 2014. The major driver of the increase were gains on investments held with QIC of $17.96 million due to the solid performance of the equity markets during the year.

The Statutory Insurance Scheme Levy remained unchanged from 1 July 2012 at $1.85 per policy and generated $7.29 million income in 2013-14 (prior year $7.10 million). Penalty fines and other receipts rose by $0.07 million to $5.10 million.

MAIC's total expenses for the year was $10.62 million (prior year $10.27 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. Details of the grant funding are provided in Appendix 6.





Financial information 2013–14

Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Income			
Levy income		7,292	7,101
Net fair value gains on financial assets		17,958	17,000
Interest income		180	204
Penalties and miscellaneous receipts		4,882	4,784
User charges		34	38
Total income		**30,346**	**29,127**
Expenses			
Grants	2	4,903	5,202
Employee expenses	3, 4	2,922	2,970
Supplies and services	5	2,739	2,040
Depreciation and amortisation	6	5	5
Other expenses	7	53	56
Total expenses		**10,622**	**10,273**
Operating result		**19,724**	**18,854**
Other comprehensive income		-	-
Total comprehensive income		**19,724**	**18,854**

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	8	2,951	3,007
Receivables	9	252	414
Financial assets	10	11,827	11,939
Total current assets		**15,030**	**15,360**
Non-current assets			
Financial assets	10	141,758	121,160
Plant and equipment	11	20	25
Intangible assets	12	-	-
Total non-current assets		**141,778**	**121,185**
Total assets		**156,808**	**136,545**
Current liabilities			
Payables	13	846	330
Accrued employee benefits	14	208	192
Total current liabilities		**1,054**	**522**
Non-current liabilities			
Accrued employee benefits	14	44	37
Total non-current liabilities		**44**	**37**
Total liabilities		**1,098**	**559**
Net assets		**155,710**	**135,986**
Equity			
Contributed equity		57,818	57,818
Accumulated surplus		97,892	78,168
Total equity		**155,710**	**135,986**

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2014

	Contributed equity $'000	Accumulated surplus $'000	Total equity $'000
Balance as at 1 July 2012	57,818	59,314	117,132
Operating result	-	18,854	18,854
Other comprehensive income	-	-	-
Balance as at 30 June 2013	**57,818**	**78,168**	**135,986**
Balance as at 1 July 2013	57,818	78,168	135,986
Operating result	-	19,724	19,724
Other comprehensive income	-	-	-
Balance as at 30 June 2014	**57,818**	**97,892**	**155,710**

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Inflows:			
Levy income		7,488	7,082
Interest income		178	226
Penalties and miscellaneous receipts		4,848	4,789
User charges		34	56
GST input tax credits from ATO		664	641
GST collected from customers		5	16
Outflows:			
Grants		(4,541)	(5,193)
Employee expenses		(2,884)	(2,980)
Supplies and services		(2,120)	(1,522)
GST remitted to ATO		(4)	(17)
GST paid to suppliers		(672)	(654)
Other		(52)	(56)
Net cash provided by operating activities	15	**2,944**	**2,388**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		-	1,500
Outflows:			
Payments for financial assets		(3,000)	(3,000)
Net cash used in investing activities		**(3,000)**	**(1,500)**
Net (decrease)/increase in cash and cash equivalents		**(56)**	**888**
Cash and cash equivalents at beginning of financial year		3,007	2,119
Cash and cash equivalents at end of financial year	8	**2,951**	**3,007**

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

Objectives and principal activities of MAIC

The Motor Accident Insurance Commission (MAIC) 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*, MAIC 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

MAIC 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 Queensland Treasury and Trade's *Financial Reporting Requirements* for the year ending 30 June 2014, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, MAIC has applied those requirements applicable to not-for-profit entities, as MAIC 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 MAIC.

(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 MAIC, upon receipt of monies from motorists.

Levies collected on behalf of Queensland Health and the Public Safety Business Agency 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 Public Safety Business Agency have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Health and the Public Safety Business Agency 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 Queensland Treasury and Trade (State Penalties Enforcement Registry) to MAIC, upon receipt of monies from uninsured motorists.

(d) Grants

The *Motor Accident Insurance Act 1994* provides for MAIC 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.

(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 MAIC and are recognised at their assessed values.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(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

Plant and equipment (that is not classified as major plant and equipment), is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they are measured at fair value).

The fair values reported by MAIC are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(j)).

(j) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by MAIC include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of MAIC's assets/liabilities. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of MAIC for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of MAIC's valuations of assets and liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 Fair Value Measurement by MAIC, there were no transfers of assets between fair value hierarchy levels during the period.

Fair value information about MAIC's financial instruments is outlined in Note 18. MAIC does not have any plant and equipment at fair value.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(k) Intangibles

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

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

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

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 MAIC, namely 5 years.

(l) 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 MAIC.

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

(m) 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, MAIC 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.

(n) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership.

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.

MAIC does not have any finance leases.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(o) Financial assets

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

(p) 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.

(q) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when MAIC 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.

MAIC does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, MAIC 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 MAIC are included in Note 18.

(r) 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 current remuneration rates.

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 MAIC 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 MAIC's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(r) Employee benefits – continued

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. MAIC'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 AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Key management personnel and remuneration

Key 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 and Trade. Refer to Note 4 for the disclosures on key management personnel and remuneration.

(s) Insurance

MAIC'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, MAIC pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(t) 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.

(u) Taxation

MAIC 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 MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 9).

(v) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Director, 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.

MAIC 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.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on MAIC's financial statements are those arising from AASB 13 *Fair Value Measurement*, as explained below.

AASB 13 *Fair Value Measurement* became effective 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 apply to all of MAIC's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' outside of MAIC, the amount of information disclosed has significantly increased.

A revised version of AASB 119 Employee Benefits became effective for reporting periods beginning on or after 1 January 2013. Given MAIC's circumstances, the only implications for MAIC were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the AASB 119 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 need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of 'other long-term employee benefits' are 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'. MAIC is not a member of the Queensland Government central scheme for annual leave and if 'short-term employee benefits' definition is not met, those employee benefits will be measured according to the AASB 119 requirements for 'other long-term employee benefits'. However, as MAIC is a member of the Queensland Government central scheme for long service leave, this change in criteria 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. MAIC makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on MAIC.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for 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 the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Pursuant to AASB 1053, public sector entities like MAIC 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 MAIC, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies (including MAIC) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on MAIC.

MAIC is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, MAIC has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. MAIC 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.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

AASB 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. MAIC will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

- 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*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for- Profit Entities - Control and Structured Entities*.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis of those accounting standards, MAIC has reviewed the nature of its relationship with other entities that MAIC is connected with, including entities that are not currently consolidated, to determine the impact of AASB 2013-8. MAIC's conclusion is that, based on existing circumstances, it will not have any control over any entities.

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. MAIC has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in future, MAIC will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 9 *Financial Instruments* 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]* will become effective for reporting periods beginning on or after 1 January 2017. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement and disclosures associated with the MAIC's 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.

MAIC 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, MAIC's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions MAIC enters into, it is not expected that any of MAIC's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2017-18 financial statements, all of MAIC'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(q) 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 MAIC's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

MAIC will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2017-18. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9.

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

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
2. Grants		
Strategic accident prevention research	3,084	2,697
Rehabilitation initiatives research	1,819	2,505
Total	**4,903**	**5,202**

3. Employee expenses

	2014 $'000	2013 $'000
Employee benefits		
Salaries and wages	2,105	2,220
Annual leave expense*	266	235
Employer superannuation contributions*	289	292
Long service leave levy*	44	38
Other employee benefits	16	17
Employee related expenses		
Workers' compensation premium*	6	7
Payroll tax*	128	130
Other employee related expenses	68	31
Total	**2,922**	**2,970**

*Refer to Note 1(r).

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

	2014	2013
Number of employees	24	23

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2013-14. Further information on current positions can be found in the body of the Annual Report under the section on Leading the Motor Accident Insurance Commission.

		Current incumbents	
Position	**Responsibilities**	**Contract classification and appointment authority**	**Date appointed to position (Date resigned from 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.	Common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994,* remunerated at SES2 equivalent	6-Feb-12 (24-Jan-14)
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of MAIC.	SO; *Public Service Act 2008*	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; *Public Service Act 2008*	7-Nov-11 (9-May-14)
Director, Business Solutions**	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; *Public Service Act 2008*	2-Jun-14

*This role ceased membership of the Executive Management Group effective 24 January 2014.
**This role was previously named Director, Technology and Business Intelligence.

(b) Remuneration expenses

Remuneration policy for MAIC's key 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 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 2013-14 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

Remuneration expenses for key management personnel comprise the following components:

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

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

1 July 2013 to 30 June 2014

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Insurance Commissioner	215	-	5	23	-	243
General Manager, Motor Accident Insurance Regulation (24-Jan-14)	81	-	5	10	-	96
Director, Corporate Governance	134	-	4	16	-	154
Director, Technology and Business Intelligence (9-May-14)	110	-	2	11	-	123
Director, Business Solutions	8	-	-	1	-	9

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

1 July 2012 to 30 June 2013

Position (date resigned if applicable)	Short term employee expenses					
	Monetary expenses $'000	Non-monetary expenses $'000	Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Insurance Commissioner	211	-	5	23	-	239
General Manager, Motor Accident Insurance Regulation	140	10	4	17	-	171
Director, Corporate Governance	127	-	1	16	-	144
Director, Technology and Business Intelligence	128	-	3	12	-	143

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2014 $'000	2013 $'000
5. Supplies and services		
Computer facilities management fee	352	390
Consultants and contractors	966	573
Rent	298	275
Supplies and consumables	327	182
Corporate services fee	154	154
QIC management fee	433	385
Professional services	128	69
Actuarial fees	80	-
Other	1	12
Total	**2,739**	**2,040**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
6. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	5	5
Total	**5**	**5**

	2014 $'000	2013 $'000
7. Other expenses		
External audit fees	20	20
Insurance premiums - QGIF	26	24
Other	7	12
Total	**53**	**56**

Total audit fees paid to the Queensland Audit Office relating to the 2013-14 financial year are estimated to be $20,000 (2013: $19,900). There are no non-audit services included in this amount.

	2014 $'000	2013 $'000
8. Cash and cash equivalents		
Cash at bank and on hand	2,951	3,007
Total	**2,951**	**3,007**

Interest on cash held with Queensland Treasury earned between 1.56% to 1.81% in 2014 (2013: 2.01% to 2.55%).

	2014 $'000	2013 $'000
9. Receivables		
Accrued investment and levy income	50	244
Penalties receivable	145	111
GST receivable	56	47
GST payable	(1)	-
Other receivables	2	12
Total	**252**	**414**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
10. Financial assets		
Current		
Queensland Investment Corporation investments	11,827	11,939
Non-current		
Queensland Investment Corporation investments	141,758	121,160
Total	**153,585**	**133,099**
11. Plant and equipment		
Plant and equipment: At cost		
Gross	60	60
Less: accumulated depreciation	(40)	(35)
Total	**20**	**25**
Plant and equipment reconciliation		
Carrying amount at 1 July	25	30
Depreciation	(5)	(5)
Carrying amount at 30 June	**20**	**25**
12. Intangible assets		
Internally generated software: At cost		
Gross	270	270
Less: accumulated amortisation	(270)	(270)
Total	**-**	**-**
13. Payables		
Sundry creditors and accruals	846	330
Total	**846**	**330**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
14. Accrued employee benefits		
Current		
Annual leave payable	198	192
Accrued salaries and wages	10	-
Total	**208**	**192**
Non-current		
Annual leave payable	44	37
Total	**44**	**37**

The discount rate used to calculate the present value of the non-current annual leave is 2.5% (2013: 2.5%).

15. Reconciliation of operating result to net cash from operating activities

	2014 $'000	2013 $'000
Operating result	19,724	18,854
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(17,486)	(16,593)
Non-cash items:		
Depreciation and amortisation expense	5	5
Changes in assets and liabilities:		
(Increase)/decrease in receivables	162	15
Increase/(decrease) in payables	516	121
Increase/(decrease) in accrued employee benefits	23	(14)
Net cash from operating activities	**2,944**	**2,388**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

16. Agency transactions

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

	2014 $'000	2013 $'000
Levies		
Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.		
Levies collected but not remitted in the previous year	5,518	5,337
Hospital levy	65,235	46,041
Emergency Services levy	8,172	17,508
Total	**78,925**	**68,886**
Contributions		
Comprise payments to Queensland Health and the Public Safety Business Agency on account of levies received from the Department of Transport and Main Roads.		
Hospital levy contributions	62,997	45,910
Emergency Services levy contributions	9,343	17,458
Total	**72,340**	**63,368**
Amounts collected on behalf of but not yet remitted to Queensland Health and the Public Safety Business Agency in respect of hospital and emergency services levies at 30 June:		
Hospital levy	6,236	3,998
Emergency Services levy	349	1,520
Total	**6,585**	**5,518**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
17. Commitments for expenditure		
(a) 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:		
▪ Not later than one year	374	429
▪ Later than one year and not later than five years	-	104
Total	**374**	**533**
(b) 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:		
▪ Not later than one year	2,987	5,125
▪ Later than one year and not later than five years	28	2,959
Total	**3,015**	**8,084**

18. Financial instruments

(a) Categorisation of financial instruments

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

Category	Notes	2014 $'000	2013 $'000
Financial assets			
Cash and cash equivalents	8	2,951	3,007
Receivables	9	252	414
Financial assets	10	153,585	133,099
Total		**156,788**	**136,520**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	13	846	330
Total		**846**	**330**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

18. Financial instruments – continued

(b) Financial risk management

MAIC'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 MAIC policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of MAIC.

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

MAIC 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

(c) Credit risk exposure

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

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 MAIC.

MAIC manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that MAIC 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 allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to MAIC, according to the due date (normally terms of 30 days). Economic changes impacting MAIC's debtors, and relevant industry rate, also form part of MAIC's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If MAIC determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debit, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

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**
2014					
Receivables	252	-	-	-	252
Total	**252**	**-**	**-**	**-**	**252**
2013					
Receivables	414	-	-	-	414
Total	**414**	**-**	**-**	**-**	**414**

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

18. Financial instruments – continued

(d) Liquidity risk

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

MAIC manages liquidity through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring MAIC 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 MAIC. 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			
	Notes	**< 1 year $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
2014					
Payables	13	846	-	-	846
Total		**846**	**-**	**-**	**846**
2013					
Payables	13	330	-	-	330
Total		**330**	**-**	**-**	**330**

(e) Market risk

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

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

(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 MAIC's financial assets. With all other variables held constant, MAIC would have a surplus and equity increase/(decrease) of $30,000 (2013: $30,000) due to interest rate risk and $1,536,000 (2013: $1,331,000) due to unit price risk.

MAIC'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) 2014 $'000	Equity 2014 $'000	Profit/(loss) 2013 $'000	Equity 2013 $'000
Interest rate risk	+1	30	30	30	30
	–1	(30)	(30)	(30)	(30)

MAIC'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) 2014 $'000	Equity 2014 $'000	Profit/(loss) 2013 $'000	Equity 2013 $'000
Unit price risk	+1	1,536	1,536	1,331	1,331
	–1	(1,536)	(1,536)	(1,331)	(1,331)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the fair value hierarchy as disclosed in Note 1(j).

According to the fair value hierarchy, MAIC 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 2013–14

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), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

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

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2014 and of the financial position of MAIC at the end of that year; and

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

L LEE
B.Com, CA
Director Corporate Governance

25 August 2014

N SINGLETON
B.Bus (Insurance), MBA, ANZIFF (Fellow), CIP, GAICD
Insurance Commissioner

25 August 2014

Financial information 2013–14

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 the Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2014, 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 Director 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 AuditorGeneral 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.

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

(a) 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
- (i) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Financial information 2013–14

Motor Accident Insurance Commission

Independent Auditor's Report – continued

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

M Keane

QUEENSLAND
2 9 AUG 2014
AUDIT OFFICE

M KEANE CA
As Delegate of the AuditorGeneral of Queensland

Queensland Audit Office
Brisbane

Financial information 2013–14

Nominal Defendant

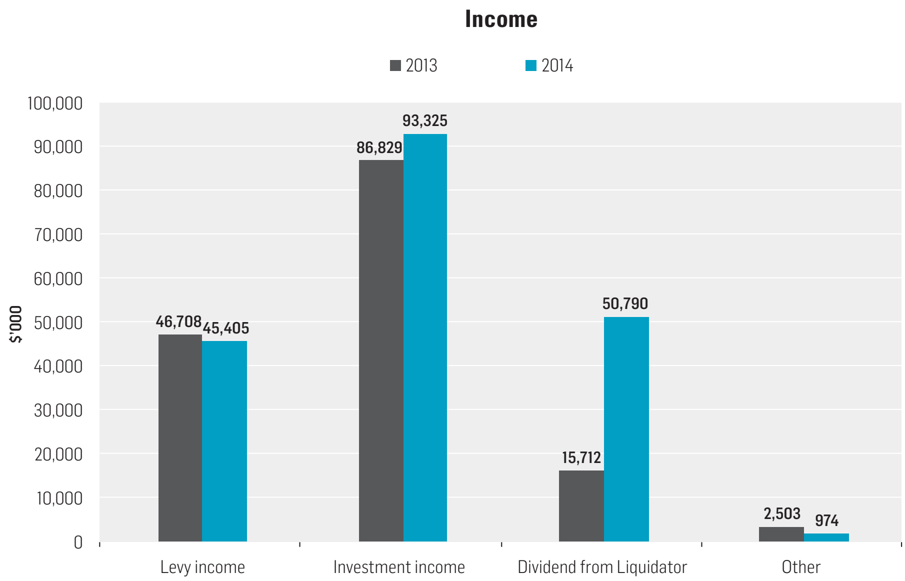
Financial Summary 2013-14

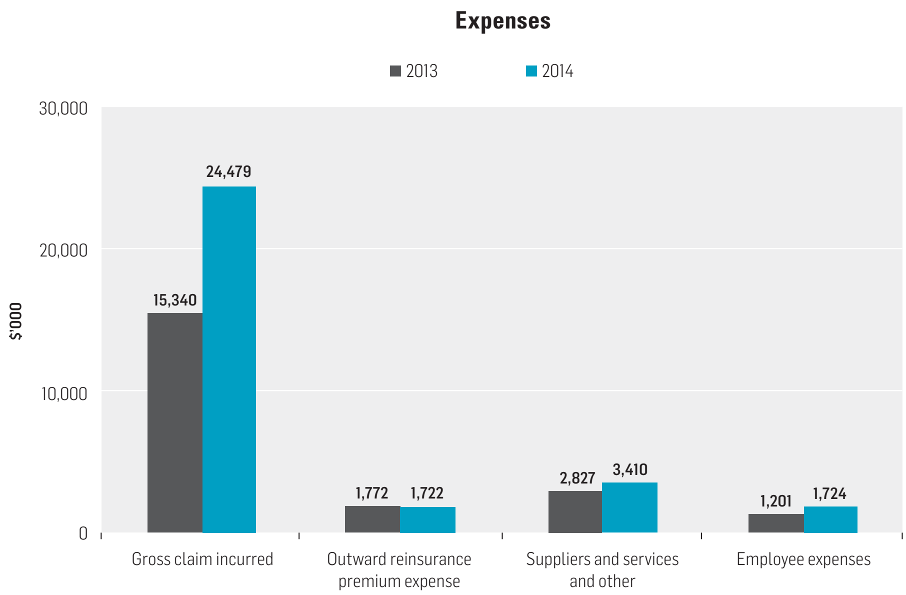
The operating surplus of the Nominal Defendant for the year ended 30 June 2014 was $159.16 million compared to the prior year's operating surplus of $130.61 million.

The major drivers for the increased income were increases in dividends received from the HIH liquidation ($50.79 million versus prior year $15.71 million) and gains on investments held with QIC due to the solid performance of the equity markets during the year ($93.33 million versus prior year $86.83 million).

In relation to the normal business of the Nominal Defendant, claim payments were $43.95 million (compared to prior year $31.78 million) and claim recoveries were $3.47 million (prior year $0.91 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2014 and decreased by $19.59 million to $133.14 million.

The Nominal Defendant levy decreased by $0.85 to $11.50 per Class 1 vehicle from 1 July 2013 reflecting overall stability in claims experience. The reduction in the Levy resulted in a $1.3 million decrease in levy income to $45.41 million compared to prior year's $46.71 million.





Financial information 2013–14

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Income			
Levy income	2	45,405	46,708
Net fair value gains on financial assets		93,325	86,829
Dividends received from FAI liquidator		50,790	15,712
Reinsurance and other recoveries	3	919	2,441
Interest income		55	62
Total income		**190,494**	**151,752**
Expenses			
Gross claims incurred	3	24,479	15,340
Outward reinsurance premium expense	2	1,722	1,772
Employee expenses	4, 5	1,724	1,201
Supplies and services	6	3,283	2,787
Depreciation and amortisation	7	89	2
Other	8	38	38
Total expenses		**31,335**	**21,140**
Operating result		**159,159**	**130,612**
Other comprehensive income		**-**	**-**
Total comprehensive income		**159,159**	**130,612**

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Financial Position

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	3,948	3,014
Receivables	10	3,212	2,430
Financial assets	11	172,552	170,525
Reinsurance and other recoveries on outstanding claims	16	1,002	3,666
Total current assets		**180,714**	**179,635**
Non-current assets			
Financial assets	11	645,456	515,034
Reinsurance and other recoveries on outstanding claims	16	3,973	3,999
Plant and equipment	12	9	11
Intangible assets	13	3,547	1,824
Total non-current assets		**652,985**	**520,868**
Total assets		**833,699**	**700,503**
Current liabilities			
Payables	14	452	511
Accrued employee benefits	15	145	165
Outstanding claims liability	16	31,383	45,016
Unearned levies		22,128	23,129
Total current liabilities		**54,108**	**68,821**
Non-current liabilities			
Accrued employee benefits	15	65	43
Outstanding claims liability	16	117,620	128,892
Total non-current liabilities		**117,685**	**128,935**
Total liabilities		**171,793**	**197,756**
Net assets		**661,906**	**502,747**
Equity			
Contributed equity		121	121
Accumulated surplus		661,785	502,626
Total equity		**661,906**	**502,747**

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2014

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2012	372,014	121	372,135
Operating result	130,612	-	130,612
Other comprehensive income	-	-	-
Balance as at 30 June 2013	**502,626**	**121**	**502,747**
Balance as at 1 July 2013	502,626	121	502,747
Operating result	159,159	-	159,159
Other comprehensive income	-	-	-
Balance as at 30 June 2014	**661,785**	**121**	**661,906**

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Inflows:			
Levy income		45,657	46,350
Interest income		56	70
Dividends received from FAI liquidator		51,754	14,748
Reinsurance and other recoveries		622	1,231
GST input tax credits from ATO		872	780
GST collected from customers		20	9
Outflows:			
Gross claims incurred		(49,384)	(35,416)
Outward reinsurance premium expense		(1,746)	(1,742)
Employee expenses		(1,745)	(1,113)
Supplies and services		(891)	(695)
GST paid to suppliers		(866)	(788)
GST remitted to ATO		(20)	(9)
Other		(46)	(34)
Net cash provided by operating activities	17	**44,283**	**23,391**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		8,000	1,000
Outflows:			
Payments for plant and equipment and intangibles		(1,849)	(1,650)
Payments for financial assets		(49,500)	(23,000)
Net cash used in investing activities		**(43,349)**	**(23,650)**
Net increase/(decrease) in cash and cash equivalents		**934**	**(259)**
Cash and cash equivalents at beginning of financial year		3,014	3,273
Cash and cash equivalents at end of financial year	9	**3,948**	**3,014**

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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.

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 Queensland Treasury and Trade's *Financial Reporting Requirements* for the year ending 30 June 2014, 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 equity 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*.

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.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(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 have 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 (s)). 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*.

(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

Plant and equipment (that is not classified as major plant and equipment), is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they are measured at fair value).

The fair values reported by the Nominal Defendant are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(l)).

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(l) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Nominal Defendant include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Nominal Defendant assets/liabilities. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of the Nominal Defendant for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the Nominal Defendant's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by the Nominal Defendant, there were no transfers of assets between fair value hierarchy levels during the period.

Fair value information about the Nominal Defendant's Financial Instruments is outlined in Note 19.

The Nominal Defendant does not have any Plant and Equipment at fair value.

(m) Intangibles

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

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

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.

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

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

(n) 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.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(n) Amortisation and depreciation of intangibles and plant and equipment – continued

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
Internally generated software	14.29

(o) 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.

(p) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership.

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.

(q) 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.

(r) 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.

(s) 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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(t) 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 other 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.

(u) 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 current remuneration rates.

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*.

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 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 and General Government Sector Financial Reporting*.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(u) Employee benefits – continued

Key management personnel and remuneration

Key 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 and Trade. Refer to Note 5 for the disclosures on key management personnel and remuneration.

(v) 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.

(w) 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.

(x) 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).

(y) Issuance of financial statements

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

(z) 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 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 (s) 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.

(aa) 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.

(ab) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on the Nominal Defendant's financial statements are those arising from AASB 13 Fair Value Measurement, as explained below.

AASB 13 *Fair Value Measurement* became effective 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 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 impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(ab) New and revised accounting standards – continued

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not accessible outside the Nominal Defendant, the amount of information disclosed has significantly increased. Note 1(l) explains some of the principles underpinning the additional fair value information disclosed.

A revised version of AASB 119 *Employee Benefits* became effective for reporting periods beginning on or after 1 January 2013. Given the Nominal Defendant's circumstances, the only implications for the Nominal Defendant were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the AASB 119 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 need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of 'other long-term employee benefits' are 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. The Nominal Defendant makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on the Nominal Defendant.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for 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 the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

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, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies (including the Nominal Defendant) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on the Nominal Defendant.

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 Queensland Treasury and Trade. 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 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. The Nominal Defendant will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(ab) New and revised accounting standards – continued

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

- 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*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for- Profit Entities - Control and Structured Entities*.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis of those accounting standards, the Nominal Defendant has reviewed the nature of its relationship with other entities that the Nominal Defendant is connected with, including entities that are not currently consolidated, to determine the impact of AASB 2013-8. The Nominal Defendant's conclusion is that it will not have any control over any entities.

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. The Nominal Defendant has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in future, the Nominal Defendant will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 9 *Financial Instruments 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*] will become effective for reporting periods beginning on or after 1 January 2017. 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 the Nominal Defendant's 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 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 2017-18 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 (t) 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.

The Nominal Defendant will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2017-18. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9.

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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
2. Net levy income		
Levy income	45,405	46,708
Outward reinsurance premium expense	(1,722)	(1,772)
Net levy income	**43,683**	**44,936**
3. Net claims incurred		
(a) Claims analysis		
Gross claims incurred	24,479	15,340
Reinsurance and other recoveries	(919)	(2,441)
Total net claims incurred	**23,560**	**12,899**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	24,361	16,274
Reinsurance and claims recoveries	(314)	(2,504)
	24,047	**13,770**
Net claims incurred attributable to FAI		
Gross claims incurred	118	(934)
Reinsurance and other recoveries	(605)	63
	(487)	**(871)**
Total net claims incurred	**23,560**	**12,899**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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.

Claims attributable to Nominal Defendant

	2014			2013		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	47,768	(25,722)	22,046	50,166	(34,327)	15,839
Discount	(5,454)	7,769	2,315	(6,078)	6,513	435
	42,314	(17,953)	24,361	44,088	(27,814)	16,274
Reinsurance and other recoveries						
Undiscounted	996	(814)	182	1,044	1,448	2,492
Discount	(112)	244	132	(125)	137	12
	884	(570)	314	919	1,585	2,504
Net claims incurred – discounted	**41,430**	**(17,383)**	**24,047**	**43,169**	**(29,399)**	**13,770**

Claims attributable to FAI

	2014			2013		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	-	(1,098)	(1,098)	-	(179)	(179)
Discount	-	1,216	1,216	-	(755)	(755)
	-	118	118	-	(934)	(934)
Reinsurance and other recoveries						
Undiscounted	-	618	618	-	(12)	(12)
Discount	-	(13)	(13)	-	(51)	(51)
	-	605	605	-	(63)	(63)
Net claims incurred – discounted	**-**	**(487)**	**(487)**	**-**	**(871)**	**(871)**
Total net claims incurred – discounted	**41,430**	**(17,870)**	**23,560**	**43,169**	**(30,270)**	**12,899**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'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.

	2014 $'000	2013 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	43,947	31,776
Movement in outstanding claims liability	(19,586)	(15,502)
	24,361	**16,274**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	5,437	3,639
Movement in outstanding claims liability	(5,319)	(4,573)
	118	**(934)**
Total gross claims incurred	**24,479**	**15,340**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	3,466	914
Movement in reinsurance and other recoveries receivable	(3,152)	1,590
	314	**2,504**
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	143	361
Movement in reinsurance and other recoveries receivable	462	(424)
	605	**(63)**
Total reinsurance and other recoveries	**919**	**2,441**
Net claims incurred	**23,560**	**12,899**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,306	876
Annual leave expense*	115	126
Employer superannuation contributions*	176	124
Long service leave levy*	25	10
Termination benefits	16	-
Employee related expenses		
Workers' compensation premium*	3	3
Payroll tax*	77	56
Other employee related expenses	6	6
Total	**1,724**	**1,201**

*Refer to Note 1(u).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	16	22

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

	2014 $'000	2013 $'000
Employee benefits		
Salaries and wages	29	32
Annual leave expense*	3	3
Employer superannuation contributions*	4	4
Long service leave levy*	1	-
Employee related expenses		
Payroll tax*	2	2
Total	**39**	**41**

*Refer to Note 1(u).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	1	1

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

5. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section on Leading the Motor Accident Insurance Commission.

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
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Nominal Defendant.	SO; *Public Service Act 2008*	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; *Public Service Act 2008*	7-Nov-11 (9-May-14)
Director, Business Solutions*	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; *Public Service Act 2008*	2-Jun-14
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 (21-Mar-14)
Director, Claims**	Responsible for the effective management and internal control of the Nominal Defendant claims management unit.	SO; *Public Service Act 2008*	1-May-14

*This position was previously named Director, Technology and Business Intelligence.

**This position was previously named Manager, Claims.

(b) Remuneration expenses

Remuneration policy for the Nominal Defendant's key 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 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 2013-14 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

5. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

Remuneration packages for key management personnel comprise the following components:

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

The remuneration below includes remuneration in connection with the management of the Nominal Defendant and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

The other key management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under Note 4.

1 July 2013 to 30 June 2014

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Director, Claims	25	-	1	2	-	28
Manager, Claims (21-Mar-14)	92	-	3	11	53	159

1 July 2012 to 30 June 2013

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Manager, Claims	122	-	3	15	-	140

(c) Performance Payments

Performance bonuses are not paid under the contracts in place.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
6. Supplies and services		
QIC management fee	2,179	2,020
Computer facilities management fee	225	285
Rent	179	159
Consultants and contractors	454	134
Corporate services fee	131	131
Supplies and consumables	70	58
Actuarial fees	43	-
Other	2	-
Total	**3,283**	**2,787**
Supplies and services attributable to FAI are included in the figures listed above:		
Computer facilities management fee	2	13
Rent	4	3
Consultants and contractors	-	1
Total	**6**	**17**
7. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	2	2
Intangibles	87	-
Total	**89**	**2**
8. Other expenses		
Audit fees	37	36
Insurance premiums – QGIF	1	1
Other	-	1
Total	**38**	**38**

Total audit fees paid to the Queensland Audit Office relating to the 2013-14 financial year are estimated to be $36,500 (2012-13 $35,800). There are no non-audit services included in this amount.

Other expenses attributable to FAI are included in the figures listed above:		
Audit fees	5	5
Total	**5**	**5**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
9. Cash and cash equivalents		
Cash at bank and on hand	3,948	3,014
Total	**3,948**	**3,014**

Interest on cash held with Queensland Treasury earned between 1.56% to 1.81% in 2014 (2013: 2.01% to 2.55%).

	2014 $'000	2013 $'000
10. Receivables		
Accrued investment and levy income	13	1,267
Sharing recoveries receivable on paid claims	247	124
Reinsurance recoveries on paid claims	2,863	-
Dividend receivable from FAI liquidator	-	964
GST receivable	65	71
Other receivables	24	4
Total	**3,212**	**2,430**
Receivables attributable to FAI are included in the figures listed above:		
Sharing recoveries receivable on paid claims	247	124
Dividend receivable from FAI liquidator	-	964
Total	**247**	**1,088**

	2014 $'000	2013 $'000
11. Financial assets		
Current		
Queensland Investment Corporation investments	172,552	170,525
Non-current		
Queensland Investment Corporation investments	645,456	515,034
Total	**818,008**	**685,559**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
12. Plant and equipment		
Plant and equipment: At cost		
Gross	26	26
Less: accumulated depreciation	(17)	(15)
Total	**9**	**11**
Plant and equipment reconciliation		
Carrying amount at 1 July	11	13
Depreciation	(2)	(2)
Carrying amount at 30 June	**9**	**11**
13. Intangible assets		
Purchased software: At cost		
Gross	3,634	219
Less: accumulated amortisation	(87)	(219)
	3,547	-
Work in progress:		
At cost	-	1,824
Total	**3,547**	**1,824**

Intangibles reconciliation

	Internally generated software		Work in progress		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Carrying amount at 1 July	-	-	1,824	248	1,824	248
Acquisitions	-	-	1,810	1,576	1,810	1,576
Transfers between classes	3,634	-	(3,634)	-	-	-
Amortisation	(87)	-	-	-	(87)	-
Carrying amount at 30 June	**3,547**	**-**	**-**	**1,824**	**3,547**	**1,824**

At 30 June 2013 the Nominal Defendant had Purchased software (Claims Management System) with an original cost of $218,730 and a written down value of nil but was still in use. This system was replaced in May 2014. Costs associated with the new system were reported as work in progress until the system was implemented in May 2014.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
14. Payables		
Sundry creditors and accruals	452	511
Total	**452**	**511**
Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	5	6
Total	**5**	**6**
15. Accrued employee benefits		
Current		
Annual leave payable	140	165
Accrued salaries and wages	5	-
Total	**145**	**165**
Non-current		
Annual leave payable	65	43
Total	**65**	**43**
Accrued employee benefits attributable to FAI are included in the figures listed above:		
Current		
Annual leave payable	5	5
Total	**5**	**5**

The discount rate used to calculate the present value of the non-current recreation leave is 2.5% (2013: 2.5%).

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
16. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	31,383	45,016
Non-current	117,620	128,892
Total	**149,003**	**173,908**
Reinsurance and other recoveries on outstanding claims:		
Current	1,002	3,666
Non-current	3,973	3,999
Total	**4,975**	**7,665**
Net outstanding claims:		
Current	30,381	41,350
Non-current	113,647	124,893
Total	**144,028**	**166,243**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	139,922	160,770
Claims settlement costs	8,191	9,244
	148,113	170,014
Discount to present value	(14,975)	(17,290)
Gross outstanding claims liability	**133,138**	**152,724**
Current	28,518	41,184
Non-current	104,620	111,540
Gross outstanding claims liability	**133,138**	**152,724**
Reinsurance and other recoveries on outstanding claims	3,413	6,696
Discount to present value	(345)	(476)
Reinsurance and other recoveries on outstanding claims	**3,068**	**6,220**
Current	657	3,404
Non-current	2,411	2,816
Reinsurance and other recoveries on outstanding claims	**3,068**	**6,220**
Net outstanding claims	**130,070**	**146,504**
Central estimate	118,245	133,185
Risk margin	11,825	13,319
Net outstanding claims	**130,070**	**146,504**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

16. Net outstanding claims – continued

(a) Net outstanding claims – continued

	2014 $'000	2013 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/expected future claim payments	17,304	23,634
Claims settlement costs	455	660
	17,759	24,294
Discount to present value	(1,894)	(3,110)
Gross outstanding claims liability	**15,865**	**21,184**
Current	2,865	3,832
Non-current	13,000	17,352
Gross outstanding claims liability	**15,865**	**21,184**
Reinsurance and other recoveries on outstanding claims	2,123	1,648
Discount to present value	(216)	(203)
Reinsurance and other recoveries on outstanding claims	**1,907**	**1,445**
Current	345	262
Non-current	1,562	1,183
Reinsurance and other recoveries on outstanding claims	**1,907**	**1,445**
Net outstanding claims	**13,958**	**19,739**
Central estimate	12,033	17,016
Risk margin	1,925	2,723
Net outstanding claims	**13,958**	**19,739**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

16. Net outstanding claims – continued

(b) Actuarial assumptions

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

Assumptions attributable to the Nominal Defendant

	2014	2013
Inflation rate	6.20%	6.40%
Discount rate	3.15%	3.30%
Claims handling expenses	6.00%	6.00%
Risk margin	10.00%	10.00%
Weighted average expected term to settlement	3.62 years	3.48 years

Assumptions attributable to FAI

	2014	2013
Inflation rate	6.25%	6.40%
Discount rate	3.10%	3.40%
Claims handling expenses	3.00%	3.00%
Risk margin	16.00%	16.00%
Weighted average expected term to settlement	3.8 years	4.2 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) 2014 $'000	Equity 2014 $'000	Profit/(loss) 2013 $'000	Equity 2013 $'000
Inflation rate	+1%	(4,262)	(4,262)	(4,591)	(4,591)
	-1%	4,052	4,052	4,366	4,366
Discount rate	+1%	3,981	3,981	4,349	4,349
	-1%	(4,274)	(4,274)	(4,666)	(4,666)
Claims handling expenses	+1%	(1,227)	(1,227)	(1,382)	(1,382)
	-1%	1,227	1,227	1,382	1,382
Risk margin	+1%	(1,182)	(1,182)	(1,332)	(1,332)
	-1%	1,182	1,182	1,332	1,332
Weighted average term to settlement	+0.5 years	1,902	1,902	2,266	2,266
	-0.5 years	(1,930)	(1,930)	(2,302)	(2,302)

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

16. Net outstanding claims – continued

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

Sensitivity analysis attributable to FAI

Net outstanding claims	Movement in variable	Financial impact Profit/(loss) 2014 $'000	Equity 2014 $'000	Profit/(loss) 2013 $'000	Equity 2013 $'000
Inflation rate	+1%	(502)	(502)	(777)	(777)
	-1%	481	481	740	740
Discount rate	+1%	475	475	731	731
	-1%	(505)	(505)	(784)	(784)
Claims handling expenses	+1%	(136)	(136)	(192)	(192)
	-1%	136	136	192	192
Risk margin	+1%	(120)	(120)	(170)	(170)
	-1%	120	120	170	170
Weighted average term to settlement	+0.5 years	207	207	317	317
	-0.5 years	(210)	(210)	(322)	(322)

(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 2013-14 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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 $'000	2013 $'000
17. Reconciliation of operating result to net cash from operating activities		
Operating result	159,159	130,612
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(90,948)	(84,692)
Non-cash items:		
Depreciation	2	2
Amortisation	87	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	1,908	(2,253)
Increase/(decrease) in payables	(21)	(3)
Increase/(decrease) in unearned levies	(1,001)	(279)
Increase/(decrease) in outstanding claims liability	(24,905)	(20,076)
Increase/(decrease) in accrued employee benefits	2	80
Net cash from operating activities	**44,283**	**23,391**

18. Commitments for expenditure

(a) 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:

	2014 $'000	2013 $'000
Software		
▪ Not later than one year	-	627
▪ Later than one year and not later than five years	-	-
Total	**-**	**627**

(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:

	2014 $'000	2013 $'000
▪ Not later than one year	309	173
▪ Later than one year and not later than five years	-	-
Total	**309**	**173**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

19. Financial instruments

(a) Categorisation of financial instruments

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

Category	Notes	2014 $'000	2013 $'000
Financial assets			
Cash and cash equivalents	9	3,948	3,014
Receivables	10	3,212	2,430
Financial assets	11	818,008	685,559
Total		**825,168**	**691,003**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	14	452	511
Total		**452**	**511**

(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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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 allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the Nominal Defendant, according to the due date (normally terms of 30 days). Economic changes impacting the Nominal Defendant's debtors, and relevant industry rate, also form part of the Nominal Defendant's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If the Nominal Defendant determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debit, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

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**
2014					
Receivables (excluding sharing recoveries)	2,965	-	-	-	2,965
Total	**2,965**	**-**	**-**	**-**	**2,965**
2013					
Receivables (excluding sharing recoveries)	2,306	-	-	-	2,306
Total	**2,306**	**-**	**-**	**-**	**2,306**

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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**
2014					
Payables	14	452	-	-	452
Total		**452**	**-**	**-**	**452**
2013					
Payables	14	511	-	-	511
Total		**511**	**-**	**-**	**511**

(e) Market risk

The Nominal Defendant does not trade in foreign currency and is not 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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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 $39,000 (2013: $30,000) due to interest rate risk and $8,180,000 (2013: $6,856,000) 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) 2014 $'000**	**Equity 2014 $'000**	**Profit/(loss) 2013 $'000**	**Equity 2013 $'000**
Interest rate risk	+1	39	39	30	30
	–1	(39)	(39)	(30)	(30)

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) 2014 $'000**	**Equity 2014 $'000**	**Profit/(loss) 2013 $'000**	**Equity 2013 $'000**
Unit price risk	+1	8,180	8,180	6,856	6,856
	–1	(8,180)	(8,180)	(6,856)	(6,856)

(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 as outlined in Note 1(l).

According to the 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 2013–14

Nominal Defendant

Certificate of the Nominal Defendant

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

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

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Nominal Defendant for the financial year ended 30 June 2014 and of the financial position of the Nominal Defendant at the end of that year; and

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

L LEE
B.Com, CA
Director Corporate Governance

25 August 2014

N SINGLETON
B.Bus (Insurance), MBA, ANZIFF (Fellow), CIP, GAICD
Insurance Commissioner

25 August 2014

Financial information 2013–14

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 2014, 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 Director 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 AuditorGeneral 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.

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 2013 to 30 June 2014 and of the financial position as at the end of that year.

Financial information 2013–14

Nominal Defendant

Independent Auditor's Report – continued

Other Matters – Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information..

QUEENSLAND
29 AUG 2014
AUDIT OFFICE

M Keane

M KEANE CA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Appendices

Appendix 1: Actuarial Certificate, Nominal Defendant Fund

Actuarial Certificate
Queensland Nominal Defendant Fund
Outstanding Claims Liability as at 30 June 2014

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 2014 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 Outstanding Claims Liability Review 30 June 2014*". 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 2014 is $130.1 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
Fellows of the Institute of Actuaries of Australia

M. J. Clacher

5 August 2014

Appendices

Appendix 2: Actuarial Certificate, Nominal Defendant Fund – FAI Run-Off

Actuarial Certificate
Queensland Nominal Defendant Fund – FAI Run-Off
Outstanding Claims Liability as at 30 June 2014

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 2014 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 – FAI Run-Off Outstanding Claims Liability Review 30 June 2014*". 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 2014 is $14.0 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 16% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

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

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

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

M. J. Clacher

5 August 2014

Appendices

Appendix 3: Licensed Insurers

Currently licensed CTP insurers

AAI Limited (trading as Suncorp)
GPO Box 1453
Brisbane QLD 4001
Ph 13 11 60
ABN 48 005 297 807

Allianz Australia Insurance Limited
GPO Box 2226
Brisbane Qld 4001
Ph 131 000
ABN 15 000 122 850

QBE Insurance (Australia) Limited
GPO Box 1072
Brisbane Qld 4001
Ph 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

Previously licensed CTP insurers

Insurance Australia Limited (trading as NRMA Insurance)
ABN 11 000 016 722
Licence withdrawn 01/01/2014

Australian Associated Motor Insurers Limited
ABN 92 004 791 744
Licence withdrawn 01/07/2013

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

FAI General Insurance Company Limited
ABN 15 000 327 855
Licence suspended on 1 January 2001 Insurer became insolvent on 15 March 2001

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

Zurich Australian Insurance Limited
ACN 000 296 640
Licence withdrawn 15/11/1997

Commercial Union Assurance of Australia Ltd
ACN 004 478 371
Licence withdrawn 01/03/1997

Mercantile Mutual Insurance (Australia) Ltd
ACN 000 456 799
Licence withdrawn 01/11/1996

GIO General Limited
ACN 002 861 583
Licence withdrawn 30/06/1996

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

Appendices

Appendix 4: Committees

Committees as at 30 June 2014

Section 11 of the *Motor Accident Insurance Act 1994* provides that the Commission may establish one or more advisory committees to advise on exercising its statutory functions. The Commission 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 2013-14 committee was:

Chairperson: Bernard Rowley

Members: Rowan Ward

The Advisory Committee has extensive industry experience within 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
Rowan Ward, former Executive General Manager, Actuarial Services at Suncorp	Insurance industry and actuarial experience

From **1 July 2013 to 30 June 2014**, a total of ten meetings of the Advisory Committee were held. The total remuneration to the Committee for the year was $9,496.00. 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 5: Performance Statement (SDS)

Motor Accident Insurance Commission/Nominal Defendant	Notes	2013-14 Target/Est.	2013-14 Est. Actual	2013-14 Actual
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		<45%	<45%	<45%
MAIC funds expended on motor vehicle injury prevention and rehabilitation grants per registered vehicle	1	$1.56	$1.56	$1.26
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year	2	50%	50%	58%
Percentage of Nominal Defendant claims settled within two years of compliance	3	50%	50%	61.5%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date		95%	95%	95.3%

1. Actual grant funding to date is lower than anticipated primarily due to a timing difference in the payment of grants.
2. Favourable variance is due to higher than anticipated number of claims being finalised.
3. Claims can take two to three years to settle; consequently it is difficult to estimate the number of claims that will be finalised in any given period.

Appendices

Appendix 6: Grants and sponsorships

Organisation	Future commitment*	2013/14 $	2012/13 $
Centre of National Research on Disability and Rehabilitation Medicine (CONROD) (2010-2014)	To be determined	1,819,407	2,325,268
Centre for Accident Research and Road Safety Queensland (CARRS-Q) (2011-2015)	2,637,396	2,523,824	2,415,142
Queensland Health – Queensland Trauma Registry.	0	0	30,554
Queensland Paediatric Rehabilitation Service – 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.	0	0	149,288
Department of Transport and Main Roads – Funding to support Academic Strategic Transport Alliance (ASTRA)	52,999	51,455	49,956
Centre for Accident Research and Road Safety Queensland (CARRS-Q) – Undertake preliminary investigation and the production of a toolkit for use by providers of a community based mentor driving program.	0	0	124,377
Centre for Accident Research and Road Safety Queensland (CARRS-Q) – To undertake an in-depth analysis of crashes involving young drivers in order to better understand factors behind these crashes and identify appropriate interventions.	0	0	90,626
Centre for Accident Research and Road Safety Queensland (CARRS-Q) – To undertake an evaluation of the 'Braking the Cycle' intervention to assist disadvantaged youth to meet learner driver requirements.	0	121,561	0
Centre for Accident Research and Road Safety Queensland (CARRS-Q) – Improve knowledge around driving conditions, patterns, locations and driver behaviours that lead to unsafe headway or inter-vehicular distance and tailgating.	0	337,119	0
Spinal Injuries Association of Australia – Contribution towards continuation of Queensland school awareness programme –Spinal Education Awareness Team (SEAT)	50,000	25,000	0
Spinal Injuries Association of Australia – One off contribution to curriculum development to support SEAT program.	0	25,000	0
Griffith University – To conduct an evaluation of the Spinal Injuries Association's SEAT education program to assess reach and impact.	0	0	16,494
Queensland Brain Institute (2013-2018) – Establish a Professorial Fellow in Traumatic Brain Injury Research	1,500,000	0	0
Total funding committed/allocated	4,240,395	4,903,366	5,201,705

Appendices

Appendix 6: Grants and sponsorships – continued

Organisation	Future commitment*	2013/14 $	2012/13 $
Less refunds of residual grant funding			
University of Queensland – School of Health and Rehabilitation Sciences Fellowship		(117,396)	
Department of Transport and Main Roads – Road Safety initiatives		(14,647)	
Queensland Health – Queensland Trauma Registry.			(122,219)
Total Funding Returned	0	(132,043)	(122,219)
GRANT TOTAL (Allocated less returned)	4,240,395	4,771,323	5,079,486

* Estimate of grant funding committed for expenditure from 1 Jul 2014.

Ongoing projects funded in previous years

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

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

As evidenced above the School of Health and Rehabilitation Sciences Research Fellowship returned residual grant funding during the current financial year. This represented the completion of this Fellowship.

Research centres

The two MAIC funded research centres (CARRS-Q and CONROD) 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 is available by visiting www.carrsq.qut.edu and www.uq.edu.au/conrod.

Sponsorship Program

In the 2013-14 financial year, MAIC also provided $15,227 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. Sponsorships awarded include contributions towards the Queensland Road Safety Awards and Central Police region road safety week co-ordinated by the Queensland Police Service.

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.
CARRS-Q	Centre of Accident Research and Road Safety Queensland.
CONROD	Centre of National Research on Disability and Rehabilitation Medicine.
CTP	Compulsory Third Party
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
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 (SIS Levy)	A levy which covers the estimated operating costs of administering the *Motor Accident Insurance Act 1994.*

MAiC