

50



Motor Accidents Insurance Board
Annual Report 2006/07

Highlights

- Investment return of 13.8%.
- Strong end of year result.
- Nil premium increase for all vehicle classes for second consecutive year.
- Commitment of \$3 million towards Tasmania's Black Spot Program over three years.
- Planning approval for construction of residence for the catastrophically injured in Ulverstone.
- Marginal claims frequency reduction.

The Motor Accidents Insurance Board is a Tasmanian Government Business Enterprise which operates a compulsory third party insurance scheme.

The scheme provides medical and income benefits on a no-fault basis to people injured as a result of a motor accident while enabling access to common law.

Contents

Introduction	02
Statement of Compliance	03
Chairperson’s Report	04
Chief Executive Officer’s Report	05
Corporate Governance	06
Community Involvement and Partnerships	08
Human Resources	14
Claims Management	15
Financial Management	18
Statement of Corporate Intent	21
Financial Statements	23
Appendix	66



Printed using the Rethink® Environmental Management System developed by at+m integrated marketing to create environmentally responsible processes for print and production. Rethink® Certificate No. 30371

HURT AT



KILL AT



**LIMIT YOUR SPEED.
LIMIT THE DAMAGE.**

Road Safety Task Force  **just like that**

Introduction

What is the Motor Accidents Insurance Board?

The *Motor Accidents (Liabilities and Compensation) Act 1973 (Act)* established the Motor Accidents Insurance Board (Board) to administer the funding and payment of Compulsory Third Party (CTP) motor accident insurance to eligible people who have been injured in a motor accident.

Two types of compensation are paid:

- No-fault benefits; and
- Common law damages.

No-fault benefits cover the cost of:

- Medical and hospital treatment;
- Rehabilitation;
- Attendant care required by injured people;
- Disability allowance (as a partial replacement of lost earnings); and
- In the case of fatal injuries, funeral expenses and dependency benefits (where applicable).

The Board is one of only three States/Territories that provide no-fault benefits.

Where personal injury is caused by the negligence of a motorist, common law damages are payable to the full extent allowed in Tasmania.

Reasonable medical expenses and loss of income benefits are paid for all accepted claims, irrespective of who caused the motor accident.

CTP is compulsory in all States and Territories of Australia and is funded through the application of compulsory premiums on registered motor vehicles.

Primary Functions of the Board

Provision of Compensation

The core business activities include:

- the assessment and payment of scheduled benefits in accordance with the requirements of the Act; and
- the settlement of common law damages pursuant to the indemnity provisions of the Act.

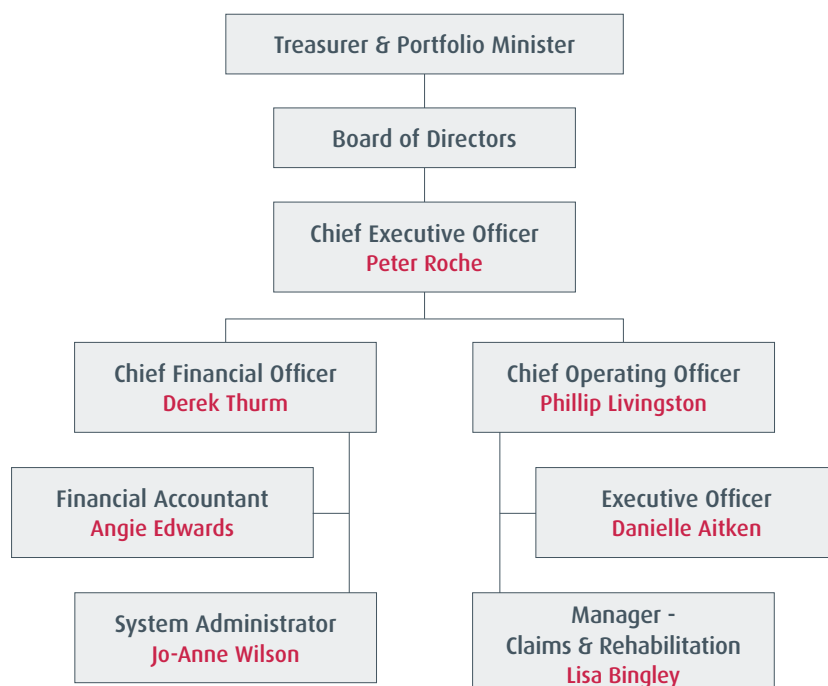
Financial Management

The Board ensures that an appropriate balance exists between premium income, the cost of claims (including a prudential margin) and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.

Injury and Accident Prevention

The Board makes significant contributions to motor accident prevention programs, primarily through the funding of the Road Safety Task Force and the Injury Prevention and Management Foundation. Funding commitment is also made to the Tasmanian Motorcycle Rider Safety Strategy and the Tasmanian Blackspot Program.

Organisational Structure



Statement of Compliance

Vision Statement

To be a national leader in providing comprehensive and efficient personal injury motor accident insurance.

Mission Statement

To provide a commercially viable, cost competitive, high quality, personal injury insurance scheme which offers fair and equitable compensation for people injured in a motor accident.

Values Statement

In seeking to achieve the mission and vision, the principal values of the Board are:

- Accountability and Responsibility;
- Integrity;
- Unity of Purpose;
- Professionalism and Dignity; and
- Innovation.

Corporate Citizenship Statement

Corporate citizenship for the Board involves:

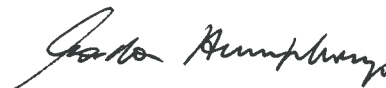
- A clear social responsibility to provide an affordable product as it is a compulsory scheme;
- Legal and moral elements;
- Solid organisational values; and
- An acknowledgement that citizenship decisions must be cognisant of governing legislation and community expectations and should relate to core business.

The Hon. Michael Anthony Aird, MLC, Treasurer and the Hon. James Glennister Cox, MHA, Minister for Infrastructure

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the report of the Motor Accidents Insurance Board for the year ended 30 June 2007. The Report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

Signed in accordance with a resolution of the Directors:

Dated: 26 September 2007



G J Humphreys
Chairperson



C E Bell
Director



40

Let's go for a drive, just the two of us. You take the wheel. Wouldn't you know it? We've only just started out, but we've hit a school zone straight away.

The speedo's edging over 40 – it's easy to be impatient. But see that 4WD up ahead? It's about to pull over suddenly and let the kids out. And one of them will run straight across the road in front of you. Imagine how you'd feel if you hit one. Good to see you back below 40 again.

Chairperson's Report

Continuing the positive trend in recent years, the Board has again achieved a strong end of year result in 2006/07. An after-tax profit of \$113 million resulted from very strong investment market returns and a better than expected underwriting result.

The strength of the financial markets resulted in the achievement of an investment return of 13.8% (before fees and charges). The investment portfolio performed in line with its benchmark which held settings of 55% growth assets and 45% defensive assets. It is of note that of the total investment revenue of \$137 million, approximately \$75 million was unrealised profit.

The containment of claims costs was again demonstrated this year with the independent actuarial analysis highlighting a favourable run-off of prior years' claims. This resulted in a positive underwriting result being achieved for the second consecutive year.

A recent review of the investment portfolio examined the most appropriate approach to benchmark settings going forward. After considering all options, the percentage of growth assets will increase to 65%, with defensive assets reducing to 35%. Individual asset classes will be adjusted and broadened to reduce risk.

In moving to the new benchmark, the Board's solvency requirements were independently assessed and in light of the investment benchmark, the target solvency range has been increased from 15% - 20% to 20% - 25%. At 30 June 2007, actual solvency was 29%.

Following the issue of the Final Report of the Government Prices Oversight Commission (GPOC) in August 2006, Government accepted GPOC's recommendations which resulted in no premium increases for the 12 month period commencing 1 December 2006. The containment of claims costs and the sustained reduction in claims frequency over recent years has taken the pressure off premiums which is good news for motorists.

In recognition that it will become increasingly difficult to achieve further reductions in the incidence of serious injuries from motor accidents, the Board has made a commitment of \$3 million over three years to the State's Black Spot Program commencing 2006/07. The 2006/07 funding has seen the installation of central wire rope barriers in both northern and southern Tasmania.

The Black Spot funding commitment will complement the work of the Road Safety Task Force which will continue to be funded by the Board. The Government's June Budget announcement which provides for \$42.5 million to be spent on specific road safety initiatives over the next five years, is most welcome.

It is imperative that motorists and all road users alike heed the road safety message and become more conscious of road safety to eliminate the senseless loss of life and serious injury on our roads.

I take this opportunity to express my appreciation for the ongoing contribution of my fellow Directors in providing good governance and direction for the organisation. I wish to pay special tribute to Stephen Coutts who tendered his resignation effective 28 June 2007 after four years as a Director and as a valuable member of the Audit Committee.

In closing, I would like to thank our Chief Executive Officer, Peter Roche, and his team for their continued and untiring efforts throughout the year; their skill and dedication have again been critical in making the year a successful one.



Gordon Humphreys
Chairperson

Chief Executive Officer's Report

The 2006/07 year has been most successful with high profitability, unchanged premiums, static claims frequency and a continued high level of customer service.

The pre-tax profit of \$150 million exceeded the previous year's performance. The profit was mainly due to the following:

- Net investment revenue exceeding budget estimate by \$74.4 million; and
- Claims expense was \$62.4 million under budget.

It was disappointing that there was a small increase in the number of claims received. However, with a 2.3% growth in vehicle numbers, claim frequency of 7.98 claims per thousand vehicles was marginally less than the previous year.

High speed crashes which result in fatalities and/or severely injured people continue to be a major concern. While it is acknowledged that there has been a significant improvement in road safety over the past decade, the carnage on our roads continues. Road users must heed the education and enforcement campaigns of the Road Safety Task Force to reduce this unnecessary trauma.

Amendments to the *Motor Accidents (Liabilities and Compensation) Act 1973* were passed by the House of Assembly on 14 June 2007. The amendments include provisions which will assist in the recovery of claim payments from other insurers and allow for a new regulation to pay counselling benefits to family members of people fatally or catastrophically injured in motor accidents.

The amendments are expected to come before the Legislative Council early in the new financial year.

The enhanced claim benefits payable following the amendments to the *Motor Accidents (Liabilities and Compensation) Regulations 2000* in November 2005 are providing additional benefits to low income earners and people seriously injured in a motor accident. A further review of claim benefits allowable under the regulations is underway.

To support the long term care scheme, land has been purchased in Ulverstone, North West Tasmania for the construction of a six bed residence and transitional units for the catastrophically injured. With the planning approval process now completed, construction of

the complex will take place in 2007/08. This construction will complement existing Board facilities.

Risk management systems are in place to manage risks that are inherent in the process of achieving business objectives. A risk management register is reviewed quarterly by a senior management committee and mitigation strategies for each identified risk are tested as part of an internal control process.

Quality of customer service remains at a high level with only two complaints made to the Ombudsman. All matters were resolved satisfactorily. The next biennial customer service survey will be undertaken early in the new financial year.

The Injury Prevention and Management Foundation (Foundation) allows for a percentage of premium revenue to be invested in injury prevention projects. This year \$586,489 was distributed to twelve approved projects, as well as \$416,320 distributed to six organisations that fall within the guidelines of the Foundation's Charities Committee.

It is Board policy to support Tasmanian businesses whenever their services are competitive in terms of quality and price by ensuring that they are given every opportunity to compete for the Board's business.

The Board has met the requirements of the *Superannuation Guarantee (Administration) Act 1992*, as amended, in respect of those employees who are not covered by the Defined Benefits Scheme or the Tasmanian Accumulation Scheme of the Retirement Benefits Fund.

Four new officers joined the Board this year and a warm welcome is extended to them. I sincerely thank all staff members for their professionalism during the past year in which they provided outstanding customer service as well as quality administration of the scheme.



Peter Roche
Chief Executive Officer

Corporate Governance

Board of Directors



Gordon Humphreys

LLB, AREI, FAICD

Director and Chairperson

Director:

- Harrison Humphreys Pty Ltd

Member:

- Claims Committee
- IPMF Committee



Stephen Coutts

BA (Hons), MAICD

Director

Resigned: 28 June 2007

Member:

- Audit Committee



Kim Barker

BA, DipEd, MAICD

Director

Member:

- Guardianship and Administration Board
- Mental Health Tribunal
- Social Securities Appeal Tribunal

Chair:

- The Tasmanian Training Agreement Committee

Member:

- Claims Committee



John Harry

LLB (Hons), ASA, FAICD

Director

Partner:

- Page Seager, Legal Firm

Director:

- Salmon Industries of Tasmania Pty Ltd

Member:

- Audit Committee



Christine Bell

BEC, MComLaw, CA, FAICD, MIAMA

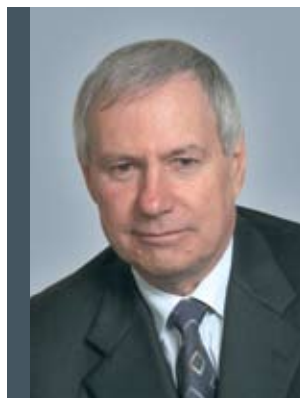
Director

Director:

- Transend Networks Pty Ltd
- Copping Refuse Disposal Site Joint Authority
- MIT Fund Limited

Chair:

- Audit Committee



Peter Roche

ANZIIF (Aff), FAICD

Director and Chief Executive Officer

Member:

- Claims Committee



Kate Brown

BA, LLB, MAICD

Director

Member:

- Guardianship and Administration Board
- Racing Regulatory Panel

Member:

- Claims Committee
- IPMF Committee



Kate Stephenson

BA, DipEd, DipBus, DipFP, FAICD

Director

Member:

- Claims Committee

Legislative Authority

The Board was established pursuant to the *Motor Accidents (Liabilities and Compensation) Act 1973* and is constituted as a Government Business Enterprise under section 6 of the *Government Business Enterprises Act 1995* (GBE Act).

The Hon. J. G. Cox, MHA, Minister for Infrastructure, is Portfolio Minister and The Hon. M. A. Aird, MLC, is Treasurer.

Board of Directors and its Committees

The Directors are responsible for the corporate governance of the Board, ensuring that its business and affairs are managed and conducted in a manner that is in accordance with sound commercial practice and monitoring the achievement of goals specified in the Corporate Plan.

The composition of the Board of Directors is governed by section 11 of the GBE Act. The Chairperson and Directors are appointed by the Governor on joint recommendation of the Treasurer and Portfolio Minister.

Ministerial Charter and Corporate Plan

In accordance with the GBE Act, the Board has a Corporate Plan and a Ministerial Charter. These documents detail the direction, strategies and resource allocations to assist in determining accountability and providing a framework for the activities of the Board.

Audit Committee

This Committee is a sub-Committee of the Board of Directors, is constituted in accordance with section 16 of the GBE Act and has an essential role to play in ensuring the integrity and transparency of the Board's reporting.

Claims Committee

This Committee is a sub-Committee of the Board of Directors and considers common law settlements, where damages exceed \$200,000, and meets regularly to expedite claim settlements.

Injury Prevention and Management Foundation (IPMF) Committee

This Committee is a sub-Committee of the Board of Directors and calls for and reviews project applications in respect of the IPMF guidelines. Once projects have been through the application process, the Committee provides a recommendation to Directors for ratification.

Code of Conduct

As part of its commitment to the highest standard of conduct and service, Codes of Conduct have been adopted to guide Directors, management and staff in carrying out their duties and responsibilities. The Codes of Conduct are reviewed annually.

Risk Management

A sound risk management framework is in place including a Risk Management Policy, a dynamic Risk Management Plan and a Business Continuity Plan (BCP). The risk profiles of each of the organisation's operating areas are reviewed by senior management biannually.

Formal reporting of the risk management framework and the internal mitigation of risks is made to the Board of Directors through the Audit Committee on a quarterly basis. The BCP has been developed to guide employees in the event of a disruption.

CEO Performance

The Board maintains a formal process for the evaluation of the CEO's performance. The formal evaluation is based on specific criteria including business performance, achievement of strategic objectives, service delivery, leadership and risk management. This assessment is structured and conducted by the Board of Directors and includes the requirements under the GBE Act.

Board Processes

The Board of Directors reviews its operations regularly including an annual evaluation process to ensure continuous improvement in procedures and practices.

Disclosure of Interests

The GBE Act provides a mechanism for the disclosure of interests of the Board of Directors which are reviewed monthly.

Status of Compliance

An annual self assessment of compliance with relevant State and Federal legislation is conducted to ensure that governance controls are implemented where appropriate and ongoing compliance with existing and introduced legislation is maintained.

Pricing Policies

The *Government Prices Oversight Act 1995* established a mechanism for independent pricing oversight and established the Government Prices Oversight Commission (GPOC). GPOC commenced the fourth review of the Board's pricing policy in February 2006 with its Final Report being submitted to Parliament in August 2006. Maximum premiums for the three years commencing 1 December 2006 were set after Government's consideration of the GPOC Report.

Public Interest Disclosures Act 2002

The Board has prepared procedures in accordance with section 60 of the *Public Interest Disclosures Act 2002*. A copy of these procedures can be obtained by contacting the Board.

Community Involvement and Partnerships



Safer Roads Safer Drivers

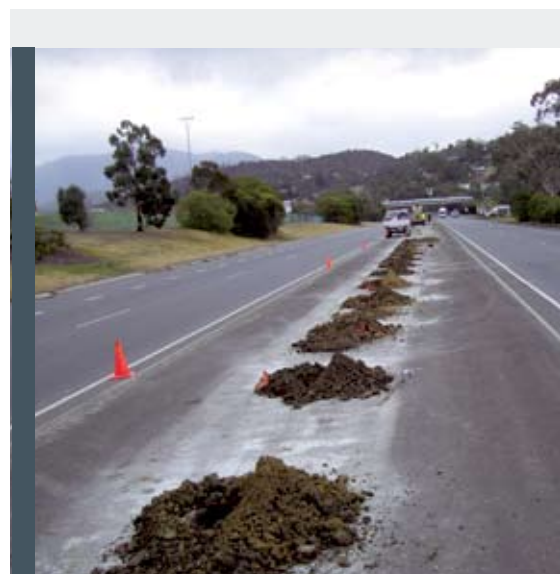
Road Infrastructure Investment

The Board's commitment to reducing serious casualty claims through contributions to road safety programs has been strengthened in 2006/07 with investment in a new State Government initiative aimed at further reducing the incidence of motor accidents and the severity of resultant injuries in Tasmania.

As a significant road safety initiative, the Board has agreed to contribute \$3 million in funding over three years to an identified part of the Tasmanian State Black Spot program, a road infrastructure safety improvement initiative.

The objective of the Black Spot program is to lessen the social and economic cost of road trauma in Tasmania through crash reduction and focuses on projects that will eliminate crashes that are likely to result in personal injury to drivers and passengers of motor vehicles. Locations where there is documented evidence of a high number of crashes are identified and treated.

The first of the projects funded by the Board involved the installation of wire rope safety barriers at locations on the Southern Outlet near Hobart, the Tasman Highway at Mornington and on the Bass Highway, Turners Beach. The installation of the wire rope safety barriers will largely prevent high speed opposing vehicle collisions. Other projects of high importance will be addressed over the next two financial years.





An evaluation of 37 National Black Spot program projects delivered in Tasmania revealed that the installation of wire rope safety barriers had resulted in a 54% reduction in the number of casualty crashes at the treated sites, prevented 112 casualty crashes with associated crash costs of \$14.7M and concluded that median treatments such as wire rope safety barriers have delivered a quantifiable road safety improvement.

The reduction in the number of road accidents remains a priority and the investment in road infrastructure will complement other road safety initiatives already funded and supported by the Board.



Let's speed up a bit. But there are no signs, so that means it's still only 50. This road looks too good for a low speed like that, doesn't it? But it also looks familiar.

In fact, it's just like the street outside your house. Where your kids play. And ride their bikes. Did you know that hitting a child at a lower speed is far less likely to cause a head injury? And that head injuries are the primary cause of deaths in pedestrian collisions?

You just dropped back to 45. Good idea – after all, you don't have to drive right on the limit. It's just the maximum.

Community Involvement and Partnerships *contributed*

Road Safety Task Force

The RSTF is a joint initiative between the Department of Infrastructure, Energy and Resources (DIER), Tasmania Police and the Board. Since its establishment in 1996, the Board has provided funding in excess of \$20 million. This substantial investment in road safety has resulted in the implementation of many road safety initiatives and has had a major impact on the reduction of accidents on Tasmanian roads.

Speed remains one of the most common crash factors in serious casualty statistics and was a major focus for the 2006/07 period. The 'Limit Your Speed. Limit the Damage' campaign was launched in July 2006 and continued throughout the financial year.

The RSTF monitors developments and emerging trends in road safety and measures and monitors its own performance. Detailed analysis is also undertaken of fatality and serious injury data.

Unfortunately the number of fatalities and serious injury crashes remained high in 2006/07 with the predominance of exceeding the speed limit, driver inattention, excessive speed for the circumstances and alcohol remaining as critical factors in many serious accidents. The RSTF will continue to be involved in road safety public education and targeted traffic enforcement activities in an effort to reverse this trend.

The RSTF is a major sponsor of the Falls Festival and has committed to sponsoring the event until 2008. RSTF messages, with a focus on drink driving, were featured on the stage scrim banners and aired periodically on the large screens positioned around the venue over the three day period. In addition, volunteers conducted 750 breath tests on Falls Festival patrons many of whom were provisional licence holders. Of the patrons tested, 42% of provisional licence holders and 11% of fully licensed drivers blew over the legal limit.



It is encouraging that such a large number of patrons took advantage of the volunteer breath testing and that no provisional licence holders elected to drive after registering a positive reading.

Motor Cycle Skills Refresher Courses

In an effort to decrease motorcycle related claims and to improve the driving skills of many motorcyclists who are returning to riding after an extended break, the Board is sponsoring a Road Skills Refresher Course for Tasmanian motorcyclists, administered by the Tasmanian Motorcycle Council.

The one day course (run by three contracted providers) is available to eligible motorcyclists at a maximum cost of \$50 per participant.

Under the current arrangement, sponsorship is available for approximately 380 motorcyclists each year to participate in the subsidised course.

Agfest 2007

The Board joined forces with the RSTF, SES, Tasmania Police, Tasmanian Ambulance and DIER to host the "Working for a Safer Tasmania" site at Agfest 2007.

The key attraction of the site was the Motor Accident Commission of South Australia (MAC) "Safe Driving" Interactive which was kindly loaned from the National Motor Museum of South Australia.

The display provided an opportunity for participants to experience potential risks as a road user. The participant enters role-play as a driver and encounters dangers and distractions 'first-hand' through a simulated experience.

The Interactive proved to be extremely popular with Agfest patrons. Interest within the high risk 17 – 25 year age group was outstanding with many learner and provisional plated drivers testing their skills.

The Board looks forward to being involved with the Working for a Safer Tasmania site in 2008.

Support for Community Groups

The Board supports other sectors of the Tasmanian Community who are strategically linked to core business activities. In 2006/07 financial support was provided to the:

- SES for rural road rescue and training;
- Responsible Serving of Alcohol initiative;
- Royal Guide Dogs Association of Tasmania; and
- Rotary Youth Driver Awareness program.

Injury Prevention and Management Foundation (Foundation)

The Foundation's purpose is to fund research and education and to service development programs that are directed towards the prevention and improved management of injuries resulting from motor accidents. Having a commercial interest in injury management broadens the Board's vision past the funding of acute rehabilitation to include accident prevention and improved injury management.

The Foundation is funded by a percentage of annual premium revenue.

Projects Funded 2006/07

Launceston Clinical School

Smithton and Oatlands Trauma Courses

This project allowed 5th year medical science students to be educated in the traumas encountered by rural GPs. The courses gave students the opportunity to work alongside experienced clinicians, SES, ambulance, etc using role play to reproduce incidents (including road trauma) that are common place in rural areas. The students obtain a much better understanding of what is required in many trauma situations as well as having the opportunity to liaise and train with other service providers.

Penguin High School

"Crash Free School"

Crash Free School is a complete road safety program concept that has been formulated to educate grade 10 students on safe driving. Relying on an entire community approach, the program provides cognitive and psychomotor elements, integrating basic vehicle operational skills with sophisticated educational intervention.

The project is completed over a six month period and consists of parental education, classroom delivery and basic driving skills with the aims of the project being to reduce the likelihood of Penguin High School students being involved in a motor accident as well as providing parents and guardians with the tools they need to advise and effectively monitor the driving efforts of young drivers.

Yolla District High School

All Terrain Vehicle (ATV) Rider Training

This project enabled the funding of training days for Yolla High School students (age 16 or over). Students learnt how to operate ATVs safely and correctly. A high percentage of students at Yolla High School are from a rural background and operate this type of vehicle.

Driver Awareness

This program delivered a 13 week Driver Awareness course to all of Yolla District High School grade 10 students by the RACT. The course consisted of theoretical and practical components and covered motivation, optimism bias, cognitive dissonance, risk, causal attribution and critical thinking. A parent forum and information session was also undertaken as part of the initiative.

Tasmanian Ambulance Service

MAIB Tasmanian Ambulance Simulation and Skills Centre

This program is assisting with the establishment of a Tasmanian Ambulance Simulation and Skills Centre. The centre will become a dedicated training space where clinical situations and specific skills can be realistically replicated.

Paraplegic and Quadriplegic Association of Tasmania

Employment of People with Spinal Cord Injury in Tasmania – A Scoping Study

This project enabled a panel to obtain data from and discuss issues with people who have suffered spinal cord injuries (PSCI), their families, service providers and employers in Tasmania to identify

issues related to the employment of PSCI and to develop strategic frameworks for agencies, employers and peer support networks which will facilitate future employment opportunities.

ParaQuad Tasmania believes that the increased knowledge gained from research into this area will lead to productive partnerships in Tasmania with other agencies and employer groups ensuring that the best employment opportunities are open to PSCI.

College of Emergency Nursing Australasia Ltd

Trauma Nursing Program

This project assisted in the delivery of a professional education program aimed at improving the knowledge, skills and practice of nurses who care for critically injured trauma patients within an emergency setting.

Essential equipment has been purchased to provide a quality program which will be delivered by qualified trauma nurses.

The Migrant Resource Centre

"Top Gear" Program

The Top Gear program is designed to support disadvantaged individuals by providing access to an appropriate vehicle and a supervisory driver to assist in obtaining the 50 hours of compulsory practical on road driving to obtain a provisional driver's licence.

Tasmanian State Emergency Service – Northern Division

SES Road Crash Rescue Unit Equipment Upgrade – Fingal Valley

This project has enabled the replacement of existing SES unit road crash rescue equipment and transfer of that equipment to a new volunteer sub-unit. This will greatly improve the response time to motor accident scenes in the Fingal Valley by volunteer SES officers who are trained in road crash rescue.

Community Involvement and Partnerships *contributed*

Bridgewater Police and Community Youth Group

Brighton Young Traffic Offender Education Program

This program has enabled the delivery of information sessions conducted by a variety of Tasmanian organisations including Tasmania Police, Brain Injury Association of Tasmania, Transport Tasmania and the Tasmanian Ambulance Service, to high risk youths in the Bridgewater and Gagebrook areas.

It is anticipated that this project will help to reduce the number of young people involved in high risk behaviour as well as providing education on issues such as drug and alcohol abuse.

Youth Network of Tasmania

CAB IT Pre-paid Taxi Voucher Scheme

CAB IT is a statewide, not for profit, prepaid taxi voucher scheme which aims to encourage young Tasmanians to avoid risks by using a pre-paid taxi voucher to get home safely.

The Youth Network of Tasmania is the lead agency for the project with the Launceston, Hobart, Burnie and Glenorchy Councils promoting the scheme to the local community and participating in a statewide awareness campaign.

Neurotrauma Research Group

Neurotrauma Research Group (NRG)

The fundamental priority of the NRG is a commitment towards making advances in the understanding of the devastating problem of neurotrauma in the Tasmanian population by research and data collection.

Charities Committee

The Foundation supports a number of not for profit charities on an annual basis through the Foundation's Charities Committee.

Recipients of funding are:

- Brain Injury Association of Tasmania Inc;
- Headway North West Inc;
- Headway Support Services - "Southern Region" Inc;
- Road Trauma Support Team Inc;
- Tasmanian Acquired Brain Injury Service Inc; and
- Paraplegic and Quadriplegic Association of Tasmania Inc.

Each organisation is responsible for allocating Charities Committee funding to best utilise the resource to the benefit of the organisation and its clientele and is accountable to the Board through formal reporting and meetings.

Injury Prevention and Management Foundation – Projects Approved for 2006/07

Applicant	Name of project	Funding Approved
College of Emergency Nursing Australasia Ltd (Tasmanian Branch)	Trauma Nursing Program	\$20,000
Paraplegic and Quadriplegic Association of Tasmania	Employment of people with spinal cord injury in Tasmania A scoping study	\$45,280
Tasmanian Ambulance Service	MAIB Tasmanian Ambulance Simulation and Skills Centre	\$176,177
The Migrant Resource Centre	"Top Gear" Program	\$30,000
Yolla District High School	All Terrain Vehicle Operator Course	\$8,400
Yolla District High School	Driver Awareness	\$1,820
Launceston Clinical School of Medicine	Oatlands and Smithton Trauma Course	\$6,000
Penguin High School	Crash Free School	\$10,416
Neurotrauma Research Group	Neurotrauma Research Group	\$240,000
SES – Northern Division	SES Road Crash Rescue Unit Equipment Upgrade	\$34,396
Bridgewater Police and Community Youth Group	Brighton Young Traffic Offender Education Program	\$9,000
Youth Network of Tasmania	CAB IT Pre-paid Taxi Voucher Scheme	\$5,000
Total Funding Committed to Projects 2006/07		\$586,489

NB: All amounts are exclusive of GST

Injury Prevention and Management Foundation – Projects Approved for 2007/08

Applicant	Name of project	Funding Approved
Community Transport Services	Drive Safely (Volunteer Training)	\$65,000
Bridgewater/Gagebrook Urban Renewal Project	Turn Right 50 Hour Project	\$10,000
Wheels 4 Work Steering Committee headed by Wise Employment	Wheels 4 Work	\$14,900
The Don College	Attitude First Project	\$43,500
Yolla District High School	All Terrain Vehicle Rider Training	\$9,420
Yolla District High School	Driver Awareness and Training	\$1,320
Penguin High School	"Crash Free School"	\$20,000
P-plate Action Program in conjunction with the RACT	P-Plate Action Program	\$14,000
Launceston Clinical School of Medicine	Oatlands and Smithton Trauma Courses	\$8,000
Derwent Valley Road Safety	Derwent Valley Road Safety	\$4,000
Housing Options Providing Extra Support (Hopes)	Preliminary Stage - Co-operative Living Project	\$1,700
Parklands High School	Driver Education/Road Safety	\$1,500
Neurotrauma Research Group	Neurotrauma Research Group	\$240,000
Total Funding Committed to Projects 2007/08		\$433,340

NB: All amounts are exclusive of GST



Now we've turned onto the main road. You can go up to 60, because the traffic needs to flow more effectively here, and there aren't as many hazards.

But what if you went up to 65? It seems just about everyone else has. You could – but before you do, take a look 30 or so metres ahead. A couple of cars, a pedestrian who's just stepped into a gap in the traffic, and a cyclist. If you braked now at 65, you wouldn't stop before you hit them. At 60, you'd stop right ... here. Just in front of them.

Makes sense I guess. Drive slower, stop sooner.

Human Resources

The Board strives to provide a competent, efficient and well-motivated workforce which is capable of delivering a quality service in accordance with the Board's Vision, Mission and Values Statement.



Pollie Pedal 2007

Staff Satisfaction Survey

Staff satisfaction surveys have been conducted over recent years to give staff the opportunity to make comments and suggestions and to assist management in identifying trends and issues.

While the total number of survey respondents this year was lower than previous years, overall staff satisfaction remained steady at over seventy per cent. Eighty per cent of survey respondents felt that they have been properly trained in all aspects of their job, 90% indicated that they enjoy working at the Board and are satisfied with the working conditions and 80% feel that they are valued as a staff member by senior management.

The Board is committed to ensuring continual improvement with regards to staff satisfaction and continues to consider staff comments as part of this process.

Workplace Equity

The Board is committed to equal opportunity and equity principles. Two Equal Employment Opportunity (EEO) co-ordinators are appointed and are appropriately trained to promote an understanding of EEO issues and developments and to assist staff as required.

An Employee Assistance program is available to all staff.

Occupational Health and Safety (OHS)

The Board has a working OHS committee who ensure that appropriate OHS policies are in place and that compliance with these policies is in order.

The committee meets formally and works with management to raise the importance of OHS in the workplace. During the year there were no workers compensation claims reported and no days lost due to injury.

Team Building

The Board is committed to fostering a stimulating and rewarding environment for staff inclusive of team building to improve internal communication and working relationships. This year employees were involved in a team building exercise (Laser Skirmish) designed to inspire creativity, build trust and use open communication.

Laser Skirmish required team members to unite to successfully complete designated missions. Teams were required to implement a plan and communicate within the team to direct their efforts towards a common goal.

The exercise was exceptionally popular and a similar team building exercise is planned for the coming year.

Red Cross Meals on Wheels

As a joint employer/employee initiative with the Red Cross, time is made available for staff to participate in the delivery of Meals-on-Wheels each fortnight. This community service has proven to be most worthwhile.

Pollie Pedal 2007

The Board sponsored two staff members to participate in Pollie Pedal 2007 which is a major fundraiser for Diabetes Australia - Tasmania. This year a 280 km cycle ride was held over three days, cycling from St Helens to Hobart. Pollie Pedal 2007 raised a total of \$41,911.80 which will assist Diabetes Australia - Tasmania carry out its key education and community activities.

Claims Management

Highlights

- 3,383 new claims received.
- Current stock of claims reduced by 3.8%.
- Paid \$33.4 million in no-fault statutory benefits.
- Settled 290 common law claims.
- Assisted 70% of claimants receiving vocational rehabilitation to return to work.
- Claims Officers attended 49 settlement conferences.
- Continuously reviewed and improved claims management practices.
- Use of innovative methods for rehabilitation and treatment.
- Sponsored a Victorian Spinal Cord Service visit to Tasmania.
- 240,173 hits on website.

Business Performance

The Board experienced a small increase in the number of new claims received. However, a similar increase in the number of registered vehicles resulted in a marginal decrease in claims frequency.

Total claim payments of \$67.8 million were around 13% below budget of which common law payments were 3% below budget. With the number of common law settlements higher than the projected level, settlements were achieved at a lower average settlement size than the forecast average. Going forward, a higher average settlement size has been assumed for claims resulting from motor accidents post 15 December 2005 due to the discount rate reduction from 7% to 5%.

No fault payments were approximately \$10 million below budget. Annual payments in respect of long term care claims continue to rise as the stock of open claims increases each year. Daily care liabilities now account for more than 65% of total claim provisions.

Claims Management Team

Training this year focused on the common law process, dealing with clients with challenging behavioural or psychological conditions and specific areas of medical treatment and management.

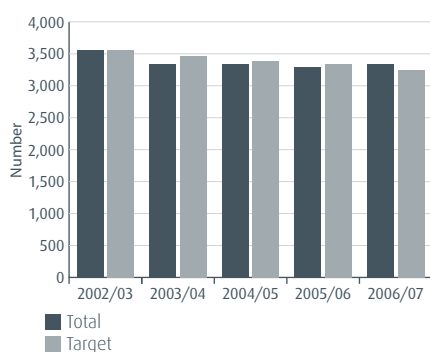
The team continues to strive for the highest quality of customer service in the day to day management of claims. An external customer service survey will be undertaken in 2007/08, which will be benchmarked against the results from the survey two years ago.

In conjunction with the Board's panel of solicitors, the team has again met the benchmark target of 20 months for the settlement of common law claims.

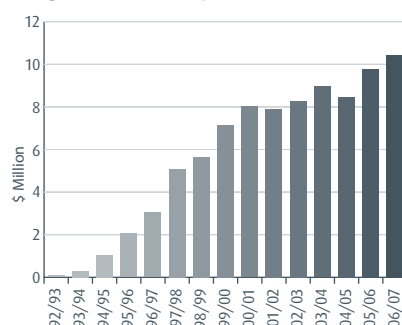
The timely and thorough management of claims and the number of common law settlements can be attributed to the dedication and commitment of the team.

80

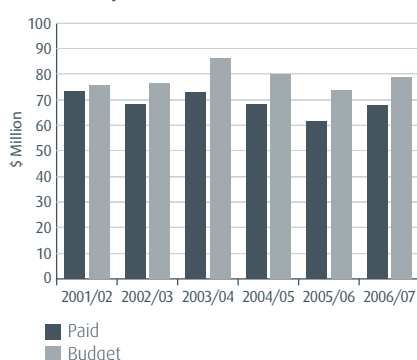
Claims Received



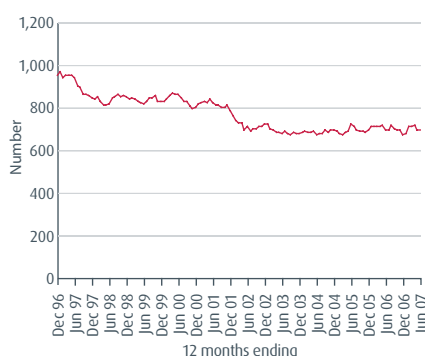
Long Term Care Payments



Claim Payments



Serious Claims



We're up to 80 now, and here you're less likely to have a problem with pedestrians stepping onto the road or cars slowing down to pull over. I can see the relief on your face already. I know the feeling. So you can relax, right?

Probably not a good idea, because you're now moving at a speed that could do a lot more damage if you crash. The time you have to react is way down at this speed.

You might know what you're doing, but take a look at the guy in front. And the woman on our left. Do you trust their driving skills? Because you could be the one they hit. Give us both the best possible chance if the unexpected happens, and bring that needle back down to 80.

Rehabilitation

Through a tender process, a new rehabilitation panel was appointed in February 2007.

The current expanded panel is contracted for three years providing specialist services in the areas of Occupational Therapy, Vocational Rehabilitation and Case Management.

Quarterly forums with panel providers are designed to provide training and networking opportunities. These forums will continue throughout the contract period.

Residences for the Catastrophically Injured

Following completion of an additional residence for the catastrophically injured in Southern Tasmania, consideration was given to the construction of a further residence in Northern Tasmania.

In May 2007, a development application for the construction of a six bed residence and two transitional/respite units in Ulverstone was approved by the Central Coast Council.

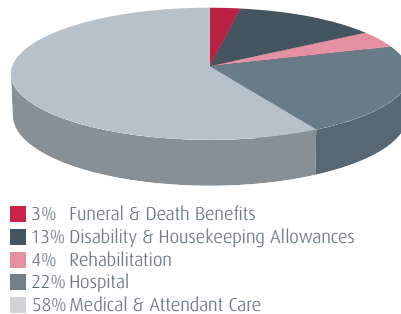
It is anticipated that this construction will be completed by May 2008.

Sponsored Visits of the Victorian Spinal Cord Service (VSCS)

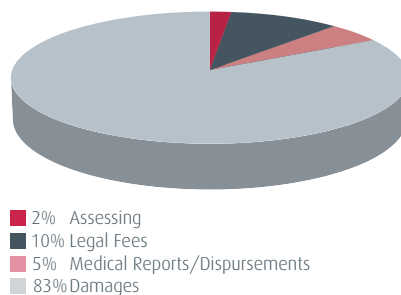
The VSCS surgical team, with the ongoing sponsorship of the Board, conducted surgeries, clinics and an in-service at the Launceston General Hospital for people suffering from tetraplegia (upper limb impairment). Many people living with tetraplegia have the potential to gain new or improved function via specialised reconstructive surgery.

Not only have the VSCS been addressing the needs of both compensable and non-compensable people, but they have been providing a training opportunity for a local specialist who now has the capacity to continue work in this area.

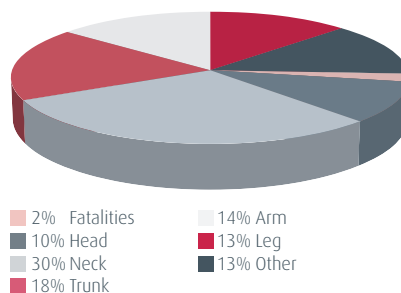
Scheduled Benefits Payments for the Year Ended 30 June 2007



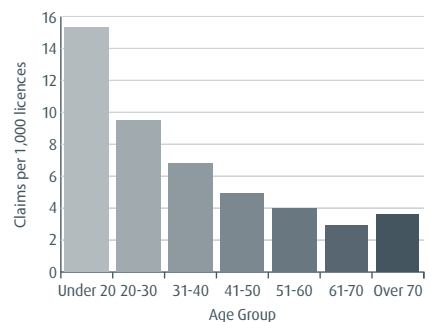
Common Law Payments for the Year Ended 30 June 2007



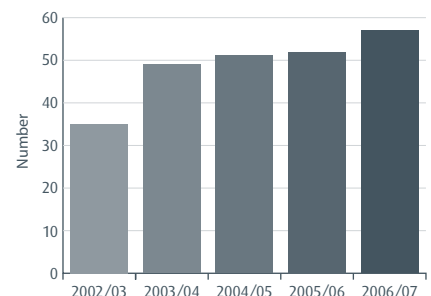
Injuries 2006/07



Driver Claims per 1,000 licences 06/07



Fatalities Reported



Better Days

Kirby Barker was involved in a single vehicle motor accident on 18 September 2005. Kirby sustained a number of serious injuries and underwent extensive facial and orthopaedic surgery. This was followed by an ongoing rehabilitation program, including physiotherapy, occupational therapy, nutrition and dietetics, speech pathology and ongoing care from orthopaedic, plastic and oral maxillo facial specialists.

Kirby is nearing the completion of a Bachelor of Teaching and is preparing to go to Thailand to teach as part of a University of Tasmania initiative.



Kirby going home two months after her accident

Here is her story:

"My eyes are so heavy. I can feel myself falling asleep. It doesn't cross my mind to pull over for a rest. On a stretch of road between Margate and Snug, I slip into the realm of unconsciousness.

It only takes an instant, but the result is catastrophic when travelling at a speed of 100 kilometres per hour. The car slams nose-first into a ditch. It flips over and over again, back onto its wheels. My eyes open in horror just as I am about to plummet into a concrete culvert.

Then all I see is blood: a dark, red mess streams across my chest. "Help me! Help me!" I scream the words repeatedly, convinced that no one is able to hear me. Yet I pray with all my soul that someone will."

Ten long, nightmarish days passed, and I woke from an induced coma at the Royal Hobart Hospital. Surrounded by my family and closest friends, I tried to make sense of what had happened. I had suffered multiple traumas to my face and legs, breaking thirteen bones and crushing my hopes of travelling to Japan to model and teach.

I spent nearly two months in hospital during which time I relearned how to breathe, swallow, eat, drink and talk—life's simplest pleasures. I needed to undergo several major operations including a tracheostomy, blood transfusions, reconstructive and plastic surgery, and a skin graft. But by far the most devastating setback was being told that I would never walk again.

At first I was overcome with grief and a sense of injustice, and periodically through my rehabilitation I suffered great self-doubt, nearly even giving up all hope. However, through gutsy determination, a resolve not to set myself limits and the loving support of many health professionals and my family, I managed to progress over a four month period, from wheelchair to crutches. Then in January 2007, sixteen months after the terrible accident, I took my first steps unaided.

I have continued to achieve goals, and plan to travel to Thailand to teach in November this year, before completing a Bachelor of Teaching. I feel as though my life is back on track; that I've been given a second chance. That is not to say that I have not had to learn to cope with many difficulties: the damage to my self-esteem, the scars tattooed over my body, the constant aches and the inability to walk long distances.

I am passionately dedicated to road safety and accident prevention through public awareness. I have written a book about my experiences entitled *Better Days* that is aimed at providing inspiration to others facing adversity - in particular, those affected by road trauma. I have secured sufficient funding to allow the printing of the book by 31 October 2007.

I would like to take this opportunity to thank MAIB for the invitation to submit this article. Moreover, I would like to express my gratitude as an Australian citizen for the quality treatment I have been receiving in both public and private facilities, as a victim of road trauma, all provided through MAIB and my appointed rehabilitation providers.

To all drivers on our roads: please be aware. Be attentive and drive with care and responsibility. It only takes a split second to ruin your life, your dreams, and lose your spirit. Not everyone regains their spirit - I sure am thankful that I did.

*Copyright: revised extract from
Better Days © 2007 Kirby Louise Barker
(ed. Michelle Lovell)



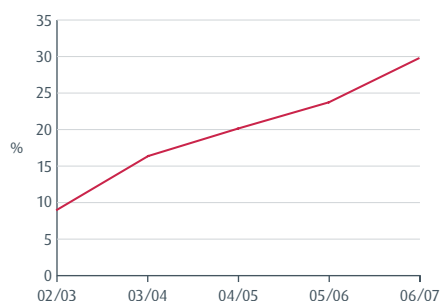
Kirby with her Mother and Father 23 months after her accident

Financial Management

Financial Performance

An operating profit after tax for the year ended 30 June 2007 of \$113.1 million (2006: \$96.2 million) was recorded primarily due to the combined effect of strong investment performance, and continued favourable claims experience. As a result, the solvency level at 30 June 2007 has increased to 29.5% (2006: 23.6%), which slightly exceeds the target range of 20%-25%.

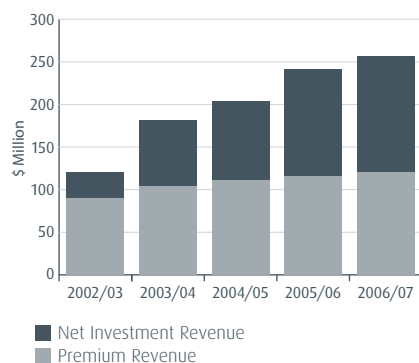
Solvency



Premium Revenue

Premium revenue in 2006/07 amounted to \$120.2 million (2005/06: \$117.4 million). The increase in premiums received is attributable to a 2.3% increase in vehicle numbers. The continuing reduction in motor accidents and favourable claims experience resulted in there being no increase to individual premiums for the second successive year. The premium for a motor car remains at \$332.

Income Components



Investment Strategy

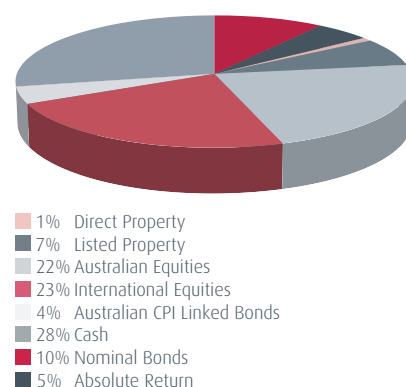
In 2006/07 the Board maintained its investment strategy of ensuring that its longer term solvency requirements will be achieved within acceptable levels of profit volatility by maintaining an appropriate balance between growth assets (such as equities, listed property) and more defensive asset classes (such as cash, fixed income) in its asset allocation benchmark. This benchmark represents the "risk neutral" reference point which, based on historical returns, is expected to achieve a satisfactory return for an acceptable level of risk. The benchmark settings are reviewed annually and the review conducted during the 2006/07 year resulted in a change in the benchmark to reflect changes in the liability profile.

In addition, the strategic risks and investment opportunities that arise from time to time in changing market conditions are monitored. Where exceptional opportunities or material risks are identified, tactical decisions are made to deviate from the chosen asset allocation benchmark to enhance fund returns or protect the fund from unnecessary risks.

Asset Class allocations

At 30 June 2007, the investment portfolio totalled \$1,132 million allocated across the asset classes detailed in the graph below:

Asset Allocations at 30 June 2007



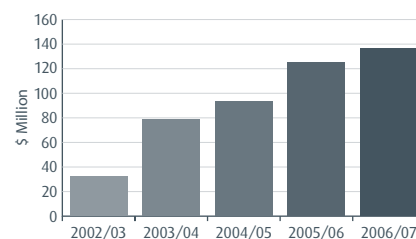
Investment Performance

Global economic activity remained strong this year, with the international and domestic equities indices producing returns of 7.8% unhedged (23.7% hedged) and 29.2% respectively.

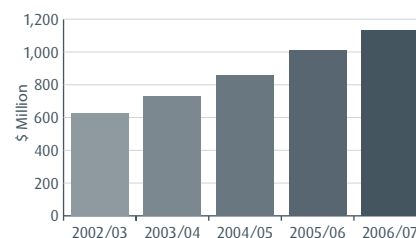
The Board achieved a return of 13.8% (2005/06: 14.2%) across the entire portfolio.

External fund managers were employed in all asset classes with the exception of direct property. The performance of external managers is monitored on a monthly basis.

Gross Investment Revenue



Investment Portfolio Growth



Claims Expense

A reduction in claim frequency, lower than expected payments and generally favourable claims experience has resulted in a claims expense for 2006/07 of \$96.2 million (2005/06: \$94.5 million). The provision for outstanding and unreported claims at 30 June 2007 is \$686.4 million (2006: \$654.1 million).

Administration Expenses

There was an increase in administration expenses because of a higher than expected increase in staff superannuation liabilities in the RBF defined benefit scheme. Total administration expenses for 2006/07 amounted to 3.7% of premium income compared to 3.5% in 2005/06. The expense ratio remains at a most competitive level.

Tax Equivalent

The Board is a Tasmanian GBE and exempt from Commonwealth income tax. However, the GBE Act requires the payment of tax equivalents to the State Government under the National Tax Equivalents Regime. The total tax payable in respect of 2006/07 amounts to \$38.4 million (2005/06: \$23.7 million).

Dividend

Under the GBE Act dividends are payable to the State Government. The current methodology for calculating dividends requires the dividend in a year to be calculated on a five year rolling average based on 50% of the average of after tax profits and losses over the current and four preceding years. Application of this model at the conclusion of the 2006/07 financial year results in a dividend payable to Government of \$33.0 million (2005/06 \$22.1 million).

Key Performance Indicators

The Key Performance Indicators (KPIs) for the year ended 30 June 2007 are listed below.

The combination of a strong investment result and a lower than expected claims expense has resulted in the targets for the KPIs being substantially exceeded in 2006/07.

Being a long tail insurer with a significant allocation of investments to growth assets, the Board is targeting long term investment growth but, in doing so, is then subject to short term volatility in the investment markets. This impacts on both investment revenue and valuations of the provision for outstanding and unreported claims. Forecasts for the next three years show these KPIs returning to levels more representative of longer term trends.

KPI	Forecast	Actual
Solvency Level	23.2%	29.5%
Return on Equity	5.2%	38.5%
Return on Total Assets	1.70%	13.8%



Finally. We're out of town. It's 110 – the maximum for any road in Tasmania. The road's open, weather's clear ... we're at 100 now, and if you feel comfortable, there's no need to go the extra 10. But you're feeling confident, so you're tempted to go up to the limit, and even a few k's over. What could possibly happen?

How about an animal running onto the road? Or a car on the wrong side of the road? Or a blowout? Or black ice? You're not going to get where you're going much faster anyway – the most time you'll make up is just a few minutes. And what's that compared to a lifetime's grief for a stranger you killed? Especially when sticking below the limit could have given you enough time to avoid her car.

We're here. Safely. And by now you should have a better understanding of our speed limits. As you can see, they're not just arbitrary: there's a very good reason for each and every one of them. We're not saying that sticking to them will prevent all crashes. Simply that you're less likely to kill someone if one happens. And that's better for everyone involved. Thanks for the ride.



Five Year Summary - Financial

	2002/03 \$'000	2003/04 \$'000	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000
Net Premium Revenue	86,111	98,767	107,253	112,643	115,472
Claims & Underwriting Expenses	(104,526)	(99,195)	(110,451)	(96,376)	(92,706)
Underwriting Result	(18,415)	(428)	(3,198)	16,267	22,766
Net Investment Revenue on Insurance Funds	27,950	67,620	73,095	92,794	93,156
Administration, Road Safety and Foundation Expenses	(6,655)	(7,196)	(6,848)	(7,585)	(9,822)
Insurance Result	2,880	59,996	63,049	101,476	106,100
Investment Revenue on Retained Earnings	2,631	10,307	18,745	31,719	44,153
Operating Result Before Tax	5,511	70,303	81,794	133,195	150,253
Tax Expense Attributable to Operating Result	5,186	(19,190)	(23,369)	(37,008)	(37,169)
Operating Result After Tax	10,697	51,113	58,425	96,187	113,084
Net Assets	72,343	121,856	173,012	248,452	339,474
Dividend Paid/Provided	0	1,601	7,269	12,805	22,062

Five Year Summary - Operational

	2002/03	2003/04	2004/05	2005/06	2006/07
Number Of Vehicles Registered	376,316	390,506	403,827	414,590	424,052
Total Payments Made (\$M)	68.2	73.2	68.0	62.1	67.7
Current Claims	3,976	3,695	3,546	3,459	3,328
New Claims Received	3,609	3,386	3,385	3,315	3,383
Number of Fatalities	35	49	51	52	57
Fatality Rate Per 1,000 Vehicles	0.09	0.13	0.13	0.13	0.13
Claim Rate Per 1,000 Vehicles	9.59	8.67	8.38	8.00	7.98
Tasmanian Car Premium (\$)	307	324	332	332	332

Statement of Corporate Intent

Statement of Corporate Intent

The Statement of Corporate Intent has been prepared pursuant to section 41 of the *Government Business Enterprises Act 1995* (GBE Act).

1.1 Business Definition

The core business of the Motor Accidents Insurance Board (the Board) is providing financial compensation to people injured in a motor accident. The Board is a specialised insurer offering one type of insurance.

The core business activities are:

- Assessment and payment of Scheduled Benefits in accordance with the requirements of the *Motor Accidents (Liabilities and Compensation) Act 1973* (the Act);
- Settlement of common law damages claims pursuant to the indemnity provisions of the Act;
- Setting of premiums in accordance with Part 6 of the Ministerial Charter;
- Investment of the assets of the Board;
- Funding of motor accident prevention programs; and
- Funding of motor accident injury prevention and management programs.

In addition to those core business activities, the Board, as a Government Business Enterprise (GBE), must operate in accordance with sound commercial practice and as efficiently as possible. Further, it is required to achieve a sustainable commercial rate of return that maximises value for the State in accordance with the GBE Act and having regard to the economic and social objectives of the State.

1.2 Key Limitations

Key limitations on the operations of the Board are:

- The external environment and its impact on financial returns;
- Increased investment volatility in light of the high weighting to growth assets;
- Capital requirements set by the Australian Prudential Regulation Authority (APRA) as a benchmark for general insurers in the private sector;
- Premiums are set within an oversight regime, the upper limit of which is fixed by Parliament, with reference to Government Prices Oversight Commission (GPOC) recommendations;
- The inability to control the number of future care claims which may increase with adverse effects on solvency;
- Overall claims costs may rise faster than provided for in the Corporate Plan (the Plan) again with adverse affects on solvency;
- The requirement to provide Government with tax equivalent payments and dividends; and
- Reinsurance premiums becoming more costly.

1.3 Solvency

An evaluation of the Board's solvency position was undertaken by the Board's actuary in April 2007. The Board then adopted a target solvency range of 20% - 25% as recommended by the actuary.

1.4 Pricing Issues

The proposed premium increases during the period of the Plan provide for no increase in 2007 and increases based on Average Weekly Ordinary Time Earnings (AWOTE) thereafter.



1.5 Strategic Directions and Key Results Areas

Objectives	Desired Outcome
Financial Management To ensure that a balance exists between premium income, the cost of claims (including a prudential margin) and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.	Solvency maintained within target range (20% – 25%). Sustainable financial viability. Affordable premiums.
Accident and Injury Prevention To reduce serious casualty claims through contributions to road safety programs.	Reduction in the incidence of motor accidents and severity of resultant injuries.
Claims and Rehabilitation To have in place best practice solutions to meet the challenges in providing no fault insurance (with common law overlay).	Containment of unreasonable growth in claims costs. Timely and appropriate rehabilitation. High quality care delivered cost effectively. Appropriate level of no-fault benefits. Continual improvement in service to claimants within legislated statutory limitations.
Service to Claimants To continually improve service to claimants.	Prompt acceptance of valid claims. Prompt delivery of benefits and compensation. Claimant satisfaction.
Information Technology To provide efficient and reliable information technology systems that enhance customer service, increase business productivity and support decision making.	Development and maintenance of secure and effective IT systems which support business objectives.
Human Resources To provide a competent, efficient and well motivated workforce capable of delivering quality service to both internal and external clients in accordance with the Board's Vision, Mission and Values statements.	Development and maintenance of HR policies and procedures which address recruitment and selection, training and development, working environment and occupational health and safety.

1.6 Business Performance Targets

	2006/07 (Forecast)	2006/07 (Actual)	2007/08 (Forecast as per Corporate Plan)	2008/09	2009/10
Premium Increase	2.0%	0.0%	0.0%	4.0%	4.0%
Financial Result after Tax	\$12.7M	\$113.1M	\$27.3M	\$24.3M	\$26.2M
Solvency Level	23.2%	29.5%	29.1%	27.4%	26.0%
Return on Equity	5.2%	38.5%	8.4%	7.6%	8.4%
Return on Assets	1.7%	13.8%	3.3%	2.8%	2.8%
Dividends Paid	\$21.6M	\$22.1M	\$31.9M	\$33.5M	\$30.8M
Tax Equivalents Paid	\$20.0M	\$28.8M	\$30.0M	\$7.5M	\$7.5M

IT'S A LIMIT.



NOT A CHALLENGE.

LIMIT YOUR SPEED.
LIMIT THE DAMAGE.

Road Safety Task Force  Funded by **MAIB** just like that

Financial Report 2006/07

Income Statement

for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Premium Revenue	4	120,246	117,354
Outwards Reinsurance Expense	1(i)	(4,774)	(4,711)
		<u>115,472</u>	<u>112,643</u>
Claims Expense	6	(96,212)	(94,533)
Recovery Revenue	7	473	(542)
Unexpired Risk Expense	18	5,428	993
Underwriting Expenses	16	(2,395)	(2,293)
UNDERWRITING RESULT		<u>22,766</u>	<u>16,268</u>
Investment Revenue on Insurance Funds	9	93,156	92,794
General and Administration Expenses		(4,438)	(4,136)
Interest Expense		(782)	-
Road Safety Task Force	26	(2,665)	(2,425)
Injury Prevention and Management Foundation	21	(912)	(1,024)
Motorcycle Safety Strategy		(25)	-
Road Infrastructure	29	(1,000)	-
		<u>83,334</u>	<u>85,209</u>
INSURANCE RESULT	1(s)	<u>106,100</u>	<u>101,477</u>
Investment Revenue on Retained Earnings	9	44,153	31,718
OPERATING RESULT BEFORE TAX		<u>150,253</u>	<u>133,195</u>
Tax Expense Attributable to Operating Result	5(a)	(37,169)	(37,008)
OPERATING RESULT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS		<u>113,084</u>	<u>96,187</u>

The accompanying notes form an integral part of this Statement.

Balance Sheet

as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS			
Investments	10	1,025,979	895,784
Cash on Hand and at Bank	24(a)	596	448
Prepaid Expenses		31	35
Accounts Receivable	14	1,968	1,919
		<u>1,028,574</u>	<u>898,186</u>
NON-CURRENT ASSETS			
Investments	10	92,339	94,995
Investment Properties	10	12,920	11,965
Deferred Tax Asset	5(c)	13,085	4,674
Reinsurance Recoveries Receivable	15	13,322	14,220
Plant and Equipment	13	527	575
		<u>132,193</u>	<u>126,429</u>
TOTAL ASSETS		<u>1,160,767</u>	<u>1,024,615</u>
CURRENT LIABILITIES			
Provision for Outstanding and Unreported Claims	17(c)	61,627	75,656
Provision for Unearned Premium	22	52,486	52,143
Provision for Unexpired Risk	18	4,546	9,986
Provision for Tax	5(b)	31,887	20,434
Provision for Injury Prevention and Management Foundation	21	1,060	1,056
Provision for Employee Benefits	19	339	328
Accounts Payable		5,892	1,831
Accrued Expenses	23	19	18
		<u>157,856</u>	<u>161,452</u>
NON-CURRENT LIABILITIES			
Provision for Outstanding and Unreported Claims	17(c)	624,808	578,472
Provision for Deferred Tax	5(c)	36,281	34,181
Provision for Employee Benefits	19	2,346	2,056
Accrued Expenses	23	2	2
		<u>663,437</u>	<u>614,711</u>
TOTAL LIABILITIES		<u>821,293</u>	<u>776,163</u>
NET ASSETS		<u>339,474</u>	<u>248,452</u>
EQUITY			
Retained Earnings Attributable to Equity Holders	20	339,474	248,452
TOTAL EQUITY		<u>339,474</u>	<u>248,452</u>

The accompanying notes form an integral part of this Statement.

Statement of Changes in Equity

for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Total Retained Earnings Attributable to Equity Holders at Beginning of Year		248,452	165,070
Operating Result After Tax for the Period		113,084	96,187
Total Income and Expense for the Year Attributable to Equity Holders		361,536	261,257
Dividends Paid	1(d)	22,062	12,805
Total Retained Earnings Attributable to Equity Holders at End of Year	20	339,474	248,452

The accompanying notes form an integral part of this Statement.

Cash Flow Statement

for the year ended 30 June 2007

	Note	2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums Received		132,601	131,243
Reinsurance Paid		(4,972)	(4,893)
Claims Paid		(67,687)	(62,098)
Other Claim Related Payments		(478)	(414)
Reinsurance & Other Recoveries		1,453	2,366
Underwriting Expenses Paid		(2,609)	(2,560)
Interest Received		8,509	11,099
Dividends Received		32,774	36,998
Rent Received		436	419
Other Investment Revenue		963	556
Investment Related Payments		(1,636)	(1,809)
General & Administration Expenses		(3,976)	(3,993)
Road Safety Task Force		(2,932)	(2,668)
Motorcycle Safety Strategy		(28)	-
Road Infrastructure		(1,100)	-
Injury Prevention and Management Foundation		(998)	(894)
Tax Equivalents Paid		(28,789)	(7,503)
Goods and Services Tax Paid		(6,944)	(6,744)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	<u>54,587</u>	<u>89,105</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Net Investment Transactions		(31,814)	(75,979)
Purchase of Plant and Equipment		(654)	(312)
Proceeds on Sale of Plant and Equipment		91	88
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(32,377)</u>	<u>(76,203)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends Paid		(22,062)	(12,805)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(22,062)</u>	<u>(12,805)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		148	97
Cash and Cash Equivalents at the Beginning of the Financial Year		448	351
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	24(a)	<u>596</u>	<u>448</u>

The accompanying notes form an integral part of this Statement.

Notes to the Financial Statements

for the year ended 30 June 2007

1 Summary of significant accounting policies

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, the *Government Business Enterprises Act 1995*, and the Treasurer's Instructions.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and accompanying notes comply with International Financial Reporting Standards.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2007 reporting period. The Board has not adopted the following standards early when preparing the 2006/07 financial statements:

Standard	Title	Operative date
AASB 2005-10	Amendments to Australian Accounting Standards AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038	Annual reporting periods beginning on or after 1 January 2007.
AASB 7	Financial Instruments	Annual reporting periods beginning on or after 1 January 2007.

(a) Financial report

This financial report covers the Motor Accidents Insurance Board for the year ended 30 June 2007. The financial report is presented in Australian dollars.

(b) Basis of preparation

The financial report has been prepared on the basis of historical costs and except where stated does not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments are disclosed in note 2.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

(c) Tax equivalents

The Board is a Body Corporate under the provisions of the *Government Business Enterprises Act 1995*, and is not required to pay Commonwealth Government income tax. Under that Act however, tax equivalent and capital gains tax equivalent payments are payable to the State Government under the National Tax Equivalents Regime (NTER).

Tax is brought to account using the balance sheet method of tax effect accounting.

The income tax expense or revenue for the period is that tax payable on the current period's taxable income based on the tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when an asset and liability giving rise to them are realised or settled, based on tax rates that have been enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Board expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

1 Summary of significant accounting policies *continued*

(d) Dividends

Dividends are payable annually to the State Government. While a dividend is payable in respect of the current year, no provision has been made in the financial statements due to the requirements of AASB 101. The amount of the dividend payable relating to the 2006/07 financial year is disclosed in note 28. The dividend paid during the year in respect to 2005/06 was \$22,061,659 (refer note 20).

During the financial year, the State Government announced that, subject to Parliamentary approval, the Board will be required to pay a special dividend of \$30,000,000 payable in three \$10,000,000 instalments over the next three financial years beginning in 2007/08.

(e) Premium revenue

Premium revenue comprises amounts paid for the use of vehicles and is levied under the Premiums Order(s) in force during the period.

Premium revenue is collected on behalf of the Board under a service level agreement with the Department of Infrastructure, Energy and Resources (DIER). Underwriting expenses consisting of commission and merchant fees are levied under this agreement.

The earned portion of the premiums charged is recognised as revenue from the date of attachment of risk. The pattern of recognition over the policy period is based on time, which is considered to approximate closely the pattern of risks underwritten. Unearned premiums represent the proportion of premiums written which relate to periods of insurance subsequent to balance date.

(f) Deferred acquisition costs

Acquisition costs incurred in collecting premiums are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the income statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the policies to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(g) Provision for outstanding and unreported claims

The provision for outstanding and unreported claims covers claims incurred but not yet paid, claims incurred but not reported and the anticipated direct claim handling expenses of settling those claims.

This liability is calculated as the present value of the expected future payments against claims incurred, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are calculated based on the ultimate cost of settling claims, which includes the anticipated effects of inflation, the goods and services tax and other factors. The expected future payments are then discounted to a present value at the balance date using market determined risk free discount rates.

Claim handling expenses include the cost of managing claims such as administration expenses and professional fees that are not otherwise directly allocated to individual claims.

In determining the provision for outstanding claims, a risk margin is added to the total of the net central estimate of the discounted future claim payments plus the estimated claims handling expenses. The addition of the risk margin recognises the inherent uncertainties contained within the actuarial valuation and provides a probability not less than 75% (2006: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

Also refer to comments made in note 17.

(h) Provision for unexpired risk

At each reporting date the Board's actuary assesses whether the provision for unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test. If the present value of the expected future cash flows relating to future claims plus claim handling expenses and a risk margin to reflect the inherent uncertainty in the central estimate exceeds the provision for unearned premium liability then the provision for unearned premium liability is deemed to be deficient. The Board applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the provision for outstanding and unreported claims.

The movement in the deficiency net of reinsurance is recognised in the income statement.

Further details of the provision for unexpired risk are contained in note 18.

(i) Outwards reinsurance

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Notes to the Financial Statements

for the year ended 30 June 2007

1 Summary of significant accounting policies *continued*

(j) Investments

The Board has determined that all investments, including investment properties, are held to back the provision for outstanding and unreported claims. Investments are valued at the end of the reporting period at fair value through the income statement. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the income statement.

The investment portfolio is managed to grow in accordance with the expected pattern of cash flows arising from the claims liability. Differences between the net fair values of investments at the reporting date and their net fair values at the previous reporting date (or cost of acquisition, if acquired during the financial year) are recognised as a revenue or expense in the income statement in the reporting period in which the changes occur.

Investments include all properties owned by the Board, whether wholly or partly owner-occupied or fully leased. These properties are not depreciated.

Properties held are measured at fair value which is determined on the basis of an annual independent valuation prepared by external valuation experts. The fair values are recognised in the financial statements and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

(k) Derivative financial instruments

Derivatives are financial instruments whose existence is derived from the value of, or changes in the value of, an underlying investment instrument. Derivatives are valued at fair value at balance date based on published market quotations.

Exchange traded options and futures contracts may be entered into by the Board's investment managers to manage exposure to relevant markets. Options and futures contracts are marked to market daily, based on closing prices in the relevant markets.

All exchange gains and losses relating to forward foreign exchange contracts are brought to account in the income statement in the same period as the exchange differences on the investments covered by those transactions (refer note 12a).

(l) Accounts receivable

Accounts receivable (refer note 14) are recognised at amortised cost less impairment. They are due for settlement no more than 30 days from the date of recognition.

(m) Accounts payable

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Plant and equipment

AASB 116 requires each class of assets to be valued by applying either a cost model or the revaluation model. Plant and equipment is valued under the cost model. Refer to note 13 for further details.

(o) Depreciation

Depreciation of plant and equipment is made on the straight line basis using rates designed to write off the net cost or revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful lives of the Board's plant and equipment are as follows:

Furniture, fittings and equipment	4-20 years
Vehicles	10 years
IT equipment	4 years

Profits and losses on disposal of plant and equipment are taken into account in determining the result for the year.

Investment properties held by the Board are not depreciated – refer note 1(j).

1 Summary of significant accounting policies *continued*

(p) Employee benefits

Annual leave, long service leave and sick leave

Provisions for annual leave and long service leave owing at balance date which are expected to be settled within 12 months are reported as a current liability, and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. It is expected that all annual leave owing at balance date will be taken within the next twelve months.

Provision for long service leave not expected to be settled within 12 months is reported as a non-current liability and is measured as the present value of the estimated future cash outflows, in respect of services provided by employees up to the reporting date. Discounting is done at the appropriate national guaranteed government security rate.

No provision for sick leave is raised. All sick leave is expensed in the income statement at nominal values when taken.

Defined benefit superannuation

For the defined benefit superannuation plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are immediately recognised through the income statement.

The past service cost liability is the present day, discounted value of the expected future payments arising from membership completed prior to the valuation date and projected salaries.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of plan assets.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

(r) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(s) Insurance result

The insurance result recognises the earnings return on assets backing the provision for outstanding and unreported claims and unearned premiums. The movement in the provision for outstanding and unreported claims from year to year, due to the effect of discounting, is properly offset against the investment revenue on the insurance funds.

(t) Rounding

Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

Notes to the Financial Statements

for the year ended 30 June 2007

2 Critical accounting judgements and estimates

The Board makes estimates and assumptions in respect of key assets and liabilities. The key areas in which critical estimates are applied are detailed below.

(a) Provision for outstanding and unreported claims

Provision is made at the balance sheet date for the estimated cost of claims incurred but not settled, including the cost of claims incurred but not yet reported.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of recoveries. All reasonable steps are taken to ensure that appropriate information is obtained regarding claims exposures. However, given the uncertainty in establishing the provision for outstanding and unreported claims, it is likely that the final outcome will prove to be different from the original liability established.

The provision for outstanding and unreported claims liability is assessed by an independent actuary in three broad categories: Scheduled Benefits, Common Law, and Future Care. The valuation methodologies are based on those that are best suited to the characteristics of the benefits being valued and are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers.

Details of specific assumptions used in deriving the provision for outstanding and unreported claims liability at year end are detailed in note 17.

Scheduled benefits

Scheduled benefits exhibit high initial payments for most claims with some claims receiving ongoing payments for many years. This is best represented by the Payments Per Claim Incurred (PPCI) method.

Common law

Common Law projections take into account the following:

- the ultimate number of common law claims intimated (referred to as Common Law "lodgements")
- the rate at which this common law potential is settled, separately considering "non-nil" and "nil damages" claims
 - "non-nil" claims represent those that receive a damages payment
 - "nil damages" claims represent those intimations that ultimately do not involve common law damages payments (although they may incur other common law-related expenses, or non-common law payments); the bulk of these claimants do not ever initiate a common law action
- the average damages cost at settlement
- the level of other common law costs (primarily legal and other investigation costs).

Future care

Future care liabilities are assessed on a claim-by-claim basis. Each component of Future Care costs for individuals identified as requiring daily care is reviewed. This assessment examines the details surrounding the claim, medical reports, and care reports, with a view to determining the likely future needs and ongoing cost.

The estimated liabilities are based on an individual valuation model that converts these assessments into cash flows for each claimant. Forecasts of cash flows are based on allowance for steps up and down in care needs, future claims inflation, and mortality of the claimant. Medical advice is often sought if it is thought that a claimant's injuries may affect his or her life expectancy. Allowance for claims incurred but not reported (IBNR) is based on assumed numbers of incurred claims multiplied by an average claim size.

(b) Assets arising from reinsurance contracts

A separate estimate is made of the amounts that will be recoverable from reinsurers. The recoverability of these assets is assessed on a periodic basis to ensure the balance is reflective of the amounts that will be received. Impairment is recognised where there is objective evidence that the full amount due may not be received and these amounts can be reliably measured.

(c) Investments

The investment portfolio is managed to grow in accordance with the expected pattern of cash flows arising from the provision for outstanding and unreported claims liability. The Board has determined that the investments are to be classified as held for trading as the investment portfolio is managed as a whole and is actively traded to benefit from profit making.

3 Risk management policies and procedures

The Board's risk management policies and procedures are detailed below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

As the sole underwriter of compulsory third party insurance in Tasmania the main insurance risks include claims and rehabilitation management, maximising investment returns within acceptable bounds of risk and ensuring collection of appropriate premium revenue. The risk management objectives in regard to these categories are to maintain long term scheme solvency in the target range of 20% to 25% and to ensure that a balance exists between premium income, the cost of claims and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.

Risk management principles

The Board has a sound risk management structure and practices in place. Underpinning the process is a Risk Management Policy (the "Policy") and a Risk Management Plan (the "Plan"). The objectives of the Plan are to:

- Formalise the approach taken to the management of risk; and
- Serve a dual purpose of mitigating risk and fostering a risk management culture.

The objectives of the Policy are to

- protect the assets of the business;
- effectively manage risk exposure; and
- ensure an orderly and timely approach to the Board's risk management practices.

The Policy is reviewed annually by Management and the Audit Committee and approved by the Board. The Policy sets out the risk management structure and assigns responsibilities to each group within that structure (Management, the Audit Committee and the Board of Directors). It further prescribes the scope of the Plan and guidelines for the identification and ranking of risks.

The Plan classifies all business risks under the headings of Operational, Financial and Corporate Governance. Each risk is assessed for inherent risk and managed risk and ranked as extreme, high, medium or low to ensure risks are managed on a prioritised basis. Mitigating strategies are established to manage the inherent risk down.

The Plan is formally reviewed by Management bi-annually with reporting to the Audit Committee on any amendments. In addition, a program of compliance activities ensures that risks are reviewed regularly between formal reviews and that the documented mitigation strategies are valid and operating effectively. Reporting on compliance activities is performed on a quarterly basis to the Audit Committee.

Insurance risk

The Board has identified a number of insurance risks and has in place strategies to mitigate those risks in order to ensure:

- acceptance of valid claims;
- accurate assessment of claim liabilities;
- cost control measures are in place;
- fraud prevention and detection;
- provision of accurate information into the premium setting process;
- establishment of appropriate investment strategies to meet future liabilities; and
- retention of long term scheme solvency within the target range of 20% to 25%.

Key aspects of the processes identified in the Plan to mitigate insurance risks include, but are not limited to:

- Claims management procedures are documented in a series of policies and guidelines which are provided to all staff and reviewed regularly in accordance with the Board's document control procedures.
- A comprehensive database of accident data is maintained which facilitates the provision of a wide range of up-to-date information for review by management including, for example, monitoring of claim costs, common law progress and provider management.
- Exposure to catastrophic motor accidents is managed through taking out appropriate reinsurance cover. Reinsurance treaties are re-negotiated annually via a broker. When selecting a reinsurer only firms that have at least a Standard and Poors 'A' rating are considered. In order to limit risk, the Board has several reinsurers.

Notes to the Financial Statements

for the year ended 30 June 2007

3 Risk management policies and procedures *continued*

Insurance risk *continued*

- An external consultant is engaged to provide a range of investment advisory services. A primary function of the engagement is to undertake a strategic asset allocation assessment annually and recommend an appropriate investment portfolio, within acceptable bounds of risk. The mix of growth and defensive asset classes selected is structured to ensure long term matching of investment funds with future financial obligations.
- An independent actuary is engaged to value the claim liabilities (including the establishment of an appropriate risk margin), assess premium requirements annually, assess capital adequacy requirements and monitor and report on trends in costs.
- As the Tasmanian government monopoly compulsory third party insurer the Board is subject to a periodic review of its operations by the Government Prices Oversight Commission in order that the Commission can recommend maximum premiums to be charged for the periods following the review. In undertaking this review the Commission engages the services of an independent actuary to review the Board's claim costs and provision for outstanding and unreported claims liability and the assumptions underlying the valuation.

(b) Terms and conditions of insurance business

The Board offers one class of insurance, compulsory third party. The terms and conditions across all insurance contracts are the same.

(c) Concentration of insurance risk

Concentrations of insurance risk are determined by the nature and potential impact of the risk. The major concentration of insurance risk is a catastrophic motor accident. To limit its exposure to the financial impact of catastrophic motor accidents the Board purchases reinsurance cover.

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Board's obligations at the end of a contract period. The tables in note 17 show estimates of total claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into are directly exposed to interest rate risk.

Insurance and reinsurance contracts are entered into annually. At the time of entering into the contract all terms and conditions are negotiable or, in the case of renewals, renegotiable.

Refer to note 12(d).

(f) Credit risk

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

There are no significant concentrations of credit risk.

Refer to note 12(b).

	2007 \$'000	2006 \$'000
4 Premium revenue		
Direct	120,589	119,519
Unearned premium revenue	(343)	(2,165)
	<u>120,246</u>	<u>117,354</u>
5 Income tax		
(a) Income tax expense recognised in the income statement		
Tax expense/(income) comprises:		
Current tax expense/(income)	38,427	23,709
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	5,376	13,750
(Over)/under provision of income tax expense in previous year ¹	(6,634)	(451)
Tax expense/(income) attributable to continuing operations	<u>37,169</u>	<u>37,008</u>
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating result. The differences are reconciled as follows:		
Profit from continuing operations	<u>150,253</u>	<u>133,195</u>
Income tax expense calculated at 30%	<u>45,076</u>	<u>39,959</u>
Previously unrecognised and unused tax losses and offsets now recognised deferred tax assets	(1,273)	(2,500)
Income tax expense attributable to operating result ²	<u>43,803</u>	<u>37,459</u>
(Over)/under provision of income tax expense in previous year	(6,634)	(451)
Income tax expense attributable to operating result	<u>37,169</u>	<u>37,008</u>
(b) Current tax liabilities²		
Current tax payable	38,427	23,709
Tax payable in respect of prior year amendments	1,515	-
Less tax instalments paid	(8,055)	(3,275)
Provision for tax	<u>31,887</u>	<u>20,434</u>
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences	<u>36,281</u>	<u>34,181</u>
Deferred tax assets comprise:		
Temporary differences	<u>13,085</u>	<u>4,674</u>

Notes to Note 5

1 \$11,686,000 of the (over)/under provision of income tax expense in previous year is made up of opening balance adjustments.

2 The difference between income tax expense of \$37,169,000 and current tax payable of \$31,887,000 is predominately made up of the tax effect of the timing differences resulting from unrealised investment income.

Notes to the Financial Statements

for the year ended 30 June 2007

5 Income tax *continued*

Taxable and temporary differences arise from the following:

	Opening Balance	Charged to Income	Charged to Equity	Acquisitions and Disposals	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
2007					
Gross deferred tax liabilities					
Property, plant & equipment	(242)	(937)	-	-	(1,179)
Investments	(33,939)	(1,163)	-	-	(35,102)
Other	-	-	-	-	-
Total	<u>(34,181)</u>	<u>(2,100)</u>	<u>-</u>	<u>-</u>	<u>(36,281)</u>
Gross deferred tax assets					
Provisions	4,674	8,411	-	-	13,085
Total	<u>4,674</u>	<u>8,411</u>	<u>-</u>	<u>-</u>	<u>13,085</u>
2006					
Gross deferred tax liabilities					
Property, plant & equipment	(95)	(147)	-	-	(242)
Investments	(20,703)	(13,236)	-	-	(33,939)
Other	(12)	12	-	-	-
Total	<u>(20,810)</u>	<u>(13,371)</u>	<u>-</u>	<u>-</u>	<u>(34,181)</u>
Gross deferred tax assets					
Provisions	5,054	(380)	-	-	4,674
Provision outstanding and unreported claims uplift	-	-	-	-	-
Total	<u>5,054</u>	<u>(380)</u>	<u>-</u>	<u>-</u>	<u>4,674</u>

	2007 \$'000	2006 \$'000
6 Claims expense		
Paid	63,468	57,927
Outstanding and unreported claims	32,306	36,228
Gross claims incurred	<u>95,774</u>	<u>94,155</u>
Other claim payments	438	378
	<u>96,212</u>	<u>94,533</u>
7 Recovery revenue		
Reinsurance recoveries received	255	1,394
Reinsurance recoveries receivable movement	(898)	(2,879)
Other recoveries received	1,116	943
	<u>473</u>	<u>(542)</u>

8 Net claims incurred

The following table shows the impact on the current year results of changes to the estimates of the provision for outstanding and unreported claims relating to prior years based on the most recent experience. Current year claims relate to risks borne in the current reporting period. Prior years' claims relate to a reassessment of the risks borne in all previous reporting periods.

	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000
At 30 June 2007			
Gross claims expense			
Gross claims incurred (inflated/undiscounted)	508,108	390,982	899,090
Reinsurance recoveries	-	(2,389)	(2,389)
Net claims incurred	508,108	388,593	896,701
Movement			
Gross claims incurred	(372,996)	(431,437)	(804,433)
Reinsurance recoveries	-	3,033	3,033
Net discount movement	(372,996)	(428,404)	(801,400)
Discounted			
Gross claims incurred	135,112	(40,455)	94,657
Reinsurance recoveries	-	644	644
Net claims incurred	135,112	(39,811)	95,301
Reconciliation of net claims incurred:			
Gross claims incurred (refer note 6)			95,774
Other recoveries received (refer note 7)			(473)
Net claims incurred			95,301
At 30 June 2006			
Gross claims expense			
Gross claims incurred (inflated/undiscounted)	366,470	214,360	580,830
Reinsurance recoveries	-	7,132	7,132
Net claims incurred	366,470	221,492	587,962
Movement			
Gross claims incurred	(233,781)	(253,852)	(487,633)
Reinsurance recoveries	-	(5,631)	(5,631)
Net discount movement	(233,781)	(259,483)	(493,264)
Discounted			
Gross claims incurred	132,688	(39,492)	93,196
Reinsurance recoveries	-	1,501	1,501
Net claims incurred	132,688	(37,991)	94,697
Reconciliation of net claims incurred:			
Gross claims incurred (refer note 6)			94,155
Other recoveries received (refer note 7)			542
Net claims incurred			94,697

Notes to the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
9 Investment revenue		
Interest	8,479	11,090
Rentals	397	381
Dividends	32,774	36,998
Other	932	524
Changes in net market values		
Investments held at the end of the reporting period	74,879	71,006
Investments realised during the reporting period	21,387	6,242
	<u>138,848</u>	<u>126,241</u>
Investment related expenses	(1,539)	(1,729)
	<u>137,309</u>	<u>124,512</u>
Allocation of investment revenue refer note 1(s)		
Investment revenue on insurance funds	93,156	92,794
Investment revenue on retained earnings	44,153	31,718
	<u>137,309</u>	<u>124,512</u>
10 Investments		
Current investments		
At net market value		
Short term deposits and other investments ¹	1,025,979	895,784
Total current investments	<u>1,025,979</u>	<u>895,784</u>
Non-current investments		
At net market value		
Fixed interest bonds	92,339	94,995
Total non-current investments	<u>92,339</u>	<u>94,995</u>
Property – at fair value²		
Freehold land and buildings		
Commercial	7,725	7,200
Care facilities	4,895	4,765
Other property ³	300	-
Total property	<u>12,920</u>	<u>11,965</u>

Notes to Note 10

- ¹ Includes investments in unit trusts.
- ² At 30 June 2007, property owned by the Board was restated to valuations determined by independent valuers Brothers & Newton Pty Ltd. Valuations are at fair value.
- ³ The Board has a contract with The Director of Housing to purchase land in Ulverstone, Tasmania. A provision for the purchase of the land has been raised in the 2006/07 financial statements. The contract is to be settled in the 2007/08 financial year. Construction of a care facility on the purchased land is expected to commence in the 2007/08 financial year.

	2007 \$'000	2006 \$'000
11 Investment Properties		
At Fair Value		
Opening balance at 1 July	11,965	10,960
Acquisitions	300	-
Capitalised subsequent expenditure	145	577
Net gain/(loss) from fair value adjustment	510	428
Closing balance at 30 June	12,920	11,965
Amounts recognised in profit and loss for investment properties that generated rental income		
Rental income	397	381
Operating expenses	135	138
Amounts recognised in profit and loss for investment properties that did not generate rental income		
Operating expenses	58	68

12 Financial instruments

(a) Derivatives

The Board's Investment Policy Statement authorises the use of derivative financial instruments for hedging purposes within its investment portfolio.

Funds management agreements establish the investment mandates for external fund managers and clearly set out the conditions and guidelines under which these derivative financial instruments may be used in the management of the portfolios. The mandates set out the authority to use the instruments, and restrict their utilisation such that the portfolio cannot be leveraged, i.e. any derivative position must be cash or security backed.

To monitor the use of and compliance with these guidelines the Board has obtained an appreciation of the risk management processes used by the fund managers. In addition monthly statements are received from the Master Custodian, National Australia Bank Limited, which reports on individual fund manager's compliance with the funds management agreements.

The impact of the use of derivative financial instruments is reflected in the fair value of the investment portfolios.

The following table details the forward currency contracts outstanding as at the reporting date:

Outstanding contracts	2007		2006	
	Average Weighted Exchange Rate	Fair Value	Average Weighted Exchange Rate	Fair Value
		\$'000		\$'000
Sell Australian Dollar 3 months or less	1.0000	39,667	1.0000	81,667
Sell Euro Dollar 3 months or less	0.6270	(8,447)	0.5765	(17,096)
Sell UK Pound 3 months or less	0.4235	(4,663)	0.3995	(9,470)
Sell Japanese Yen 3 months or less	103.6999	(4,611)	83.7400	(9,759)
Sell US Dollars 3 months or less	0.8464	(22,009)	0.7280	(44,451)
		(63)		891

Notes to the Financial Statements

for the year ended 30 June 2007

12 Financial instruments *continued*

(b) Credit risk exposures

The credit risk on financial assets which have been recognised in the balance sheet, other than investments, is the carrying amount, net of impairment.

(c) Fair value of financial assets and liabilities

The fair value of all financial assets and financial liabilities approximates their carrying value.

(d) Interest rate risk exposures

Exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following tables.

Exposures arise predominantly from assets with both fixed and variable interest rate exposures held on behalf of the Board by its fund managers and the uncertain impact of the resultant activities of the financial markets in relation to those assets.

	Floating interest rate	Fixed interest maturing in:					
		1 year or less	1 to 5 years	More than 5 years	No maturity specified	Non-interest bearing	Total
At 30 June 2007	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Short term deposits and other investments	-	12,592	-	-	-	-	12,592
Cash in hand and at bank	596	-	-	-	-	-	596
Investment properties	-	-	-	-	-	12,920	12,920
Accounts receivable	-	-	-	-	-	1,968	1,968
Reinsurance recoveries receivable	-	-	-	-	-	13,322	13,322
Fixed interest bond	49,803	306,617	107,698	-	-	-	464,118
Property trusts	-	-	-	-	83,872	-	83,872
Unit trusts	-	-	-	-	557,736	-	557,736
	50,399	319,209	107,698	-	641,608	28,210	1,147,124
Weighted average interest rate	4.33%	4.45%	1.27%	0.00%	0.00%	0.00%	
Financial liabilities							
Sundry creditors and accrued expenses	-	-	-	-	-	5,892	5,892
Provision for injury prevention and management foundation	-	-	-	-	-	1,060	1,060
	-	-	-	-	-	6,952	6,952
Net financial assets (liabilities)	50,399	319,209	107,698	-	641,608	21,258	1,140,172

12 Financial instruments *continued*

	Floating interest rate	Fixed interest maturing in:					
		1 year or less	1 to 5 years	More than 5 years	No maturity specified	Non-interest bearing	Total
At 30 June 2006	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Short term deposits and other investments	-	181,599	-	-	-	-	181,599
Cash in hand and at bank	448	-	-	-	-	-	448
Investment properties	-	-	-	-	-	11,965	11,965
Accounts receivable	-	-	-	-	-	1,919	1,919
Reinsurance recoveries receivable	-	-	-	-	-	14,220	14,220
Australian equities	-	-	-	-	29,499	-	29,499
Fixed interest bond	50,694	-	145,783	-	-	-	196,477
Property trusts	-	-	-	-	137,688	-	137,688
Unit trusts	-	-	-	-	445,515	-	445,515
	51,142	181,599	145,783	-	612,702	28,104	1,019,330
Weighted average interest rate	6.54%	4.88%	2.29%	0.00%	0.00%	0.00%	
Financial liabilities							
Sundry creditors and accrued expenses	-	-	-	-	-	1,851	1,851
Provision for injury prevention and management foundation	-	-	-	-	-	1,055	1,055
	-	-	-	-	-	2,906	2,906
Net financial assets (liabilities)	51,142	181,599	145,783	-	612,702	25,198	1,016,424

13 Plant and equipment

Gross carrying amount

Balance at beginning of year	2007 \$'000	2006 \$'000
Balance at beginning of year	3,231	3,067
Additions	209	312
Disposals	(146)	(148)
Balance at end of year	3,294	3,231

Accumulated depreciation

Balance at beginning of year	2,656	2,532
Disposals	(24)	(28)
Depreciation expense	135	152
Balance at end of year	2,767	2,656

Net book value

As at end of financial year	527	575
-----------------------------	-----	-----

Notes to the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
14 Accounts receivable		
Current		
Premiums receivable	1,923	1,847
Other receivables	45	72
	<u>1,968</u>	<u>1,919</u>
15 Reinsurance recoveries receivable		
Non-Current		
Expected future reinsurance recoveries undiscounted	89,890	87,755
Discount to present value	(76,568)	(73,535)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	13,322	14,220
Expected future reinsurance recoveries on unexpired risk liability	-	-
Reinsurance recoveries receivable	<u>13,322</u>	<u>14,220</u>
16 Deferred acquisition costs		
Current		
Deferred acquisition costs as at 1 July	-	-
Acquisition costs in the year	2,407	2,361
Amortisation charged to income	(2,395)	(2,293)
Write down for premium deficiency (refer note 18)	(12)	(68)
Deferred acquisition costs as at 30 June	<u>-</u>	<u>-</u>

17 Provision for outstanding and unreported claims

(a) Actuarial assumptions and methods

The following assumptions have been made in determining the liability for outstanding and unreported claims.

	2007			2006		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	8.4	3.4	40.6	9.2	3.4	36.7
Discounted mean term (years)	4.8	3.0	20.5	5.1	3.0	18.8
Number of claims incurred but not reported (IBNR)	453	326	21	427	333	19
Average claim size (\$ '000)	3	18	4,175	3	18	4,233
Superimposed inflation	1.50%	0.75%	0.00%	1.50%	0.75%	0.00%
Claim handling expenses	6%	6%	6%	6%	6%	6%
Risk margin	20%	20%	20%	20%	20%	20%

17 Provision for outstanding and unreported claims *continued*

	Wage inflation rates			Discount rates	
	2007	2006		2007	2006
Year 1 (following end of financial year)	4.75%	4.25%	Year 1 (following end of financial year)	6.51%	5.90%
Year 2	4.75%	4.25%	Year 2	6.56%	5.84%
Year 3	4.75%	4.25%	Year 3	6.56%	5.84%
Year 4	4.75%	4.25%	Year 4	6.47%	5.87%
Year 5	4.75%	4.25%	Year 5	6.37%	5.88%
Year 6	4.75%	4.25%	Year 6	6.30%	5.88%
Year 7	4.75%	4.25%	Year 7	6.24%	5.88%
Year 8	4.75%	4.25%	Year 8	6.19%	5.89%
Year 9	4.75%	4.25%	Year 9	6.15%	5.89%
Year 10	4.75%	4.25%	Year 10	6.13%	5.91%
Year 11	4.73%	4.25%	Year 11	6.13%	6.03%
Year 12	4.70%	4.25%	Year 12	6.17%	6.21%
Year 13	4.67%	4.25%	Year 13	6.28%	6.32%
Year 14	4.64%	4.25%	Year 14	6.40%	6.39%
Year 15	4.61%	4.25%	Year 15	6.52%	6.40%
Years 16 and later	4.60%	4.25%	Years 16 and later	6.60%	6.40%

Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the Board must manage and control the cost of these claims.

Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

Number of claims incurred but not reported

The number of claims incurred but not reported (IBNRs) is estimated by projecting the number of claims to be reported after the balance date arising from incidents prior to that date. This projection is based on analysis of historical reporting patterns.

Average claim size

The average claim size is based on discounted outstanding claim liabilities plus payments to date, divided by estimated incurred claim numbers (reported claims plus IBNRs).

Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to current economic indicators.

Superimposed inflation

Superimposed inflation describes the growth in claims costs that is not explained by wage inflation, for example, increases in court settlements.

Claim handling expenses

Claim handling expenses are calculated by reference to past experience of claim handling costs as a percentage of past payments. Claim handling expenses at 30 June 2007 are included at the rate of 6% of future claim payments (2006: 6%).

Notes to the Financial Statements

for the year ended 30 June 2007

17 Provision for outstanding and unreported claims *continued*

Risk margin

Estimates of outstanding claims contain a considerable degree of uncertainty due to:

- random fluctuations occurring in the future claims experience;
- fundamental changes to the underlying claims experience in future; and
- imperfect analysis and modelling of the claims experience.

Given the long tail nature of the scheme and sources of uncertainty described above a 20% (2006: 20%) risk margin on top of the actuarially assessed central estimate and future costs of handling those claims net of reinsurance recoveries is included. This prudential margin provides a probability of not less than 75% (2006: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. Refer note 1(g).

Discount rates

Discount rates are based on market yields available on Commonwealth government securities.

(b) Sensitivity Analysis

Sensitivity analyses are undertaken to quantify the exposure to risk of changes in the key valuation variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed in section (a) above. The movement in any key variable will impact the Board's performance and equity.

The amount of the provision for outstanding and unreported claims liability is inherently uncertain, for the following general reasons:

- Models used to estimate outstanding liabilities represent a simplification of a complex claims process.
- Even if a model were a perfect representation of the nature of the underlying claims process, past random fluctuations in the claims experience mean that uncertainty arises from estimating the parameters of the model.
- Any shortcomings of and/or errors in the data available increase uncertainty regarding the estimated parameters of the model.
- Even if the true underlying parameters could be determined precisely for a perfect model, the amount of the liability would still be uncertain because of:
 - Random fluctuations in the future claim experience.
 - The possibility of future systemic, i.e. non-random, changes in the claims experience.

For some portfolios, the extent of uncertainty attributable to the sources described in points (b) and (d)(i) above can be estimated using statistical techniques. However, uncertainty attributable to the general sources described in points (a), (c) and (d)(ii) is much more difficult to quantify.

The following table describes how a change in some of the key valuation assumptions affects the provision for outstanding and unreported claims liability.

Variable	Impact of movement in variable
Inflated and discounted mean terms	A decrease in the average mean term to settlement would lead to claims being paid sooner than anticipated. Expected payment patterns are used in determining the provision for outstanding and unreported claims liability. An increase or decrease in the discounted mean term would have a corresponding increase or decrease on claims expense respectively
Number of claims incurred but not reported	An increase or decrease in the assumed number of IBNR claims would have a corresponding impact on the claims expense.
Average claim size	An increase or decrease in the average claim size would have a corresponding impact on the claims expense.
Wage inflation and superimposed inflation	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of either wage inflation or superimposed inflation would have a corresponding impact on the claims expense.
Claim handling expenses	An increase or decrease in the expected claim handling expenses will have a corresponding impact on the claims expense.
Risk margin	An increase or decrease in the risk margin will have a corresponding impact on the claims expense.
Discount rate	The provision for outstanding and unreported claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on the claims expense.

17 Provision for outstanding and unreported claims *continued*

The following table illustrates how a change in some of the key valuation assumptions described above affects the provision for outstanding and unreported claims liability and show an analysis of the sensitivity of the profit/loss and equity to changes in these assumptions both gross and net of reinsurance. Note that the table is illustrative only, and it is not intended that it cover the range of potential variations.

	Profit/(loss) after tax \$'000	Equity \$'000
Recognised amounts as per the financial statements	113,084	339,474
Inflation increase by 0.5%	75,597	301,987
Discount rate increased by 0.5%	144,880	371,270
Future care cost saving for 2006/07 accident year of 10%	117,315	343,705
Common law settlement size increased by 10%	100,143	326,533
Scheduled benefits average size reduced by 10%	116,376	342,766

(c) Provision for outstanding and unreported claims by benefit type

In recognition of the three claims liability streams, the provision for outstanding and unreported claims liability is calculated under the categories of scheduled benefits, common law and future care claims. The reconciliation between the undiscounted and discounted closing provision is as follows:

	2007 \$'000	2006 \$'000
Scheduled benefits claims		
Expected future claims payments (inflated/undiscounted)	55,045	62,060
Discount to present value	(18,178)	(20,658)
Claims handling expenses ¹	2,328	2,613
Risk margin ¹	7,839	8,803
Sub-total provision for outstanding and unreported scheduled benefits claims	47,034	52,818
Common law claims		
Expected future claims payments (inflated/undiscounted)	169,426	170,253
Discount to present value	(31,745)	(28,346)
Claims handling expenses ¹	8,815	9,078
Risk margin ¹	29,299	30,197
Sub-total provision for outstanding and unreported common law claims	175,795	181,182
Future care claims		
Expected future claims payments (inflated/undiscounted)	2,323,641	1,692,943
Discount to present value	(1,958,063)	(1,361,283)
Claims handling expenses ¹	22,981	20,817
Risk margin ¹	75,047	67,651
Sub-total provision for outstanding and unreported future care claims	463,606	420,128
All Claims		
Expected future claims payments (inflated/undiscounted)	2,548,112	1,925,255
Discount to present value	(2,007,986)	(1,410,286)
Claims handling expenses ¹	34,124	32,508
Risk margin ¹	112,185	106,651
Total provision for outstanding and unreported claims	686,435	654,128
Current	61,627	75,656
Non-current	624,808	578,472

Note 1 The allowances for claims handling expenses and the risk margin have been determined for the scheme as a whole. For reporting purposes they have been applied uniformly to each benefit type.

Notes to the Financial Statements

for the year ended 30 June 2007

17 Provision for outstanding and unreported claims *continued*

d) Reconciliation of movement in provision for outstanding and unreported claims

	2007			2006		
	Gross	Recoveries	Net	Gross	Recoveries	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Brought forward	654,128	14,220	639,908	617,900	17,100	600,800
Current liabilities from previous report	(75,656)	-	(75,656)	(73,292)	-	(73,292)
	578,472	14,220	564,252	544,608	17,100	527,508
Accrual to 30 June	612,583	15,059	597,524	573,276	18,000	555,276
Effect of changes in actuarial assumptions	(60,407)	(2,066)	(58,341)	(17,785)	(2,857)	(14,928)
Effect of changes in economic assumptions	9,609	329	9,280	(5,745)	(923)	(4,822)
Net revision to prior years' claims costs	(50,798)	(1,737)	(49,061)	(23,530)	(3,780)	(19,750)
Outstanding claims cost for prior accident years	561,784	13,322	548,462	549,746	14,220	535,526
Incurring claims for current accident year	135,112	-	135,112	116,552	-	116,552
Claims payments/recoveries for current accident year	(10,461)	-	(10,461)	(12,170)	-	(12,170)
Outstanding claims cost for current accident year	124,651	-	124,651	104,382	-	104,382
Carried forward	686,435	13,322	673,113	654,128	14,220	639,908

17 Provision for outstanding and unreported claims *continued*

(e) Claims development table

The following tables show the development of undiscounted outstanding claims gross and net of reinsurance relative to the ultimate expected claims for the five most recent accident years.

	Accident year					
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	Total \$'000
Gross of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	283,263	509,641	236,766	288,839	397,697	1,716,206
One year later	341,978	211,623	230,477	340,652	-	1,124,730
Two years later	193,865	244,428	261,755	-	-	700,048
Three years later	189,664	227,705	-	-	-	417,369
Four years later	176,369	-	-	-	-	176,369
Current estimate of cumulative claims cost	176,369	227,705	261,755	340,652	397,697	1,404,178
Cumulative payments	(35,555)	(34,130)	(32,200)	(21,648)	(10,784)	(134,317)
Outstanding claims (undiscounted)	140,814	193,575	229,555	319,004	386,913	1,269,861
Discount						(954,641)
2001/02 and prior (discounted)						224,906
Claims handling expense						34,124
Prudential margins						112,185
Outstanding claims (inflated & discounted)						686,435

	Accident year					
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	Total \$'000
Net of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	283,263	476,082	236,766	288,839	397,697	1,682,647
One year later	341,978	211,623	230,477	340,652	-	1,124,730
Two years later	193,865	244,428	261,755	-	-	700,048
Three years later	189,664	227,705	-	-	-	417,369
Four years later	176,369	-	-	-	-	176,369
Current estimate of cumulative claims cost	176,369	227,705	261,755	340,652	397,697	1,404,178
Cumulative payments	(35,555)	(34,130)	(32,200)	(21,648)	(10,784)	(134,317)
Outstanding claims (undiscounted)	140,814	193,575	229,555	319,004	386,913	1,269,861
Discount						(954,641)
2001/02 and prior (discounted)						211,584
Claims handling expense						34,124
Prudential margins						112,185
Outstanding claims (inflated & discounted)						673,113

Notes to the Financial Statements

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
18 Provision for unexpired risk		
(a) Unexpired risk liability		
Unexpired risk liability as at 1 July	9,986	11,047
Recognition of additional unexpired risk liability in the period	4,546	9,986
Release of unexpired risk liability recorded in previous periods	(9,986)	(11,047)
Unexpired risk liability as at 30 June	4,546	9,986
(b) Deficiency recognised in the income statement		
Gross movement in unexpired risk liability	(5,440)	(1,061)
Reinsurance recoveries on unexpired risk liability	-	-
Net movement in unexpired risk liability	(5,440)	(1,061)
Write down of deferred acquisition costs (refer note 16)	12	68
Total deficiency recognised in the income statement	(5,428)	(993)
(c) Calculation of liability		
Provision for unearned premiums	52,486	52,143
Related reinsurance asset	-	-
(A)	52,486	52,143
Net central estimate of the present value of expected future cashflows arising from future claims	42,881	46,713
Claim handling expenses	2,745	2,990
Risk margin	11,406	12,426
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	-	-
(B)	57,032	62,129
Deficiency net of reinsurance recoveries	(B) – (A)	9,986
Add back reinsurance element of present value of expected future cash flows for future claims	-	-
Deficiency gross of reinsurance recoveries	4,546	9,986

Claim handling expenses

Claim handling expenses as at 30 June 2007 are included at the rate of 6% (2006: 6%). Refer note 1(g).

Risk margin

A risk margin of 25% of the net central estimate of the present value of expected future cash flows arising from future claims plus claim handling expenses has been added. The risk margin is higher than the 20% risk margin applied to the provision for outstanding and unreported claims (refer note 16) in recognition of the increased volatility of estimated costs in respect of events which have yet to occur. The 25% risk margin provides a probability of not less than 75% (2006: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. Refer note 1(g).

	2007 \$'000	2006 \$'000
19 Provision for employee benefits		
Current		
Annual leave	136	140
Long service leave	182	168
Retirement benefits fund	21	20
	<u>339</u>	<u>328</u>
Non-current		
Long service leave	34	37
Retirement benefits fund	2,312	2,019
	<u>2,346</u>	<u>2,056</u>
Aggregate employee benefits (refer note 1p)	<u>2,685</u>	<u>2,384</u>

Retirement benefits fund contributions

The Retirements Benefits Fund (RBF) scheme has been designed to satisfy the requirements of the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*.

Each year, at the reporting date, the State Actuary conducts a valuation of the past service and accrued liabilities within the RBF defined benefits scheme. Any shortfall between the value of these benefits and the market value of RBF assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the Balance Sheet. A discounted cash flow model has been used to determine the present day value of the liabilities.

Included in the above are:

Contributory scheme

The RBF Contributory Fund is a defined benefit scheme covering the Board's permanent employees where the benefit is calculated as a function of the members' salaries, level of contributions and length of service. From 15 May 1999 the Contributory Fund was closed to new members.

Compulsory preserved benefits

Former members of the Contributory scheme and the former Non-contributory scheme who have left service prior to the preservation age have had the Board's component of their benefit transferred to a Compulsory Preserved benefit account.

The Compulsory Preserved benefit is payable in the event of death, incapacity or on attaining preservation age or otherwise satisfying a condition of release. When a member reaches his or her preservation age, the Compulsory Preserved lump sum benefit is funded and may be paid to the member if he or she has retired from the workforce. If the member remains in employment it is transferred to the investment account or a rollover fund or complying superannuation scheme nominated by the member. The Compulsory Preserved benefit is increased each six months by the greater of CPI or AWOTE.

Notes to the Financial Statements

for the year ended 30 June 2007

19 Provision for employee benefits *continued*

Pensioners

Members are able to elect to take their benefits in the form of a pension. Pensions are payable throughout the lifetime of the former member and are payable to a surviving widow or widower at two thirds of the pension at the time of death.

Pensions are indexed in line with CPI, with indexation occurring twice each year.

The funding status of the Board's share of the liabilities of the defined benefit scheme at the reporting date, based on actuarial valuations, is summarised as follows:

	2007 \$'000	2006 \$'000
Net liability as at 30 June 2007		
Defined benefit obligation	2,551	2,432
Contributions tax liability	333	147
Total defined benefit obligations	2,884	2,579
RBF contributory scheme assets	(552)	(540)
Deficit/(Surplus)	2,332	2,039
Unrecognised past service cost	-	-
Unrecognised net (gain)/loss	-	-
Net liability/(asset)	2,332	2,039

The main economic assumptions used in the actuarial valuation were:

	2007	2006
Discount rate		
Gross of tax	6.00%	5.80%
Net of tax	5.90%	5.70%
Salary rate	4.50%	4.50%
Expected return on plan assets (net of tax)	7.00%	7.00%
Price inflation	2.50%	2.50%
Tax rate for employer contributions	14.29% ¹	7.21%
Tax rate for discount rate	2.25%	2.25%
Decrement rates	As per the report "Valuation of Liabilities under the RBF as at 30 June 2007"	As per the report "Valuation of Liabilities under the RBF as at 30 June 2006"

Note

1 This tax rate is based on the estimated balance of pre-July 1988 funding credits as at 30 June 2007.

19 Provision for employee benefits *continued*

Plan assets

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset classed in which the Plan invests.

	2007	2006
Asset disclosure		
Australian equities	30%	38%
International equities	25%	20%
Fixed interest securities	20%	21%
Property	25%	21%

	2007 \$'000	2006 \$'000
Defined benefit obligations		
Funded	551	567
Unfunded	2,334	2,012
Total	2,885	2,579

Reconciliations

Fair value of plan assets

Fair value of plan assets at end of prior year	1	540	471
Estimated employer contributions	2	43	48
Estimated contributions tax paid	3	-	-
Estimated participant contributions	4	29	28
Estimated operating costs	5	5	5
Estimated benefit payments	6	96	69
Foreign currency exchange rate assets	7	-	-
Business combination assets	8	-	-
Curtailments/settlement assets	9	-	-
Expected return on assets	10	37	33
Expected assets at year end	11=1+2-3+4-5-6+7+8+9+10	548	506
Actuarial gain/(loss) on assets	12=13-11	3	34
Fair value plan assets at year end	13	552 ¹	540 ²
Estimated actual return on plan assets³		83	64

Notes

1 Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

2 Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available.

The net assets in the audited accounts were 2.6% higher than estimated. This has not been adjusted for in the previous year's figures.

3 Fair value of plan assets cannot be reconciled using the estimated figures shown in the table above as a number of items such as net assets, operating costs and investment returns can only be estimated using the proportion of funded liabilities for each authority compared to that of the RBF as a whole.

Notes to the Financial Statements

for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
19 Provision for employee benefits <i>continued</i>			
Total defined benefit obligations (net discount rate)⁴			
Total defined benefit obligation at end of prior year	14a	2,579	2,399
Employer service cost plus operating costs	15a	66	75
Interest cost	16	136	115
Actual participant contributions	17	29	28
Actual operating costs (admin & insurance)	18	5	5
Actual benefit payments plus contributions tax	19a	96	69
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments/settlements liabilities	22	-	-
New past service costs	23	-	-
Expected defined benefit obligations at year end	24a=14a+15a+16 +17-18-19a+20+21+22+23	2,709	2,543
Actuarial (gain)/loss on liabilities	25a	175	36
Actual total defined benefit obligations at year end	26a=24a+25a	2,884	2,579
Defined benefit obligations (net discount rate)⁵			
Defined benefit obligations at the end of prior year	14	2,432	2,247
Employer service cost plus operating costs	15	58	67
Interest Cost	16	136	115
Actual participant contributions	17	29	28
Actual operating costs (admin & insurance)	18	5	5
Actual benefit payments	19	96	69
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments/settlements liabilities	22	-	-
New past service costs	23	-	-
Expected defined benefit obligations at year end	24=14+15+16+17-18-19+20+21+22+23	2,554	2,383
Actuarial (gain)/loss on liabilities	25	(3)	49
Actual defined benefit obligations at year end	26=24+25	2,551	2,432

Notes

4 These figures include contributions tax.

5 These figures do not include contributions tax.

		2007 \$'000	2006 \$'000
19 Provision for employee benefits <i>continued</i>			
Contributions tax			
Defined benefit obligations at end of prior year	27	2,432	2,247
Fair value Plan assets at end of prior year	28	540 ¹	471 ²
Net obligation	29=27-28	1,892	1,776
Contributions tax at end of prior year	30	147	151
Contributions tax expense	31=32-30+3	9	9
Actual contributions tax paid	3	-	-
Expected contributions tax at year end ³	32=(24-11)/(1-t(0)) times t (0)	156	160
Actuarial (gain) / loss on contributions tax	33	177	(13)
Actual contributions tax at year end ³	34=(26-13)/(1-t(1)) times t(1)	333	147
Reconciliation of actuarial (gain) / loss			
Unrecognised actuarial (gain) / loss at end of prior year	35	-	-
Actuarial (gain) / loss on assets	12(a)=-12	(3)	(34)
Actuarial (gain) / loss on liabilities	25	(3)	49
Actuarial (gain) / loss on contributions tax	33	177	(13)
Amount recognised during year in income statement	36	172	2
Immediate recognition gains/losses related to curtailment/settlement	37	-	-
Unrecognised actuarial (gain) / loss at end of year	38=35+12(a)+25+33-36-37	-	-
Interest cost			
Defined benefit obligations at end of prior year (net discount rate)	14	2,432	2,247
Actual benefit payments	abp	96	69
Weighted for timing	51=abp/2	48	34
Average benefit obligations	52=14-51	2,384	2,213
Discount rate	d	5.70%	5.20%
Calculated interest cost	53=d times 52	136	115
Interest cost used in calculation		136	115

Notes

1 Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

2 Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available.

The net assets in the audited accounts were 2.6% higher than estimated. This has not been adjusted for in the previous year's figures.

3 t(0) is the tax rate for employer contributions as at 30 June 2006 or 7.21%, t(1) is the tax rate for employer contributions as at 30 June 2007 or 14.29%.

Notes to the Financial Statements

for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
19 Provision for employee benefits	<i>continued</i>		
Expected return on assets			
Fair value plan assets at end of prior year	1	540 ¹	470 ²
Actual employer contributions	2	43	48
Weighted for timing	54=2/2	22	24
Actual contributions tax paid	3	-	-
Weighted for timing	55=3/2	-	-
Actual participants contributions	4	29	28
Weighted for timing	56=4/2	14	14
Actual operating costs (admin & insurance)	5	5	5
Weighted for timing	57=5/2	2	2
Actual benefit payments	6	96	69
Weighted for timing	58=6/2	48	34
Average expected assets	59=1+54-55+56-57-58	526	472
Assumed rate of return	r	7.00%	7.00%
Calculated expected return on assets	60=r times 59	37	33
Expected return on assets used in calculation		37	33

Notes

- 1 Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.
- 2 Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.6% higher than estimated. This has not been adjusted for in the previous year's figures.

		2007 \$'000	2006 \$'000
19 Provision for employee benefits <i>continued</i>			
Net liability / (asset) at year end			
Actual defined benefit obligations at year end	26	2,551	2,432
Actual contributions tax at year end	34	333	147
Total defined benefit obligation at year end	61=26+34	2,884	2,579
Actual assets at year end	13(a)=(13)	(552) ¹	(540) ²
Deficit / (surplus)	62=61+13(a)	2,332	2,039
Unrecognised past service cost	50	-	-
Unrecognised net (gain) / loss	b	-	-
Net liability / (asset)	63=62-50-b	2,332	2,039
Actuarial gain / (loss) for year			
Defined benefit obligations (net of tax, prior year assumptions)	64	2,485	2,583
Contributions tax (prior year assumptions)	65=(64-13)/(1-t0)*t0	150	174
Defined benefit obligations (net of tax, current year assumptions)	26	2,551	2,432
Actual contributions tax at year end	34	333	147
Actuarial (gain)/loss for year due to assumptions	66=26+34-(64+65)	249	(178)
Actuarial (gain)/loss for year due to experience	67=25+33-66	(74)	214
Actuarial (gain)/loss on assets	12	(3)	(34)
Actuarial (gain)/loss for year	68=66+67-12	172	2

Notes

1 Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

2 Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available.

The net assets in the audited accounts were 2.6% higher than estimated. This has not been adjusted for in the previous year's figures.

Notes to the Financial Statements

for the year ended 30 June 2007

19 Provision for employee benefits *continued*

History

The amounts for the current annual reporting period and the previous two reporting periods, as required under paragraph 120A(p) of AASB 119 are shown below.

	30-Jun-07 \$'000	30-Jun-06 \$'000	30-Jun-05 \$'000
Total defined benefit obligation at year end	2,884	2,579	2,398
Actual assets at year end	(552)	(540)	(471)
Deficit/(surplus)	2,332	2,039	1,927
Experience adjustment on liabilities	(74)	213	(152)
Experience adjustment on assets	(3)	(34)	56

Funding and contribution information

The table below shows the surplus/(deficit) of the RBF as determined in accordance with AAS 25 *Financial Reporting by Superannuation Funds* as at 30 June 2005, the date of the most recent actuarial funding report. These figures are calculated for funding purposes and relate to the RBF Contributory Scheme as a whole (unlike those above which relate to the Board).

	30-Jun-05 \$'000
Liabilities for accrued benefits	
Liability for the Scheme as a whole	3,892,933
Net market value of Scheme assets	1,255,312
Surplus/(deficit)	2,637,621

The present value of the total accrued benefits for the Contributory Scheme as a whole (both funded and unfunded components) for the purposes of AAS 25 was calculated to be \$3,892,933,000.

The employer does not make regular contributions but rather meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due (as defined in the *Retirement Benefits Regulations 2005*).

The economic assumptions used to calculate these figures were:

Assumptions	Rate per annum %
Discount rate	7.0
Salary inflation (inclusive of promotional increases)	4.5
Rate of compulsory preserved benefit increases (AWOTE)	4.0
Rate of pension increases (CPI)	2.5

	Note	2007 \$'000	2006 \$'000
20 Retained earnings			
Balance at the beginning of the financial year		248,452	165,070
Operating result after tax		113,084	96,187
Dividend paid	1(d)	(22,062)	(12,805)
Balance at the end of the financial year		<u>339,474</u>	<u>248,452</u>

21 Provision for Injury Prevention and Management Foundation reconciliation

Legislation is in place to allow the Board to fund research and education and to service development programs that are directed towards the prevention and improved management of injuries resulting from road accidents.

Funding for the Foundation is by way of up to 1% of premium income each year. Projects are approved by a Committee set up to administer the Foundation.

Guidelines as to appropriate projects are set out in a booklet published by the Injury Prevention and Management Foundation.

Balance at the beginning of the financial year	1,056	820
Payments	(1,004)	(884)
Project approvals less project funds withheld	912	1,024
GST on outstanding project approvals	96	96
Balance at the end of the financial year	<u>1,060</u>	<u>1,056</u>

22 Provision for unearned premium

Balance at beginning of financial year	52,143	49,979
Deferral of premiums on contracts written in the period	52,486	52,143
Earning of premiums written in previous periods	(52,143)	(49,979)
Balance at end of financial year	<u>52,486</u>	<u>52,143</u>

23 Accrued expenses

Current

Employee on costs - annual leave	8	8
Employee on costs - long service leave	11	10
Other accrued expenses	-	-
Total current accrued expenses	<u>19</u>	<u>18</u>

Non current

Employee on costs - long service leave	<u>2</u>	<u>2</u>
--	----------	----------

Notes to the Financial Statements

for the year ended 30 June 2007

24 Cash Flow Statement

(a) Reconciliation of cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2007 \$'000	2006 \$'000
Cash on hand and at bank	596	448

(b) Reconciliation of net cash provided by operating activities to operating result after tax

Operating result after tax	113,084	96,187
Depreciation	136	152
Loss (profit) on sale of assets	30	32
Increase (decrease) in employee provisions	301	56
Increase (decrease) in creditors and accruals	4,062	137
Increase (decrease) in claims provisions for new claims and the effect of existing claims provisions increases/decreases	32,307	36,228
Decrease (increase) in prepaid insurance expenses	4	4
Unrealised change in net market value of investments	(96,266)	(77,248)
Decrease (increase) in deferred tax asset	(8,411)	380
Decrease (increase) in accrued income	31	9
Decrease (increase) in accounts receivable	(49)	(175)
Decrease (increase) in reinsurance recoveries receivable	898	2,880
Increase (decrease) in provision for unearned income	343	2,165
Increase (decrease) in tax payable	11,453	15,754
Increase (decrease) in provision for injury prevention and management foundation	4	235
Increase (decrease) in unexpired risk provision	(5,440)	(1,061)
Increase (decrease) in provision for deferred tax	2,100	13,370
Net cash flow from operating activities	54,587	89,105

(c) Financing facilities

The Board has no formal credit standby arrangements or unused loan facilities.

25 Key management personnel information

(a) Directors

The following persons were directors of the Board during the financial year:

(i) Non executive directors:

Mr GJ Humphreys (Chairman)
Ms K Barker
Ms CE Bell
Mrs K Brown
Mr SWJ Coutts (from 1 July 2006 to 28 June 2007)
Mr JW Harry
Mrs KL Stephenson

(ii) Executive director:

Mr PJ Roche (Chief Executive Officer)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Board, directly or indirectly, during the financial year:

Mrs LJ Bingley	Manager Claims and Rehabilitation
Mr PA Livingston	Chief Operating Officer
Mr DW Thurm	Chief Financial Officer

(c) Key management personnel compensation

The key management personnel compensation included in administration expenses is as follows:

	2007 \$'000	2006 \$'000
Short term employee benefits	581	541
Other long-term benefits	-	-
Post employment benefits	210	188
Termination benefits	-	-
	<hr/> 791	<hr/> 729

Notes to the Financial Statements

for the year ended 30 June 2007

25 Key management personnel information *continued*

(d) Directors' meetings

The number of Directors' Board meetings and Committee meetings held and attended by each Director during the financial year are as follows:

Director	Board of Directors meetings		Audit Committee meetings	
	Number		Number	
	Held	Attended	Held	Attended
GJ Humphreys	15	15		
K Barker	15	15		
CE Bell	15	12	11	9
K Brown	15	15		
SWJ Coutts	15	15	11	11
JW Harry	15	14	11	11
PJ Roche	15	14		
KL Stephenson	15	13		

Director	Claims Committee meetings		Injury Prevention and Management Foundation Committee meetings	
	Number		Number	
	Held	Attended	Held	Attended
GJ Humphreys	11	11	1	1
K Barker	11	11		
K Brown	11	11	1	1
PJ Roche	11	10		
KL Stephenson	11	10		

(e) Other transactions of key management personnel and related parties

JW Harry, a Director, is a partner of the firm Page Seager, which has provided legal services to the Board under normal terms and conditions.

K Brown, a Director, is the spouse of Simon Brown whose legal firm has provided services to the Board under normal terms and conditions.

The aggregate amount in respect of transactions with Directors and Director-related entities for legal fees and other services for the year was \$186,977 (2006: \$221,455).

26 Road Safety Task Force

For the year ended 30 June 2007 contributions amounting to \$2,665,000 (2006: \$2,425,000) were paid to the Road Safety Task Force (RSTF).

A Memorandum of Understanding between the Board, Department of Police and Emergency Management and the Department of Infrastructure, Energy and Resources is in operation and specifies the relevant key performance indicators.

27 Auditor's remuneration

The amount due and receivable by the Tasmanian Audit Office for auditing the financial statements is \$26,344 (2006: \$23,500).

28 Dividends

Since the end of the financial year, a final ordinary dividend relating to the 2006/07 financial year in the amount of \$32,950,518 has been calculated in accordance with the methodology contained in the Board's Ministerial Charter and is payable during the 2007/08 financial year.

This dividend has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports.

Special dividends will be recognised in subsequent financial statements once approved by Parliament (refer note 1(d)).

29 Road Infrastructure

For the year ended 30 June 2007 \$1,000,000 was paid to the Department of Infrastructure, Energy and Resources representing the Board's contribution to the Black Spot Program.

Certification

CERTIFICATION

In the opinion of the Directors of the Motor Accidents Insurance Board:

- (a) the financial statements and notes of the Enterprise are in accordance with the *Government Business Enterprises Act 1995*, including:
 - i. giving a true and fair view of the results and cash flows for the year ended 30 June 2007 and the financial position as at 30 June 2007 of the Enterprise;
 - ii. subject to the Treasurer's Instructions, complying with Australian Accounting Standards, including Australian Accounting Interpretations; and
 - iii. complying with Australian equivalents to International Financial Reporting Standards.
- (b) there are reasonable grounds to believe that the Enterprise will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and the Chief Financial Officer of the Enterprise:

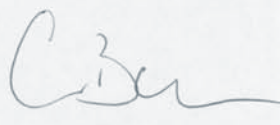
- (a) the financial records of the Enterprise for the period ended 30 June 2007 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;
- (b) the financial statements, and notes for the period ended 30 June 2007 have been prepared in accordance Section 52 of the *Government Business Enterprises Act 1995*; and
- (c) The financial statements and notes for the period ended 30 June 2007 give a true and fair view.

Signed in accordance with a resolution of the Directors:

Dated 13 August 2007



GJ Humphreys
Chairperson



CE Bell
Director

Auditor's Independence Declaration



Tasmanian Audit Office

Ground Floor, 144 -148 Macquarie Street
Hobart Tasmania 7000

Postal Address
GPO Box 851
Hobart Tasmania 7001

Phone: 03 6226 0100
Fax: 03 6226 0199
e-mail: admin@audit.tas.gov.au

13 August 2007

The Board of Directors
Motor Accidents Insurance Board
P O Box 590
Launceston Tas 7250

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of the Motor Accidents Insurance Board for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

As agreed, a copy of this declaration will be included in the Annual Report.

Yours sincerely

E R De Santi
DEPUTY AUDITOR GENERAL

Accountability on Your Behalf

Independent Audit report



Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To Members of the Parliament of Tasmania

MOTOR ACCIDENTS INSURANCE BOARD

Financial Statements for the Year Ended 30 June 2007

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Motor Accidents Insurance Board (the Board) for the year ended 30 June 2007. The Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Board's annual report.

Report on the Financial Statements

I have audited the accompanying financial statements of the Board, which comprise the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement from directors of the Board.

The Responsibility of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Accountability on Your Behalf

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Statement of Continued Independence

My independence declaration provided to the Directors of the Board dated 13 August 2007 and included in the Annual Report, would be unchanged if provided to the Directors as at the date of this audit report.

Auditor's Opinion

In my opinion:

- (a) the financial statements of the Motor Accidents Insurance Board:
 - (i) present fairly, in all material respects, the financial position of the Motor Accidents Insurance Board as at 30 June 2007, and of its financial performance, cash flows and changes in equity for the year then ended; and
 - (ii) are in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards (including the Australian Accounting Interpretations).
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

TASMANIAN AUDIT OFFICE



E R De Santi
DEPUTY AUDITOR-GENERAL

Delegate of the Auditor-General

HOBART
29 August 2007

Appendix

Interstate Scheme Comparisons

	TAS	VIC	NT	NSW	QLD	WA	SA	ACT
No-fault	Yes ¹	Yes ¹	Yes ¹	No ²	No	No	No	No
Common Law Rights	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Monopoly Scheme	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Motor Car Premium	\$332	\$356	\$426	\$342 ³	\$299 ³	\$225	\$371	\$396

¹ Includes lifetime care and support for catastrophically injured

² No-fault for children commenced 10/06 and no-fault for catastrophically injured to commence 10/07

³ Maximum premium allowable

Interstate Private Motor Car Premium Rate Comparisons



Managing Diversity

The Board is an Equal Employment Opportunity (EEO) employer and ensures compliance with all relevant legislation.

Tenders and Contracts (\$50,000 and over)

This disclosure is made in accordance with Treasurer's Instruction GBE 08-57-02 for contracts awarded during 2006/07.

	Awarded to Tasmanian Businesses	Awarded to other Australian businesses	Awarded to International businesses	Total
No of Contracts awarded	1	1	-	2
Value of Contracts Awarded	\$1,500,000*	\$350,000	-	\$1,850,000

*Awarded across 14 Tasmanian providers

Staffing

As at 30 June 2007, the Board employed 38 staff on a full or part-time basis.



Proudly Promoting Road Safety in Tasmania

Motor Accidents Insurance Board

ABN 93 610 406 210

Address 1st Floor, 33 George St
Launceston 7250
Tasmania

Telephone (03) 6336 4800
Toll Free 1800 006 224
Facsimile (03) 6336 4848
Email info@maib.tas.gov.au
Web www.maib.com.au