

Motor Accidents Insurance Board
Annual Report 2007/08



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

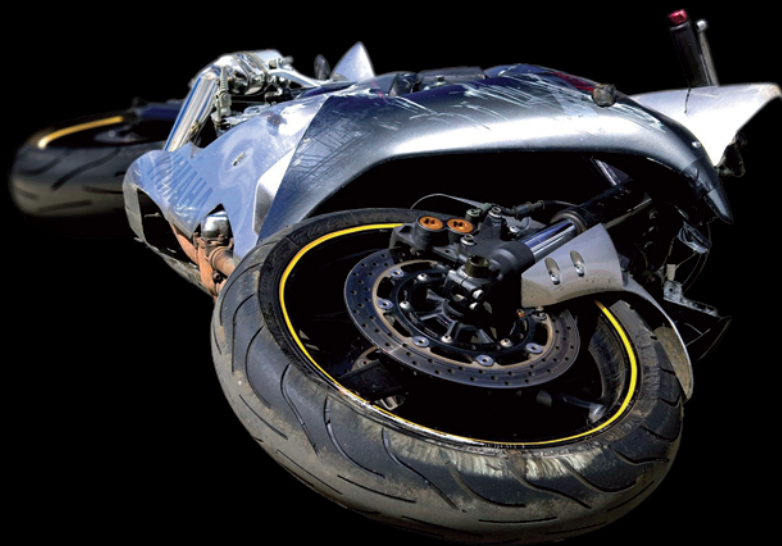
In seeking to achieve the mission and vision, the principal values of the Board are:

- 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.



**When you're on your bike,
you're on your own.**

just like that

Road Safety Task Force



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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.



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Highlights

- Further claims frequency reduction.
- Strong underwriting performance.
- Completion of a new care facility for the catastrophically injured.
- No premium increases for any vehicle classes for the third consecutive year.
- Continued high satisfaction ratings indicated in 2007 Client Market Survey.
- Commencement of fourth independent evaluation of the Road Safety Task Force.
- Scheme solvency remains within target range of 20-25%.

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 of compulsory third party (CTP) motor accident insurance and payment of compensation to eligible people who have been injured in a motor accident. Compensation is available to eligible drivers, passengers, pedestrians, motorcyclists and cyclists.

All States and Territories of Australia have CTP schemes which are funded through compulsory premiums on all registered motor vehicles.

Compensation

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 persons;
- Disability allowance (as a partial replacement of lost earnings); and
- In the case of fatal injuries, funeral expenses and dependency benefits (where applicable).

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

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

Primary Functions of the Board

Provision of Compensation

The core business activities of the Board 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 Injury Prevention and Management Foundation (Foundation), Road Safety Task Force and the Tasmanian Black Spot program.

Reducing the number and severity of accidents has many positive benefits to the community as well as reducing claim costs.



You are travelling 30 km/hr in a 40 km/hr zone. Driving conditions are good. A child runs onto the road 30m in front of you. You brake, hard. Will you stop in time?



5m



Statement of Compliance

**The Hon. Michael Aird, MLC, Treasurer
and the Hon. Graeme Sturges, MP,
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 2008. 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: 24 September 2008



G J Humphreys
Chairperson



C E Bell
Director

03

Governance Structure as at 30 June 2008

Portfolio Minister:

The Hon. Graeme Sturges, MP

Treasurer:

The Hon. Michael Aird, MLC

The Board of Directors

Chair: Gordon Humphreys

Directors: Kim Barker
Christine Bell
Kate Brown
John Harry
Peter Roche (CEO)
Mark Scanlon
Kate Stephenson

Management Team

CEO: Peter Roche

Chief Operating Officer: Vacant

Chief Financial Officer: Derek Thurm

**Manager: Claims and
Rehabilitation:** Lisa Bingley

System Administrator: Jo-Anne Wilson

Executive Officer: Danielle Aitken

Financial Accountant: Angie Edwards

Motor Accidents Insurance Board Annual Report 2007/08

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Reaction & braking



Travelling at **30 km/h** your reaction and braking distance is around **12m**. You will stop in time.



Corporate Governance Board of Directors



Gordon Humphreys

LLB, AREI, FAICD

Director and Chairperson

Director:

- Harrison Humphreys Pty Ltd

Member:

- Claims Committee
- Foundation Committee



John Harry

LLB (Hons), ASA, FAICD

Director

Consultant:

- Page Seager, Legal Firm

Director:

- Salmon Industries of Tasmania Pty Ltd

Member:

- Audit Committee



Kim Barker

BA, DipEd, MAICD

Director

Member:

- Guardianship and Administration Board
- Social Securities Appeal Tribunal

Deputy President:

- Mental Health Tribunal

Chair:

- The Tasmanian Training Agreement Committee

Member:

- Claims Committee



Peter Roche

ANZII (Aff), FAICD

Director and Chief Executive Officer

Member:

- Claims Committee



Christine Bell

BEC, MComLaw, FCA, FAICD, MIAMA

Director

Director:

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

Chair:

- Audit Committee



Mark Scanlon

MBA, BBus, FCPA, FAICD

Director

Director:

- Tasmanian Perpetual Trustees Limited
- Tasmanian Banking Services Limited
- Heart Foundation Tasmania

Member:

- Audit Committee

Appointed November 2007



Kate Brown

BA, LLB, MAICD

Director

Member:

- Guardianship and Administration Board
- Racing Regulatory Panel
- Local Government Standards Panel
- Forensic Tribunal
- Mental Health Tribunal

Member:

- Claims Committee
- Foundation Committee



Kate Stephenson

BA, DipEd, DipBus, DipFP, FAICD

Director

Deputy Chair:

- Southern Schools Improvement Board

Member:

- Claims Committee



You are travelling 40 km/hr in a 40 km/hr zone. Driving conditions are good. A child runs onto the road 30m in front of you. You brake, hard. Will you stop in time?



Board of Directors and its Committees

The Directors are responsible for the corporate governance and strategic direction of the Board, ensuring that its business and affairs are conducted and managed in accordance with sound commercial practice and are consistent with the goals specified in the Corporate Plan. The Directors are responsible to the Portfolio Minister and the Treasurer for the operations and performance of the Board.

The composition of the Board of Directors is governed by section 11 of the *Government Business Enterprises Act 1995* (GBE Act). The Chairperson and Directors are appointed by the Governor on the joint recommendation of the Portfolio Minister and Treasurer.

Legislative Authority

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

Ministerial Charter and Corporate Plan

In accordance with the GBE Act, the Board has a Corporate Plan and a Ministerial Charter. The five year rolling Corporate Plan provides clear direction for the organisation.

Committees

There are three sub-committees of the Board of Directors.

The Audit Committee is constituted in accordance with section 16 of the GBE Act and has an essential role in overseeing risk management and ensuring the integrity and transparency of the Board's reporting.

The Claims Committee considers common law settlements, where damages exceed \$200,000, and meets regularly to expedite claim settlements.

The Injury Prevention and Management Foundation Committee (IPMF) calls for and evaluates funding applications in respect of IPMF guidelines. The Committee provides recommendations to the Board of Directors for ratification.

Codes of Conduct

As part of its commitment to the highest standard of conduct and service, the Board has adopted codes of conduct to guide Directors, management and staff in carrying out their duties and responsibilities. The codes of conduct are reviewed annually and reflect the Board values of accountability and responsibility, integrity, unity of purpose, professionalism and dignity.

Risk Management

The Board has in place a sound risk management framework including a Risk Management Policy, a Risk Management Plan and a Business Continuity Plan (BCP). The risk profiles of all strategic 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. The BCP has been developed to guide employees in the event of a business disruption.

CEO Performance

A formal process is maintained for the evaluation of the CEO's performance. The evaluation is based on specific criteria including business performance, achievement of strategic objectives, service delivery, leadership and risk management. This assessment is conducted annually by Directors and includes the requirements under section 20B of the GBE Act.

Board Processes

The Board of Directors reviews its operations regularly including a formal annual evaluation 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. The relevant interests of the Board of Directors are reviewed monthly.

Status of Compliance

The Board of Directors conducts an annual self assessment of compliance with relevant State and Federal legislation. Governance controls are implemented where appropriate to ensure ongoing compliance with existing and introduced legislation.

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. The next review is scheduled to take place in 2009.

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.

10m 15m 20m 25m 30m 35m



Travelling at **40 km/h** your reaction and braking distance is around **24.5m**.

You will stop just in time.



Chairperson's Report

Despite the depressed investment returns due to the collapse of the world financial markets, a better than expected underwriting result allowed the Board to contain its after-tax loss for the 2007/08 financial year to \$22.6 million.

After four years of double digit returns, the Board experienced a negative investment return in 2007/08 for the first time. The return of negative 8.7% was marginally better than the median of negative 9.4% for pooled funds as published in the Mercer Surveys. Given the turmoil in the world financial markets, negative returns were experienced in almost all growth asset classes. The total investment loss which includes unrealised losses of \$138 million, was \$95 million.

The significant investment loss was partially offset by a positive underwriting profit in the order of \$65 million. The independent actuarial analysis identified lower than expected claim numbers, including long term care claims, and a reduced stock of open common law claims. The net claims provision at 30 June 2008 was approximately \$12 million less than the provision for the previous year as a result of the favourable actuarial analysis.

As reported last year, the target solvency range was increased to 20% - 25%. Despite the end of year loss, it is of considerable comfort that actual solvency at 30 June 2008 remains within that range.

The construction of the new six bed residence and transitional units for the catastrophically injured in Ulverstone, North West Tasmania, has been completed. The first residents will move into the residence early in the new financial year. This complex complements existing facilities in Hobart and Launceston.

The Board's involvement with the State's Black Spot Program continued. The final payment of \$155,334 has been made in respect of the project commenced in 2006/07 for the installation of central wire rope barriers in both northern and southern Tasmania. A special allocation of \$500,000 was also approved for remedial road works to be undertaken by the Central Highlands Council. Funding of \$1 million for a major

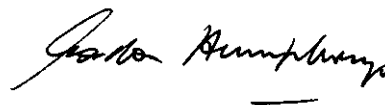
State and Commonwealth project has been held over until 2008/09.

The Black Spot funding complements the work of the Road Safety Task Force which is independently reviewed every three years. Dr Jeremy Woolley of the Centre for Automobile Safety Research, University of Adelaide, was engaged to conduct the review in February 2008. His final report will be available early in the new financial year.

Thanks to new legislation, safer vehicles and an increased emphasis on road safety through the activities of the Road Safety Task Force, there has been a significant reduction in claims lodged with the Board over the past 12 years. At the same time, there has been no discernable reduction in road fatalities. Regrettably, Tasmania now rates poorly for road deaths when compared to the Australian average on a population basis.

I wish to welcome Mark Scanlon who joined the Board as a Director in November 2007. Mark has significant experience in financial and executive management in the private sector and has been appointed as a member of the Audit Committee. I extend sincere thanks to all Directors for their commitment and diligence throughout the year.

My thanks to our Chief Executive Officer, Peter Roche, and his dedicated management team and the staff who have performed so well in service delivery across the business. Their contribution is greatly appreciated.



Gordon Humphreys
Chairperson



You are travelling 50 km/hr in a 40 km/hr zone. Driving conditions are good. A child runs onto the road 30m in front of you. You brake, hard. Will you stop in time?



Chief Executive Officer's Report

In a challenging year for most Australian insurers because of the difficulties in world financial markets, the Board experienced many highlights including reduced claim frequency, lower claim costs, unchanged premiums for the third successive year and a high level of customer service.

In 2007/08, the Board experienced a pre-tax loss of \$39.2 million, its first loss since 2001/02. Net investment revenue was \$175 million below budget. This was partially offset by a claims expense which was \$91.3 million below budget. The exceptionally low claims expense was a result of a detailed review of claims provisions and the release of some of those provisions. This release is not expected to recur in the short to medium term.

The number of claims received was marginally below numbers received in recent years. However, with a 2.7% growth in vehicle numbers, claim frequency reduced significantly from the previous year from 7.98 to 7.52 claims per thousand vehicles. Most Australian States and Territories have experienced meaningful reductions in claim frequency over the past decade.

New and enhanced claim benefits became payable from 1 December 2007 following amendments to the *Motor Accidents (Liabilities and Compensation) Regulations 2000*. The amendments provided for increased funeral and dependency benefits and the extension of dependency benefits where a fatally injured non-earner cared for children under 16 years of age.

An independent client market survey was conducted in July/August 2007. It was reported that current overall satisfaction remains high in almost all 33 elements in the areas under review. There was also an increase in client satisfaction when compared with the previous survey in 2005. The extremely low level of formal complaints received is further evidence of high quality service.

In good news for motorists, premiums were contained at the level set in 2004. The premium for a standard motor car of \$332 is almost 9% less than the maximum premium allowable under the *Government Prices Oversight (MAIB Premiums) Order 2006*.

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 biannually by a senior management committee and mitigation strategies for each identified risk are tested as part of an internal control process.

The 2007 Enterprise Agreement negotiated with staff included a staff retention theme. New features include additional employer superannuation contributions, enhanced maternity leave provisions and more flexible long service leave entitlements. An annual Staff Satisfaction Survey provided a positive response with 92% of respondents indicating satisfaction with working conditions.

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.

A total of six new officers were welcomed this year - two new Claims Officers and four new Claims Administration Officers.

I extend my sincere thanks to all staff for their dedication in continuing to provide outstanding customer service.



Peter Roche
Chief Executive Officer

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Travelling at **50 km/h** your reaction and braking distance is around **33.5m**.

You will not stop in time.



Community Involvement & Partnerships

Road Safety Task Force

The Road Safety Task Force (RSTF), established in 1996, is a joint initiative of the Department of Infrastructure, Energy and Resources (DIER) and the Department of Police & Emergency Management (Tasmania Police) and is wholly funded by the Board. The primary focus of the RSTF is to reduce road crashes and the severity of injuries through enforcement activities supported by public education.

Speed continues to be the most common crash factor in serious casualty statistics and is an ongoing major focus for the RSTF. The 'Limit Your Speed. Limit the Damage' campaign was launched in July 2006 and continued throughout 2007/08. The campaign consists of two television commercials and is supported by billboards and radio advertising. 'Driving to the Conditions' has also been a focus of the RSTF in 2007/08 with the message presented across all advertising mediums encouraging drivers to slow down in various conditions such as adverse weather.

The RSTF monitors developments and emerging trends in road safety and enforcement on an ongoing basis.

Motor Cycle Safety Strategy

In 2005, the Board agreed to provide funding of up to \$500,000 for the Tasmanian Motorcycle Safety Strategy.

Road skills refresher courses run by three contracted providers continued in 2007/08 at the subsidised rate of \$50 per participant.

On 12 March 2008, the Tasmanian Motorcycle Handbook was launched. This publication was funded by the Board and incorporates information to assist motorcyclists to ride safely and responsibly.

A series of television commercials aimed at motorcycle safety went to air during the year under the theme 'When you are on your bike, you are on your own'.

Working for a Safer Tasmania – Agfest 2008

The Board joined forces with the RSTF, State Emergency Service (SES), Tasmania Police, Tasmanian Ambulance and DIER to host the Working for a Safer Tasmania site at Agfest 2008.

The key attraction to the site was a Heavy Driving Vehicle Simulator loaned from DECA Training. The DriveSim simulator is able to simulate any vehicle on Australian roads and can be used to train for any driveline with any combination of engine, gearbox or axle ratio. The simulator proved to be exceptionally popular with patrons, particularly those who operate heavy vehicles and equipment as part of their employment.



Associate Professor Christopher Newell AM was announced as the worthy winner of the MAIB Disability Achievement Award. The Board would like to thank all of the inspiring nominees for participating in the awards and, in doing so, raising the profile of people with a disability who are achieving extraordinary things in the community.



Board Director Christine Bell with inaugural MAIB Disability Achievement Award winner Associate Professor Christopher Newell AM

Tasmanian Community Achievement Awards

The Board was pleased to be a category naming rights sponsor of the inaugural Tasmania 2007 Community Achievement Awards sponsoring the Disability Achievement Award. Nine worthy nominations were received for the award with three finalists being selected by a panel of judges which included a representative from the Board and an industry expert.

Support for Community Groups

The Board supports other sectors of the Tasmanian Community who are strategically linked to its core business activities. In 2007/08 financial support was provided to the:

- SES for rural road rescue and training;
- Responsible Serving of Alcohol initiative;
- Royal Guide Dogs Association of Tasmania;
- Pollie Pedal 2008;
- Rotary Youth Driver Awareness; and
- Amy Gillett Foundation.



You are travelling 50 km/hr in a 60 km/hr zone. Driving conditions are good. A cyclist suddenly stops 45m in front of you. You brake, hard. Will you stop in time?



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Injury Prevention and Management Foundation

Trauma on Tasmanian roads is a major economic issue with accidents costing Tasmanians millions of dollars each year.

Through the Injury Prevention and Management Foundation (Foundation), the Board contributes significantly towards lessening the impact and associated costs of motor accident injuries, by funding worthwhile projects that may assist to:

- Reduce the number and severity of accidents;
- Lead to a better outcome for those who have suffered an injury; and
- Lend support to organisations dedicated to the care of accident victims and their families.

By funding appropriate projects, the Board believes that a number of benefits can be achieved including:

- A reduction in the frequency and severity of injuries sustained in an accident;
- Improved access to quality medical, rehabilitation and care services;
- Advancement and development of medical techniques; and consequently, a minimisation of costs to the Board and the Tasmanian community.

Sponsoring a commercial interest in injury management broadens the Board's vision beyond the funding of acute rehabilitation initiatives to include accident prevention initiatives and development of improved injury management systems.

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

MAIB Tasmanian Ambulance Simulation and Skills Centre

The Board has long recognised the importance of working together with emergency services to minimise the impact of road trauma.

The Tasmanian Ambulance Service attends more than 1,000 motor accidents each year. Many of the people involved in these accidents receive medical treatment at the scene and/or are transported to a hospital. The skills of Tasmanian ambulance officers are critical in the minimisation of road trauma by providing effective emergency and clinical care in the immediate aftermath of motor accidents.

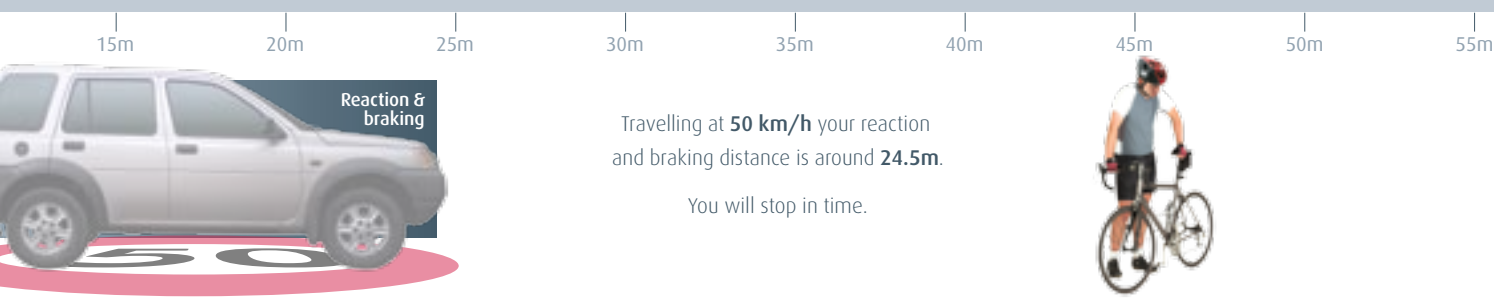
Through the Foundation, the Board has funded the establishment of the MAIB Tasmanian Ambulance Simulation and Skills Centre in Hobart which was officially opened in May 2008.

The centre is a first for Tasmania and enables complex and realistic incidents to be simulated which help develop experience, teamwork and individual competencies as well as enabling practitioners to assess performance and identify any areas which may require further training.

The centre reaches beyond simulating road trauma to a wider range of emergency scenarios, which are replicated through the use of computer simulations, anatomical models and realistic manikins.

The centre also allows ambulance officers to carry out medical procedures multiple times, a situation out of reach until now.

It is anticipated that the centre will greatly assist in the continuous improvement of the management of road trauma in Tasmania through the provision of a modern and appropriate training environment which helps to advance the skills of ambulance officers and other emergency management personnel.



Injury Prevention and Management Foundation continued

PROJECTS FUNDED 2007/08

Centre for Clinical Research (University of Tasmania)

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.

This was the final year of funding for this five year project.

Launceston Clinical School

Smithton and Oatlands Trauma Courses

This project allowed fifth year medical science students to be educated in traumas encountered by rural general practitioners. Students were given the opportunity to work alongside experienced clinicians, SES and ambulance officers and used role plays to reproduce incidents (including road trauma) that are common in rural areas.

Community Transport Services Tas Inc

Drive Safely (Volunteer Training)

This project allowed the "Crash Free" program to be delivered to 350 volunteer drivers in Tasmania to assist in refreshing driver skills and awareness.

Wheels 4 Work Steering Committee

Wheels 4 Work

This project enabled the purchase of a suitable vehicle and supervisory access for disadvantaged individuals preparing to obtain their provisional driver's licence.

Bridgewater/Gagebrook Urban Renewal Project

Turn Right Program

This project allowed unlicensed jobseekers in the Gagebrook area a pathway to

achieving the practical 50 hour driving component in order to obtain their provisional driver's licence.

Housing Options Providing Extra Support (HOPES)

Co-Operative Living Project

This project allowed HOPES to produce a professional business plan with architectural sketches to assist in attracting capital and expertise for the building phase of HOPES Co-operative Living Model.

Penguin High School

This project enabled the delivery of the "Crash Free" program to high school students, as well as providing parents and guardians with the tools to advise and effectively monitor the driving of young drivers.

Parklands High School

Driver Education/Road Safety

This project delivered a driver awareness course to all grade 10 students. The course consisted of theoretical and practical components.

Yolla District High School

All Terrain Vehicle (ATV) Rider Training

This project gave eligible students the opportunity to learn how to operate an ATV safely and correctly through undertaking a TAFE certificate in ATV Operations. A high percentage of students at the school are from a rural background and operate this type of vehicle.

Driver Education

This program delivered an 11 week driver awareness course to all grade 10 students. The course consisted of theoretical and practical components. A parent forum and information session was also undertaken.

Don College

"Attitude First Project"

This project was aimed at attitudinal change in regards to driving and driver behaviour. The course is currently being undertaken by the year 11 students (1,200 over a three year period).

Derwent Valley Road Safety

Road Safety Programs

This project delivered a road safety program to primary schools in the Derwent Valley region with a focus on Bike Safety Programs.

P Plate Action Program

This project enabled the delivery of the "Crash Free" program to selected education institutions in Southern Tasmania.

CHARITIES COMMITTEE

The Foundation supports a number of Tasmanian 'not-for-profit' organisations.

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 recipient is responsible for utilising the allocated funding to best meet the needs of the organisation and its clientele, and is accountable to the Board through formal reporting and meetings.



You are travelling 60 km/hr in a 60 km/hr zone. Driving conditions are good. A cyclist suddenly stops 45m in front of you. You brake, hard. Will you stop in time?



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

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Community Transport Services Tas Inc	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	\$14,500
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"	\$10,416
P-Plate Action Program	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		\$394,756

(NB: All amounts are exclusive of GST)

Injury Prevention and Management Foundation – Projects Approved for 2008/09

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Menzies Research Institute University of Tasmania	"Developing metallothionein as a therapeutic agent for the treatment of traumatic brain injury"	\$115,833
Department of Infrastructure, Energy and Resources, Planning and Workplace Relations	Heavy Vehicle Drivers Handbook	\$60,000
Tasmanian Industries Skills Centre Inc trading as Driver Safety Services	Taxi Travel Safe	\$35,000
Northern Tasmanian Spinal and Continence Support Service, Launceston General Hospital	Spinal Outreach Risk Reduction Clinics	\$62,000
Housing Options Providing Extra Support (HOPES)	Preliminary Stage 2 - Co-operative Living Project	\$3,580
Yolla District High School	All Terrain Rider Training	\$14,220
Imaginarium Science Centre	Questacon RoadZone: Educating Tomorrow's Drivers	\$14,107
Community Transport Services Tas Inc	Drive Safely (Volunteer Training)	\$50,000
Migrant Resource Centre (Northern Tasmania) Inc	Drive for Life	\$36,050
Don College	Attitude First Project	\$12,000
TOTAL FUNDING COMMITTED to PROJECTS 2008/09		\$402,790

(NB: All amounts are exclusive of GST)



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 Statements.

Enterprise Agreement 2007

The 2007 Enterprise Agreement (Agreement) was lodged with the Workplace Authority on 22 April 2008. This Agreement provides the opportunity for career development and continual improvement in the working conditions for all staff through professional development opportunities.

A number of staff retention initiatives were included in the Agreement:

- Additional employee superannuation contributions to be matched by the employer up to 5% of salary to a maximum of \$2,500 per annum after an employee has served 5 years or more continuous employment;
- The opportunity for staff to voluntarily cash out up to 75% of their accrued long service leave entitlement after seven years continual service;
- Enhanced maternity leave provisions;
- A new competency unit for mentoring for eligible staff; and
- Inclusion of an enhanced health and wellbeing program and an increase in the allowance available to all employees.

The agreement provides for a competency based wage structure and will remain in place until 30 June 2010.

Staff Satisfaction Survey

A staff satisfaction survey has been conducted over recent years to give staff the opportunity to make comments and suggestions, assist management in identifying trends and issues and provide management with an indication of staff engagement.

92% of survey participants indicated that they enjoy working at the Board and are satisfied with the working conditions and 85% felt that by doing their job well they were making a valuable contribution to the community. All survey participants agreed that there is sufficient flexibility around family and personal obligations.

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 appropriately trained to promote an understanding of EEO issues and developments to assist staff as required.

An employee assistance program is also made available to all staff.

Occupational Health and Safety (OHS)

A working OHS committee ensures 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 as well as addressing any issues that are raised by staff.

Team Building

Annual team building exercises are held to improve internal communication and working relationships. Activities are identified through staff consultation.

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 once per fortnight on a rostered basis. This community service has proved to be enjoyable and worthwhile to participating staff and consequently, the percentage of staff volunteering has increased from 40% to 55%.



MAIB staff members, Ann Leslie and Angie Edwards, delivering Red Cross Meals on Wheels.



You are travelling 70 km/hr in a 60 km/hr zone. Driving conditions are good. A cyclist suddenly stops 45m in front of you. You brake, hard. Will you stop in time?



5m

10m

Claims Management

Highlights

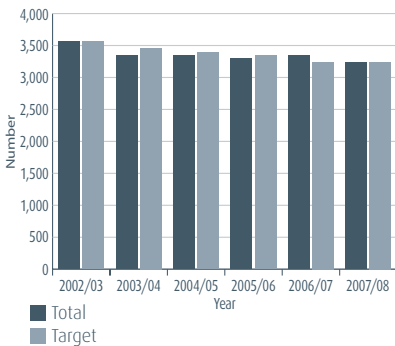
- 3,277 new claims received.
- \$34.8 million expended in no-fault statutory benefits.
- Settled 291 common law claims.
- Assisted 68% of referred Vocational Rehabilitation claimants to return to work.
- Claims Officers attended 50 settlement conferences.
- Continuously reviewed and improved claims management practices.
- Continued sponsorship of the Victorian Spinal Cord Service through its visits to Tasmania.
- 260,000 hits on website.

Business Performance

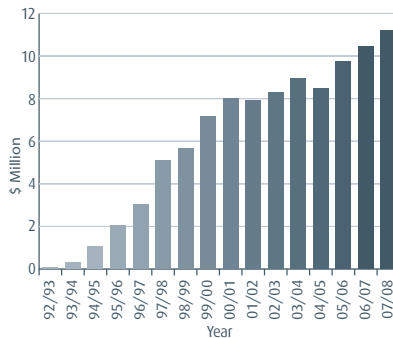
The Board experienced a small decrease (3.0%) in the number of new claims received and a marginal increase (2.7%) in vehicle numbers, which has produced a further reduction in claim frequency. Claim frequency is currently 7.52 claims per 1,000 vehicles, down from 9.59 five years ago.

An increase in claim payments was largely due to expected inflation, a large number of major claims being settled at common law and the December 2005 change to the discount rate from 7% to 5%.

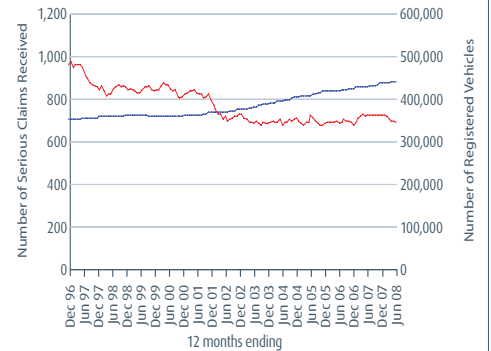
Claims Received



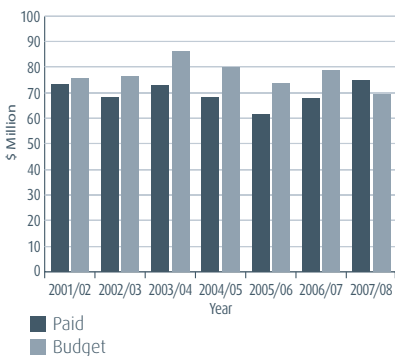
Future Care Payments



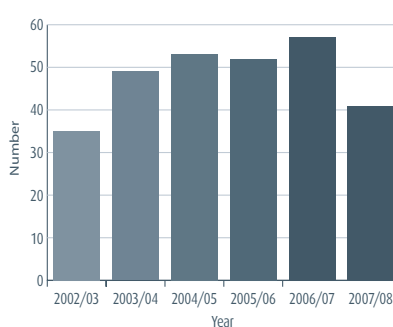
Serious Claims v's Registered Vehicles



Claim Payments



Fatalities Reported



15m 20m 25m 30m 35m 40m 45m 50m 55m

Travelling at 70 km/h your reaction and braking distance is around 53.25m.

You will not stop in time.



Claims Management continued

Specialist Case Management Services

The Board continues to refer claimants with disabilities and serious injuries to members of its external panel of case managers. When making a referral to a case manager it is assumed that claimants with complex needs will need to access services from a number of providers. One of the main aims of case management is to help claimants find their way through the service system and access services that best suit their needs.

The Board meets at least once every three months with its panel of case managers to discuss current trends and issues in the field. The Board supports the definition of case management by the Case Management Society of Australia as *"a collaborative process of assessment, planning, facilitation and advocacy for options and services to meet an individual's health needs through communication and available resources to promote quality cost-effective outcomes"*.

The role of the case manager is to develop a detailed service plan which addresses all life roles and goals. The plan is made in collaboration with the claimant and reflects their choices and preferences for the service arrangements. The challenge is to encourage claimants to keep or regain control over their own lives with the case manager responding to the goals and direction of the claimant.

Some of the practical outcomes and benefits for claimants have been a reduction in the dependency on attendant care support and an increase in the access of community services, education and employment. For claimants still at school there has been close monitoring of progress and early transition planning from school to rest of life activities.

By implementing a thorough assessment and planning process, it is rewarding to see more claimants having a greater choice in the way services are delivered and a better quality of life following major trauma.

Equipment

In October 2007 expressions of interest were called from disability and rehabilitation equipment providers with a view to the Board entering into a service agreement with the successful party.

The rationale behind this initiative was to provide an improved service to claimants as well as eliminating the need to store and manage equipment internally. The efficiencies the Board should experience from the appointment of a provider include:

- An improvement in the risk management of such equipment including the quality assurance processes;
- Training and manual handling issues are now directly between the provider and the claimant/therapist;
- Warranty and hire agreements are between the provider and the claimant; and
- An improvement in storage and delivery of equipment for the Board.

Following an expression of interest, several providers were invited to tender (closed process) for the opportunity to provide the following services to the Board under a Service Level Agreement:

- Purchase;
- Trial;
- Hire;
- Loan;
- Retrieval and storage of equipment; and
- Provision of expertise to the Board and therapists on available products and services.

McLean Healthcare Pty Ltd was the successful tenderer in this process and was appointed to commence services in March 2008.



You are travelling 90 km/hr in a 100 km/hr zone. Driving conditions are good. A cow is on the road 100m ahead of you. You brake, hard. Will you stop in time?



Client Market Survey

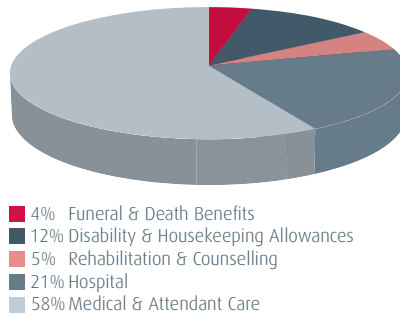
The Board has a strong focus on customer service and continues to engage a quality external provider to undertake a biennial independent client market survey to gauge the attitude and perspective of its claimants in relation to their dealings with the Board.

A total of 260 claimants took up the opportunity to provide feedback and rate documentation, procedures, Claims Officers (customer service) and rehabilitation.

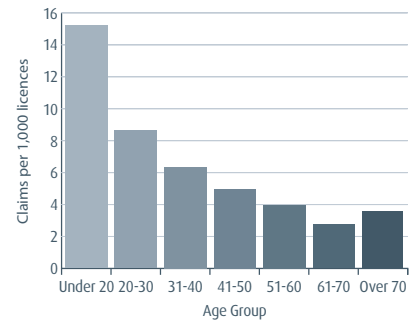
The results of the August 2007 survey indicated that overall client satisfaction remained high in most elements covered. It is pleasing to note that satisfaction remains high in all elements relating to Claims Officers and their performance. Administering and applying legislation can be a difficult area in which to satisfy all claimants.

A constant set of questions has been used over the past four surveys which allows for the monitoring and analysis of trend data. Following the collation and review of all comments received through the survey, documentation, policies and procedures are reviewed to enhance or make changes that will promote efficiencies and maintain an overall high rating in the area of customer service.

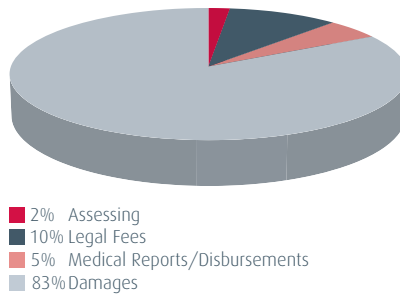
Scheduled Benefits Payments for the Year Ended 30 June 2008



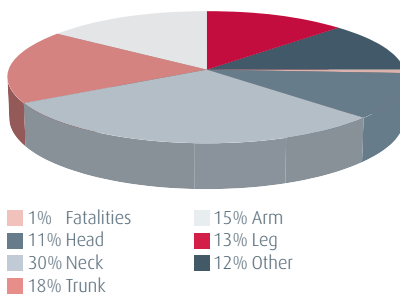
Driver Claims per 1,000 licences 07/08



Common Law Payments for the Year Ended 30 June 2008



Injuries 2007/08



30m 40m 50m 60m 70m 80m 90m 100m 110m



Reaction & braking

Travelling at **90 km/h** your reaction and braking distance is around **77.5m**.

You will stop in time.



MAIB Care Facilities

The Vision

In a commitment to the ongoing care of catastrophically injured people, the Act was amended in 1991 to encompass "life time care". The introduction of this legislation placed Tasmania at the forefront of the care of severely injured persons in Australia with the payment of all future care costs for the permanently seriously injured. This long term initiative sought to provide life time care benefits to people who were no longer able to return to their lives as it was prior to their accident.

The Facilities

Part of this initiative included the design and construction of purpose built accommodation in which to provide full time care, including a network of support services such as daily activities, maintenance, therapy, vocational guidance and family support. Management of the facilities is outsourced.

Respite units are also available for people who have previously needed 24 hour care and who may now be able to live independently with supervision and assistance nearby; or who have recently been discharged from hospital and who,

for a variety of reasons, may not be able to return to their home in the short-term.

Prior to the introduction of purpose built facilities the only accommodation available in Tasmania for seriously disabled persons were those that catered for the elderly. This was considered an unsatisfactory option as research had indicated that the rehabilitation of seriously injured people could be more effective in a non-institutional environment.

Construction of the first purpose built Board-owned long term care facility "Cay-Lea", commenced in 1994. Positioned in a suburb close to central Hobart, the facility was designed to provide housing and care for moderately disabled people who had suffered an acquired brain injury. Soon after completion in 1995, the residence was fully occupied highlighting the need for this type of residence in southern Tasmania. Further accommodation was constructed in 2007.

The second residence, "Neena" positioned in Launceston was completed in 1996 to cater for medium to high dependency people primarily suffering from an acquired brain injury. The main house has the capacity to provide accommodation and

care for six people. Transitional units also form part of the facility.

The design brief for "Neena" included the requirement for the facility to have a homely ambience and clear access for wheelchairs.

The building was constructed to include glassed-in areas and verandahs which assist to provide a comfortable environment. The facility also consists of co-joined units which provide short or long term accommodation for claimants as required.



Neena



Cay-Lea



You are travelling 100 km/hr in a 100 km/hr zone. Driving conditions are good. A cow is on the road 100m ahead of you. You brake, hard. Will you stop in time?



10m

20m

"Lomandra", Ulverstone North West Tasmania

In October 2006, the Board purchased land for the construction of special purpose housing for the catastrophically injured on the North West Coast of Tasmania. Given the Tasmanian population distribution, it became a priority to provide an accommodation option for the catastrophically injured and/or their guardians who live in this region.

The instruction to the architect was to design a facility that encompassed the construction of modern, purpose built premises which would provide a comfortable and safe living environment for residents, a safe working environment for staff and an accessible environment for family and friends.

The facility consists of a six bedroom group home and four self contained units. All buildings have been designed with ease of access and safety as a priority. Solar panels and individual water tanks have also been installed.

External areas have been professionally landscaped and include raised planters

and vegetable gardens, paved utility and recreational areas and covered walkways. An orchard has also been established.

Construction of the facility commenced in October 2007 and was completed in June 2008.

An official opening will take place early in the new financial year.

The Board is satisfied that this new facility will serve the North West community well and provide an exceptional accommodation option for people who have been catastrophically injured. It will also eliminate the extensive travelling distances that have often been endured by family and friends.

The Future

The Board is committed to providing the catastrophically injured and their families with a sustainable accommodation option in Tasmania. It is envisaged that the Board's three facilities will continue to provide an excellent option well into the future.



30m 40m 50m 60m 70m 80m 90m 100m 110m

Travelling at **100 km/h** your
reaction and braking distance
is around **92m**.

You will stop just in time.



Reaction &
braking

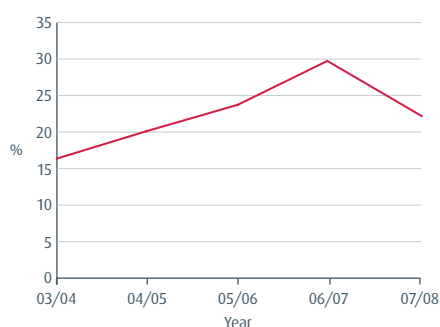


Financial Management

Financial Performance

The Board recorded an operating loss after tax for the year ended 30 June 2008 of \$22.6 million (2007: after tax profit of \$113.1 million). Continued favourable claims experience was more than offset by negative investment performance. As a result, the solvency level at 30 June 2008 has decreased to 22.6% (2007: 29.5%), which is within the target range of 20% - 25%.

Solvency



Claims Expense

A reduction in claim frequency, lower than expected payments and generally favourable claims experience has resulted in a claims expense for 2007/08 of \$59.1 million (2006/07: \$96.2 million). The provision for outstanding and unreported claims at 30 June 2008 is \$674.5 million (2007: \$686.4 million).

Tax Equivalent

Although the Board is a Tasmanian Government Business Enterprise and exempt from Commonwealth income tax, the GBE Act requires the payment of tax equivalents to the State Government under the National Tax Equivalent Regime. The total tax payable in respect of 2007/08 amounts to \$49.0 million (2006/07: \$38.4 million).

Premium Revenue

Premium revenue in 2007/08 amounted to \$123.2 million (2006/07: \$120.2 million). The increase received is attributable to a 2.7% 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 third successive year. The premium for a standard motor car remains at \$332.

Income Components



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 2007/08 financial year results in a dividend payable to Government in the 2008/09 financial year of \$29.6 million (2007/08 \$33.0 million).

In addition a special dividend of \$10 million was paid to Government in 2007/08.

Key Performance Indicators

The Key Performance Indicators (KPIs) for the year ended 30 June 2008 are listed below.

Key Performance Indicator	Forecast	Actual
Solvency Level	29.1%	22.6%
Return on Equity	8.4%	(7.4%)
Return on Total Assets	3.3%	(3.6%)

While a lower than expected claims expense was achieved, the negative investment result means that the KPI targets were not met in 2007/08. 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.

Forecasts for the next three years show these KPIs returning to levels more representative of longer term trends.



You are travelling 110 km/hr in a 100 km/hr zone. Driving conditions are good. A cow is on the road 100m ahead of you. You brake, hard. Will you stop in time?



Investment Strategy

In 2007/08 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 and listed property) and more defensive asset classes (such as cash and 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.

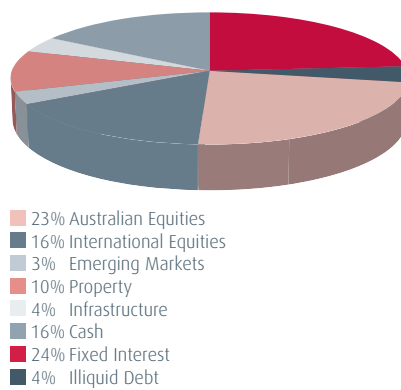
The benchmark settings are reviewed annually. The review conducted during the 2007/08 year resulted in no change to the percentage allocation between growth and defensive assets, however reallocations were made within each of those categories.

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 2008, the investment portfolio totalled \$982 million allocated across the asset classes detailed in the graph below.

Asset Allocations at 30 June 2008

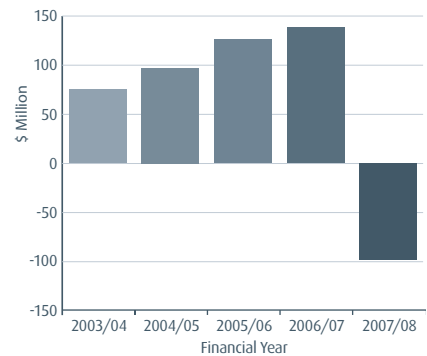


Investment Performance

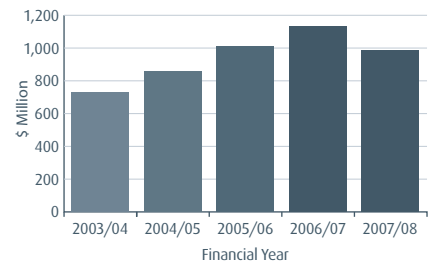
Global economic activity weakened in 2007/08 with the international index returning losses of 21.3% unhedged and 15.7% hedged. The domestic equities index returned a loss of 13.7%.

The Board reported an investment loss of 8.7% (2006/07: gain of 13.8%) across the entire portfolio.

Gross Investment Revenue



Investment Portfolio Growth



30m 40m 50m 60m 70m 80m 90m 100m 110m

Travelling at **110 km/h** your reaction and braking distance is around **106m**.

You will not stop in time.



Financial Management continued

FIVE YEAR SUMMARY - FINANCIAL

	2003/04 \$'000	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000
Net Premium Revenue	98,767	107,253	112,643	115,472	118,245
Claims & Underwriting Expenses	(99,195)	(110,451)	(96,376)	(92,706)	(53,469)
UNDERWRITING RESULT	(428)	(3,198)	16,267	22,766	64,776
Investment Revenue	77,926	91,840	124,512	137,309	(95,446)
Administration, Road Safety and Foundation Expenses	(7,196)	(6,848)	(7,585)	(9,822)	(8,557)
OPERATING RESULT BEFORE TAX	70,303	81,794	133,195	150,253	(39,227)
Tax Expense Attributable to Operating Result	(19,190)	(23,369)	(37,008)	(37,169)	16,603
OPERATING RESULT AFTER TAX	51,113	58,425	96,187	113,084	(22,624)
NET ASSETS	121,856	173,012	248,452	339,474	273,900
Dividend Paid	1,601	7,269	12,805	22,062	42,950

FIVE YEAR SUMMARY - OPERATIONAL

	2003/04	2004/05	2005/06	2006/07	2007/08
Number Of Vehicles Registered	390,506	403,827	414,590	424,052	435,595
Total Payments Made (\$M)	73.2	68.0	62.1	67.7	75.3
Current Claims	3,695	3,546	3,459	3,328	3,044
New Claims Received	3,386	3,385	3,315	3,383	3,277
Number of Fatalities	49	55	53	56	42
Fatality Rate Per 1,000 Vehicles	0.13	0.14	0.13	0.13	0.10
Claim Rate Per 1,000 Vehicles	8.67	8.38	8.00	7.98	7.52
Tasmanian Car Premium (\$)	324	332	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.

Statement of Corporate Intent continued

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

	2007/08 (Forecast)	2007/08 (Actual)	2008/09 (Forecast as per Corporate Plan)	2009/10	2010/11
Premium Increase	0.0%	0.0%	0.0%	4.0%	4.0%
Financial Result after Tax	\$27.3M	(\$22.6M)	\$54.2M	\$58.2M	\$49.3M
Solvency Level	29.1%	22.6%	26.8%	27.5%	28.0%
Return on Equity	8.4%	(7.4%)	19.0%	19.3%	15.4%
Return on Assets	3.3%	(3.6%)	7.1%	7.2%	5.7%
Dividends Paid	\$31.9M	\$43.0M	\$40.1M	\$40.4M	\$30.4M
Tax Equivalents Paid	\$30.0M	\$49.3M	\$30.0M	\$25.0M	\$20.0M

Financial Report 2007/08

Income Statement

for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Premium revenue	4	123,224	120,246
Outwards reinsurance expense		(4,979)	(4,774)
		<u>118,245</u>	<u>115,472</u>
Claims expense	6	(59,111)	(96,212)
Recovery revenue	7	5,339	473
Unexpired risk expense	22	2,774	5,428
Underwriting expenses	20	(2,471)	(2,395)
UNDERWRITING RESULT		<u>64,776</u>	<u>22,766</u>
Investment revenue	9	(95,446)	137,309
General and administration expenses		(4,413)	(4,438)
Interest expense		-	(782)
Road Safety Task Force	29	(2,800)	(2,665)
Injury Prevention and Management Foundation	25	(746)	(912)
Motorcycle Safety Strategy	30	(193)	(25)
Road infrastructure	31	(405)	(1,000)
OPERATING RESULT BEFORE TAX		<u>(39,227)</u>	<u>150,253</u>
Tax expense attributable to operating result	5(a)	<u>16,603</u>	<u>(37,169)</u>
OPERATING RESULT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS		<u>(22,624)</u>	<u>113,084</u>

The accompanying notes form an integral part of this Statement.

Balance Sheet

as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS			
Cash and cash equivalents	10	335,201	275,825
Accounts receivable	11	1,767	1,968
Reinsurance recoveries receivable	12	17,514	13,322
Fixed income and debt securities	13	95,619	199,973
Listed instruments	14	485,236	643,116
Unlisted instruments	15	50,599	-
Investment properties	16	15,510	12,920
Plant and equipment	19	515	527
Deferred tax asset	5(c)	41,934	13,085
Other assets	17	27	31
TOTAL ASSETS		1,043,922	1,160,767
LIABILITIES			
Sundry creditors and accrued expenses	27	2,014	5,913
Provision for tax	5(b)	32,892	31,887
Provision for unearned premium	26	53,632	52,486
Provision for Injury Prevention and Management Foundation	25	882	1,060
Provision for unexpired risk	22	1,766	4,546
Provision for outstanding and unreported claims	21(c)	674,536	686,435
Provision for employee benefits	23	2,802	2,685
Provision for deferred tax	5(c)	1,498	36,281
TOTAL LIABILITIES		770,022	821,293
NET ASSETS		273,900	339,474
EQUITY			
Retained earnings attributable to equity holders	24	273,900	339,474
TOTAL EQUITY		273,900	339,474

The accompanying notes form an integral part of this Statement.

Statement of Changes in Equity

for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Total retained earnings attributable to equity holders at beginning of year		339,474	248,452
Operating result after tax for the period		(22,624)	113,084
Total income and expense for the year attributable to equity holders		316,850	361,536
Dividends paid		(42,950)	(22,062)
Total retained earnings attributable to equity holders at end of year	24	273,900	339,474

The accompanying notes form an integral part of this Statement.

Cash Flow Statement

for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		136,572	132,601
Reinsurance paid		(5,043)	(4,972)
Claims paid		(75,283)	(67,687)
Other claim related payments		(518)	(478)
Reinsurance and other recoveries		1,255	1,453
Underwriting expenses paid		(2,685)	(2,609)
Interest received		6,413	8,509
Dividends received		101,127	32,774
Rent received		406	436
Other investment revenue		1,366	963
Investment related payments		(1,537)	(1,636)
General and administration expenses		(4,758)	(3,976)
Road Safety Task Force		(3,080)	(2,932)
Motorcycle safety strategy		(213)	(28)
Road infrastructure		(446)	(1,100)
Injury Prevention and Management Foundation		(998)	(998)
Tax equivalents paid		(49,262)	(28,789)
Goods and services tax paid		(6,452)	(6,944)
NET CASH FLOWS FROM OPERATING ACTIVITIES	28(b)	<u>96,864</u>	<u>54,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment transactions		7,302	66,665
Purchase of plant and equipment		(1,914)	(654)
Proceeds on sale of plant and equipment		74	91
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>5,462</u>	<u>66,102</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		(42,950)	(22,062)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(42,950)</u>	<u>(22,062)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		59,376	98,627
Cash and cash equivalents at the beginning of the financial year		<u>275,825</u>	<u>177,198</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	28(a)	<u>335,201</u>	<u>275,825</u>

The accompanying notes form an integral part of this Statement.

Notes to the Financial Statements

for the year ended 30 June 2008

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 (AIFRS). Compliance with AIFRS 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 2008 reporting period. The Motor Accidents Insurance Board ("Board") has not adopted the following standards early when preparing the 2007/08 financial statements:

Standard	Title	Effective date
AASB 101R	Presentation of Financial Statements	1 January 2009

(a) Financial report

This financial report covers the Board for the year ended 30 June 2008. 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 assets. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AIFRS 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.

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

The balance sheet and notes to the financial statements are presented on a liquidity basis, as provided for in AASB 101, whereby all assets and liabilities are presented in order of liquidity. It is deemed by the Board that this method of disclosure provides information that is more relevant and reliable than the traditional current/non-current classifications.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008 and the comparative information presented in these financial statements for the year ended 30 June 2007.

(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 Equivalent 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, calculated under the methodology contained in the Board's Ministerial Charter. Dividends are brought to account in the financial statements in the year in which they are declared.

During the 2006/07 financial year, the State Government announced that, subject to Parliamentary approval, the Board will be required to pay special dividends totalling \$30,000,000 payable in three \$10,000,000 instalments over three financial years beginning in 2007/08. Special dividends are brought to account in the financial statements in the year in which the dividend receives Parliamentary approval.

(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 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 claims 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.

Claims 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% (2007: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

(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 claims 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.

(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 2008

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.

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 are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalent assets are carried at face value which approximates their fair value.

Listed instruments

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the reporting date. The quoted market price used for financial assets held is the current bid price.

Fixed interest and debt securities

Fixed income securities traded on an exchange are valued at the last sales price or at amortised cost. Debt securities are valued by observing the market price for the underlying reference obligations in the portfolio and taking the trade prices for the relevant indices that most closely resemble the structure of the underlying note.

Unlisted instruments

The fair value of unlisted financial instruments is based on:

- the net asset value (NAV) where the NAV is calculated as the value of an unlisted trust's assets less its liabilities; or
- a discounted future cash flow methodology whereby future long term cashflows are discounted back to a net present value using an appropriately derived discount rate that reflects the inherent risk attached to those expected future cashflows.

Valuations are conducted at least annually by independent valuers.

Derivatives

Derivative instruments are financial contracts whose value depends on, or is derived from, an underlying investment security. Any gain or loss from remeasuring of derivative financial instruments is recognised in the income statement.

The Board's funds managers are authorised to invest in derivative financial instruments subject to those derivatives complying with the guidelines set out in the Board's Investment Policy Statement. Derivatives may be used as an alternative to buying or selling the physical security, as a risk management tool or to manage exposure to relevant markets. Derivatives may not be used in a speculative manner nor for gearing the investment portfolio. Derivatives are valued at fair value at reporting date based on published market quotations or market valuation rates.

Investment properties

Investment properties include all properties owned by the Board, whether wholly or partly owner-occupied or fully leased. Investment properties are held to earn rental income and/or capital appreciation. They are initially recorded at cost at the date of acquisition and are subsequently measured at fair value at reporting date. Fair value is determined on the basis of an annual independent valuation prepared by external valuers. Gains or losses arising from changes in fair value are included in the Income Statement, as part of investment revenue, for the period in which they arise. 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) Accounts receivable

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

(l) Reinsurance recoveries receivable

Reinsurance recoveries receivable are assessed by the Board's reinsurance broker on at least an annual basis. A receivable is recorded where the actual or estimated cost of claims exceeds the reinsurance deductible. The recoverable amount for re-insurance recoveries receivable is measured as the present value of the expected future cash flows. A provision for impairment is established where there is objective evidence that the Board will not be able to collect the total reinsurance recovery amounts owing.

1 Summary of significant accounting policies *continued*

(m) Accounts payable

These amounts are recognised at cost and represent amounts owing for goods and services provided prior to the end of the financial year and which are unpaid as at reporting date. 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.

(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.

(p) Impairment

Impairment occurs when an asset's recoverable value is less than the amount at which it is recorded. Assets are assessed for indicators of impairment at each reporting date, with the exception of financial instrument assets and deferred tax assets. Impairment losses are recognised in the income statement where an asset's carrying amount exceeds its recoverable amount.

(q) 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 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 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.

(r) 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.

(s) Comparative figures

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

(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 2008

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.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2008

3 Risk management policies and procedures *continued*

- 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 Poor's 'A' rating are considered. In order to limit risk, the Board has several reinsurers.
- 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 are established under the *Motor Accidents (Liabilities and Compensation) Act 1973*.

(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 21 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.

(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.

	2008 \$'000	2007 \$'000
4 Premium revenue		
Direct	124,370	120,589
Unearned premium revenue	(1,146)	(343)
	<u>123,224</u>	<u>120,246</u>
5 Income tax		
(a) Income tax expense recognised in the income statement		
Tax expense/(income) comprises:		
Current tax expense/(income)	48,986	38,427
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(63,632)	5,376
(Over)/under provision of income tax expense in previous year	(1,957)	(6,634)
Tax expense/(income) attributable to continuing operations	<u>(16,603)</u>	<u>37,169</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>(39,227)</u>	<u>150,253</u>
Income tax expense calculated at 30%	<u>(11,768)</u>	<u>45,076</u>
Previously unrecognised and unused tax losses and offsets now recognised deferred tax assets	(2,878)	(1,273)
Income tax expense attributable to operating result	<u>(14,646)</u>	<u>43,803</u>
(Over)/under provision of income tax expense in previous year	(1,957)	(6,634)
Income tax expense attributable to operating result ¹	<u>(16,603)</u>	<u>37,169</u>
(b) Tax liability		
Tax payable in respect of current year	48,986	38,427
Tax payable in respect of prior year amendments	-	1,515
Less tax instalments paid	(16,094)	(8,055)
Provision for tax ¹	<u>32,892</u>	<u>31,887</u>
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences	<u>1,498</u>	<u>36,281</u>
Deferred tax assets comprise:		
Temporary differences	<u>41,934</u>	<u>13,085</u>

Note 1 The difference between income tax expense of \$16,602,708 and tax payable of \$32,891,912 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 2008

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
2008	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities					
Property, plant & equipment	(1,179)	(319)	-	-	(1,498)
Investments	-	-	-	-	-
Other	-	-	-	-	-
Total	<u>(1,179)</u>	<u>(319)</u>	<u>-</u>	<u>-</u>	<u>(1,498)</u>
Gross deferred tax assets					
Investments	(35,102)	64,988	-	-	29,886
Provisions	13,085	(1,037)	-	-	12,048
Total	<u>(22,017)</u>	<u>63,951</u>	<u>-</u>	<u>-</u>	<u>41,934</u>
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
Provision outstanding and unreported claims uplift	-	-	-	-	-
Total	<u>4,674</u>	<u>8,411</u>	<u>-</u>	<u>-</u>	<u>13,085</u>

2008
\$'000

2007
\$'000

6 Claims expense

Paid	70,536	63,468
Outstanding and unreported claims	(11,899)	32,306
Gross claims incurred	58,637	95,774
Other claim payments	474	438
	<u>59,111</u>	<u>96,212</u>

7 Recovery revenue

Reinsurance recoveries received	66	255
Reinsurance recoveries receivable movement	4,192	(898)
Other recoveries received	1,081	1,116
	<u>5,339</u>	<u>473</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 2008			
Gross claims expense			
Gross claims incurred (inflated/undiscounted)	461,267	19,806	481,073
Reinsurance recoveries	-	(33,966)	(33,966)
Net claims incurred	461,267	(14,160)	447,107
Movement			
Gross claims incurred	(342,308)	(81,209)	(423,517)
Reinsurance recoveries	-	29,708	29,708
Net discount movement	(342,308)	(51,501)	(393,809)
Discounted			
Gross claims incurred	118,959	(61,403)	57,556
Reinsurance recoveries	-	(4,258)	(4,258)
Net claims incurred	118,959	(65,661)	53,298
Reconciliation of net claims incurred:			
Gross claims incurred (refer note 6)			58,637
Other recoveries received (refer note 7)			(5,339)
Net claims incurred			53,298
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

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
9 Investment revenue		
Interest	6,494	8,479
Rentals	369	397
Dividends	101,127	32,774
Other	1,340	932
Changes in net market values		
Investments held at the end of the reporting period	(138,236)	74,879
Investments realised during the reporting period	(65,300)	21,387
	(94,206)	138,848
Investment related expenses	(1,240)	(1,539)
	(95,446)	137,309
10 Cash and cash equivalents		
Cash at bank	207	596
Investments	334,994	275,229
Total cash and cash equivalents	335,201	275,825
11 Accounts receivable		
Premiums receivable	1,752	1,923
Other receivables	15	45
Total accounts receivable	1,767	1,968
12 Reinsurance recoveries receivable		
Inflated reinsurance recoveries are based on an assessment of the amounts due from reinsurers, based on current gross claim amounts, assuming that the reinsurance recoveries are made in the same proportions over time as the gross future care liabilities.		
Discounted reinsurance recoveries are based on an assessment of the amounts due from reinsurers, based on current gross claim amounts, discounted by two years to allow for the average delay between payment by the Board and recovery from reinsurers.		
Expected future reinsurance recoveries undiscounted	123,790	89,890
Discount to present value	(106,276)	(76,568)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	17,514	13,322
Expected future reinsurance recoveries on unexpired risk liability	-	-
Total reinsurance recoveries receivable	17,514	13,322

	2008 \$'000	2007 \$'000
13 Fixed income and debt securities		
Fixed income	55,015	149,672
Debt securities	40,604	50,301
Total fixed income and debt securities	95,619	199,973
Due within twelve months	24,866	25,682
Due in more than twelve months	70,753	174,291
Total fixed income and debt securities	95,619	199,973
14 Listed instruments		
Australian equities	230,242	294,557
International equities	158,393	264,024
Emerging markets equities	25,188	-
Diversified property	58,425	84,535
Infrastructure	12,988	-
Total listed instruments	485,236	643,116
15 Unlisted instruments		
Diversified property	25,559	-
Infrastructure	25,040	-
Total unlisted instruments	50,599	-
16 Investment properties		
At fair value		
Opening balance at 1 July	12,920	11,965
Acquisitions	-	300
Capitalised subsequent expenditure	1,715	145
Net gain/(loss) from fair value adjustment	875	510
Closing balance at 30 June	15,510	12,920
Amounts recognised in profit and loss for investment properties that generated rental income		
Rental income	369	397
Operating expenses	103	135
Amounts recognised in profit and loss for investment properties that did not generate rental income		
Operating expenses	114	58
17 Other assets		
Prepaid expenses	27	31
Total other assets	27	31

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
18 Financial instruments		
The carrying amount of the Board's financial assets and financial liabilities is summarised in the following table:		
Financial assets		
Financial assets at fair value through profit or loss		
Cash and cash equivalents	335,201	275,825
Fixed income and debt securities	95,619	199,973
Listed instruments	485,236	643,116
Unlisted instruments	50,599	-
Total financial assets at fair value through profit or loss	966,655	1,118,914
Loans and receivables		
Accounts receivable	1,767	1,968
Reinsurance recoveries receivable	17,514	13,322
Total loans and receivables	19,281	15,290
Total financial assets	985,936	1,134,204
Financial liabilities		
Financial liabilities at amortised cost		
Sundry creditors and accrued expenses	2,014	5,913
Provision for Injury Prevention and Management Foundation	882	1,060
Total financial liabilities at amortised cost	2,896	6,973

Financial risk management

The Board's investment activities expose it to a variety of financial risks, primarily:

- market risk (including currency risk, interest rate risk and price risk);
- credit risk; and
- liquidity risk.

The Risk Management Plan addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance in order to achieve its investment objectives of satisfactory long term real growth and to maintain an acceptable level of solvency. A maturity matching strategy is performed to manage interest rate risk and investments are made in real-return maximising asset classes for actuarial estimation risk, and inflation-sensitive asset classes for cost inflation risk. Different methods are used to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

The Board, in consultation with the following parties, the Investment Advisor Mercer Investment Consulting, the Master Custodian National Australia Bank and External Fund Managers, is responsible for the management and control of financial risks. The Board's Investment Policy Statement provides written principles for the overall risk management of the investment framework and outlines the approach for managing specific risk areas including foreign exchange risk, interest rate risk, equity price risk, credit risk and liquidity risk.

18 Financial instruments *continued*

(a) Market risk

(i) Foreign exchange risk

The Board invests in international assets, including international equities, emerging markets equities, global listed property, and infrastructure, and is exposed to foreign exchange risk arising from various currency exposures. Initial investment in these products may be by way of:

- investing in a fully hedged product where the fund managers are responsible for managing the currency exposure; or
- investing on a fully unhedged basis. Where the initial investment is on a fully unhedged basis the Board regularly reviews its foreign currency exposure and enters into foreign currency forwards to minimise the risk of financial loss due to fluctuations in foreign exchange rates. The hedge position for these products whose foreign currency risk is controlled via the overlay of foreign currency forwards is reviewed on a monthly basis.

The use of foreign exchange instruments is managed in accordance with the guidelines set out in the Board's Investment Policy Statement. The following table shows the forward foreign exchange contracts outstanding at the reporting date:

Outstanding contracts	2008		2007	
	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
Sell Euro Dollar 3 months or less	-	-	0.6270	(8,447)
Sell UK Pound 3 months or less	-	-	0.4235	(4,663)
Sell Japanese Yen 3 months or less	-	-	103.6999	(4,611)
Sell US Dollars 3 months or less	-	-	0.8464	(22,009)
		-		(63)

Sensitivity

The following table details the Board's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. Only monetary items are included in the foreign exchange sensitivity analysis, with the foreign exchange risk relating to non-monetary assets and liabilities, (e.g. equity investments), being a component of price risk for the purpose of the sensitivity analysis.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in currency rates. A positive number indicates an increase in profit or loss and equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

	30 June 2008	
	USD Impact	Euro Impact
	\$'000	\$'000
Operating profit or loss after tax	-	-
Equity	-	-
	30 June 2007	
Operating profit or loss after tax	1,401	538
Equity	1,401	538

Notes to the Financial Statements

for the year ended 30 June 2008

18 Financial instruments *continued*

(ii) Price risk

The Board has exposure to equity securities price risk which arises from investments held and classified on the balance sheet as at fair value through profit or loss. There is no exposure to commodity price risk.

To manage price risk arising from investments in equity securities, the portfolio is diversified. Diversification of the portfolio is done in accordance with the limits set in the Investment Policy Statement.

The table below summarises the impact of increases of the Australian and International stock exchanges on the operating result after tax for the year and on equity. The analysis is based on the assumption that the equity indexes had increased 10% (2007: 10%) with all other variables held constant and all the equity instruments moved according to the historical correlation with the index.

Index	Impact on post-tax profit		Impact on equity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Australian equities	16,035	20,619	16,035	20,619
International equities	11,085	18,482	11,085	18,482

(iii) Fair value interest rate risk

Interest rate risk is the risk that the Board will suffer financial or economic loss due to adverse movements in interest rates. The Board's exposure to interest rate risk is through its cash and cash equivalents and fixed income and debt securities investments. An increase in interest rates leads to a reduction in the value of fixed income investments.

The Board does not have any borrowings and is thus not exposed to fair value interest rate risk in this respect.

Sensitivity

At 30 June 2008, if interest rates had changed by +50 basis points from the year end rates with all other variables held constant, the operating result after tax for the year would have been \$5,792,832 lower (2007: change of +50bps: \$1,045,306 lower), mainly as a result of higher interest rates reducing the capital value of fixed income securities. For a decrease in interest rates there would be an equal and opposite impact on the profit after tax and equity.

(b) Credit risk

Credit risk is the risk of the Board incurring a financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from:

- Cash and cash equivalents;
- Accounts receivable;
- Reinsurance recoveries receivable; and
- Investments

Credit risk on investments arises from cash and cash equivalents, fixed income and debt securities, derivative financial instruments and performance guarantees and is managed in accordance with the Board's Investment Policy Statement which:

- limits investments to organisations that meet the prescribed minimum credit ratings;
- limits the maximum amount that may be invested with any one counterparty according to its credit rating and across any one credit rating category; and
- prescribes minimum credit ratings for organisations that provide performance guarantees.

The majority of accounts receivable comprises premiums receivable collected on behalf of the Board by the Department of Infrastructure Energy and Resources. These amounts are received within a week.

The Board's policy is to place reinsurance with businesses which have a minimum Standard and Poor's credit rating of "A". In addition, a broker is engaged to facilitate the placement of reinsurance cover.

Credit risk on investments is monitored in accordance with the Investment Policy Statement with the external funds managers and custodian being required to monitor counterparty exposure on an ongoing basis to avoid breach of limits. In addition, management undertakes an annual review of compliance with the credit risk provisions contained in the Investment Policy Statement. The level of investment with any one counterparty is assessed based on the market value of the investment.

Financial assets and liabilities are recorded in the Balance Sheet at the amount which represents the maximum exposure to credit risk at the reporting date. The Board does not have a significant credit risk exposure to any single counterparty or group of counterparties with similar characteristics.

18 Financial instruments *continued*

There were no past due or impaired amounts at balance date.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates.

The Board's credit risk exposure is shown in the table below.

	2008 \$'000	2007 \$'000
Accounts receivable		
<i>Counterparts with external credit rating</i>		
<i>Standard and Poor's Rated</i>		
AA+	1,752	1,923
<i>Counterparts without external credit rating</i>		
Other receivables	15	45
Total accounts receivable	1,767	1,968
Reinsurance recoveries receivable		
<i>Counterparts with external credit rating</i>		
<i>Standard and Poor's Rated</i>		
AAA	1,825	1,364
AA-	7,949	6,067
A+	5,938	4,738
A	306	-
A-	215	120
<i>Counterparts without external credit rating</i>	1,281	1,033
Total reinsurance recoveries receivable	17,514	13,322
Cash and cash equivalents		
<i>Moodys Rated</i>		
Aaa	334,995	275,229
<i>Standard and Poor's Rated</i>	-	-
A-1+	206	596
Total cash and cash equivalents	335,201	275,825
Fixed income & debt securities		
<i>Standard and Poor's Rated</i>		
AA+	83,203	175,418
AA	6,432	9,890
A	9,306	14,729
A-1	(3,322)	(64)
Total fixed income and debt securities	95,619	199,973
Listed instruments		
<i>Standard and Poor's Rated</i>		
A	44,960	59,699
Total listed instruments	44,960	59,699

Notes to the Financial Statements

for the year ended 30 June 2008

18 Financial instruments *continued*

Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, during both normal and abnormal trading conditions, without incurring unacceptable losses or damaging its reputation.

Liquidity risk is managed in accordance with a liquidity policy under which:

- Short term liquidity requirements are monitored on a daily basis with excesses/(shortfalls) in the trading account deposited/(withdrawn) from the overnight cash account. The overnight cash account holds a minimum balance of \$10,000,000.
- Medium/long term liquidity requirements are assessed at least monthly and cash holdings within the investment portfolio are accumulated to meet known future financial obligations as they fall due. This approach also provides access at very short notice to substantial amounts of cash in the unlikely event of an unforeseen obligation. The Investment Policy Statement prescribes a minimum holding of \$50,000,000 for cash within the total investment portfolio.

Maturities of financial instruments

The tables below analyse the financial assets and liabilities by maturity dates based on the remaining period at the reporting date to the contractual maturity date.

	Floating interest rate	Maturity dates					
		1 year or less	1 to 5 years	More than 5 years	No maturity specified	Non-interest bearing	Total
At 30 June 2008	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	335,201	-	-	-	-	-	335,201
Loans and receivables	-	-	-	-	-	19,281	19,281
Financial assets at fair value through profit and loss	40,583	-	-	-	-	590,871	631,454
	375,784	-	-	-	-	610,152	985,936
Weighted average interest rate	9.79%	0.00%	0.00%	0.00%	0.00%		
Financial liabilities							
Sundry creditors and accrued expenses	-	-	-	-	-	2,014	2,014
Provision for Injury Prevention and Management Foundation	-	-	-	-	-	882	882
	-	-	-	-	-	2,896	2,896
Net financial assets (liabilities)	375,784	-	-	-	-	607,256	983,040

18 Financial instruments *continued*

	Floating interest rate	Maturity dates				Non- interest bearing	Total
		1 year or less	1 to 5 years	More than 5 years	No maturity specified		
At 30 June 2007	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	275,825	-	-	-	-	-	275,825
Loans and receivables	-	-	-	-	-	15,290	15,290
Financial assets at fair value through profit and loss	50,762	42,038	107,698	-	-	642,591	843,089
	326,587	42,038	107,698	-	-	657,881	1,134,204
Weighted average interest rate	4.33%	4.45%	1.27%	0.00%	0.00%		
Financial liabilities							
Sundry creditors and accrued expenses	-	-	-	-	-	5,913	5,913
Provision for Injury Prevention and Management Foundation	-	-	-	-	-	1,060	1,060
	-	-	-	-	-	6,973	6,973
Net financial assets (liabilities)	326,587	42,038	107,698	-	-	650,908	1,127,231

(c) Capital management

The Australian Prudential Regulation Authority (APRA) is the agency responsible for the regulation of private sector insurers in Australia. As a government business enterprise the Board is not governed by APRA requirements. However, for the purposes of good governance and sound commercial practice, in conjunction with its external actuary, and following consideration of APRA's capital requirements, it has developed a capital requirements policy suitable to a government compulsory monopoly insurer.

The capital position is measured by reference to the solvency ratio which is defined as the ratio of net assets to the provision for outstanding and unreported claims adjusted for deferred tax and future dividends owing. A target range of 20% to 25% has been established by the Board following consultation with its actuary and takes account of the liability profile and an assessment of the investment risk profile. At reporting date the actual solvency position is 22.6%.

The actual and forecast capital position is examined by Directors on a monthly basis and consideration of the solvency position is integral to the annual corporate planning process and annual review and setting of strategic asset allocation benchmarks.

The Board is not subject to any externally imposed capital requirements and there were no changes to its approach to capital management during the year.

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
19 Plant and equipment		
Gross carrying amount		
Balance at beginning of year	3,294	3,231
Additions	199	209
Disposals	(263)	(146)
Balance at end of year	3,230	3,294
Accumulated depreciation		
Balance at beginning of year	2,767	2,656
Disposals	(164)	(24)
Depreciation expense	112	135
Balance at end of year	2,715	2,767
Net book value		
As at end of financial year	515	527
20 Deferred acquisition costs		
Deferred acquisition costs as at 1 July	-	-
Acquisition costs in the year	2,477	2,407
Amortisation charged to income	(2,471)	(2,395)
Write down for premium deficiency (refer note 22)	(6)	(12)
Deferred acquisition costs as at 30 June	-	-

21 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.

	2008			2007		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	9.0	3.1	42.7	8.4	3.4	40.6
Discounted mean term (years)	4.8	2.8	20.2	4.8	3.0	20.5
Number of claims incurred but not reported (IBNR)	403	296	17	453	326	21
Average claim size (\$ '000)	3	18	4,278	3	18	4,175
Superimposed inflation	1.50%	0.75%	0.00%	1.50%	0.75%	0.00%
Claims handling expenses	6%	6%	6%	6%	6%	6%
Risk margin	20%	20%	20%	20%	20%	20%

21 Provision for outstanding and unreported claims *continued*

Wage inflation rates			Discount rates		
Claims expected to be paid in:	2008	2007	Claims expected to be paid in:	2008	2007
Year 1 (following end of financial year)	5.00%	4.75%	Year 1 (following end of financial year)	7.04%	6.51%
Year 2	5.00%	4.75%	Year 2	6.86%	6.56%
Year 3	5.00%	4.75%	Year 3	6.59%	6.56%
Year 4	5.00%	4.75%	Year 4	6.42%	6.47%
Year 5	5.00%	4.75%	Year 5	6.39%	6.37%
Year 6	5.00%	4.75%	Year 6	6.39%	6.30%
Year 7	5.00%	4.75%	Year 7	6.39%	6.24%
Year 8	5.00%	4.75%	Year 8	6.39%	6.19%
Year 9	5.00%	4.75%	Year 9	6.39%	6.15%
Year 10	5.00%	4.75%	Year 10	6.39%	6.13%
Year 11	5.00%	4.73%	Year 11	6.41%	6.13%
Year 12	5.00%	4.70%	Year 12	6.54%	6.17%
Year 13	5.00%	4.67%	Year 13	6.69%	6.28%
Year 14	5.00%	4.64%	Year 14	6.84%	6.40%
Year 15	5.00%	4.61%	Year 15	6.97%	6.52%
Years 16 and later	5.00%	4.60%	Years 16 and later	7.00%	6.60%

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 incurred but not reported (IBNR) claims 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 IBNR claims).

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.

Claims handling expenses

Claims handling expenses are calculated by reference to past experience of claims handling costs as a percentage of past payments. Claims handling expenses at 30 June 2008 are included at the rate of 6% of future claim payments (2007: 6%).

Notes to the Financial Statements

for the year ended 30 June 2008

21 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;
- future fundamental changes to the underlying claims experience; 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% (2007: 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% (2007: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

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.
Claims handling expenses	An increase or decrease in the expected claims 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.

21 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	(22,624)	273,900
Inflation increase by 0.5%	(58,527)	237,997
Discount rate increased by 0.5%	7,342	303,866
Future care cost saving for 2007/08 accident year of 10%	(20,941)	275,582
Common law settlement size increased by 10%	(34,663)	261,860
Scheduled benefits average size reduced by 10%	(19,759)	276,765

(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:

	2008 \$'000	2007 \$'000
Scheduled benefits claims		
Expected future claims payments (inflated/undiscounted)	49,242	55,045
Discount to present value	(17,162)	(18,178)
Claims handling expenses ¹	2,030	2,328
Risk margin ¹	6,822	7,839
Sub-total provision for outstanding and unreported scheduled benefits claims	40,932	47,034
Common law claims		
Expected future claims payments (inflated/undiscounted)	169,665	169,426
Discount to present value	(32,988)	(31,745)
Claims handling expenses ¹	8,739	8,815
Risk margin ¹	29,083	29,299
Sub-total provision for outstanding and unreported common law claims	174,499	175,795
Future care claims		
Expected future claims payments (inflated/undiscounted)	2,650,714	2,323,641
Discount to present value	(2,288,043)	(1,958,063)
Claims handling expenses ¹	22,836	22,981
Risk margin ¹	73,598	75,047
Sub-total provision for outstanding and unreported future care claims	459,105	463,606

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 2008

	2008 \$'000	2007 \$'000
21 Provision for outstanding and unreported claims <i>continued</i>		
All Claims		
Expected future claims payments (inflated/undiscounted)	2,869,621	2,548,112
Discount to present value	(2,338,193)	(2,007,986)
Claims handling expenses ¹	33,605	34,124
Risk margin ¹	109,503	112,185
Total provision for outstanding and unreported claims	674,536	686,435
Due within twelve months	75,328	61,627
Due in more than twelve months	599,208	624,808
Total provision for outstanding and unreported claims	674,536	686,435

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.

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

	2008			2007		
	Gross	Recoveries	Net	Gross	Recoveries	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Brought forward	686,435	13,322	673,113	654,128	14,220	639,908
Liabilities due within twelve months from previous report	(61,627)	-	(61,627)	(75,656)	-	(75,656)
	624,808	13,322	611,486	578,472	14,220	564,252
Accrual to 30 June	665,603	14,108	651,495	612,582	15,059	597,523
Effect of changes in actuarial assumptions	(103,318)	3,522	(106,840)	(60,407)	(2,066)	(58,341)
Effect of changes in economic assumptions	3,408	(116)	3,524	9,609	329	9,280
Net revision to prior years' claims costs	(99,910)	3,406	(103,316)	(50,798)	(1,737)	(49,061)
Outstanding claims cost for prior accident years	565,693	17,514	548,179	561,784	13,322	548,462
Incurred claims for current accident year	118,958	-	118,958	135,112	-	135,112
Claims payments/recoveries for current accident year	(10,115)	-	(10,115)	(10,461)	-	(10,461)
Outstanding claims cost for current accident year	108,843	-	108,843	124,651	-	124,651
Carried forward	674,536	17,514	657,022	686,435	13,322	673,113

21 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					
	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	Total \$'000
Gross of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	509,641	236,766	288,839	397,697	363,894	1,796,837
One year later	211,623	230,477	340,652	348,300		1,131,052
Two years later	244,428	261,755	307,592			813,775
Three years later	227,705	326,823				554,528
Four years later	207,869					207,869
Current estimate of cumulative claims cost	207,869	326,823	307,592	348,300	363,894	1,554,478
Cumulative payments	(41,168)	(42,364)	(30,495)	(22,679)	(10,554)	(147,260)
Outstanding claims (undiscounted)	166,701	284,459	277,097	325,621	353,340	1,407,218
Discount						(1,113,185)
2001/02 and prior (discounted)						237,395
Claims handling expense						33,604
Prudential margins						109,504
Outstanding claims (inflated & discounted)						674,536

	Accident year					
	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	Total \$'000
Net of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	476,082	236,766	288,839	397,697	363,894	1,763,278
One year later	211,623	230,477	340,652	348,300		1,131,052
Two years later	244,428	261,755	307,592			813,775
Three years later	227,705	326,823				554,528
Four years later	200,670					200,670
Current estimate of cumulative claims cost	200,670	326,823	307,592	348,300	363,894	1,547,279
Cumulative payments	(41,168)	(42,364)	(30,495)	(22,679)	(10,554)	(147,260)
Outstanding claims (undiscounted)	159,502	284,459	277,097	325,621	353,340	1,400,019
Discount						(1,106,944)
2001/02 and prior (discounted)						220,839
Claims handling expense						33,604
Prudential margins						109,504
Outstanding claims (inflated & discounted)						657,022

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
22 Provision for unexpired risk		
(a) Unexpired risk liability		
Unexpired risk liability as at 1 July	4,546	9,986
Recognition of additional unexpired risk liability in the period	1,766	4,546
Release of unexpired risk liability recorded in previous periods	(4,546)	(9,986)
Unexpired risk liability as at 30 June	1,766	4,546
(b) Deficiency recognised in the income statement		
Gross movement in unexpired risk liability	(2,780)	(5,440)
Reinsurance recoveries on unexpired risk liability	-	-
Net movement in unexpired risk liability	(2,780)	(5,440)
Write down of deferred acquisition costs (refer note 20)	6	12
Total deficiency recognised in the income statement	(2,774)	(5,428)
(c) Calculation of liability		
Provision for unearned premiums	53,632	52,486
Related reinsurance asset	-	-
(A)	53,632	52,486
Net central estimate of the present value of expected future cashflows arising from future claims	41,652	42,881
Claims handling expenses	2,666	2,745
Risk margin	11,080	11,406
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	-	-
(B)	55,398	57,032
Deficiency net of reinsurance recoveries	(B) - (A)	4,546
Add back reinsurance element of present value of expected future cash flows for future claims	-	-
Deficiency gross of reinsurance recoveries	1,766	4,546

Claims handling expenses

Claims handling expenses as at 30 June 2008 are included at the rate of 6% (2007: 6%).

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 claims handling expenses has been added. The risk margin is higher than the 20% risk margin applied to the provision for outstanding and unreported claims 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% (2007: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

	2008 \$'000	2007 \$'000
23 Provision for employee benefits		
Due within twelve months		
Annual leave	139	136
Retirement benefits fund	21	21
	<u>160</u>	<u>157</u>
Due in more than twelve months		
Long service leave	265	216
Retirement benefits fund	2,377	2,312
	<u>2,642</u>	<u>2,528</u>
	<u>2,802</u>	<u>2,685</u>
Aggregate employee benefits		

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 2008

23 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:

	2008 \$'000	2007 \$'000
Net liability as at 30 June		
Defined benefit obligation	2,583	2,551
Contributions tax liability	344	333
Total defined benefit obligations	2,927	2,884
RBF contributory scheme assets	(529) ¹	(551) ²
Deficit/(Surplus)	2,398	2,333
Unrecognised past service cost	-	-
Unrecognised net (gain)/loss	-	-
Net liability/(asset)	2,398	2,333

Notes

- ¹ Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008.
- ² Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.2% higher than our estimated assets. This has not been adjusted for in the previous year's figures.
- ³ Small differences may occur in totals due to rounding of figures.

The main economic assumptions used in the actuarial valuation were:

	2008	2007
Discount rate		
Gross of tax	6.60%	6.00%
Net of tax	6.50%	5.90%
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	14.36% ¹	14.29%
Tax rate for discount rate	2.25%	2.25%
Decrement rates	As per the Appendix C of the report "Valuation of Liabilities under the RBF as at 30 June 2008"	As per the Appendix C of the report "Valuation of Liabilities under the RBF as at 30 June 2007"

Note 1 This tax rate is based on the estimated balance of pre-July 1988 funding credits as at 30 June 2008.

23 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 classes in which the Plan invests.

	2008	2007
Asset disclosure		
Australian equities	25%	30%
International equities	20%	25%
Fixed interest securities	12%	20%
Property	37%	25%
Other	6%	0%

	2008 \$'000	2007 \$'000
Defined benefit obligations		
Funded ¹	565	551
Unfunded	2,362	2,334
Total	2,927	2,885

Note 1 The contributions tax liability has been included in the unfunded portion of the defined benefit obligation.

Reconciliations

Fair value of plan assets

Fair value of plan assets at end of prior year	1	551	540
Estimated employer contributions	2	20	43
Estimated contributions tax paid	3	-	-
Estimated participant contributions	4	30	29
Estimated operating costs	5	6	5
Estimated benefit payments	6	46	96
Foreign currency exchange rate assets	7	-	-
Business combination assets	8	-	-
Curtailments/settlement assets	9	-	-
Expected return on assets	10	39	37
Expected assets at year end	11=1+2-3+4-5-6+7+8+9+10	588	548
Actuarial gain/(loss) on assets	12=13-11	(59)	3
Fair value plan assets at year end	13	529 ¹	551 ²
Estimated actual return on plan assets ³		(29)	83

Notes

1 Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008.

2 Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% 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 Contributory Scheme as a whole.

Notes to the Financial Statements

for the year ended 30 June 2008

		2008 \$'000	2007 \$'000
23 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	2,884	2,579
Employer service cost plus operating costs	15a	81	66
Interest cost	16	149	136
Actual participant contributions	17	30	29
Actual operating costs (admin & insurance)	18	6	5
Actual benefit payments plus contributions tax	19a	46	96
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	3,092	2,709
Actuarial (gain)/loss on liabilities	25a	(165)	175
Actual total defined benefit obligations at year end	26a=24a+25a	2,927	2,884
Defined benefit obligations (net discount rate)⁵			
Defined benefit obligations at the end of prior year	14	2,551	2,432
Employer service cost plus operating costs	15	57	58
Interest Cost	16	149	136
Actual participant contributions	17	30	29
Actual operating costs (admin & insurance)	18	6	5
Actual benefit payments	19	46	96
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	2,735	2,554
Actuarial (gain)/loss on liabilities	25	(152)	(3)
Actual defined benefit obligations at year end	26=24+25	2,583	2,551

Notes

4 These figures include contributions tax.

5 These figures do not include contributions tax.

23 Provision for employee benefits *continued*

		2008 \$'000	2007 \$'000
Contributions tax			
Defined benefit obligations at end of prior year	27	2,551	2,432
Fair value Plan assets at end of prior year	28	552 ¹	540 ²
Net obligation	29=27-28	1,999	1,892
Contributions tax at end of prior year	30	333	147
Contributions tax expense	31=32-30+3	25	9
Actual contributions tax paid	3	-	-
Expected contributions tax at year end ³	32=(24-11)/(1-t(0)) times t (0)	358	156
Actuarial (gain) / loss on contributions tax	33 = 34-32	(13)	177
Actual contributions tax at year end ³	34=(26-13)/(1-t(1)) times t(1)	345	333
Reconciliation of actuarial (gain) / loss			
Unrecognised actuarial (gain) / loss at end of prior year	35	-	-
Actuarial (gain) / loss on assets	12(a)=(12)	59	(3)
Actuarial (gain) / loss on liabilities	25	(152)	(3)
Actuarial (gain) / loss on contributions tax	33	(13)	177
Amount recognised during year in income statement	36	(106)	171
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	2,551	2,432
Actual benefit payments	abp	46	96
Weighted for timing	51=abp/2	23	48
Average benefit obligations	52=14-51	2,528	2,384
Discount rate	d	5.90%	5.70%
Calculated interest cost	53=d times 52	149	136
Interest cost used in calculation		149	136

Notes

- 1 Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than estimated. This has not been adjusted for in the previous year's figures.
- 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 2007 or 14.29%, t(1) is the tax rate for employer contributions as at 30 June 2008 or 14.36%.

Notes to the Financial Statements

for the year ended 30 June 2008

		2008 \$'000	2007 \$'000
23 Provision for employee benefits <i>continued</i>			
Expected return on assets			
Fair value plan assets at end of prior year	1	551 ¹	540 ²
Actual employer contributions	2	20	43
Weighted for timing	54=2/2	10	22
Actual contributions tax paid	3	-	-
Weighted for timing	55=3/2	-	-
Actual participants contributions	4	30	29
Weighted for timing	56=4/2	15	14
Actual operating costs (admin & insurance)	5	6	5
Weighted for timing	57=5/2	3	2
Actual benefit payments	6	46	96
Weighted for timing	58=6/2	23	48
Average expected assets	59=1+54-55+56-57-58	550	526
Assumed rate of return	r	7.00%	7.00%
Calculated expected return on assets	60=r times 59	39	37
Expected return on assets used in calculation		39	37

Notes

- 1 Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than estimated. This has not been adjusted for in the previous year's figures.
- 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.

Net liability / (asset) at year end

Actual defined benefit obligations at year end	26	2,583	2,551
Actual contributions tax at year end	34	344	333
Total defined benefit obligation at year end	61=26+34	2,927	2,884
Actual assets at year end	13(a)=(13)	(529) ¹	(551) ²
Deficit / (surplus)	62=61+13(a)	2,398	2,333
Unrecognised past service cost	50	-	-
Unrecognised net (gain) / loss	b	-	-
Net liability / (asset)	63=62-50-b	2,398	2,333

Notes

- 1 Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008, and audited accounts as at 30 June 2007.
- 2 Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than estimated. This has not been adjusted for in the previous year's figures.

23 Provision for employee benefits *continued*

		2008 \$'000	2007 \$'000
Actuarial gain / (loss) for year			
Defined benefit obligations (net of tax, prior year assumptions)	64	2,771	2,485
Contributions tax (prior year assumptions)	$65=(64-13)/(1-t_0)*t_0$	374	150
Defined benefit obligations (net of tax, current year assumptions)	26	2,583	2,551
Actual contributions tax at year end	34	344	333
Actuarial (gain)/loss for year due to assumptions	$66=26+34-(64+65)$	(218)	249
Actuarial (gain)/loss for year due to experience	$67=25+33-66$	53	(74)
Actuarial (gain)/loss on assets	12(a)	59	(3)
Actuarial (gain)/loss for year	$68=66+67-12(a)$	(106)	172

History

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

	30-Jun-08 \$'000	30-Jun-07 \$'000	30-Jun-06 \$'000	30-Jun-05 \$'000	30-Jun-04 \$'000
Total defined benefit obligation at year end	2,927	2,884	2,579	2,398	2,063
Actual assets at year end ¹	(529)	(552)	(540)	(471)	(462)
Deficit/(surplus)	2,398	2,333	2,039	1,928	1,601
Experience adjustment on liabilities	53	(74)	213	(152)	-
Experience adjustment on assets	60	(3)	(34)	56	-

Note 1 Based on unaudited accounts rolled forward to 30 June. Where audited accounts for the RBF Contributory scheme have subsequently become available, no adjustment has been made.

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 2007, 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-07 \$'000
Liabilities for accrued benefits	
Liability for the Scheme as a whole	4,552,565
Net market value of Scheme assets	1,649,341
Surplus/(deficit)	2,903,224

The employer 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*.

As at 30 June 2007, the present value of the total accrued benefits for the Contributory Scheme as a whole for the purposes of AAS 25, *Financial Reporting by Superannuation Funds*, was calculated to be \$4,552.565 million.

Notes to the Financial Statements

for the year ended 30 June 2008

23 Provision for employee benefits *continued*

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)	4.5
Rate of pension increases (CPI)	2.5

24 Retained earnings

	2008 \$'000	2007 \$'000
Balance at the beginning of the financial year	339,474	248,452
Operating result after tax	(22,624)	113,084
Dividends paid	(42,950)	(22,062)
Balance at the end of the financial year	273,900	339,474

25 Provision for Injury Prevention and Management Foundation

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	1,060	1,056
Payments	(1,004)	(1,004)
Project approvals less project funds withheld	746	912
GST on outstanding project approvals	80	96
Balance at the end of the financial year	882	1,060

26 Provision for unearned premium

Balance at beginning of financial year	52,486	52,143
Deferral of premiums on contracts written in the period	53,632	52,486
Earning of premiums written in previous periods	(52,486)	(52,143)
Balance at end of financial year	53,632	52,486

	2008 \$'000	2007 \$'000
27 Sundry creditors and accrued expenses		
Sundry creditors	1,990	5,892
Accrued expenses - employee on costs	24	21
Total sundry creditors and accrued expenses	2,014	5,913
Due within twelve months		
Sundry creditors	1,990	5,892
Accrued expenses - employee on costs	8	8
Total sundry creditors and accrued expenses due within twelve months	1,998	5,900
Due in more than twelve months		
Accrued expenses - employee on costs	16	13
Total sundry creditors and accrued expenses due in more than twelve months	16	13
Total sundry creditors and accrued expenses	2,014	5,913

28 Cash Flow Statement

(a) Reconciliation of cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank and cash equivalent investments (refer note 10). 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:

Cash and cash equivalents	335,201	275,825
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(b) Reconciliation of net cash provided by operating activities to operating result after tax

Operating result after tax	(22,624)	113,084
Depreciation	112	136
Loss (profit) on sale of assets	26	30
Increase (decrease) in employee provisions	118	301
Increase (decrease) in creditors and accruals	(3,898)	4,062
Increase (decrease) in claims provisions for new claims and the effect of existing claims provisions increases/decreases	(11,899)	32,307
Decrease (increase) in prepaid insurance expenses	4	4
Unrealised change in net market value of investments	203,537	(96,266)
Decrease (increase) in deferred tax asset	(28,849)	(8,411)
Decrease (increase) in accrued income	(81)	31
Decrease (increase) in accounts receivable	200	(49)
Decrease (increase) in reinsurance recoveries receivable	(4,192)	898
Increase (decrease) in provision for unearned income	1,146	343
Increase (decrease) in tax payable	1,005	11,453
Increase (decrease) in provision for injury prevention and management foundation	(178)	4
Increase (decrease) in unexpired risk provision	(2,780)	(5,440)
Increase (decrease) in provision for deferred tax liability	(34,783)	2,100
Net cash flow from operating activities	96,864	54,587

(c) Financing facilities

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

Notes to the Financial Statements

for the year ended 30 June 2008

29 Road Safety Task Force

For the year ended 30 June 2008 contributions amounting to \$2,800,000 (2007: \$2,665,000) 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.

30 Motorcycle Safety Strategy

For the year ended 30 June 2008 the Board contributed \$193,439 (2007: \$25,393) in sponsorship for the Motorcycle Safety Strategy. This encompasses motorcycle rider education and training.

31 Road infrastructure

For the year ended 30 June 2008 \$405,334 (2007: \$1,000,000) was paid to the Department of Infrastructure, Energy and Resources representing the Board's contribution to the Black Spot Program.

32 Auditor's remuneration

The amount payable to the Tasmanian Audit Office for the financial year is \$35,980 (2007: \$26,344).

33 Dividends

Since the end of the financial year, a final ordinary dividend relating to the 2007/08 financial year in the amount of \$29,618,409 has been calculated in accordance with the methodology contained in the Board's Ministerial Charter and is payable during the 2008/09 financial year.

A special dividend of \$10,000,000 was paid in 2007/08 (2006/07: nil).

34 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 JW Harry

Mr ME Scanlon (appointed 5 November 2007)

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:

Mr LJ Bingley Manager Claims and Rehabilitation

Mr PA Livingston Chief Operating Officer (1 July 2007 to 18 February 2008)

Mr DW Thurm Chief Financial Officer

34 Key management personnel information *continued*

(c) Key management personnel compensation

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

	2008 \$'000	2007 \$'000
Short term employee benefits	595	581
Post employment benefits	218	210
	<u>813</u>	<u>791</u>

(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:

	Board of Directors meetings		Audit Committee meetings	
	Number		Number	
Director	Held	Attended	Held	Attended
GJ Humphreys	14	13		
K Barker	14	14		
CE Bell	14	14	9	9
K Brown	14	14		
JW Harry	14	13	9	8
PJ Roche	14	13		
ME Scanlon ¹	14	8	9	5
KL Stephenson ²	14	13	9	4

	Claims Committee meetings		Injury Prevention and Management Foundation Committee meetings	
	Number		Number	
Director	Held	Attended	Held	Attended
GJ Humphreys	13	12	1	1
K Barker	13	13		
K Brown	13	13	1	1
PJ Roche	13	12		
KL Stephenson ²	13	7		

Notes

¹ Appointed to the Board effective 5 November 2007 and to the Audit Committee effective 28 November 2007.

² Granted leave of absence from Claims Committee effective 27 June 2007 and appointed to Audit Committee on a temporary basis until 28 November 2007.

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

During the year, JW Harry, a Director, was a partner and consultant 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 \$201,195 (2007: \$186,977).

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 2008 and the financial position as at 30 June 2008 of the Enterprise; and
 - ii. subject to the Treasurer's Instructions, complying with Australian Accounting Standards, and 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 2008 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 2008 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 2008 give a true and fair view.

Signed in accordance with a resolution of the Directors:

Dated 13 August 2008


GJ Humphreys
Chairperson


CE Bell
Director

Auditor's Independence Declaration

 **Tasmanian Audit Office**
STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

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13 August 2008

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 2008, 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

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector
• Professionalism • Respect • Camaraderie • Continuous Improvement • Customer Focus •

Making a Difference

Independent Audit report



Tasmanian Audit Office

SERVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

INDEPENDENT AUDIT REPORT

To Members of the Parliament of Tasmania

MOTOR ACCIDENTS INSURANCE BOARD

Financial Statements for the Year Ended 30 June 2008

Report on the Financial Statements

I have audited the accompanying financial statements of the Board, which comprise the balance sheet as at 30 June 2008, 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 by the directors.

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 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. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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

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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.

Independence

My independence declaration provided to the directors of the Motor Accidents Insurance Board dated 13 August 2008 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 2008, 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 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
19 August 2008

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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 ³	\$332	\$366	\$426	\$347 ⁴	\$272 ⁴	\$235	\$382	\$386

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 Inclusive of GST

⁴ 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 2007/08.

	Awarded to Tasmanian Businesses	Awarded to other Australian businesses	Awarded to International businesses	Total
No of Contracts awarded	2	-	-	2
Value of Contracts Awarded	\$2,775,000	-	-	\$2,775,000

Staffing

As at 30 June 2008, the Board employed 38 staff on a full or part-time basis.



Proudly Promoting Road Safety in Tasmania

Motor Accidents Insurance Board

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