



MOTOR ACCIDENTS INSURANCE BOARD

11 | 12

ANNUAL REPORT





SPEAK UP TO SAVE A LIFE.

If you're in a car that's travelling too fast, or if you see someone speeding in your street, if you're uncomfortable, say so. Make them listen. Make them stop. Because you're a long time dead.

SPEAK UP AGAINST SPEEDING.

Road Safety Advisory Council

HIGHLIGHTS

- No premium increase for all vehicle classifications.
- Continuation of funding of the Road Safety Advisory Council's enforcement and education program for a further 3 years from 1 January 2012.
- Lowest claim frequency on record.
- Net investment revenue of \$23.1 million.
- Scheme solvency marginally below target range reflecting the challenging economic climate.
- Dividend of \$20.2 million paid to the Tasmanian State Government.
- Positive client satisfaction ratings in 2011 client market survey.

VISION STATEMENT

To be highly regarded nationally in the provision of competitively priced, quality, service-driven 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 MAIB are:

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

CORPORATE CITIZENSHIP STATEMENT

Corporate citizenship for the MAIB 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.

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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.

Introduction

WHAT IS THE MOTOR ACCIDENTS INSURANCE BOARD?

The Motor Accidents Insurance Board (the MAIB) was established in 1974 under the *Motor Accidents (Liabilities and Compensation) Act 1973* (the Act). The purpose of the MAIB is to administer the funding and payment of compulsory third party (CTP) motor accident compensation to eligible people who have been injured in a motor accident. Compensation is available to eligible drivers, passengers, motorcyclists and other road users.

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

COMPENSATION

The MAIB funds two types of compensation:

- no-fault benefits; and
- common law damages.

No-fault Benefits

No-fault benefits are paid for all accepted claims, irrespective of who caused the motor accident and may include the payment of:

- Reasonable medical and hospital costs including the services of doctors and health professionals;
- Rehabilitation expenses;
- Long term care for the seriously injured;
- Disability allowance (for people in paid employment who are unable to work); and
- In the case of fatal injuries, funeral expenses and dependency benefits (where applicable).

Similar no-fault benefits schemes are only offered in two other jurisdictions, being Victoria and the Northern Territory.

Common Law Damages

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

Provision of Compensation

The two core business activities of the MAIB are:

- Assessment and payment of scheduled benefits in accordance with the requirements of the Act and the *Motor Accidents (Liabilities & Compensation) Regulations 2010*; and
- Resolution of common law damages claims pursuant to the indemnity provisions of the Act.

Financial Management

The MAIB strives to maintain a balance between premium and investment 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 MAIB has an ongoing commitment to the reduction of the number and severity of motor accidents in Tasmania. It is through significant contributions to the Road Safety Advisory Council and the Injury Prevention and Management Foundation that the MAIB aims to achieve this commitment.

GOVERNANCE STRUCTURE AS AT 30 JUNE 2012

PORTFOLIO MINISTER:

The Hon. David O'Byrne, MP

TREASURER:

The Hon. Lara Giddings, MP

THE BOARD OF DIRECTORS

Chairman: Don Challen

Directors:

Kim Barker
Daniel McCarthy
Peter Roche (CEO)
Caroline Rockefeller
Mark Scanlon
David St. John

MANAGEMENT TEAM

Chief Executive Officer: Peter Roche

Chief Operating Officer: Christopher Hill

Chief Financial Officer: Derek Thurm

Manager - Claims and Rehabilitation: Lisa Bingley

ICT Manager: Jo-Anne Wilson

Acting Executive Officer: Sara Dalton

Acting Financial Accountant: Brett Russell

Statement of Compliance

**The Hon. Lara Giddings, MP, Premier and Treasurer and the Hon. David O'Byrne, 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 2012. 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: 20 September 2012



D W Challen

Chairman



M E Scanlon

Director

Board of Directors



DON CHALLENGE

BEC (Hons), MEd, FCA, FCPA, FAICD, FIPAA
Chairman (Independent)

MEMBER:

- Audit Committee
- Foundation Committee

Appointed as Chairman: 17 December 2010

Don Challen is an economist specialising in public finance. Until October 2010, he held the position of Secretary of the Tasmanian Department of Treasury and Finance for an extended period. Don is also Chairman of the Tasmanian Public Finance Corporation and of Transend Networks Pty Ltd. He is a Director of Tasmanian Symphony Orchestra Holdings Ltd and a Trustee Director of the Retirement Benefits Fund.



KIM BARKER

BA, DipEd, MAICD
Director (Independent)

CHAIRPERSON:

- Claims Committee

Appointed as Director: 15 September 2003

Kim Barker has extensive experience in injury management as a rehabilitation consultant, counsellor and mediator. Kim is Deputy President of the Mental Health Tribunal, Chair of the Tasmanian Training Agreement Committee and a member of the Social Security Appeals Tribunal, the Guardianship and Administration Board and the Medical Board of Australia's Performance and Professional Standards Panel.



DANIEL (DANNY) MCCARTHY

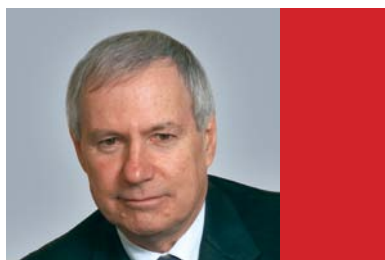
BEC (Hons), FCA
Director (Independent)

MEMBER:

- Audit Committee

Appointed as Director: 1 February 2010

Danny McCarthy has been a partner at the Hobart-based Chartered Accounting firm, Wise Lord & Ferguson, since 1989. Danny specialises in audit, having key expertise in the finance industry, business risk assessment and financial markets. He is currently the partner responsible for the audit of MyState Limited. Danny is also a Board member for Tasracing Pty Ltd.



PETER ROCHE

ANZILF (Assoc) CIP, FAICD
Director and Chief Executive Officer

MEMBER:

- Claims Committee

Appointed as Director: 10 May 2004

Peter Roche was appointed Chief Executive Officer of the MAIB in 1996. Previously he held the position of Deputy General Manager of the Workers Compensation Board of Queensland (now Workcover Queensland) after having occupied several senior positions with Workcover. He has over 45 years experience in the insurance industry. Peter is currently a member of the Road Safety Advisory Council.



CAROLINE ROCKEFELLER

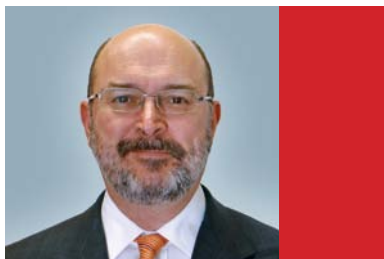
BCom, GAICD
Director (Independent)

MEMBER:

- Claims Committee
- Foundation Committee

Appointed as Director: 16 May 2011

Caroline Rockefeller has an extensive private sector background in the banking and financial services sector which has given her a thorough understanding of financial markets and investment principles. Caroline is also a Director of The Skills Institute and the Public Trustee.



MARK SCANLON

MBA, BBus, FCPA, FAICD
Director (Independent)

CHAIRPERSON:

- Audit Committee

Appointed as Director: 5 November 2007

Mark Scanlon has over 30 years experience in the finance sector having held directorships and senior executive positions in banks, funds management companies, building societies, friendly societies and finance companies. Mark is also Chairman of the Credit Ombudsman Service Limited and a member of the Governing Council, Tasmanian Health Organisation – North.



DAVID ST. JOHN

BAgrSc, MBA, Grad Dip in App Fin & Invest, SF FIN, FAICD
Director (Independent)

MEMBER:

- Claims Committee

Appointed as Director: 16 May 2011

David St. John has spent the majority of his career in the financial services sector having held directorships and senior executive positions in superannuation, asset consulting and insurance companies. David is also the Chairman of the Investment Committee, Legal Super Pty Ltd.

Corporate Governance

LEGISLATIVE AUTHORITY

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

CORPORATE PLAN AND MINISTERIAL CHARTER

In accordance with the GBE Act, the MAIB has a Corporate Plan (Plan) and a Ministerial Charter. The Plan includes estimated financial data relating to a minimum four year forecast period and provides clear direction for the organisation.

BOARD OF DIRECTORS AND ITS COMMITTEES

The composition of the Board of Directors (the Board) is governed by section 11 of the GBE Act. The Chairman and Directors are appointed by the Governor on the recommendation of the Portfolio Minister and Treasurer (Shareholding Ministers).

The Board is responsible for the corporate governance and strategic direction of the MAIB, 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 Plan. The Board is responsible to the Shareholding Ministers for the operation and performance of the MAIB.

There are four sub-committees of the Board:

Audit Committee

The Audit Committee is constituted in accordance with section 16 of the GBE Act. The committee meets on a regular basis and is structured to assist the MAIB in fulfilling its corporate governance and oversight responsibilities in relation to financial reports and financial reporting processes, internal control structures, risk management systems (financial and non-financial) and internal and external audit processes.

Claims Committee

The Claims Committee meets regularly and considers all settlement decisions on larger common law claims, approving damages exceeding \$250,000 and making recommendations to the Board on claims where damages exceed \$750,000. The committee also meets to expedite other significant claims related matters.

Injury Prevention and Management Foundation (Foundation) Committee

The primary goal of the Foundation Committee is to assess all project applications for Foundation funding that are received by the MAIB. The committee is also responsible for providing recommendations to the Board as to which funding applications should be funded and reviewing outcome reports from funded applicants to ensure project objectives have been met and funding appropriately spent.

Nomination Committee

The Board acts as the Nomination Committee and is responsible for:

- Considering the required skills and/or appointment of Directors;
- Reviewing succession plans; and
- Conducting the annual Board performance evaluation process.

BOARD OF DIRECTORS PROCESSES

The MAIB has a formal process for annual performance assessments of the Board as a whole, its committees, individual Directors and the Chairman. Committee members individually assess the performance of their respective committees against agreed criteria. The Chairman and Directors provide confidential feedback and evaluations on each of the other members of the Board. Outcomes are delivered to Directors by the Chairman or nominated members of the Board. The Chairman apprised the Shareholding Ministers of the outcome of the 2011/12 Board performance review.

The Chief Executive Officer and other key executives are subject to annual performance reviews against predetermined performance criteria.

The Board gives consideration to the knowledge, expertise and skills required for any upcoming Director positions, whilst taking account of the current skill set of the Board.

The Board has a policy for induction, education and training to ensure that all Directors understand the MAIB's corporate direction. Directors are required to participate in ongoing education and training.

If required, a Director may seek independent professional advice, at the MAIB's expense, providing the issue has been raised with the Chairman or discussed at a Board meeting.

DISCLOSURE OF INTERESTS

The GBE Act provides a mechanism for the disclosure of interests of the Directors. The relevant interests of the Directors are disclosed monthly.

CEO PERFORMANCE

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

CODE OF CONDUCT

As part of its commitment to the highest standard of conduct, service and disclosure, the MAIB has adopted codes of conduct and disclosure procedures to guide Directors and staff in carrying out their duties and responsibilities. The codes of conduct are reviewed annually and reflect the MAIB's values of accountability and responsibility; integrity; unity of purpose; professionalism and dignity; and innovation. The codes of conduct are available for the public to view on the MAIB website.

PUBLIC INTEREST DISCLOSURES ACT 2002 (PID ACT)

The MAIB is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* (PID Act). It does not tolerate improper conduct by its employees or officers, or the taking of detrimental action against those who come forward to disclose such conduct.

The MAIB recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal the type of conduct to which the PID Act is directed. All reasonable steps are taken to protect people who make such a disclosure from any detrimental action in reprisal for making the disclosure, and to protect their welfare. The MAIB also affords natural justice to all parties involved in any investigation of a disclosure.

The MAIB is not aware of any improper conduct by any of its employees or officers and has not been the subject of any disclosures during 2011/12.

RISK MANAGEMENT

The MAIB has in place a risk management framework including a Risk Management Policy, Risk Management Plan (RMP), Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP).

Risk identification and management is conducted on a continual basis. The risk profiles of all strategic areas are formally reviewed annually by senior management and a compliance review of the RMP and risk mitigators is also conducted annually. Formal reporting of the risk management framework and the internal risk mitigators is presented to the Board through the Audit Committee.

The BCP and DRP have been developed to guide the MAIB in the event of a business disruption.

PRICING POLICIES

The *Economic Regulator Act 2009* established the Office of the Tasmanian Economic Regulator (OTTER) as a mechanism for independent pricing oversight. This role was previously conducted by the Government Prices Oversight Commission (GPOC), until 31 May 2010. GPOC undertook the last review of the MAIB's pricing policies in 2009 with its final report released in June 2009. Maximum premiums for the four years commencing 1 December 2009 were set after Government's consideration of GPOC's report. The next review will be undertaken by OTTER in 2013.

Chairman's Report

While the fundamentals of the MAIB's business remain sound, instability in world financial markets directly impacted investment income and outstanding claim liability provisions.

The claims portfolio performed within budget expectations and the MAIB continued to provide high quality service to its clients, however events outside the MAIB's control made financial and investment management extremely challenging.

Risk-free discount rates are used in the valuation of outstanding claim liability forecasts in accordance with the relevant Accounting Standard. Yields on Commonwealth Government securities, as they are applied to the 30 June 2012 liability forecasts, have decreased since 30 June 2011 by up to 2.65% per annum in the short to medium term, indicating the highly uncertain and unstable climate in investment and bond markets.

This sharp reduction in the risk-free rate resulted in claim liabilities being valued at an additional \$95 million. However, this was partly offset by other reductions in claims costs. In particular, claim provisions for Future Care were revised downwards following a detailed actuarial analysis which confirmed actual experience was better than expected. Ultimately, net claims incurred were \$43 million over budget. Premium revenue and administration expenses were generally in line with budget forecasts.

Investment revenue of \$23 million for the year was \$54 million below forecast. Notwithstanding this disappointing outcome, the return of 2.2% after fees was more than reasonable given the downturn in markets, particularly in the last quarter.

The operating result before tax was a loss of \$43.6 million, approximately \$96.7 million below budget.

The graph below highlights the impact of world financial markets on this result.

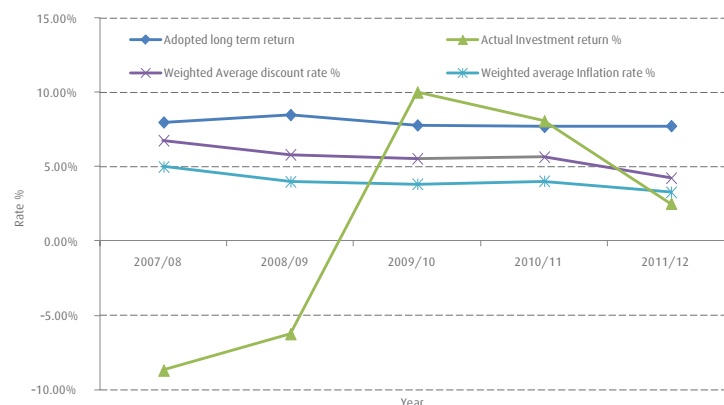
The MAIB's solvency ratio of 18.6% at 30 June 2012 was marginally below target solvency range of 20% - 25%. It is expected that when the financial markets settle, solvency will return to the upper end of that range. As evidenced during the Global Financial Crisis three years ago, it is important to maintain a financially robust structure in order to withstand financial market instability.

Following the strategic asset allocation annual review, the existing weighting of 65% to growth assets and 35% to defensive assets was maintained. However, a rebalancing policy has been introduced to ensure that individual asset class allocations are reviewed monthly to ensure they track their respective benchmarks closely.

Despite the distorted end of year result, the underwriting aspects of the business remain strong. The continued success of the MAIB would not be possible without the commitment and dedication of Directors and staff. I wish to record my sincere thanks to them for their untiring contributions throughout the year.

Don Challen
Chairman

IMPACT ON PROFIT - 2007/08 TO 2011/12



Note 1: Investment returns have been below long term expectations for three of the past five years.

Note 2: The outstanding claims liability increases significantly as the gap between discount and inflation rates decreases and was most apparent in 2011/12. This experience is common to most accident compensation schemes in Australia.

CEO's Report

The MAIB has delivered many positive results for Tasmanians in 2011/12, notably reduced claim frequency, affordable premiums and a further three year road safety commitment of \$3.48 million per annum. A positive client market survey also confirmed the provision of quality customer service.

CLAIM FREQUENCY

The ongoing claim frequency reduction was one of many highlights for the year. The number of claims lodged per 1,000 registered vehicles was the lowest ever recorded by the MAIB. Claim frequency over the past four years is set out in the table below.

Year	Claim Lodgements	Claim Frequency
2008/09	3,367	7.63
2009/10	3,053	6.74
2010/11	2,977	6.42
2011/12	2,707	5.77

* Claim frequency is the number of claims per 1,000 registered vehicles.

Claim frequency is a significant driver in maintaining scheme affordability.

PREMIUMS

An actuarial review of the MAIB's premium requirements identified that premiums were sufficient and premium rates were maintained at the same level as has applied since 1 December 2009. The increase allowable for 1 December 2011 was 4.2% under the *Government Prices Oversight (MAIB Premiums) Order 2009*. However, the claim frequency reduction highlighted in this report directly resulted in premiums remaining static, thus saving motorists \$14 per motor car per annum. The Office of the Tasmanian Economic Regulator will commence the next investigation into the pricing policies of the MAIB in 2012/13.

ROAD SAFETY

As reported last year, Dr Jeremy Woolley of the Centre for Automobile Safety Research, University of Adelaide, reviewed the MAIB funded education and enforcement program of the Road Safety Advisory Council in 2011. The MAIB accepted Dr Woolley's recommendation for a continuation of funding, with \$3.48 million per annum committed for a further three years from 1 January 2012.

An effective education and enforcement program is a vital cog in making our roads safer and reducing road crashes and trauma.

CLIENT MARKET SURVEY

An independent client market survey was undertaken in October 2011. The results of the biennial survey were most positive and reversed the unexpected 2009 outcome. The overall satisfaction level over the past four surveys is set out in the table below.

Overall Client Satisfaction Score			
2005	2007	2009	2011
86.25%	87.75%	80.25%	87.75%

The survey comprised four elements: Experience with Claims Officer, Documentation, Procedures and Rehabilitation.

NATIONAL INJURY INSURANCE SCHEME

Management continues to work with other jurisdictions in relation to the proposed National Injury Insurance Scheme (NIIS). While the MAIB has been providing long-term care to the catastrophically injured for more than 20 years, the proposed scheme does have design and pricing issues to be resolved should the Tasmanian Government decide to adopt the National model.

CONCLUSION

Finally, I would like to thank my dedicated Management Team and hardworking employees for their support and ongoing commitment to their roles within the MAIB during the past year. It is through their continued dedication and commitment that the MAIB continues to provide a high quality personal injury insurance scheme to Tasmanians.



Peter Roche
Chief Executive Officer

Community Involvement and Partnerships

ROAD SAFETY ADVISORY COUNCIL (RSAC)

The RSAC enforcement and public education program (RSAC Program) is the MAIB funded initiative of the Department of Infrastructure, Energy and Resources (DIER), Tasmania Police and the MAIB.

Since the inception of the RSAC Program (formerly the Road Safety Task Force), the number of serious injury claims received by the MAIB has decreased consistently relative to the number of vehicles registered in Tasmania. Legislation introduced over this period has also had a positive impact on reducing the number of serious injuries.

The RSAC Program has significantly grown in profile and research conducted has concluded that the RSAC Program is perceived by the Tasmanian community as the premier independent face of road safety.

In 2011/12 the major campaign was *"Speak Up Against Speed. Speak up for Road Safety"*. A television campaign launched in November 2011 was complemented by print, radio and online advertisements. The campaign focused on the messages of, *"It could happen to you, so slow down"* and *"Limit Your Speed. Limit the Damage"* and provided advice and reminders to *"Drive to the Conditions"*.

The RSAC also participates in large events such as the Falls Festival (annual three day music festival) and Agfest (annual three day agricultural event) with the provision of free breath testing to help people understand the link between the amount of alcohol consumed and their breath-test reading, with a view to reducing alcohol related road trauma.

The MAIB again supported the RSAC at Agfest 2012 as part of the joint initiative of the *"Working for a Safer Tasmania"* site, with the RSAC's display being focused on their major campaign.

STATE EMERGENCY SERVICE (SES)

Over the past 20 years, the MAIB has provided financial support to the SES, which provides crucial volunteer response capabilities for road crash rescues in regional Tasmania. In 2011/12 the SES Road Crash Rescue (RCR) Units responded to over 440 callouts across Tasmania.

There are around 500 SES volunteers in Tasmania, of which 250 are trained in RCR. Within the Southern, Northern and North Western regions, volunteer units train on a weekly or fortnightly basis. Each volunteer also commits up to three full weekends a year to maintain their skills. Additionally, volunteers provide services to assist in training for other organisations. The SES assists the University of Tasmania program that trains medical and paramedic students in hands-on scenarios, including the rescue of motor accident victims in remote areas.

In 2011/12, the MAIB provided funding of \$270,000 to the SES for distribution to RCR units for equipment, training and call outs.

In June 2012, the North West's Circular Head division of the SES was presented with approximately \$45,000 worth of new road crash rescue equipment, partly purchased from the MAIB funding. Provision of the equipment is part of an ongoing statewide replacement and improvement program.

TASMANIAN COMMUNITY ACHIEVEMENT AWARDS

In 2011, the MAIB committed to continuing the sponsorship of the Disability Achievement Award category of the Tasmanian Community Achievement Awards.

Eight nominations were received for the MAIB Disability Achievement Award in 2011, from which three finalists were selected. The finalists and winners of the Community Achievement Awards for Tasmania were announced at an awards presentation dinner held in Launceston on Saturday, 29 October 2011 at the Hotel Grand Chancellor.



Circular Head SES members proudly display their new rescue equipment.

The MAIB Disability Achievement was awarded to Doug McKenzie. Doug became a paraplegic in 1993 after a back operation. He has learnt to drive a car with the use of hand controls and plays wheelchair basketball to stay fit and remain independent.

Doug has learnt to use computers and technology which is an asset in his long time volunteer role two days a week at Westerway Primary School. He is a past member of ParaQuad Tasmania, a community volunteer, and is actively involved in the Derwent Valley Council Access Advisory Committee, advising the Council on access issues and policy for people with disabilities.

MOTOR CYCLE SKILLS REFRESHER COURSES

The MAIB continues to provide subsidised refresher training for Tasmanian motorcyclists to improve their riding skills and decrease the likelihood of involvement in motor accidents.

The Road Skills Refresher Course is designed for licensed riders who want to improve their skills for safer motorcycle riding. This course is suitable for inexperienced riders, riders with low confidence levels and those returning to motorcycle riding after a prolonged gap.

The course is available to eligible motorcyclists at a maximum cost of \$50 per participant. Participants continue to provide extremely positive feedback.

METRO NIGHT RIDER

For the third consecutive year, the MAIB partnered with Metro to provide sponsorship in the sum of \$44,000 for the promotion and provision of the "Nightrider" late night bus service for New Year's Eve within Hobart, Launceston and Burnie. This service was well patronised and is pivotal in the reduction of alcohol related motor accidents.



MAIB Disability Achievement Award winner, Doug McKenzie and MAIB CEO, Peter Roche.



SUPPORT FOR COMMUNITY GROUPS

The MAIB supports sectors of the Tasmanian community which are strategically linked to the MAIB's core business activities.

As part of this initiative, support was provided to the Volunteer Ambulance Officers Association of Tasmania Incorporated in 2011/12 to assist with volunteer recruitment, through the purchase of the Ambulance Volunteer Recruitment Vehicle.

Injury Prevention and Management Foundation

The MAIB's Injury Prevention and Management Foundation (the Foundation) was established to fund research and education and to service development programs that are directed towards the prevention and improved management of injuries resulting from motor accidents. The Foundation is funded by the MAIB setting aside up to 1% of gross annual premiums.

Project applications are assessed by the Foundation Committee against a number of criteria, which include the likelihood of success, the benefits to persons injured in a motor accident and sustainability.

Through the funding of projects, the MAIB aims to provide benefits for the many stakeholders involved. These benefits include:

- Reduction in the frequency and severity of injuries from motor accidents;
- Improved access to quality medical, rehabilitation and long term care services;

- New developments/techniques in some areas of injury management; and
- Minimisation of the costs of the CTP insurance scheme to the Tasmanian community.

PROJECTS FUNDED 2011/12

YOLLA DISTRICT HIGH SCHOOL

All Terrain Vehicle Rider Training

This project delivered national competency based All Terrain Vehicle (ATV) rider training to Year 10 students at Yolla District High School. A high percentage of students at the school are from a rural background and operate ATVs. The benefits of this program have been two-fold:

- Presenting students with an invaluable opportunity to learn how to operate ATVs safely and correctly; and
- Providing students with a qualification, which enhances vocational employment opportunities.

Crash Free Driving

Year 10 students at Yolla District High School participated in a 14 week Crash Free Driver Education Program sponsored by the Foundation and run by the Royal Automobile Club of Tasmania (RACT).

The program provided practical and theoretical education, equipping students with knowledge to reduce their risk of being involved in a motor accident. In kind support was also provided by the Department of Education.

BRIDGEWATER SCHOOL FARM

ATV Training – Youth on the Land

Seven students studying VET Agriculture (Certificate II) at the Bridgewater School Farm participated in ATV training. The training included:

- Raising student awareness in the safe use of ATVs;
- Increasing their skill development; and
- Reducing their risk of being involved in accidents or suffering injuries while using ATVs.

All students successfully completed the course and received vocational accreditation.

AUSTRALIAN RED CROSS

North West Coast Learner Driver Mentor Program

This project will be undertaken over a three year period. The program aims to engage community members on the North West Coast of Tasmania as mentors to assist young learner drivers who are disadvantaged through not having access to a vehicle and/or a supervising licensed driver to gain the required 50 hours practical driving experience needed to qualify for a full provisional licence.

During the first year, 13 volunteers have registered as mentors and 11 young people have been referred for participation. It is envisaged that mentors and learner drivers will be matched and begin on-road driving sessions during July 2012



KIDSAFE TASMANIA INCORPORATED

Launching Children into Safe Travel

This project has provided awareness on the legislative changes regarding child restraints through the provision of one hour information sessions. The information sessions aimed to reduce the level of unintentional injury and childhood death as a result of motor accidents and incorrectly fitted child restraints.

GENERAL PRACTICE SOUTH

Improving Pain Management in Primary Care

This project funded a number of education sessions in Southern Tasmania advocating contemporary best practice in multidisciplinary pain management. The focus of the program was to educate Tasmanian general practitioners in the management of chronic pain to:

- Improve the understanding of the value of multidisciplinary care;
- Increase the understanding of potential issues, such as pharmaceutical dependence; and
- Improve the identification and management of drug seeking behaviour.

BRAIN INJURY ASSOCIATION OF TASMANIA (BIAT) AND SYNAPSE

Synapse Training Tasmania – Understanding Acquired Brain Injury

The first year of this two year project saw the establishment of Synapse Training Tasmania (Synapse). Synapse has developed, and is delivering, a range of one day workshops across Tasmania specifically tailored to provide acquired brain injury (ABI) education. The workshops are aimed at a broad spectrum of the community, from professionals and staff working with people with an ABI to people living with an ABI, their family members and carers. The sessions cover topics such as *“Introduction to ABI”* and *“Working with people with ABI: Understanding and Responding to Behaviours of Concern”*.

HYPERBARIC MEDICINE UNIT, ROYAL HOBART HOSPITAL (RHH)

HOLLT – Hyperbaric Oxygen in Lower Limb Trauma

HOLLT is an international multi-centre, randomised controlled trial which aims to assess the benefits of providing hyperbaric oxygen therapy during the acute stages of management of severe lower limb injuries, as an adjunct to normal trauma care. This study aims to enrol 120 participants world-wide, over a three year period. The project has proceeded well in its second year, with 74 patients recruited to date. The RHH has recruited a total of eight patients, which has made them the second highest HOLLT recruitment facility world-wide.

MENZIES RESEARCH INSTITUTE

Visualising the Brain's Response to Trauma as it Happens: Working towards Improved Outcomes after Traumatic Brain Injury

This two year project aims to ascertain how the brain responds to an injury and to provide clinical insight into how the brain copes with and responds to trauma. The project goal is to potentially reveal a range of opportunities for intervention and novel drug target development. It is due for completion by October 2012.

Injury Prevention and Management Foundation

CHARITIES COMMITTEE

The MAIB supports a number of charitable organisations on an annual basis through the Foundation's Charities Committee. Each organisation is responsible for utilising the allocated funding to best meet the needs of the organisation and its clientele and is accountable to the MAIB through formal reporting and meetings.

Recipients of funding are:

BRAIN INJURY ASSOCIATION OF TASMANIA INC. (BIAT)

BIAT provides people living with or affected by brain injury in Tasmania with access to information, resources and services to encourage the development of skills, thereby allowing people to build community support networks and control their own lives.



PARAPLEGIC AND QUADRIPLLEGIC ASSOCIATION OF TASMANIA INC. (PARAQUAD)

ParaQuad assists and encourages paraplegics and quadriplegics in their endeavours to once more become an integral part of their community. ParaQuad also aims to improve the quality of life of all people with a disability in Tasmania by providing comprehensive equipment and program services.



HEADWAY NORTH WEST TASMANIA INC.

Headway North West is a community based organisation committed to providing specialist support to people with an acquired brain injury and their carers, in order to facilitate successful long term community participation and reintegration.



HEADWAY REBUILDING LIVES (HrI)

HrI is a specialist, community based rehabilitation service for people with disabilities, specialising in supporting people with an acquired brain injury in Southern Tasmania. HrI provides a crucial link to the community by connecting people and providing the practical, emotional, physical, psycho-social and behavioural support required to assist people to rebuild their lives.



ROAD TRAUMA SUPPORT TASMANIA INC.

Road Trauma Support Tasmania Inc. provides a free confidential support and counselling service for people who have been affected by road trauma, whether directly or as family members, friends, bystanders or members of emergency services.



TASMANIAN ACQUIRED BRAIN INJURY SERVICE INC. (TABIS)

TABIS assists people with an acquired brain injury by providing access to responsive and innovative rehabilitative support options, which promotes access and fosters successful long-term community participation and re-integration.



INJURY PREVENTION AND MANAGEMENT FOUNDATION – PROJECTS APPROVED FOR 2011/12

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Menzies Research Institute	Visualising the Brain's Response to Trauma as it Happens; Working Towards Improved Outcomes after TBI (Year 2 of 2)	*\$31,000
Hyperbaric Medicine Unit, RHH	HOLLT – Hyperbaric Oxygen in Lower Limb Trauma (Year 3 of 3)	**\$75,000
Yolla District High School	All Terrain Vehicle Rider Training	\$10,100
Yolla District High School	Crash Free Driving	\$1,000
Bridgewater School Farm	ATV Training – Youth on the Land	\$2,550
Australian Red Cross	North West Coast Learner Driver Mentor Program (Year 1 of 3)	***\$27,236
General Practice South	Improving Pain Management in Primary Care	\$48,772
Kidsafe Tasmania Incorporated	Launching Children into Safe Travel	\$9,640
Brain Injury Association in partnership with Synapse	Synapse Training Tasmania – Understanding Acquired Brain Injury (Year 1 of 2)	****\$39,765
Road Trauma Support Team	Hobart Office	\$40,000
	TOTAL FUNDING COMMITTED to PROJECTS 2011/12	\$285,063

(NB: All amounts are exclusive of GST)

* Two year program (total \$62,000)

** Three year program (total \$225,000)

*** Three year program (total \$81,718)

**** Two year program (total \$79,530)

INJURY PREVENTION AND MANAGEMENT FOUNDATION – PROJECTS APPROVED FOR 2012/13

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Jordan River High School Farm (formerly Bridgewater School Farm)	ATV Training – Youth on the Land	\$8,800
Yolla District High School	Crash Free Driving	\$1,000
Yolla District High School	All Terrain Vehicle Rider Training	\$18,200
UTAS School of Medicine	Wilderness Skills Weekend	\$16,836
Australian Red Cross	North West Coast Learner Driver Mentor Program (Year 2 of 3)	*\$27,236
Brain Injury Association in partnership with Synapse	Synapse Training Tasmania – Understanding Acquired Brain Injury (Year 2 of 2)	**\$39,765
Road Trauma Support Tasmania Inc.	Hobart Office	\$40,000
	TOTAL FUNDING COMMITTED to PROJECTS 2012/13	\$151,837

(NB: All amounts are exclusive of GST)

* Three year program (total \$81,718)

** Two year program (total \$79,530)

Bringing Care Closer to Home

Joel Hastings is a long-term resident of the MAIB's care facilities. This is the story of Joel's journey, from his motor accident to his life now as a resident of Lomandra.



Trudy and Joel Hastings.

Joel Hastings was a young apprentice painter and decorator, a typical teenager who enjoyed hanging out with his friends, playing football with East Devonport and bodysurfing.

On 8 March 2003, Joel was the driver of a motor vehicle which collided with a log truck. Joel sustained a number of life changing injuries including a severe brain injury, serious internal injuries and multiple fractures.

Joel spent nine months receiving rehabilitative treatment in both the Royal Hobart Hospital high dependency unit and St John's Hospital. During this time, Joel's family, mum Trudy, dad Robin and sister Jarna, maintained a constant presence.



Joel in front of his beloved signed Hawthorn Football Club jumper, which is proudly displayed in his room at Lomandra.

In 2004, Joel was discharged from hospital to Neena, the MAIB's residential care facility in Launceston. Trudy, Robin and Jarna travelled between Devonport and Launceston to visit Joel as much as possible, and on some weekends Joel was able to visit his home with the help of a support worker. The constant travel was not easy on the family, having to organise visits around work commitments, but for five years they persevered.

In 2008, the MAIB opened Lomandra, the MAIB's third residential care facility, in Ulverstone. Offering special purpose housing for the catastrophically injured on the North West Coast of Tasmania, it enabled Joel to move closer to his home and, most importantly, his family and friends.

The benefit of having Joel closer to home has been immense. The Hastings can visit Joel at every opportunity they have, and there is less travel for Joel for his medical appointments.

The family has also noticed a particularly significant benefit – Joel seems far more settled than he has ever been since the motor accident. Trudy believes that although it may not be obvious to everyone else, Joel is very comfortable in his surroundings. While she does not know if this is because Joel feels that he is closer to home, or because he is able to see his family more, the most important thing is that Joel is as close to his family as he can be.

Human Resources

EMPLOYEE SATISFACTION SURVEY

To assist management in identifying trends and issues, and to provide management with an indication of employee engagement, an employee satisfaction survey is conducted annually. The survey gives staff the opportunity to make comments and suggestions.

In the 2012 survey, staff participation was a record 83%. Overall staff satisfaction increased from 70% to 76%. Almost 100% of respondents believed management to be flexible about family and personal obligations and 89% of respondents enjoy working at the MAIB and are satisfied with their working conditions.

WORKPLACE EQUITY

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

An Employee Assistance Program is also available to all staff for both work issues and personal counselling.

TRAINING AND DEVELOPMENT

The MAIB is committed to the professional development of all staff members through programs that focus on specific skills and general development. A number of employees are currently undertaking study, ranging from Certificate II in Business Administration through to a Masters Degree in Health Services Management.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

The MAIB's OH&S committee ensures that appropriate OH&S policies are in place and that compliance with these policies occurs. The committee meets formally on a regular basis and works with management to raise the importance of OH&S in the workplace as well as addressing any issues that are raised by staff.

STAFFING

As at 30 June 2012, the MAIB employed 36 full time equivalent staff.

MANAGING DIVERSITY

The MAIB is an Equal Employment Opportunity employer and ensures compliance with all relevant legislation.

RED CROSS MEALS ON WHEELS

The MAIB and its employees continue to support Red Cross by assisting fortnightly Meals on Wheels deliveries on a rostered basis. During 2011/12, 25% of employees participated in this community service.

STAFF SUPPORT FOR CHARITIES

Each month there is a casual clothes day with staff members providing donations for a nominated charity. Staff can make suggestions as to appropriate charities to support. Charities supported in this way include Jeans for Genes Day, Clown Doctors, Red Kite, Canteen and Big Ears Animal Sanctuary.

The MAIB also provided sponsorship for 12 staff members to participate in the Women's 5km walk/run held in Launceston in March 2012. The event raised funds for breast cancer research.

POLLIE PEDAL

The MAIB sponsored staff members, Grant Young and Clare Klapche, to participate in Pollie Pedal 2012; a cycling event in its seventh year that raises awareness and funds for Diabetes Tasmania. The three day, 254 kilometre ride was held across the east coast of Tasmania, commencing at Four Mile Creek on 24 February 2012 and making its way via St Marys Pass, Bicheno, Swansea and Maria Island to the end destination, Richmond, on 26 February 2012.

The event raised just over \$50,000, an excellent contribution for Tasmanians living with diabetes.



MAIB staff members, Clare Klapche and Grant Young, at Pollie Pedal 2012.

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

Claims Management

HIGHLIGHTS

- 2,707 new claims received
- \$41.4 million in no-fault statutory benefits paid
- 209 common law claims settled
- 65% of referred Vocational Rehabilitation claimants returned to work
- 30 settlement conferences attended by Claims Officers
- Continuous review and improvement in claims management practices

BUSINESS PERFORMANCE

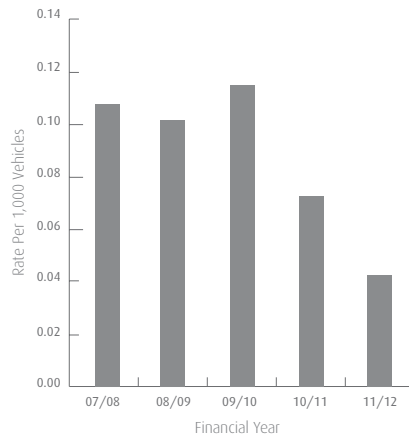
The MAIB experienced:

- A further and significant reduction (9%) in the number of new claims received;
- An increase in vehicle numbers (1.2%);
- Its lowest recorded claim frequency of 5.77 claims per 1,000 vehicles registered; and
- A significant reduction in the number of fatalities for the second consecutive year.

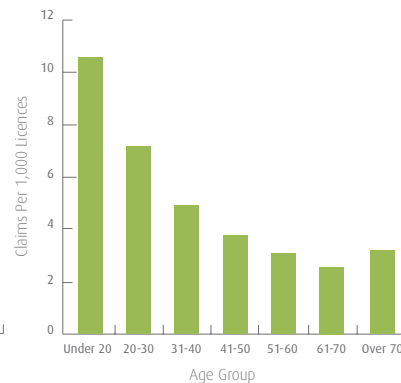
The reduction in both new claims received and in fatalities can be attributed to factors such as improved roads, public education which results in more positive attitudes from road users and technology which produces safer motor vehicles.

Common law claims continue to track at the target benchmark average of 20 months, with the stock of ongoing claims and settlements remaining consistent with the previous financial year's figures. Outstanding common law liabilities have decreased by 6% in real terms between June 2007 and June 2012.

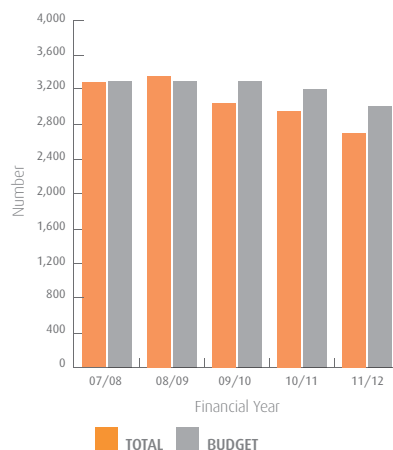
FATALITIES PER 1,000 VEHICLES



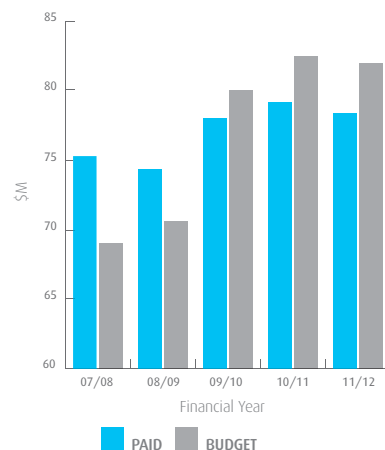
DRIVER CLAIMS PER 1,000 LICENCES 2011/12



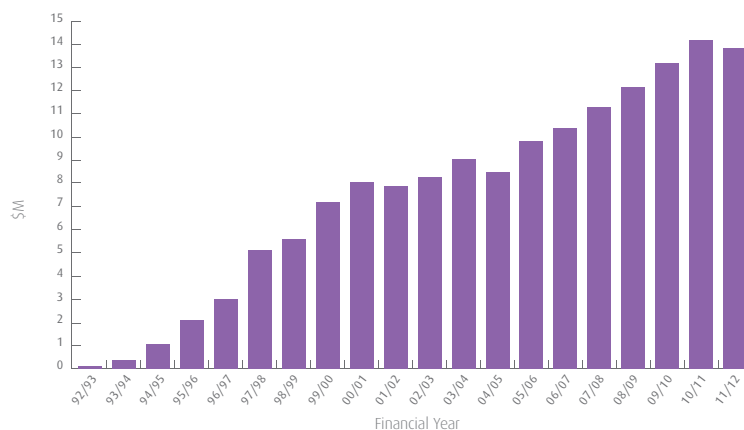
CLAIMS RECEIVED



CLAIM PAYMENTS



FUTURE CARE PAYMENTS



CLAIMS MANAGEMENT TEAM

Customer service in assisting and supporting claimants to reach their goals is at the core of the MAIB's business processes. Our claims management team continues to receive positive feedback from claimants and their families in support of the high level of customer service that is provided. This contributes to a positive working environment, as well as to better outcomes for our claimants.

The MAIB operates on a single point of contact model for claimants ensuring an understanding and dedicated approach is taken to medical and rehabilitation goals. Where appropriate, the managing claims officer engages the services of a Support Needs Assessor, Vocational Rehabilitation Provider, Occupational Therapist or Case Manager to assist the claimant in achieving agreed goals.

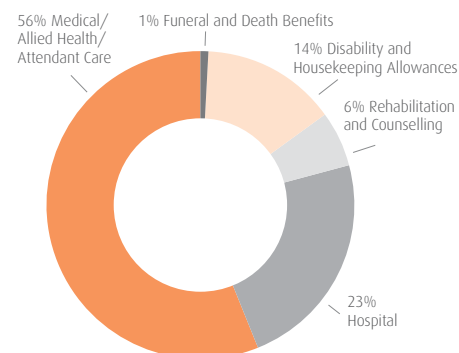
Training for this year included various aspects of the common law process both in Tasmania and other jurisdictions.

EQUIPMENT

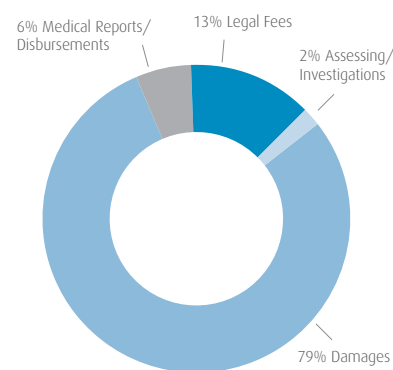
The MAIB has utilised the services of a preferred supplier (McLean Healthcare Pty Ltd) for the provision of disability and rehabilitation equipment since March 2008.

This initiative was introduced with the aim of providing an improved service to claimants as well as eliminating the need to store and manage equipment internally.

A Request for Proposal was advertised earlier this year, with several providers expressing an interest in providing services to the MAIB under a Service Level Agreement. McLean Healthcare Pty Ltd was successful in this process and re-appointed for a further three years.

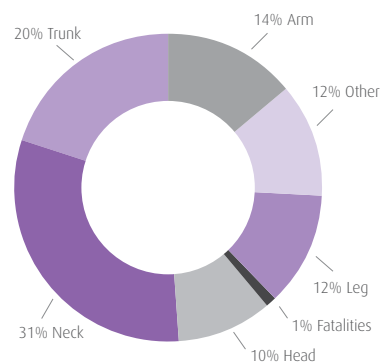
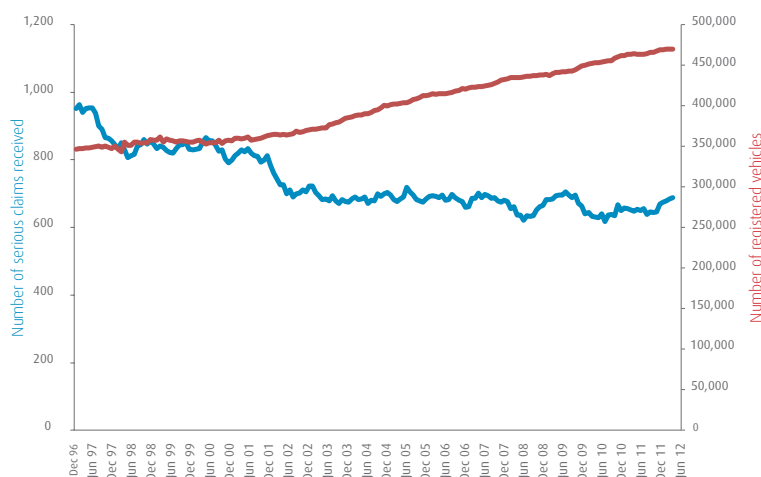


SCHEDULED BENEFITS PAYMENTS 2011/12



COMMON LAW PAYMENTS 2011/12

SERIOUS CLAIMS VERSUS REGISTERED VEHICLES



INJURIES 2011/12

Financial Management

FINANCIAL PERFORMANCE

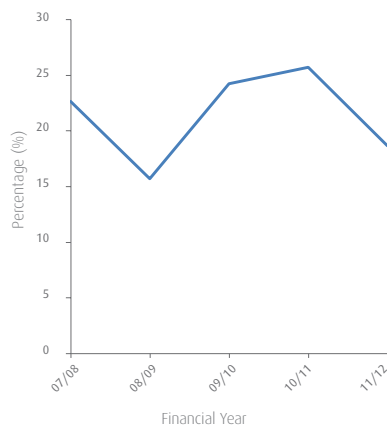
The MAIB recorded a total after tax loss of \$28.0 million in 2011/12, compared with an after tax profit of \$51.8 million in 2010/11.

The main contributors to the loss were:

- reduced investment returns following a downturn in investment markets; and
- an increase in the claims expense following reductions in risk-free discount rates.

The solvency level at 30 June 2012 has decreased to 18.6% from 25.7% recorded last year. This is below the target range of 20%-25% although current forecasts indicate that the solvency level will return to within the target range next year.

SOLVENCY



PREMIUM REVENUE

Premium revenue in 2011/12 amounted to \$139.2 million, representing an increase of 2% over the \$136.5 million reported in 2010/11. The increased revenue resulted primarily from an increase in registered vehicles. There was no increase to motor vehicle premiums during the year and the premium for a standard motor car remains at \$344.

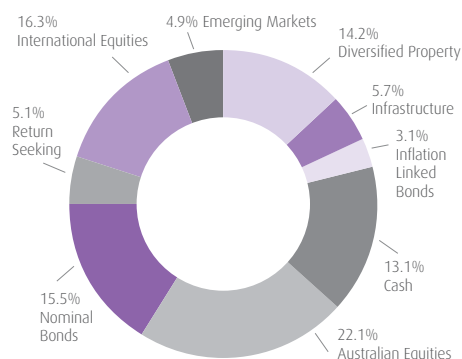
INVESTMENTS

In 2011/12 the MAIB maintained its investment strategy of ensuring that its longer term solvency requirements will be achieved within acceptable levels of risk. This is achieved 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).

The strategic benchmark settings are reviewed annually. In addition, risks and investment opportunities that arise from time to time in changing market conditions are continually monitored. Where exceptional opportunities or material risks are identified over the medium term, positions may be taken to deviate from the chosen asset allocation benchmark to enhance fund returns or protect the fund from unnecessary risks.

Following the downturn in investment markets in 2011/12, the MAIB reported an investment return of 2.2% after fees compared with 8.0% in 2010/11. As at 30 June 2012, the investment portfolio totalled \$1.1 billion allocated across the asset classes detailed in the Asset Allocations graph.

PREMIUM AND INVESTMENT INCOME



ASSET ALLOCATIONS AT 30 JUNE 2012

CLAIMS EXPENSE

The MAIB is required to value its outstanding claims liability using risk-free discount rates. Yields on Commonwealth Government securities decreased significantly during 2011/12 resulting in a \$95 million increase in claims liabilities. While this increase was partly offset by favourable claims accident experience in long term Future Care claims, the claims expense of \$201.1 million represented a substantial increase from the \$134.0 million incurred in 2010/11.

The outstanding claims liability, excluding reinsurance recoveries, at 30 June 2012 was \$893.8 million (2011: \$766.1 million).

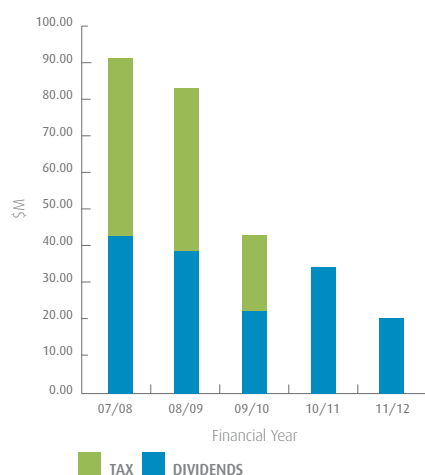
TAX EQUIVALENT

Under the GBE Act the MAIB is required to pay income tax equivalents to the State Government under the National Tax Equivalent Regime. No tax is payable in respect of the 2011/12 financial year (2011: nil).

DIVIDEND

Under the GBE Act dividends are payable to the State Government. The methodology requires the dividend in a year to be calculated at the rate of 50% of the average of after tax profits and losses over the current and four preceding years. At the conclusion of the 2011/12 financial year the dividend payable to Government amounts to \$6.1 million (2010/11: \$20.2 million).

TAX AND DIVIDEND PAYMENTS



KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for the year ended 30 June 2012 are listed below.

Key Performance Indicator	Forecast	Actual
Solvency Level	24.4%	18.6%
Return on Equity	11.2%	(10.6%)
Return on Total Assets	4.0%	(3.8%)

Being a long tail insurer with a significant allocation of investments to growth assets, the MAIB is targeting long term investment growth but, in doing so is subject to short term volatility which is evident in the KPIs. Forecasts for the next three years show the KPIs returning to levels more representative of longer term trends.

FIVE YEAR SUMMARY - FINANCIAL

	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000
Premium Revenue	118,245	120,940	124,975	131,131	133,719
Claims and Underwriting Expenses	(53,469)	(68,049)	(99,334)	(129,318)	(190,697)
Underwriting Result	64,776	52,891	25,641	1,813	(56,978)
Investment and Other Revenue	(95,446)	(68,519)	86,448	77,148	23,292
Administration, Road Safety and Foundation Expenses	(8,663)	(10,374)	(9,895)	(9,446)	(9,874)
Profit/(Loss) Before Tax	(39,333)	(26,002)	102,194	69,495	(43,560)
Tax (Expense)/Benefit	16,635	12,052	(27,616)	(17,829)	16,506
Profit/(Loss) After Tax	(22,698)	(13,950)	74,578	51,666	(27,054)
NET ASSETS	273,900	220,240	271,436	288,638	240,388
Dividend Paid	42,950	39,619	23,103	34,567	20,249

FIVE YEAR SUMMARY - OPERATIONAL

	2007/08	2008/09	2009/10	2010/11	2011/12
Number of Vehicles Registered	435,595	441,476	452,893	463,567	469,132
Total Payments Made (\$'M)	75.3	74.4	77.9	79.3	78.2
Current Claims	3,044	3,105	2,634	2,800	2,676
New Claims Received	3,277	3,367	3,053	2,977	2,707
Number of Fatalities	47	44	52	31	20
Fatality Rate Per 1,000 Vehicles	0.11	0.10	0.11	0.07	0.04
Claim Rate Per 1,000 Vehicles	7.52	7.63	6.74	6.42	5.77
Tasmanian Car Premium (\$)	332	332	344	344	344

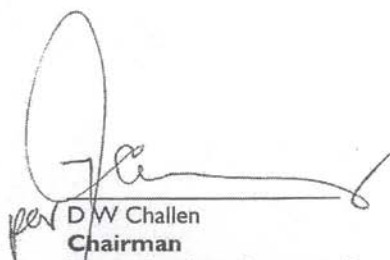
Statement of Corporate Intent

DIRECTORS STATEMENT OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

The Board of the Motor Accidents Insurance Board (MAIB) agrees to provide the Shareholding Ministers with financial and other information as set out in the Statement of Corporate Intent.

In signing this Statement of Corporate Intent the Board of the MAIB commits to the targets for the 2012-13 financial year (to the extent that the targets are in the control of MAIB).

This Performance Statement has been agreed between:




D W Challen
Chairman
Motor Accidents Insurance Board
On behalf of the Board

Shareholding Ministers



David O'Byrne MP
Minister for Infrastructure
Portfolio Minister



Lara Giddings MP
Premier
Treasurer

INTRODUCTION

The Statement of Corporate Intent (SCI) is a high level summary of the Corporate Plan and includes a performance agreement between the Board of the MAIB and the Shareholding Ministers.

The performance agreement details the key financial and non-financial targets for the MAIB for 2012/13, as agreed between the Board and the Shareholding Ministers through the 2012/13 Corporate Planning process. It also details estimates for the following three years.

The SCI has been prepared in accordance with the *Government Business Enterprises Act 1995*.

STRATEGIC DIRECTION

The core business of the MAIB is providing financial compensation to people injured in a motor accident. The MAIB is a specialised insurer offering one type of insurance.

The two main drivers of the business performance forecast are investment income and claims expenses. The MAIB relies on professional advisors to provide best estimates for these inputs. The world financial markets impact on investment revenue and economic events impact heavily on claims expense. Additionally, the business performance could be significantly affected should the proposed changes to APRA capital requirements be adopted or the dividend payable under the dividend policy is increased above 50%. It is therefore not possible to predict annual profits with certainty.

The following strategic directions have been identified for the planning period:

1. 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.

2. Accident Prevention and Injury Management

To reduce the number and severity of motor accidents in Tasmania, through contributions to road safety and injury management programs.

3. Claims and Rehabilitation

To have in place best practice solutions to meet the challenges in providing no-fault insurance (with common law overlay).

4. Service to Claimants

To continually improve service to claimants.

5. Business Systems

To continually improve the efficiency, reliability and accuracy of business systems so as to increase business productivity, enhance customer service and support decision making.

6. 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 MAIB's Vision, Mission and Values Statements.

Statement of Corporate Intent

PERFORMANCE AGREEMENT

The Performance Agreement sets out the key financial and non-financial targets for 2012/13. Estimates for the following three years are detailed in the tables below:

FINANCIAL RETURNS TO GOVERNMENT

	Target	Estimates		
	2012/13	2013/14	2014/15	2015/16
Dividends Paid (\$M)	5.8	11.2	16.1	12.5
Tax Equivalents Paid (\$M)	Nil	Nil	3.2	11.4
Total	5.8	11.2	19.3	23.9

FINANCIAL TARGETS

	Target	Estimates		
	2012/13	2013/14	2014/15	2015/16
Financial Result after Tax (\$M)	31.5	34.8	37.8	42.4
Solvency Level (%)	20.5	21.5	22.2	22.9
Return on Equity (%)	12.6	12.7	12.7	13.1
Return on Assets (%)	3.6	3.7	3.7	3.8
Net Return on Investments (%)	7.3	7.3	7.3	7.3
Premium Increase (%)	3.3	3.3	3.3	3.3
Plant and Equipment (\$ '000)	210	105	80	100
IT Development (\$ '000)	120	80	60	60

NON-FINANCIAL TARGETS

	Target	Projected Target		
	2012/13	2013/14	2014/15	2015/16
Claim rate per 1,000 vehicles	6	6	6	6



MOTOR ACCIDENTS INSURANCE BOARD

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FINANCIAL REPORT



Proudly promoting road safety in Tasmania

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Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Continuing operations			
Premium revenue	6	139,167	136,475
Outwards reinsurance expense		(5,448)	(5,344)
		<u>133,719</u>	<u>131,131</u>
Claims expense	8	(201,094)	(133,978)
Recovery revenue	9	13,490	7,340
Unexpired risk expense	23	(428)	-
Underwriting expenses	21	(2,665)	(2,680)
		<u>(56,978)</u>	<u>1,813</u>
Underwriting result			
Investment income	11	23,085	77,216
Other income	12	207	(68)
General and administration expenses		(5,693)	(5,371)
Road Safety Advisory Council	31	(3,480)	(3,400)
Injury Prevention and Management Foundation	26	(698)	(687)
Motorcycle Safety Strategy	32	(3)	(8)
		<u>(43,560)</u>	<u>69,495</u>
Profit/(loss) before tax			
Tax (expense)/benefit	7	16,506	(17,829)
		<u>(27,054)</u>	<u>51,666</u>
Profit/(loss) from continuing operations			
Other comprehensive income			
Defined benefit plan actuarial gains/(losses)	24	(1,353)	147
Tax (expense)/benefit on other comprehensive income	7	406	(44)
Other comprehensive income net of tax		<u>(947)</u>	<u>103</u>
Total comprehensive result		<u><u>(28,001)</u></u>	<u><u>51,769</u></u>

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Assets			
Cash at bank	18	351	405
Trade and other receivables	13	2,144	1,306
Investments	15	1,100,990	1,046,828
Other assets	17	7,410	7,195
Reinsurance recoveries receivable	14	23,469	13,432
Plant and equipment	19	612	590
Investment properties	16	15,040	15,300
Net deferred tax asset	7	50,024	33,305
Deferred acquisition costs	21	668	1,119
Intangibles	20	468	553
Total assets		1,201,176	1,120,033
Liabilities			
Trade and other payables	28	1,984	2,001
Injury Prevention and Management Foundation liability	26	815	889
Unearned premium liability	27	58,661	58,557
Outstanding claims liability	22	893,751	766,069
Provision for employee benefits	24	5,577	3,879
Total liabilities		960,788	831,395
Net assets		240,388	288,638
Equity			
Retained earnings attributable to equity holders	25	240,388	288,638
Total equity		240,388	288,638

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Retained earnings attributable to equity holders at beginning of year		288,638	271,436
Profit/(loss) from continuing operations		(27,054)	51,666
Other comprehensive income net of income tax		(947)	103
Total comprehensive result		(28,001)	51,769
Dividends paid		(20,249)	(34,567)
Retained earnings attributable to equity holders at end of year	25	240,388	288,638

The above statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities			
Premiums received		152,463	152,004
Reinsurance and other recoveries received		3,481	5,749
Dividends received		34,277	64,065
Interest received		10,713	7,927
Rent received		490	471
Other investment revenue received		12,007	1,910
Claims paid		(78,228)	(79,252)
Reinsurance paid		(5,743)	(5,529)
Other claim payments		(397)	(461)
Underwriting expenses paid		(2,873)	(2,855)
General and administration expenses paid		(5,303)	(5,681)
Investment expenses paid		(1,583)	(2,020)
Road Safety Advisory Council		(3,828)	(3,740)
Motorcycle Safety Strategy		(4)	(9)
Injury Prevention and Management Foundation		(835)	(1,039)
Goods and services tax paid		(7,544)	(7,540)
Net cash flows from operating activities	30	<u>107,093</u>	<u>124,000</u>
Cash flows used in investing activities			
Purchases of investments		(366,265)	(106,917)
Sale of investments		264,960	58,052
Purchase of investment property		-	(82)
Purchase of plant and equipment		(189)	(412)
Sale of plant and equipment		5	68
Net cash flows used in investing activities		<u>(101,489)</u>	<u>(49,291)</u>
Cash flows used in financing activities			
Dividends paid		(20,249)	(34,567)
Net cash flows used in financing activities		<u>(20,249)</u>	<u>(34,567)</u>
Net increase/(decrease) in cash and cash equivalents held		(14,645)	40,142
Cash and cash equivalents at the beginning of the financial year		165,334	125,192
Cash and cash equivalents at the end of the financial year	30	<u>150,689</u>	<u>165,334</u>

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

The Motor Accidents Insurance Board (MAIB) was established and is governed by the *Motor Accidents (Liabilities and Compensation) Act 1973*. The MAIB is a for-profit Tasmanian Government Business Enterprise, the purpose of which is to administer the funding and payment of compulsory third party motor accident compensation to eligible people who have been injured in a motor accident.

The MAIB is domiciled in Australia and its principal place of business is Level 1, 33 George Street, Launceston, Tasmania 7250.

1 Summary of Significant Accounting Policies

(a) Statement of compliance

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

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements cover the MAIB for the year ended 30 June 2012 and were certified and authorised for issue by the Board of Directors on 13 August 2012.

(b) Basis of preparation

The financial statements have been prepared on the basis of historical costs and except where stated do not take into account current valuations of assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars.

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

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

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments are disclosed in Note 2.

The Statement of Financial Position and Notes to the Financial Statements are presented on a liquidity basis, as provided for in AASB 101 *Presentation of Financial Statements* whereby all assets and liabilities are presented in order of liquidity. It is deemed by the Board of Directors that this method of disclosure provides information that is more relevant and reliable than the traditional current/non-current classifications.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 Summary of Significant Accounting Policies *continued*

Australian Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2012. The MAIB has not adopted the following standards early when preparing the 2011/12 financial statements and will apply them for the annual reporting periods beginning on or after the effective dates set out below:

Standard	Title	Effective date for reporting periods beginning on or after
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013
AASB 9 ¹	Financial Instruments	1 January 2013
AASB 2009-11 ¹	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 13	Fair Value Measurement	1 January 2013
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 119	Employee Benefits	1 January 2013
AASB 2011-10	Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1 January 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013

Note 1 – In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9.

The MAIB does not currently anticipate any material impact on financial reporting from adopting the above or any other standards or interpretations issued but not yet effective.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented in the financial statements for the year ended 30 June 2011.

(c) Income tax

Under the provisions of the *Government Business Enterprises Act 1995*, the MAIB is required to pay income tax equivalents to the State Government under the National Tax Equivalent Regime (NTER).

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.

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 the assets and liabilities 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 MAIB expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 Summary of Significant Accounting Policies *continued*

Deferred tax assets and liabilities are offset as the MAIB settles its current tax assets and liabilities on a net basis.

NTER instalments are paid quarterly. A balancing payment is made subsequent to year end following finalisation of the tax position. Where the instalments paid exceed the tax liability no balancing payment is required. Excess instalment payments are retained by the State Government and offset against future tax obligations.

(d) Dividends

Dividends are payable annually to the State Government, in accordance with the Guidelines for Tasmanian Businesses-Dividends. Dividends are brought to account in the financial statements in the year in which they are declared.

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 MAIB under a service level agreement with the Department of Infrastructure, Energy and Resources. 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 statement of comprehensive income 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) Outstanding claims liability

The outstanding claims liability 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% (2011: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by the Australian Prudential Regulation Authority.

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 2012

1 Summary of Significant Accounting Policies *continued*

(h) Unexpired risk liability

At each reporting date the unearned premium liability is actuarially assessed to determine if it 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 unearned premium liability then the unearned premium liability is deemed to be deficient. A risk margin is applied to achieve the same 75% probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

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

(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.

(j) Investments

All investments, including investment properties, are held to back the outstanding claims liability and are designated at fair value through profit or loss.

Investments are recognised on the date the MAIB becomes a party to the contractual provisions of the financial instrument. Initial recognition is at cost and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in profit or loss.

Dividends are recognised as revenue when the right to receive payment is established. Interest income is recognised on an accrual basis. 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 statement of comprehensive income 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 MAIB has transferred substantially all the risks and rewards of ownership. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised as realised gains or losses on financial instruments.

Derivatives

Derivative instruments are financial contracts whose value depend on, or are derived from, the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or similar variable. Any gain or loss from remeasuring of derivative financial instruments is recognised in profit or loss.

The MAIB and its fund managers are authorised to invest in derivative financial instruments subject to those derivatives complying with the guidelines set out in the MAIB's Investment Policy Statement. Derivative financial instruments include futures, forward contracts, options and interest rate swaps. 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 or for gearing the investment portfolio.

Fair value

Details of the fair value of the MAIB's investments are listed below:

- Cash and cash equivalent assets are carried at face value which approximates their fair value.
- Listed instruments (comprising equities and equity and property trusts listed on stock exchanges) are marked to market using quoted bid prices at the reporting date.
- Units in unlisted trusts are valued using the net asset value (NAV) per unit applicable at the reporting date. The NAV is calculated as being a trust's gross assets less its liabilities.
- Fixed interest securities are marked to market using quoted bid prices at the reporting date.
- Derivatives are valued at fair value at reporting date based on published market quotations or market valuation rates.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 Summary of Significant Accounting Policies *continued*

(k) Investment properties

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 statement of comprehensive income, as part of investment revenue, for the period in which they arise. The fair values are recognised in the Statement of Financial Position 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.

(l) Trade and other receivables

Trade and other receivables are recognised at amortised cost less impairment. They are due for settlement no more than 30 days from the date of recognition.

(m) Reinsurance recoveries receivable

Reinsurance recoveries receivable are assessed by the MAIB'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 reinsurance 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 MAIB will not be able to collect the total reinsurance recovery amounts owing.

(n) 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 the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

(p) 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 plant and equipment are 4-10 years.

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

Investment properties are not depreciated.

(q) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance.

The intangible assets reported relate to the acquisition or development of computer software. Costs directly attributable to create, produce and prepare the computer software for operation are capitalised and amortised on a straight line basis over the expected useful life of the computer software.

The useful lives range from 3 to 10 years. The amortisation period for intangible assets is reviewed annually.

(r) 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 Statement of Comprehensive Income where an asset's carrying amount exceeds its recoverable amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 Summary of Significant Accounting Policies *continued*

(s) 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 12 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 statement of comprehensive income at nominal values when taken.

Defined benefit superannuation

The Retirement Benefits Fund (RBF) defined benefits scheme covers the MAIB'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.

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 defined benefit obligation and the fair value of RBF assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the Statement of Financial Position.

Actuarial gains and losses are recognised in the Statement of Comprehensive Income through other comprehensive income.

(t) 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.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified within operating cash flows.

(u) Comparative figures

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

(v) Rounding

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2 Critical Accounting Judgements and Estimates

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

(a) Outstanding claims liability

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

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 outstanding claims liability, it is likely that the final outcome may prove to be different from the original liability established.

The outstanding 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 costs at settlement; and
- the level of other common law costs (primarily legal and other investigation costs).

Future care

Future care liabilities are assessed on an individual 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 IBNR is based on assumed numbers of incurred claims multiplied by an average claim size.

Refer to Note 22.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

3 Risk Management Policies and Procedures

The MAIB'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% - refer Note 18(d) - 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 MAIB 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 MAIB's risk management practices.

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

Insurance risk

The MAIB 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; and
- establishment of appropriate investment strategies to meet future liabilities.

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

- A comprehensive database of accident data is maintained which facilitates the provision of a wide range of up-to-date information.
- Exposure to catastrophic motor accidents is managed through taking out appropriate reinsurance cover. The retention and limits are approved by the Board of Directors and 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.
- 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

3 Risk Management Policies and Procedures *continued*

- 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 MAIB is subject to a periodic review of its operations by an independent government regulator. The regulator's role is to recommend maximum premiums to be charged for the periods following the review. In undertaking this review the regulator engages the services of an independent actuary to review the MAIB's claim costs and outstanding claims liability and the assumptions underlying the valuation.

(b) Terms and conditions of insurance business

The MAIB 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

The MAIB operates the Tasmanian compulsory third party insurance scheme. 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 MAIB purchases reinsurance cover.

(d) 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.

(e) Credit risk

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

There are no significant concentrations of credit risk.

4 Volatility in Results

Outstanding claims liability

The valuation of the outstanding claims liability may be subject to substantial influence by factors external to the MAIB, particularly by movements in the economic assumptions (discount and inflation rates). These external factors can cause significant variations in the value of the outstanding claims liability from year to year. The discount and inflation rates applied by the MAIB's actuary are detailed in Note 22(a).

Note 22(d) highlights the impact of changes in claims experience and economic assumptions on the variation in the valuation results.

Investment returns

The MAIB has adopted a strategy that matches its investment portfolio with its future financial obligations. Given the long-term nature of the outstanding claims liabilities, the investment strategy contains an allocation to both growth assets (such as listed equities and property) and defensive assets (such as cash and bonds).

Growth assets are held to deliver additional return over the longer-term compared to the return expected to be achieved by investing solely in the defensive asset classes. Growth assets are volatile in nature and investment returns may vary significantly from year to year.

5 Employee Benefits

For the year ended 30 June 2012, employee benefit expenses of \$3,302,191 (2011: \$3,162,536) are included in general and administration expenses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
6 Premium Revenue		
Direct	139,271	138,310
Movement in unearned premium liability	(104)	(1,835)
	<u>139,167</u>	<u>136,475</u>
7 Income Tax		
(a) Income tax expense/(benefit) recognised in the Statement of Comprehensive Income		
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	(3,190)	7,794
Deferred tax adjustment	(13,124)	9,680
(Over)/under provision of income tax in previous year	(192)	355
Tax expense/(benefit) attributable to operating result	<u>(16,506)</u>	<u>17,829</u>
Reconciliation between operating result and income tax expense/(benefit)		
Operating result before tax	(43,560)	69,495
Income tax expense/(benefit) calculated at 30%	(13,068)	20,849
Tax offsets for franked dividends	(3,246)	(3,375)
(Over)/under provision of income tax in previous year	(192)	355
Income tax expense/(benefit) attributable to operating result	<u>(16,506)</u>	<u>17,829</u>
(b) Tax liability		
Tax payable in respect of current year	-	7,483
Less tax instalments paid	-	-
(Over)/under provision of income tax expense/(benefit) in previous year	(192)	355
Increase/(decrease) in prepaid tax	192	(7,838)
Provision for tax	<u>-</u>	<u>-</u>
(c) Tax expense/(benefit) recognised directly in equity		
Actuarial movement in defined benefit liability	(406)	44
Tax expense/(benefit) recognised directly in equity	<u>(406)</u>	<u>44</u>
(d) Deferred tax balances		
Deferred tax assets comprise:		
Unrealised loss on investments	27,933	17,530
Claims handling expense included in provision for outstanding and unreported claims	18,445	15,867
Provisions currently not deductible	1,973	1,438
Tax losses	3,190	-
	<u>51,541</u>	<u>34,835</u>
Deferred tax liabilities comprise:		
Property investment	1,510	1,518
Difference in depreciation of plant and equipment for accounting and tax purposes	7	12
	<u>1,517</u>	<u>1,530</u>
Net deferred tax assets	<u>50,024</u>	<u>33,305</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
8 Claims Expense		
Paid	72,984	74,146
Outstanding claims liability movement	127,682	59,413
Gross claims incurred	200,666	133,559
Other claim payments	428	419
	<u>201,094</u>	<u>133,978</u>
9 Recovery Revenue		
Reinsurance recoveries received	3,040	3,112
Reinsurance recoveries receivable movement	10,037	1,751
Other recoveries received	413	2,477
	<u>13,490</u>	<u>7,340</u>

10 Net Claims Incurred

The following table shows the impact on the current year results of changes to the estimates of the outstanding claims liability 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.

	At 30 June 2012			At 30 June 2011		
	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000
Gross claims expense						
Gross claims incurred	278,559	(641,535)	(362,976)	255,504	10,121	265,625
Reinsurance recoveries	-	(20,010)	(20,010)	-	(13,618)	(13,618)
Net claims incurred	<u>278,559</u>	<u>(661,545)</u>	<u>(382,986)</u>	<u>255,504</u>	<u>(3,497)</u>	<u>252,007</u>
Discount movement						
Gross claims incurred	(150,026)	713,255	563,229	(148,961)	14,418	(134,543)
Reinsurance recoveries	-	6,933	6,933	-	8,755	8,755
Net discount movement	<u>(150,026)</u>	<u>720,188</u>	<u>570,162</u>	<u>(148,961)</u>	<u>23,173</u>	<u>(125,788)</u>
Discounted						
Gross claims incurred	128,533	71,720	200,253	106,543	24,539	131,082
Reinsurance recoveries	-	(13,077)	(13,077)	-	(4,863)	(4,863)
Net claims incurred	<u>128,533</u>	<u>58,643</u>	<u>187,176</u>	<u>106,543</u>	<u>19,676</u>	<u>126,219</u>
Reconciliation of net claims incurred						
Gross claims incurred (refer Note 8)			200,666			133,559
Recovery revenue (refer Note 9)			(13,490)			(7,340)
Net claims incurred			<u>187,176</u>			<u>126,219</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
11 Investment Income		
Interest	10,685	7,889
Dividends	34,277	64,065
Other	2,370	1,909
Changes in fair value of investments		
Realised	9,637	1,808
Unrealised	(32,551)	3,242
	24,418	78,913
Investment expenses	(1,333)	(1,697)
	<u>23,085</u>	<u>77,216</u>
12 Other Income		
Bank interest	28	39
Rent	448	431
Profit/(loss) on sale of plant and equipment	(9)	(26)
Unrealised change in fair value of investment properties	(260)	(512)
	<u>207</u>	<u>(68)</u>
13 Trade and Other Receivables		
Premiums receivable	2,027	1,292
Other receivables	117	14
Total trade and other receivables	<u>2,144</u>	<u>1,306</u>

14 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 MAIB and recovery from reinsurers.

	2012 \$'000	2011 \$'000
Expected future reinsurance recoveries undiscounted	80,315	63,345
Discount to present value	(56,846)	(49,913)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	23,469	13,432
Expected future reinsurance recoveries on unexpired risk liability	-	-
Total reinsurance recoveries receivable	<u>23,469</u>	<u>13,432</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
15 Investments		
Cash and cash equivalents	150,338	164,929
Listed equities	74,121	107,330
Listed unit trusts	2,272	4,280
Listed property	2,243	2,759
Unlisted trusts	671,816	765,374
Fixed interest bonds	177,903	-
Inflation linked bonds	22,112	-
Other financial instruments	185	2,156
Total investments	<u>1,100,990</u>	<u>1,046,828</u>
Due within 12 months	150,523	167,085
Due in more than 12 months	950,467	879,743
Total investments	<u>1,100,990</u>	<u>1,046,828</u>
16 Investment Properties		
At fair value		
Opening balance at 1 July	15,300	15,730
Acquisitions	-	-
Capitalised subsequent expenditure	-	82
Net gain/(loss) from fair value adjustment	(260)	(512)
Closing balance at 30 June	<u>15,040</u>	<u>15,300</u>
Amounts recognised in the statement of comprehensive income for investment properties that generated rental income		
Rental income	448	431
Operating expenses	58	118
Amounts recognised in the statement of comprehensive income for investment properties that did not generate rental income		
Operating expenses	43	87
Lease payments receivable for rental properties		
Less than 1 year	428	418
1 to 5 years	375	818
Greater than 5 years	-	-
17 Other Assets		
Prepaid insurance	47	24
Prepaid NTER tax instalments	7,363	7,171
Total other assets	<u>7,410</u>	<u>7,195</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
18 Financial Instruments		
The fair value of the MAIB's financial assets equals the carrying amount.		
Financial assets		
Cash and cash equivalents		
Cash at bank	351	405
Cash investments	150,338	164,929
Total cash and cash equivalents	150,689	165,334
Financial assets at fair value through profit or loss		
Listed equities	74,121	107,330
Listed unit trusts	2,272	4,280
Listed property	2,243	2,759
Unlisted trusts	671,816	765,374
Fixed interest bonds	177,903	-
Inflation linked bonds	22,112	-
Other financial instruments	185	2,156
Total financial assets at fair value through profit or loss	950,652	881,899
Loans and receivables		
Trade and other receivables	2,144	1,306
Reinsurance recoveries receivable	23,469	13,432
Total loans and receivables	25,613	14,738
Total financial assets	1,126,954	1,061,971
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	1,984	2,001
Injury Prevention and Management Foundation liability	815	889
Total financial liabilities at amortised cost	2,799	2,890

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

Fair value measurements are classified using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy comprises the following three levels:

- Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are based on market observable inputs other than quoted prices, including dealer quotations or alternative pricing sources and models.
- Level 3 fair value measurements are based on unobservable inputs where the fair values are derived from valuation techniques based on assumptions that are not supported by observable market data.

The following tables present the financial assets measured and recognised at fair value at 30 June 2012 and 30 June 2011.

At 30 June 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed instruments	78,636	-	-	78,636
Fixed interest bonds	-	177,903	-	177,903
Inflation linked bonds	-	22,112	-	22,112
Unlisted trusts	-	671,816	-	671,816
Other financial instruments	809	(624)	-	185
Total financial assets at fair value through profit or loss	<u>79,445</u>	<u>871,207</u>	<u>-</u>	<u>950,652</u>

At 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed instruments	114,369	-	-	114,369
Unlisted trusts	-	765,374	-	765,374
Other financial instruments	1,475	681	-	2,156
Total financial assets at fair value through profit or loss	<u>115,844</u>	<u>766,055</u>	<u>-</u>	<u>881,899</u>

The following table provides a reconciliation of Level 3 financial assets at fair value through profit or loss.

	2012 \$'000	2011 \$'000
Opening balance	-	8,231
Purchases	-	-
Sales	-	(11,591)
Gains/(losses) recognised in profit or loss	-	3,360
Transfers in/(out)	-	-
Closing balance	<u>-</u>	<u>-</u>

There have been no other movements between Levels 1 and 2.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

Financial risk management

The MAIB's financial assets and liabilities are exposed to a variety of financial risks, primarily:

- (a) market risk (including foreign exchange risk, interest rate risk and price risk);
- (b) credit risk; and
- (c) 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 the MAIB's investment objectives of satisfactory long-term real growth and to maintain an acceptable level of solvency.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risk:

- (i) price risk;
- (ii) foreign currency risk; and
- (iii) interest rate risk.

The MAIB, in consultation with its investment advisor, master custodian and external fund managers, is responsible for the management and control of financial risks. The MAIB'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.

The market risk disclosures are prepared on the basis of the MAIB's direct investments. The sensitivity of the MAIB's retained earnings attributable to equity holders and operating result to price risk, foreign exchange risk and interest rate risk is determined based on management's best estimate, having regard to a number of factors, including historical levels of change in interest rates and foreign exchange rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the MAIB invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The MAIB has exposure to equity securities price risk which arises from investments held and classified on the statement of financial position at fair value through profit or loss. There is no exposure to commodity price risk. All securities investments present a risk of loss of capital. The maximum risk for the MAIB resulting from financial instruments is determined by the fair value of the financial instruments.

The MAIB mitigates its price risk through diversification of its portfolio and by selecting securities and other financial instruments in accordance with the limits set in the Investment Policy Statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

Sensitivity

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 or decreased 10% with all other variables held constant and all the equity instruments moved according to the historical correlation with the index.

	2012 \$'000	2011 \$'000
Impact on profit and equity of a 10% increase in equity prices:		
Listed instruments	5,505	8,006
Unlisted trusts	27,644	22,525
Impact on profit and equity of a 10% decrease in equity prices:		
Listed instruments	(5,505)	(8,006)
Unlisted trusts	(27,644)	(22,525)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Where the MAIB holds assets denominated in currencies other than the Australian dollar (the functional currency), it is exposed to foreign currency risk as the value of those assets will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As part of its risk management strategy, the MAIB, in conjunction with its asset consultant, regularly monitors its foreign currency exposure. Forward currency contracts are used to manage exposures resulting from changes in foreign currencies. The use of foreign exchange instruments is managed in accordance with the guidelines set out in the MAIB's Investment Policy Statement.

The foreign exchange risk disclosures have been prepared on the basis of the MAIB's direct investment. Consequently the disclosure of currency risk may not represent the true currency risk profile of the MAIB where it has significant investments in feeder trusts which also have exposure to the currency markets.

The following table shows the MAIB's exposure to foreign currency risk.

	2012 \$'000	2011 \$'000
United States Dollar	-	321
New Zealand Dollar	-	3
Total foreign currency investments	-	324

Sensitivity

The foreign currency risk sensitivity analysis is conducted on outstanding foreign currency denominated investments and adjusts their translation at period end for a change in foreign currency rates. The following table details the MAIB's sensitivity to a 10% increase and decrease in the Australian dollar against the foreign currencies.

	2012 \$'000	2011 \$'000
Impact on profit and equity of a 10% increase in foreign exchange rates	-	(21)
Impact on profit and equity of a 10% decrease in foreign exchange rates	-	25

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The MAIB's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position.

The MAIB manages a portion of the interest rate risk on its outstanding claims liability by establishing an economic hedge in its investment strategy. To the extent the investment assets and claims liabilities are matched, unrealised gains and losses on re-measurement of liabilities resulting from movements in interest rates will be offset by unrealised losses or gains on the re-measurement of these investment assets.

	Floating interest rate \$'000	Maturity dates			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
As at 30 June 2012						
Financial assets						
Cash and cash equivalents	150,689	-	-	-	-	150,689
Other investments	21,039	133,183	33,520	11,201	751,709	950,652
Trade and other receivables	-	-	-	-	2,144	2,144
Reinsurance recoveries receivable	-	-	-	-	23,469	23,469
Total financial assets	<u>171,728</u>	<u>133,183</u>	<u>33,520</u>	<u>11,201</u>	<u>777,322</u>	<u>1,126,954</u>
Financial liabilities						
Trade and other payables	-	-	-	-	1,984	1,984
Injury Prevention and Management Foundation liability	-	-	-	-	815	815
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,799</u>	<u>2,799</u>
Net financial assets/(liabilities)	<u>171,728</u>	<u>133,183</u>	<u>33,520</u>	<u>11,201</u>	<u>774,523</u>	<u>1,124,155</u>

	Floating interest rate \$'000	Maturity dates			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
As at 30 June 2011						
Financial assets						
Cash and cash equivalents	165,334	-	-	-	-	165,334
Other investments	850	-	-	-	881,049	881,899
Trade and other receivables	-	-	-	-	1,306	1,306
Reinsurance recoveries receivable	-	-	-	-	13,432	13,432
Total financial assets	<u>166,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>895,787</u>	<u>1,061,971</u>
Financial liabilities						
Trade and other payables	-	-	-	-	2,001	2,001
Injury Prevention and Management Foundation liability	-	-	-	-	889	889
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,890</u>	<u>2,890</u>
Net financial assets/(liabilities)	<u>166,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892,897</u>	<u>1,059,081</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

Sensitivity

The following table details the MAIB's sensitivity to a 0.5% increase and decrease in interest rates from those at year end with all other variables held constant.

	2012 \$'000	2011 \$'000
Impact on profit and equity of a 0.5% increase in interest rates	(2,949)	(1,637)
Impact on profit and equity of a 0.5% decrease in interest rates	2,950	1,637

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The MAIB is exposed to credit risk on:

- cash and cash equivalents;
- trade and other receivables;
- reinsurance recoveries receivable; and
- investments.

Credit risk on investments arises from cash and cash equivalents, debt securities, derivative financial instruments and performance guarantees and is managed in accordance with the MAIB'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 MAIB by the Department of Infrastructure Energy and Resources. These amounts are received within a week.

The MAIB's policy is to place reinsurance with businesses which have a minimum Standard and Poor's credit rating of "A". 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 Statement of Financial Position at the amount which represents the maximum exposure to credit risk at the reporting date. The MAIB does not have a significant credit risk exposure to any single counterparty or group of counterparties with similar characteristics.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

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

	Investment Grade ¹ \$'000	Non-Investment Grade ¹ \$'000
30 June 2012		
Financial assets		
Trade and other receivables	2,128	16
Reinsurance recoveries receivable	23,267	202
Cash and cash equivalents	150,689	-
Fixed interest bonds	177,616	287
Inflation linked bonds	22,112	-
Total	<u>375,812</u>	<u>505</u>
	Investment Grade ¹ \$'000	Non-Investment Grade ¹ \$'000
30 June 2011		
Financial assets		
Trade and other receivables	1,292	14
Reinsurance recoveries receivable	13,319	113
Cash and cash equivalents	165,334	-
Other financial instruments	837	-
Unlisted trusts	203,110	-
Total	<u>383,892</u>	<u>127</u>

Note 1 – Assets with Standard and Poor's credit ratings of AAA to BBB- are classified as investment grade. Assets falling outside this range, as well as non-rated assets, are classified as non-investment grade.

(c) Liquidity risk

Liquidity risk is the risk that the MAIB will not be able to meet its financial obligations as they fall due. The MAIB's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, during both normal and abnormal trading conditions, without incurring unacceptable losses or damaging its reputation. The MAIB is cash flow positive with premium and investment income exceeding claims and administrative payments.

Liquidity risk is managed in accordance with the Cash Management and Rebalancing 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.
- 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Financial Instruments *continued*

Maturities of financial instruments

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

	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
At 30 June 2012				
Financial liabilities				
Trade and other payables	1,984	-	-	1,984
Injury Prevention and Management Foundation liability	445	315	55	815
Total	<u>2,429</u>	<u>315</u>	<u>55</u>	<u>2,799</u>
	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
At 30 June 2011				
Financial liabilities				
Trade and other payables	2,001	-	-	2,001
Injury Prevention and Management Foundation liability	619	270	-	889
Total	<u>2,620</u>	<u>270</u>	<u>-</u>	<u>2,890</u>

(d) 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 MAIB 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 Adequacy 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 outstanding claims liability adjusted for deferred tax and future dividends owing. A target range of 20% to 25% has been established by the MAIB following consultation with its actuary and takes account of the liability profile and an assessment of the investment risk profile. At 30 June 2012, the solvency position is 18.6% (2011: 25.7%). Current forecasts in the MAIB's Corporate Plan indicate that the solvency position is expected to return to within the target range by 30 June 2013 and to remain within that range for the subsequent three years covered by the plan.

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

The MAIB 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 2012

	2012 \$'000	2011 \$'000
19 Plant and Equipment		
Cost		
Balance at beginning of year	1,533	1,421
Additions	189	224
Disposals	(198)	(112)
Balance at end of year	<u>1,524</u>	<u>1,533</u>
Accumulated depreciation		
Balance at beginning of year	943	840
Disposals	(184)	(18)
Depreciation expense	153	121
Balance at end of year	<u>912</u>	<u>943</u>
Net book value		
Balance at end of year	<u>612</u>	<u>590</u>
20 Intangibles		
Computer software		
Cost		
Balance at beginning of year	2,425	2,237
Additions	-	188
Disposals	-	-
Balance at end of year	<u>2,425</u>	<u>2,425</u>
Accumulated amortisation		
Balance at beginning of year	1,872	1,831
Disposals	-	-
Amortisation expense	85	41
Balance at end of year	<u>1,957</u>	<u>1,872</u>
Net book value		
Balance at end of year	<u>468</u>	<u>553</u>

The amortisation expense above is a component of general and administrative expenses in the Statement of Comprehensive Income.

	2012 \$'000	2011 \$'000
21 Deferred Acquisition Costs		
Deferred acquisition costs as at 1 July	1,119	1,162
Acquisition costs in the year	2,642	2,637
Amortisation charged to income	(2,665)	(2,680)
Write down for premium deficiency (refer Note 23)	(428)	-
Deferred acquisition costs as at 30 June	<u>668</u>	<u>1,119</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability

(a) Actuarial assumptions and methods

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

	2012			2011		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	6.7	2.8	35.2	8.1	2.9	37.9
Discounted mean term (years)	4.4	2.7	20.5	4.3	2.7	19.9
Number of claims incurred but not reported (IBNR)	460	246	14	452	259	14
Average claim size (\$'000)	3.8	22.7	4,851.6	3.5	20.3	4,911.9
Superimposed inflation	1.50%	0.75%	0.00%	1.50%	0.75%	0.00%
Claims handling expenses	7%	7%	7%	7%	7%	7%
Risk margin	20%	20%	20%	20%	20%	20%

Claims expected to be paid in:	Wage inflation rates		Discount rates	
	2012	2011	2012	2011
Year 1 (following end of financial year)	3.10%	3.79%	2.60%	4.76%
Year 2	3.34%	4.65%	2.40%	4.78%
Year 3	3.50%	4.32%	2.47%	4.89%
Year 4	3.29%	4.02%	2.66%	5.05%
Year 5	3.29%	4.02%	2.88%	5.29%
Year 6	3.29%	4.02%	3.17%	5.55%
Year 7	3.29%	4.02%	3.49%	5.78%
Year 8	3.29%	4.02%	3.77%	5.83%
Year 9	3.29%	4.02%	4.00%	5.83%
Year 10	3.29%	4.02%	4.19%	5.83%
Year 11	3.29%	4.02%	4.45%	5.83%
Year 12	3.29%	4.02%	4.69%	5.87%
Year 13	3.29%	4.02%	4.90%	5.92%
Year 14	3.29%	4.02%	5.09%	5.97%
Year 15	3.29%	4.02%	5.27%	6.01%
Thereafter	3.29%	4.02%	5.29%	6.02%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

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 MAIB 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 2012 are included at the rate of 7% of future claim payments (2011: 7%).

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 at 30 June 2012, a 20% (2011: 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 risk margin provides a probability of not less than 75% (2011: not less than 75%) that the liability is sufficient to meet the cost of claims incurred.

Discount rates

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

(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 MAIB's performance and equity.

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

- a) Models used to estimate outstanding liabilities represent a simplification of a complex claims process.
- b) 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.
- c) Any shortcomings of and/or errors in the data available increase uncertainty regarding the estimated parameters of the model.
- d) 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:
 - i. Random fluctuations in the future claim experience.
 - ii. 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 outstanding 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 outstanding claims liability. An increase or decrease in the discounted mean term would have an opposing effect on the claims expense.
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 outstanding 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

The following table illustrates how a change in some of the key valuation assumptions described above affects the outstanding 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	(28,001)	240,388
Inflation increase by 0.5%	(76,825)	191,564
Inflation decrease by 0.5%	14,381	282,770
Discount rate increased by 0.5% all durations	13,973	282,362
Discount rate decreased by 0.5% all durations	(76,732)	191,657
Long term discount rate increased by 0.5%	(10,444)	257,945
Long term discount rate decreased by 0.5%	(47,888)	220,501
Cost of 2011/12 Future Care IBNR claims increased by 10%	(30,783)	237,606
Cost of 2011/12 Future Care IBNR claims decreased by 10%	(25,219)	243,170
Common Law settlement size increased by 10%	(41,350)	227,039
Common Law settlement size decreased by 10%	(15,489)	252,899
Scheduled Benefits average size increased by 10%	(31,872)	236,517
Scheduled Benefits average size decreased by 10%	(24,131)	244,258
Increase in hospital cost adjustment from double to triple current rates	(31,710)	236,679
Hospital cost adjustment effective immediately rather than 30 June 2013	(32,557)	235,832
Reinsurance recoveries increased by 20% due to favourable commutations	(27,344)	241,045
Increase in discounted mean term by 1 year due to a delay in payments	(22,264)	246,125
Decrease discounted mean term by 1 year by bringing forward payments	(33,791)	234,598

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

(c) Outstanding claims liability by benefit type

In recognition of the three claims liability streams, the outstanding 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:

	2012 \$'000	2011 \$'000
Scheduled benefits claims		
Expected future claims payments (inflated/undiscounted)	52,101	49,209
Discount to present value	(9,210)	(13,399)
Claims handling expenses	3,187	2,660
Risk margin	9,215	7,693
Sub-total outstanding scheduled benefits claims liability	55,293	46,163
Common law claims		
Expected future claims payments (inflated/undiscounted)	175,137	169,605
Discount to present value	(12,064)	(21,619)
Claims handling expenses	12,170	11,053
Risk margin	35,049	31,808
Sub-total outstanding common law claims liability	210,292	190,847
Future care claims		
Expected future claims payments (inflated/undiscounted)	1,617,376	1,970,706
Discount to present value	(1,125,872)	(1,557,948)
Claims handling expenses	35,879	30,363
Risk margin	100,783	85,938
Sub-total outstanding future care claims liability	628,166	529,059
All Claims		
Expected future claims payments (inflated/undiscounted)	1,844,614	2,189,520
Discount to present value	(1,147,146)	(1,592,966)
Claims handling expenses	51,236	44,076
Risk margin	145,047	125,439
Total outstanding claims liability	893,751	766,069
Due within 12 months	91,537	82,445
Due in more than 12 months	802,214	683,624
Total outstanding claims liability	893,751	766,069

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

(d) Reconciliation of movement in outstanding claims liability

	2012			2011		
	Gross \$'000	Recoveries \$'000	Net \$'000	Gross \$'000	Recoveries \$'000	Net \$'000
Brought forward	766,069	13,432	752,637	706,655	11,681	694,974
Liabilities due within 12 months from previous report	(82,445)	-	(82,445)	(76,693)	-	(76,693)
	683,624	13,432	670,192	629,962	11,681	618,281
Accrual to 30 June	714,133	14,032	700,101	658,077	12,203	645,874
Effect of changes in claims experience and modelling	(39,396)	8,393	(47,789)	(2,885)	1,290	(4,175)
Effect of changes in economic assumptions	101,666	1,044	100,622	15,015	(61)	15,076
Net revision to prior years' claims costs	62,270	9,437	52,833	12,130	1,229	10,901
Outstanding claims cost for prior accident years	776,403	23,469	752,934	670,207	13,432	656,775
Incurred claims for current accident year	128,533	-	128,533	106,544	-	106,544
Claims (payments)/recoveries for current accident year	(11,185)	-	(11,185)	(10,682)	-	(10,682)
Outstanding claims cost for current accident year	117,348	-	117,348	95,862	-	95,862
Carried forward	893,751	23,469	870,282	766,069	13,432	752,637

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

(e) Claims development table

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

	Accident year										
Gross	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	Total \$'000
Estimate of ultimate claims cost:											
At end of accident year	283,263	509,641	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	
One year later	341,978	211,623	230,477	340,652	348,300	242,314	297,639	223,297	111,109		
Two years later	193,865	244,421	261,755	307,592	205,414	214,801	291,303	198,314			
Three years later	189,664	227,705	326,823	194,869	170,510	186,141	235,532				
Four years later	176,369	207,869	194,802	193,756	166,291	158,180					
Five years later	192,271	143,484	203,161	203,967	131,362						
Six years later	128,600	123,769	174,903	175,132							
Seven years later	129,425	127,894	142,518								
Eight years later	132,631	116,557									
Nine years later	118,015										
Current estimate of cumulative claims cost	118,015	116,557	142,518	175,132	131,362	158,180	235,532	198,314	111,109	218,081	1,604,800
Cumulative payments	(51,808)	(56,356)	(62,058)	(56,500)	(54,702)	(47,649)	(47,376)	(33,297)	(22,434)	(12,610)	(444,790)
Outstanding claims (undiscounted)	66,207	60,201	80,460	118,632	76,660	110,531	188,156	165,017	88,675	205,471	1,160,010
Discount											(678,111)
2002 and prior (discounted)											215,569
Claims handling expense											51,236
Prudential margins											145,047
Outstanding claims (inflated and discounted)											893,751

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

22 Outstanding Claims Liability *continued*

Net	Accident year										Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	
Estimate of ultimate claims cost:											
At end of accident year	283,263	476,082	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	
One year later	341,978	211,623	230,477	340,652	348,300	242,314	297,639	212,172	111,109		
Two years later	193,865	244,428	261,755	307,592	205,414	207,085	289,837	183,945			
Three years later	189,664	227,705	326,823	194,869	170,510	183,277	228,184				
Four years later	176,369	200,670	194,802	193,756	166,291	151,970					
Five years later	192,271	141,836	203,161	203,967	131,362						
Six years later	128,600	123,769	174,903	175,132							
Seven years later	129,425	127,894	142,518								
Eight years later	132,631	116,557									
Nine years later	118,015										
Current estimate of cumulative claims cost	118,015	116,557	142,518	175,132	131,362	151,970	228,184	183,945	111,109	218,081	1,576,873
Cumulative payments	(51,808)	(56,356)	(60,473)	(54,972)	(54,702)	(47,649)	(47,376)	(33,297)	(22,434)	(12,610)	(441,677)
Outstanding claims (undiscounted)	66,207	60,201	82,045	120,160	76,660	104,321	180,808	150,648	88,675	205,471	1,135,196
Discount											(663,220)
2002 and prior (discounted)											202,023
Claims handling expense											51,236
Prudential margins											145,047
Outstanding claims (inflated and discounted)											870,282

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

23 Unexpired Risk Liability

The application of the liability adequacy test in respect of the net premium liabilities at 30 June is presented below:

(a) Unexpired risk liability

The liability adequacy test performed at 30 June 2012 reported a \$428,000 deficiency (2011: nil deficiency) between the unearned premium liability less deferred acquisition costs and the present value of expected future cash flows relating to future claims. No unexpired risk liability exists at 30 June 2012 (2011: nil) as the entire deficiency was written off against deferred acquisition costs.

	2012 \$'000	2011 \$'000
(b) Deficiency recognised in the Statement of Comprehensive Income		
Gross movement in unexpired risk liability	-	-
Reinsurance recoveries on unexpired risk liability	-	-
Net movement in unexpired risk liability	-	-
Write down of deferred acquisition costs (refer Note 21)	428	-
Total deficiency recognised in the Statement of Comprehensive Income	428	-
(c) Unearned premium liability adequacy test		
Unearned premium liability	58,661	58,557
Deferred acquisition costs	(1,096)	(1,119)
Related reinsurance asset	-	-
	57,565	57,438
Net central estimate of the present value of expected future cashflows arising from future claims	44,969	41,759
Claims handling expenses	3,358	3,119
Risk margin	9,666	11,220
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	-	-
	57,993	56,098
Deficiency net of reinsurance recoveries	428	-
Add back reinsurance element of present value of expected future cash flows for future claims	-	-
Deficiency gross of reinsurance recoveries	428	-

Claims handling expenses

Claims handling expenses as at 30 June 2012 are included at the rate of 7% (2011: 7%).

Risk margin

As at 30 June 2012 a risk margin of 20% (2011: 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 20% risk margin provides a probability of not less than 75% (2011: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
24 Provision for Employee Benefits		
Due within 12 months		
Annual leave	244	199
Long service leave	7	27
Retirement benefits fund	16	16
	<u>267</u>	<u>242</u>
Due in more than 12 months		
Long service leave	402	348
Retirement benefits fund	4,908	3,289
	<u>5,310</u>	<u>3,637</u>
Aggregate employee benefits	<u>5,577</u>	<u>3,879</u>

Retirement benefits fund contributions

Defined benefit members receive lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity.

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 MAIB'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.

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.

Methodology

Liabilities have been computed using the Projected Unit Credit Method. The objective under this method is to expense each member's benefits as they would accrue taking into consideration future salary increases and the benefit allocation formula. Thus the total benefit to which each member is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Liabilities for existing pensioners have been calculated allowing for the levels of the existing pension, the level of assumed pension indexation and expected mortality rates.

Liabilities for compulsory preserved members have been calculated allowing for the level of the existing benefit, the level of assumed indexation and expected retirement rates.

The calculated Defined Benefit Obligation (DBO) is the sum of the accrued liabilities for all relevant employees.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Reconciliation of the defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	3,852	3,991
(+) Current service cost	110	106
(+) Interest cost	211	212
(+) Estimated contributions by plan participants	34	32
(+) Actuarial (gains)/losses	1,378	(348)
(-) Estimated benefits paid	43	136
(-) Estimated taxes, premiums and expenses paid	5	5
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Curtailments	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	5,537	3,852
Reconciliation of the defined benefit obligation		
The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.		
Reconciliation of the fair value of scheme assets		
Fair value of plan assets at the beginning of the year	547	520
(+) Expected return on plan assets	41	39
(+) Actuarial gains/(losses)	22	(201)
(+) Estimated employer contributions	17	298
(+) Estimated contributions by plan participants	34	32
(-) Estimated benefits paid	43	136
(-) Estimated taxes, premiums and expenses paid	5	5
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value plan assets at year end	613	547
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position		
Defined benefit obligation	5,537	3,852
(-) Fair value of plan assets	613	547
Deficit/(surplus)	4,924	3,305
(-) Unrecognised past service cost	-	-
(-) Unrecognised net (gain)/loss	-	-
(+) Adjustment for limitation on net asset	-	-
Net superannuation liability/(asset)	4,924	3,305
Due within 12 months	16	16
Due in more than 12 months	4,908	3,289
	4,924	3,305

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Expense recognised in Statement of Comprehensive Income		
Service cost	110	106
Interest cost	211	212
Expected return on assets	(41)	(39)
Actuarial loss/(gain)	-	-
Past service cost	-	-
Movement in limitation on net asset	-	-
Effect of curtailments/settlements	-	-
Superannuation expense/(income)	280	279
The superannuation expense is recognised within general and administration expenses.		
Amounts recognised in Other Comprehensive Income		
Actuarial (gains)/losses	1,353	(147)
Adjustment for limit on net asset	-	-
Cumulative amount recognised in the Other Comprehensive Income		
Cumulative amount of actuarial (gains)/losses at end of prior year	623	770
Actuarial (gains)/losses recognised during the year end	1,353	(147)
Cumulative amount of actuarial (gains)/losses at end of year	1,976	623

	2012	2011
Fund assets		
The percentage invested in each asset class at balance date:		
Australian equity	29%	25%
International equity	18%	22%
Fixed income	12%	13%
Property	33%	19%
Alternatives/Other	5%	18%
Cash	3%	3%

Note - The asset allocation in the table above is as at 31 March

Fair value of fund assets

Assets are not held separately for each authority but are held for the fund as a whole. The fair value of the fund assets was estimated by allocating the total fund assets to each authority in proportion to the value of each authority's funded liabilities, calculated using the assumptions outlined in this report.

The fair value of fund assets includes no amounts relating to:

- any of the authority's own financial instruments;
- any property occupied by, or other assets used by, the authority.

Expected rate of return on fund assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of estimated investment tax and investment fees.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Actual return on fund assets		
Financial year ending 30 June		
Actual return on plan assets	63	(161)

Note - As separate assets are not held for each authority, the actual return includes any difference in the allocation to each authority.

	2012 % pa	2011 % pa
Principal actuarial assumptions at the balance date		
Discount rate	3.45	5.50
Expected return on plan assets	7.50	7.50
Expected salary increase rate	3.50	4.50
Expected rate of increase compulsory preserved amounts	3.75	4.50
Expected pension increase rate	2.50	2.50

The discount rate is based on the market yields on the longest dated Government bonds as at 30 June 2012 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government bond. The decrement rates used (e.g. mortality and retirement rates) have been updated since the last valuation.

Operating costs

Operating costs for the fund as a whole have been assumed to be incurred at the rate of 1.5% of salaries plus 1.0% of pensions in payment. This cost has then been allocated to each authority in proportion to assets.

Temporary invalidity expense

The cost of temporary invalidity benefits has been assumed to be 0.2% of salaries of current contributory members.

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Historical information					
Financial year ending 30 June					
Present value of defined benefit obligation	5,537	3,852	3,991	3,385	2,927
Fair value of plan assets	613	547	520	508	529
(Surplus)/deficit in plan	4,924	3,305	3,471	2,877	2,398
Experience adjustments (gain)/loss - plan assets	(22)	201	18	38	60
Experience adjustments (gain)/loss - plan liabilities	(161)	(227)	64	179	(53)

The experience adjustment for fund liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the fund's experience (e.g. membership movement, salary increases and indexation rates) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate).

	2013 \$'000
Expected contributions	
Financial year ending 30 June	
Expected employer contributions	16

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
25 Retained Earnings Attributable to Equity Holders		
Balance at the beginning of the financial year	288,638	271,436
Profit/(loss) from continuing operations	(27,054)	51,666
Other comprehensive income net of income tax	(947)	103
Dividends paid	(20,249)	(34,567)
Balance at the end of the financial year	<u>240,388</u>	<u>288,638</u>

26 Injury Prevention and Management Foundation Liability

Legislation is in place which allows the MAIB to fund research and education and to service development programs that are directed towards the prevention and improved management of injuries resulting from motor accidents.

Funding for the Injury Prevention and Management Foundation (the Foundation) is by way of up to 1% of premium income each year. Projects are approved by the Board of Directors upon the recommendation from a committee set up to administer the Foundation.

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

	2012 \$'000	2011 \$'000
Balance at the beginning of the financial year	889	1,164
Payments	(835)	(1,039)
Net project approvals	698	687
GST on outstanding project approvals	63	77
Balance at the end of the financial year	<u>815</u>	<u>889</u>

27 Unearned Premium Liability

Balance at the beginning of the financial year	58,557	56,722
Deferral of premiums on contracts written in the period	58,661	58,557
Earning of premiums written in previous periods	(58,557)	(56,722)
Balance at the end of the financial year	<u>58,661</u>	<u>58,557</u>

28 Trade and Other Payables

Trade and other payables	1,584	1,972
Accrued expenses - employee on costs	33	29
Accrued expenses - other	367	-
Trade and other payables	<u>1,984</u>	<u>2,001</u>
Due within 12 months		
Trade and other payables	1,584	1,972
Accrued expenses - employee on costs	13	11
Accrued expenses - other	367	-
Trade and other payables due within 12 months	<u>1,964</u>	<u>1,983</u>
Due in more than 12 months		
Accrued expenses - employee on costs	20	18
Trade and other payables due in more than 12 months	<u>20</u>	<u>18</u>
Trade and other payables	<u>1,984</u>	<u>2,001</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
29 Commitments		
Road Safety Advisory Council		
Less than 1 year	3,480	1,742
1 to 5 years	5,220	-
Greater than 5 years	-	-

30 Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and cash equivalent investments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2012 \$'000	2011 \$'000
Cash and cash equivalents		
Cash at bank	351	405
Cash investments	150,338	164,929
Total cash and cash equivalents	150,689	165,334

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

Operating result after tax	(28,001)	51,769
Depreciation and amortisation	239	162
Loss/(profit) on sale of plant and equipment	9	26
Net unrealised loss/(gain) in net market value of investments	32,551	(5,050)
Net unrealised loss/(gain) in net market value of investment properties	260	512
Decrease/(increase) in deferred tax asset	(16,719)	10,035
Decrease/(increase) in reinsurance recoveries receivable	(10,037)	(1,751)
Decrease/(increase) in deferred acquisition costs	451	43
Decrease/(increase) in trade and other receivables	(838)	43
Decrease/(increase) in other assets	(215)	7,854
Increase/(decrease) in outstanding claims liability	127,682	59,414
Increase/(decrease) in employee benefits	1,698	(89)
Increase/(decrease) in trade and other payables	(17)	(528)
Increase/(decrease) in unearned premium liability	104	1,835
Increase/(decrease) in Injury Prevention and Management Foundation liability	(74)	(275)
Net cash flow from operating activities	107,093	124,000

(c) Financing facilities

At 30 June 2012 the MAIB has five corporate credit cards with a total limit of \$20,000 (2011: \$20,000). The balance is paid in full on a monthly basis. The MAIB has no formal credit standby arrangements or unused loan facilities.

31 Road Safety Advisory Council

For the year ended 30 June 2012 contributions amounting to \$3,480,000 (2011: \$3,400,000) were paid to the Road Safety Advisory Council. A Memorandum of Understanding between the MAIB, Department of Police and Emergency Management and the Department of Infrastructure, Energy and Resources is in operation and specifies the relevant key performance indicators.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

32 Motorcycle Safety Strategy

For the year ended 30 June 2012 the MAIB contributed \$3,191 (2011: \$7,948) in sponsorship of motorcycle rider education and training under the Motorcycle Safety Strategy. Rider training is subsidised per participant.

33 Auditor's Remuneration

The amount payable to the Tasmanian Audit Office for the year ended 30 June 2012 is \$77,455 (2011: \$55,741).

34 Dividends

Following the end of the financial year, a final ordinary dividend relating to the year ended 30 June 2012 of \$6,140,123 (2011: \$20,248,659) is payable.

35 Events After the Reporting Period

There has been no matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the MAIB.

36 Key Management Personnel Information

(a) **Directors**

The following persons were Directors of the MAIB during the financial year:

(i) Non-executive Directors:

DW Challenge

K Barker

DJ McCarthy

CJ Rockefeller

DC St. John

ME Scanlon

(ii) Executive Director:

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 MAIB, directly or indirectly, during the financial year:

LJ Bingley Manager Claims and Rehabilitation

CMQ Hill Chief Operating Officer

DW Thurm Chief Financial Officer

	2012 \$'000	2011 \$'000
(c) Key management personnel compensation		
The key management personnel compensation included in administration expenses is as follows:		
Short-term employee benefits	964	863
Post employment benefits	145	176
Other long-term employee benefits	16	16
	<u>1,125</u>	<u>1,055</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

36 Key Management Personnel Information *continued*

(d) Directors' meetings

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

Director	Board of Directors' meetings		Audit Committee meetings	
	Number		Number	
	Meetings able to be attended	Attended	Meetings able to be attended	Attended
DW Challen	14	14	8	8
K Barker	14	13		
DJ McCarthy	14	14	8	8
PJ Roche	14	13		
CJ Rockefeller	14	13		
DC St. John	14	14		
ME Scanlon	14	13	8	8

Director	Claims Committee meetings		Injury Prevention and Management Foundation Committee meetings	
	Number		Number	
	Meetings able to be attended	Attended	Meetings able to be attended	Attended
DW Challen			1	1
K Barker	9	8		
PJ Roche	9	8		
CJ Rockefeller	9	8	1	1
DC St. John	9	9		

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

No business transactions were undertaken with Directors for the year ended 30 June 2012.

The MAIB undertakes financial transactions with Director-related entities on terms that are no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-Director entities on an arms length basis. The Director-related relationships are:

- DW Challen – Deputy President of the Retirement Benefits Fund Board
- DW Challen – Chairman of Tasmanian Public Finance Corporation
- CJ Rockefeller – Director of the Tasmanian Public Trustee

Independent Auditor's Report



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Independent Auditor's Report

To Members of the Parliament of Tasmania

Motor Accidents Insurance Board

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying financial report of Motor Accidents Insurance Board (MAIB), which comprises the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the directors.

Auditor's Opinion

In my opinion:

- (a) the MAIB's financial report:
 - (i) presents fairly, in all material respects, its financial position as at 30 June 2012, and its financial performance, cash flows and changes in equity for the year then ended; and
 - (ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

The Responsibility of the Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards 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 report that is 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(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

...1 of 2

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Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

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Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the directors' preparation and fair presentation of the financial report 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 MAIB'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 report.

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that my independence declaration provided to the directors dated 13 August 2012 and included in the Annual Report, would be unchanged if provided to the directors as at the date of this audit report.

Tasmanian Audit Office



H M Blake
Auditor General

HOBART
15 August 2012

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Auditor's Independence Declaration



**Tasmanian
Audit Office**

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
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Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

13 August 2012

The Board of Directors
Motor Accidents Insurance Board
PO Box 590
LAUNCESTON TAS 7250

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Motor Accidents Insurance Board for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of Australian Auditing Standards in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

H M Blake
Auditor-General

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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 2012 and the financial position as at 30 June 2012 of the Enterprise; and
 - ii. complying with the Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- (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 2012 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 2012 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- (c) the financial statements and notes for the period ended 30 June 2012 give a true and fair view.

Signed in accordance with a resolution of the directors:

Dated 13 August 2012



DW Challen
Chairman



DJ McCarthy
Director

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	No
Motor Car Premium ³	\$344	\$409	\$488	\$511 ⁴	\$318 ⁴	\$245	\$440	\$527

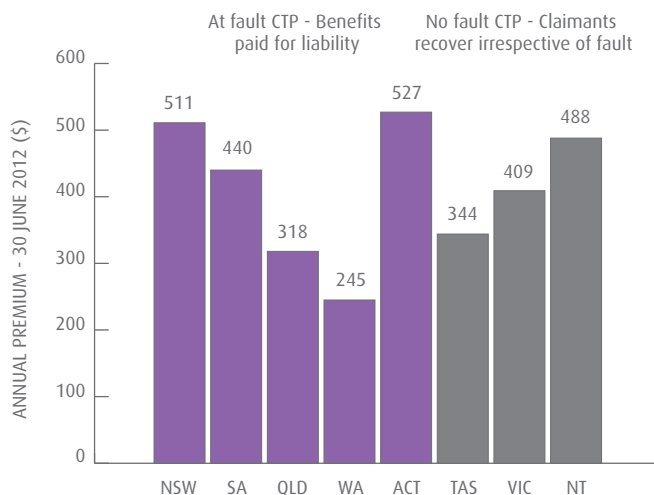
¹ - Includes lifetime care and support for catastrophically injured

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

³ - Inclusive of GST

⁴ - Maximum allowable

Interstate Private Motor Car Premium Rate Comparisons



- NSW and QLD maximum premium allowable

- No-fault for children commenced 10/06 and no-fault for catastrophically injured commenced 10/07 (NSW)

- All premiums are inclusive of GST

Superannuation

I certify that the MAIB has met its obligations under the *Commonwealth's Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the MAIB contributes.

P J Roche
Chief Executive Officer



SPEAK UP TO SAVE A LIFE.

If you're in a car that's travelling too fast, or if you see someone speeding in your street, if you're uncomfortable, say so. Make them listen. Make them stop. Because you're a long time dead.

SPEAK UP AGAINST SPEEDING.

Road Safety Advisory Council



Proudly Promoting Road Safety in Tasmania

MOTOR ACCIDENTS INSURANCE BOARD

ABN 93 610 406 210

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