

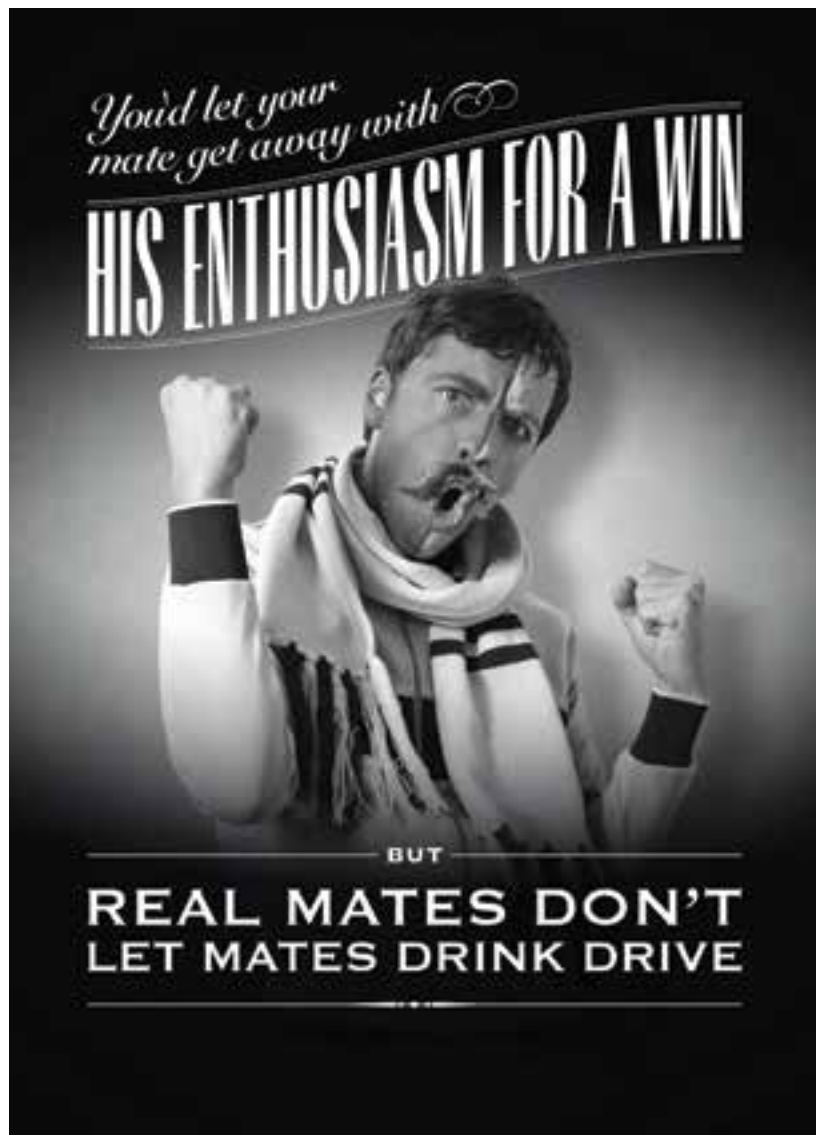
You never know  
what's around  
the corner...



**2013-14**  
MOTOR ACCIDENTS INSURANCE BOARD  
**ANNUAL REPORT**

## HIGHLIGHTS

- Tasmanian Economic Regulator concluded review of MAIB's pricing policies.
- Premium reduction of 7.4% for all vehicle classifications.
- Continued low claims frequency of six claims per 1,000 vehicles.
- Net investment return of 12.8%.
- Solid net profit of \$125.2 million.
- Funding ratio of 133.9% is within target range of 120% to 145%.
- Dividend of \$44.6 million payable to State Government in respect of year's operations.



## 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.

## Contents

*You'd let your  
mate get away with*  
**INTERPRETIVE DANCE**



BUT

**REAL MATES DON'T  
LET MATES DRINK DRIVE**

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

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

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**REAL MATES DON'T  
LET MATES DRINK DRIVE**

**WWW.REALMATES.COM.AU**

# Chairman's Report

## 2013-14 IN REVIEW

**The MAIB enjoyed yet another successful year with noteworthy outcomes across the whole business. A strong investment return coupled with under budget claim costs resulted in a healthy operating result and increased dividends to the Shareholder, the Tasmanian Government.**

### FINANCIAL RESULT

Following a record result the previous year, the operating result before tax was a profit of \$171.9 million. The strong investment performance provided net investment revenue of \$171 million, a return of 12.8% which was in line with the median return for balanced funds. Equity markets, both domestic and international along with property and infrastructure, were the main contributors to the solid performance.

While claim costs of \$119.8 million were under budget, the favourable revaluations of claim reserves were partially offset by the higher than expected claim costs resulting from prevailing economic assumptions used in the valuation of claim liabilities.

The impact on profit from the volatility of investment returns and the discount rate is illustrated in the following chart.

### DIVIDEND TO GOVERNMENT

The MAIB has recommended a dividend of \$44.6 million to Government in respect of this year's operations. This is based on 60% of the average of after tax profits and losses over this year and the previous four years.

### CAPITAL POSITION

Following a detailed capital requirements analysis, the Board approved the Consulting Actuary's recommendation to adopt a target funding ratio range of 120% - 145% which reflects the volatility of financial results and the desire of maintaining a funding ratio of at least 100%.

Given the strong financial result, the scheme's funding ratio has improved from 130.7% at 30 June 2013 to 133.9% at 30 June 2014 which is near the midpoint of the target funding ratio range.

### INVESTMENT PORTFOLIO

Following the realignment of both the asset mix and investment style agreed upon in 2012-13, the implementation phase has since been undertaken. Six new fund managers were appointed, mainly because of the introduction of new asset classes and the bias towards passive management in the publicly listed markets.

The strategic asset allocation of 65% to growth assets and 35% to defensive assets was maintained following the annual review.

### SCHEME DESIGN AND BENEFITS

The scheme design, which provides for both no-fault benefits and common law damages, continues to provide equitable and affordable benefits to those injured in motor accidents. Importantly, lifetime care and support is provided to people with catastrophic injuries. Purpose-built facilities in the three major geographic regions of the State provide an alternative for injured persons who are unable to return to the family home.

### ACKNOWLEDGEMENTS

In conclusion, I wish to thank my fellow Directors for their strong support and contribution throughout the year. I also wish to acknowledge the significant contributions of Caroline Rockefeller while a Director from 2011 until May 2014, especially her expertise in the areas of financial markets and investments.

I also acknowledge the untiring efforts of the management team for leading the organisation in such a positive manner and to all staff for their business focus, diligence and customer service.



**Don Challen AM**  
Chairman

IMPACT ON PROFIT - 2008-09 TO 2013-14



Note 1: Investment returns have been below long term expectations for two of the past six 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.



# Chief Executive Officer's Report

**A positive client satisfaction survey and premium reductions for all vehicle classifications were features of MAIB's operation in 2013-14.**

## CLIENT SATISFACTION SURVEY

An independent Client Satisfaction Survey was undertaken in September 2013. The results of the biennial survey were again excellent and consistent with the average scores in recent years.

Overall Client Satisfaction Score			
2007	2009	2011	2013
87.75%	80.25%	87.75%	84.25%

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

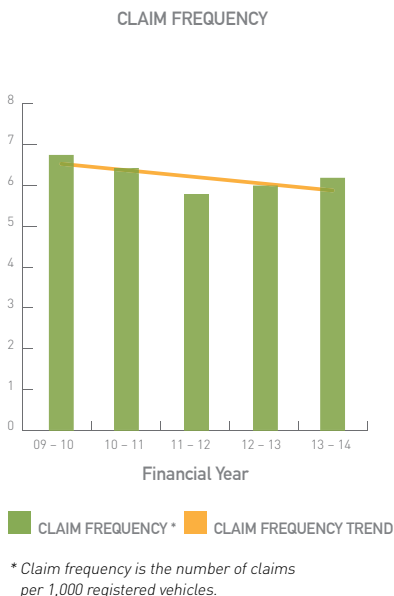
## PREMIUMS

As foreshadowed last year, the Tasmanian Economic Regulator (Regulator) released the Final Report on the MAIB Premium Investigation in July 2013. Consistent with its earlier Draft Report, the Regulator recommended to Government a premium reduction of 7.4% for all motor vehicle classifications from 1 December 2013 with annual maximum premium increases for the following three years limited to the movement in Average Weekly Ordinary Time Earnings (AWOTE). Premiums for motorcycles and taxis are subject to an additional 4.04% and 3.16% respectively for each of the four years from 1 December 2013 as a result of adverse claims experience.

Government accepted the Regulator's recommendation and the *Economic Regulator (MAIB Premiums) Order 2013* was gazetted on 1 October 2013. In real terms, the premium for the average family car has decreased by 37.2% since 2003.

## CLAIM FREQUENCY

There was a 3% increase in the number of new claims lodged with the MAIB compared to the number recorded in the previous year. Vehicle numbers increased by 1.65% resulting in a small increase in claim frequency. The following graph demonstrates a small downward trend over the past five years:



While claim frequency 20 years ago was more than twice what it is today, it is evident that further reductions are becoming more difficult to achieve.

The University of South Australia has commenced an evaluation of the MAIB funded component of the Road Safety Advisory Council, a combined education and enforcement program. The outcome of the evaluation will be presented to the Board in the new financial year.

## NATIONAL ISSUES

The MAIB's lifetime care scheme for the catastrophically injured, which has been in operation for more than 20 years, largely met the minimum National Injury Insurance Scheme (NIIS) benchmarks agreed between the Commonwealth and the States and Territories. The exceptions related to legislative exclusions for certain unlawful behaviour and interstate residents injured in Tasmania while driving non-Tasmanian registered motor vehicles.

In response to the NIIS benchmarks, Parliament approved amendments to the MAIB's governing legislation, the *Motor Accidents (Liabilities and Compensation) Act 1973* to provide coverage for interstate residents catastrophically injured in a motor accident in Tasmania in a non-Tasmanian registered motor vehicle. However, the legislative exclusions from coverage for unlawful behaviour, such as driving while disqualified, remain in force.

## CONCLUSION

I wish to take this opportunity to pass on my gratitude to my Executive team for their continued support and leadership this past year. I also acknowledge the continued commitment and engagement of all staff, who continue to respond positively to the challenges of the business.

**Peter Roche**

Chief Executive Officer

# Overview

## 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, with hybrid schemes in operation or under development in South Australia, New South Wales and the Australian Capital 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 and 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 2014

### PORTFOLIO MINISTER:

The Hon. M.T. (Rene) Hidding MP

### TREASURER:

The Hon. Peter Gutwein MP

### THE BOARD OF DIRECTORS

**Chairman:** Don Challen AM

#### Directors:

Kim Barker  
Michael Dontschuk  
Daniel McCarthy  
Peter Roche (CEO)  
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 Harris

**ICT Manager:** Jo-Anne Wilson

**Executive Officer:** Kim Butterworth

**Financial Accountant:** Angie Edwards

# Chief Financial Officer's Report

## FINANCIAL PERFORMANCE

The MAIB recorded a before tax profit of \$171.9 million in 2013-14 following the \$207.8 million profit reported in 2012-13. This is another strong result arising from solid investment returns and a lower than expected claims expense.

These factors have also resulted in the funding ratio increasing from 130.7% in June 2013 to 133.9% in 2014, which is within the target range of 120% - 145%.

## PREMIUM REVENUE

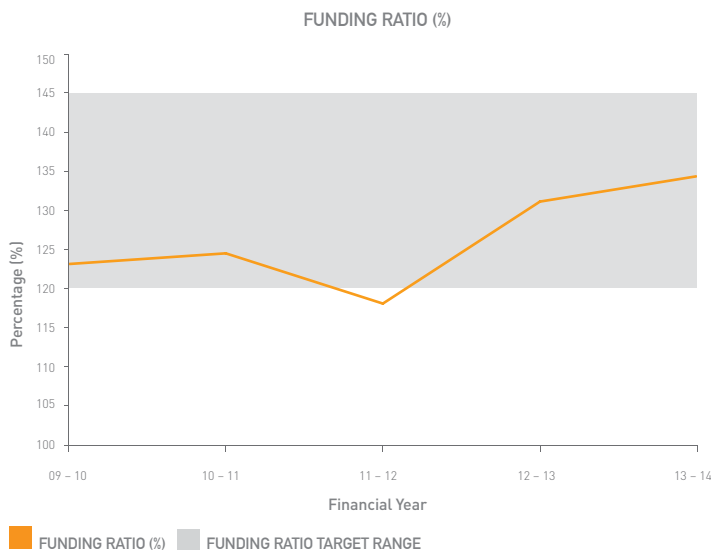
Premium revenue of \$139.5 million in 2013-14 represents a small increase over the previous year's revenue of \$139.1 million reflecting an increase in vehicle numbers, offset by a reduction in premium rates that took effect from 1 December 2013. The annual premium for a standard motor car reduced from \$344 to \$318 from that date.

## INVESTMENTS

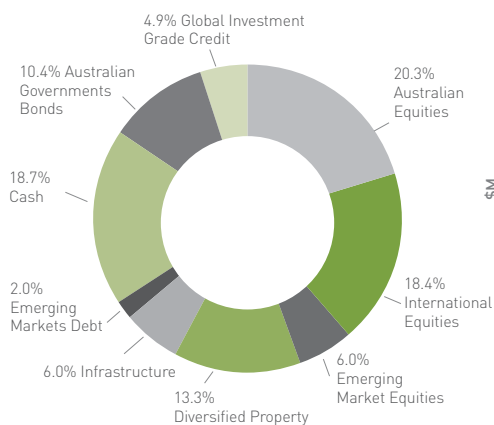
In 2013-14 the MAIB continued its investment strategy of maintaining longer term solvency requirements within acceptable levels of risk. This is achieved by maintaining an appropriate balance between growth assets (such as equities and property) and defensive asset classes (such as cash and fixed income).

The strategic benchmark settings and all asset classes 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, strategic decisions may be made to deviate from the chosen asset allocation benchmark to enhance returns or protect the fund from unnecessary risks.

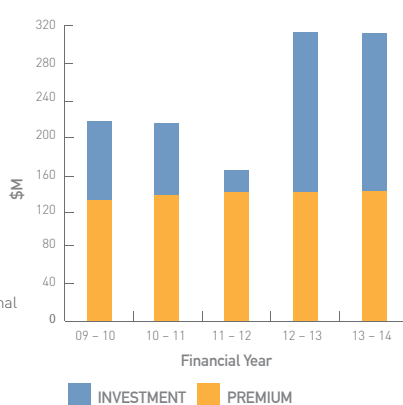
The continuation of strong investment markets in 2013-14 resulted in the MAIB recording an investment return of 12.8% after fees compared with 15.5% in 2012-13. As at 30 June 2014 the investment portfolio totalled \$1,503.0 million (2013: \$1,311.7 million).



## ASSET ALLOCATIONS at 30 JUNE 2014



## PREMIUM AND INVESTMENT INCOME



## TAX AND DIVIDEND PAYMENTS



# Chief Financial Officer's Report

## CLAIMS EXPENSE

A claims expense of \$124.6 million was recorded for the year compared to \$87.3 million in 2012-13. Revisions to the economic assumptions underlying the valuation of the claims liability are primarily responsible for the increase.

## TAX EQUIVALENT

Under the *Government Business Enterprises Act 1995* (GBE Act) the MAIB is required to pay income tax equivalents to the State Government under the National Tax Equivalent Regime. Total tax payable in respect of the 2013-14 financial year is \$42.7 million.

## DIVIDEND

Under the GBE Act dividends are payable to the Government. The annual dividend payable is calculated at the rate of 60% of the average of after tax profits and losses over the current and four preceding years. At the conclusion of the 2013-14 financial year the dividend payable to Government amounts to \$44.6 million (2012-13: \$23.2 million).

## KEY PERFORMANCE INDICATORS

The MAIB significantly outperformed its KPI objectives in 2013-14. Being a long tail insurer, the MAIB is targeting long term investment growth but in doing so, is subject to short term volatility which is evident in the KPI results from year to year.

Key Performance Indicator	Forecast	Actual
Funding ratio	125%	133.9%
Return on equity	8%	29.0%
Return on total assets	3%	11.9%

FIVE YEAR SUMMARY - FINANCIAL	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Premium income net of reinsurance	124,975	131,131	133,719	133,220	<b>133,514</b>
Recovery income	[781]	7,340	13,490	3,514	<b>4,767</b>
Claims expense	[100,587]	[133,978]	[201,094]	[87,348]	<b>[124,602]</b>
Underwriting expenses	2,034	[2,680]	[3,093]	[3,975]	<b>[3,543]</b>
<b>Underwriting result</b>	<b>25,641</b>	<b>1,813</b>	<b>[56,978]</b>	<b>45,411</b>	<b>10,136</b>
Investment and other revenue	86,448	77,148	23,292	172,521	<b>171,135</b>
Administration, road safety and foundation expenses	[9,895]	[9,466]	[9,874]	[10,165]	<b>[9,329]</b>
<b>Profit/(loss) before tax</b>	<b>102,194</b>	<b>69,495</b>	<b>[43,560]</b>	<b>207,767</b>	<b>171,942</b>
Tax (expense)/benefit	[27,616]	[17,829]	16,506	[60,322]	<b>[46,444]</b>
<b>Profit/(loss) after tax</b>	<b>74,578</b>	<b>51,666</b>	<b>[27,054]</b>	<b>147,445</b>	<b>125,498</b>
<b>Net assets</b>	<b>271,436</b>	<b>288,638</b>	<b>240,388</b>	<b>382,416</b>	<b>484,380</b>
<b>Dividend paid</b>	<b>23,103</b>	<b>34,567</b>	<b>20,249</b>	<b>6,140</b>	<b>23,219</b>

FIVE YEAR SUMMARY - OPERATIONAL	2009-10	2010-11	2011-12	2012-13	2013-14
Number of vehicles registered	452,893	463,567	469,132	473,817	<b>481,656</b>
Claim payments (\$'M)	77.9	79.3	78.2	84.1	<b>79.1</b>
Current claims	2,634	2,800	2,676	2,749	<b>2,619</b>
New claims received	3,053	2,977	2,707	2,839	<b>2,924</b>
Number of fatalities	53	33	20	33	<b>32</b>
Fatality rate per 1,000 vehicles	0.12	0.07	0.04	0.07	<b>0.07</b>
Claim rate per 1,000 vehicles	6.74	6.42	5.77	5.99	<b>6.07</b>
Tasmanian car premium (\$)	344	344	344	344	<b>318</b>



# Statement of Compliance

The Hon. Peter Gutwein MP, Treasurer and the Hon. M.T. (Rene) Hidding 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 2014. 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: 18 September 2014**

A handwritten signature in black ink, appearing to read 'D W Challen', with a horizontal line underneath.

**D W Challen AM**

Chairman

A handwritten signature in black ink, appearing to read 'M E Scanlon', with a horizontal line underneath.

**M E Scanlon**

Director

# Claims Management

## HIGHLIGHTS

- 2,924 new claims received.
- \$40.1 million in no-fault statutory benefits paid.
- 226 common law claims settled.
- 63% of referred Vocational Rehabilitation claimants returned to work.
- 47 settlement conferences attended by Claims Officers.
- Continuously reviewed and improved claims management practices.

## BUSINESS PERFORMANCE

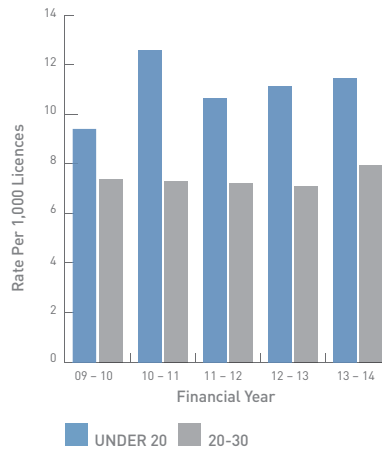
The MAIB experienced:

- a slight increase in new claim lodgements compared to last year;
- an increase in vehicle numbers (1.65%); and
- claim payments in line with five year average.

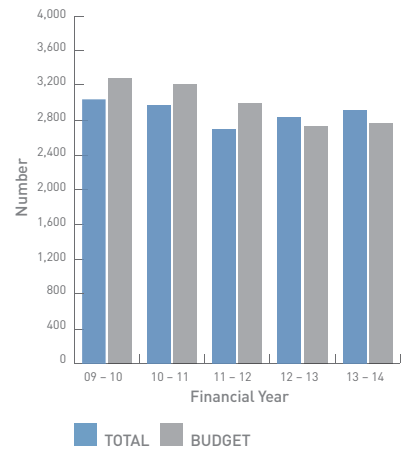
Claim payments, while less than the previous year, were in line with the five year average. Future care payments increased marginally from last year as the Fair Work Commission wage increases took effect.

Common law claims continue to track against the target benchmark average of 20 months, with the stock of ongoing claims and settlements noticeably lower than last financial year's figures.

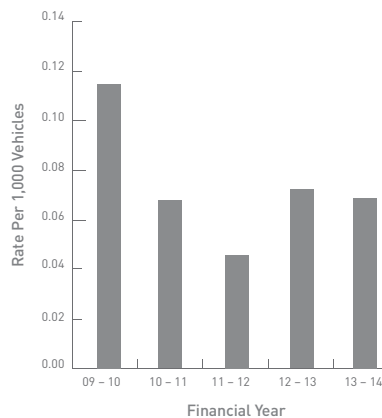
DRIVER CLAIMS PER 1,000 LICENCES



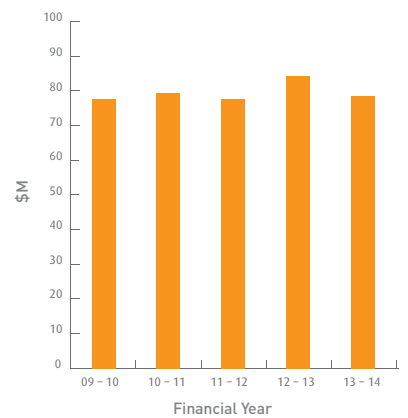
CLAIMS RECEIVED



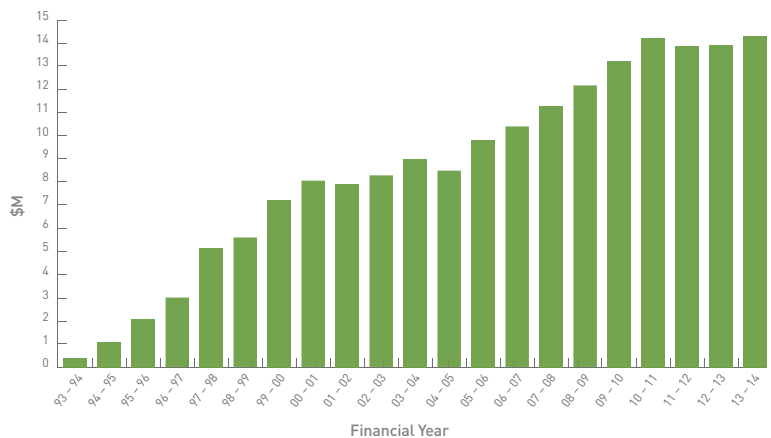
FATALITIES PER 1,000 VEHICLES



CLAIM PAYMENTS



FUTURE CARE PAYMENTS



## CLAIMS MANAGEMENT TEAM

The primary focus of the claims management team is to provide high quality customer service to claimants and their families during difficult and emotional times post accident. As many claimants undergo life changing experiences from injuries sustained in motor accidents, Claims Officers must show empathy and an understanding of a claimant's experience while focusing on providing the best possible outcome.

Where appropriate, the Managing Claims Officer will engage the services of a Support Needs Assessor, Vocational Rehabilitation Provider, Occupational Therapist or Case Manager to assist claimants achieve their goals.

In 2013 an independent client satisfaction score of 84.25% was achieved demonstrating that the MAIB's focus is appropriate and welcomed by claimants.

As in previous years, many unsolicited letters of appreciation were also received expressing gratitude for the understanding shown by our claims team.

Examples include:

- "... [MAIB] provided valuable assistance to my family and myself in the early days and was able to resolve many issues and concerns .... their contributions to my ongoing recovery have been outstanding"; and
- "We are in the latter years ... all our working lives we have worked and paid our bills and taxes, but honestly never have we encountered the helpfulness that you deliver. Thank you so much".

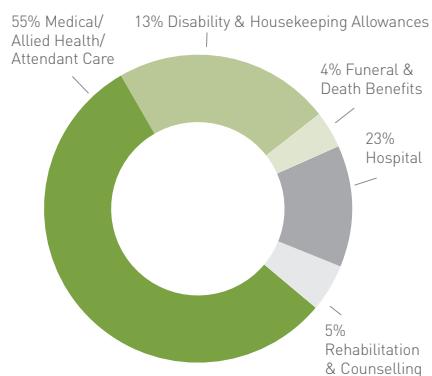
## DISPUTE RESOLUTION

People who are injured in motor accidents and lodge claims may, if they are aggrieved, appeal a decision of the MAIB. The rejection of a claim or the non-payment of an account for treatment are the most common instances where claimants are aggrieved and appeal such a decision.

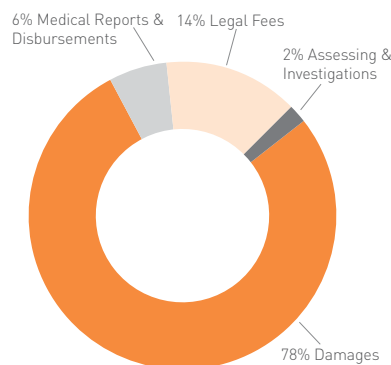
Appeals are lodged with an independent judicial body, the Motor Accidents Compensation Tribunal (MACT), whose role is to resolve or determine disputes between the MAIB and any person seeking, or in receipt of, a benefit payable under the Act.

To be appointed as a member of the MACT, a person needs to hold the office of Magistrate, Judge or Associate Judge. At present the MACT is comprised of three Magistrates. Of the 41 references lodged with the MACT in 2013-14, 20 remain active and 21 have been dismissed or adjourned sine die.

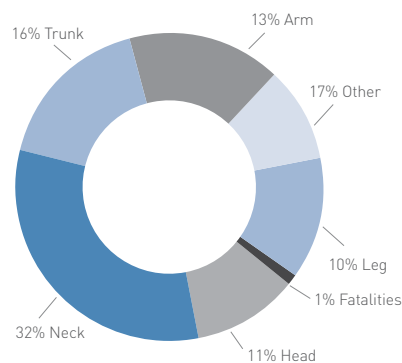
## SCHEDULED BENEFITS PAYMENTS 2013 - 14



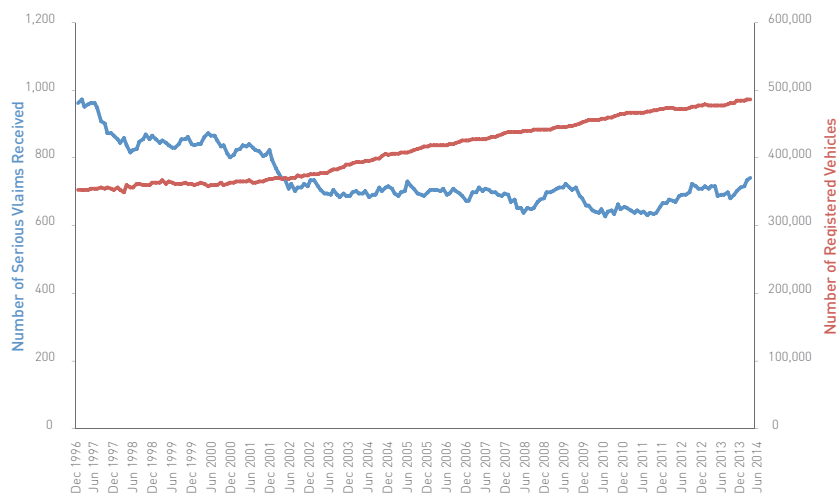
## COMMON LAW PAYMENTS 2013 - 14



## INJURIES 2013 - 14



## SERIOUS CLAIMS VERSUS REGISTERED VEHICLES



# Injury Prevention and Management Foundation

**The MAIB's Injury Prevention and Management Foundation (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, over time, to achieve:

- 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 injury management; and
- Minimisation of the costs of the CTP insurance scheme to the Tasmanian community.

During 2013-14, the Foundation has funded:

- All Terrain Vehicle Rider Training at two schools;
- A learner driver mentor program for a community organisation;
- Driver training for a school and a community organisation;
- Medical and paramedic rescue training;
- A calendar promoting road safety messages;
- Road Trauma Stress Management Support program; and
- A road safety trailer.

## PROJECTS FUNDED 2013-14

### YOLLA DISTRICT HIGH SCHOOL

#### All Terrain Vehicle Rider Training

This project delivered national competency based All Terrain Vehicle (ATV) rider training to 17 students from Year 10 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.

All participants of the course were assessed as competent.

#### Crash Free Driving

Twenty three students from Year 10 at Yolla District High School participated in a 13 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.

### AUSTRALIAN RED CROSS

#### North West Coast Learner Driver Mentor Program

This was the final year of funding for this three year program. The program aimed 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.

By the end of June 2014 a total of 139 applicants had applied to participate in the program. Of these applicants:

- 10 obtained their provisional licence;
- 16 obtained their L2 licence;
- 54 have been matched with a volunteer mentor and are working towards getting their licence; and
- 20 are actively on the waiting list.

Not all applicants met the selection criteria and were supported to look at alternate options.

Currently there are 35 mentors matched with a Learner Driver.



## UNIVERSITY OF TASMANIA – SCHOOL OF MEDICINE

### Wilderness Skills Weekend

This project allowed 51 medical and paramedic students at the University of Tasmania to have an authentic and reproducible learning experience in an outdoor setting, which enhanced their understanding of the team-based and integrated nature of the emergency medical system.

The objectives of the project were to:

- Promote inter-professional learning opportunities between medical and paramedic students;
- Recognise how different professionals (medical, ambulance and SES) work together to provide care to patients injured in remote locations;
- To learn problem solving and leadership skills in different situations;
- To be able to assess, diagnose and manage critically unwell trauma patients in remote locations; and
- Improve communication skills between professionals in rescue and resuscitation situations.

Students were presented with a range of scenarios including a road crash, a motorcycle rider with neck pain requiring safe removal of helmet and trauma management related to a fall from a tree. The weekend was a success as it challenged the students to solve problems in difficult circumstances as well as learning to manage important conditions such as road trauma and medical emergencies in new and unique situations.

## TASMANIAN REDEPLOYMENT SERVICES

### Road Safety Awareness Calendar

This project resulted in the production of a 2014 Road Safety Awareness Calendar, which promotes a fundamental road safety message for each month. The calendar was created by an MAIB claimant who suffered catastrophic injuries in a motor accident. It promoted road safety messages such as Reduce Distractions, Take a Break and Belt Up. The calendar was distributed to schools with driver education programs.



2014 Road Safety Awareness Calendar

## GLAMORGAN SPRING BAY COUNCIL

### Community Road Safety Partnership Road Safety Message Trailer

The funding for this project allowed the Glamorgan Spring Bay Council to purchase a road safety board trailer to allow for targeted and relevant road safety messages to be delivered to drivers in real time at critical incident locations. It was anticipated that the trailer would result in reductions of travel speeds and increase awareness of road safety messages about speeding, drink driving, inattention and driving to conditions.

## CRITICAL INCIDENT STRESS MANAGEMENT COMMITTEE (CISM)

### Road Trauma Critical Incident Stress Management Support Program

This program is a three year program that is responsible for the provision of pre-incident education, to help prepare emergency service personnel within communities, rural and metropolitan, to deal with incidents of a traumatic nature (including natural disasters) and post-incident support services. The program caters for 10,000 emergency services personnel (75% are volunteers).

The funding from the Foundation has allowed CISM to engage six more peers as new educators (adding to the existing educators) to develop a website for enhancing education and an online case management program that streamlines the time it takes to manage incidents and personnel. (For more information see the feature article on page 22).

# 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 (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.



### HEADWAY NORTH WEST TASMANIA INC.

Headway North West Tasmania Inc. 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 (HrL)

HrL is a specialist, community based rehabilitation service for people with disabilities, specialising in supporting people with an acquired brain injury in Southern Tasmania. HrL 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.



### PARAPLEGIC AND QUADRIPLEGIC 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.



### ROAD TRAUMA SUPPORT TEAM (TASMANIA) INC.

Road Trauma Support Team (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 SERVICES INC. (TABIS)

TABIS assists people in Northern Tasmania 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 2013-14

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Yolla District High School	All Terrain Vehicle Training Course	\$11,690
Yolla District High School	Crash Free Driving	*\$2,000
Australian Red Cross	North West Coast Learner Driver Mentor Program (Year 3 of 3)	**\$27,236
Tasmania Redeployment Services	Road Safety Awareness Calendar	\$3,800
University of Tasmania – School of Medicine	Wilderness and Trauma Skills Weekend	***\$15,615
Critical Incident Stress Management Committee	Road Trauma Critical Incident Stress Management Support Program	****\$25,000
Road Trauma Support Team (Tasmania) Inc.	Hobart Office	\$40,000
Glamorgan Spring Bay Council	CRSP Road Safety Message Board Trailer	\$31,845
TOTAL FUNDING COMMITTED TO PROJECTS 2013-14		\$157,186

\* Two year program (total \$2,000)

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

\*\*\*Three year program (total \$46,845)

\*\*\*\*Three year program (total \$75,000)

(NB: All amounts are exclusive of GST)

## INJURY PREVENTION AND MANAGEMENT FOUNDATION – PROJECTS APPROVED FOR 2014-15

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Kingborough Council	Lower Travel Speeds	\$17,000
Yolla District High School	Driver Education	*\$2,000
Yolla District High School	Quad Bike Training	\$15,012
Elizabeth College	Safety Matters	\$18,672
Kentish Council	Traffic and Bike Education Program	\$21,658
University of Tasmania	Wilderness and Trauma Skills Weekend	**\$15,615
Critical Incident Stress Management	Road Trauma Critical Incident Stress Management Support	***\$25,000
Road Trauma Support Team (Tasmania) Inc	Hobart Office	\$40,000
Rotary International District 9830 Inc.	Rotary Youth Driver Awareness Program	\$15,000
TOTAL FUNDING COMMITTED TO PROJECTS 2014-15		\$169,957

\* Second year of a two year program and approval for 2014-15 program

\*\* Second year of a three year program (total \$46,845)

\*\*\* Second year of a three year program (total \$75,000)

(NB: All amounts are exclusive of GST)

# Community Involvement

## 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. The RSAC's role is to influence Government policy on road safety for the betterment of all Tasmanians.

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 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 2013 the RSAC worked with Southern Cross Television to produce seven episodes of a series of short programs called Road Torque. The three minute videos went to air on Southern Cross Television between August and September. The episodes included; fatigue, inattention, motorcyclists and cyclists and driving to the conditions.

In 2013-14 one of the campaigns of the RSAC was "Don't risk it", which highlighted that the reasons for speeding, using your mobile while driving and drink driving are not worth it. The slogan from the advertisement was "It's serious, it's dangerous and Tasmania Police see the results, so Don't Push It".



The RSAC also participated in the Falls Music and Arts Festival (annual three day music festival) 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. At the 2013-14 Festival, 3,400 people undertook voluntary breath testing, with volunteer breath testers working from 6.30 am to test drivers on their way home to ensure they were safe to drive.

## MOTORCYCLE 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 wanting 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 absence.

The positive feedback received shows that this program is worthwhile and could have a positive effect on motorcycle accident rates if utilised by more motorcyclists.

The course is available to eligible motorcyclists at a maximum cost of \$50 per participant. The MAIB would like to see more riders take advantage of this program and the promotion of the course is currently under review.



## TASMANIAN COMMUNITY ACHIEVEMENT AWARDS

The MAIB again continued its sponsorship of the Disability Achievement Award category of the Tasmanian Community Achievement Awards.

Seven nominations were received for the MAIB Disability Achievement Award in 2013, from which four finalists were selected. The finalists and winners of the Community Achievement Awards for Tasmania were announced at a special gala awards presentation dinner held on Friday, 22 November 2013 at the Hotel Grand Chancellor in Hobart.

The MAIB Disability Achievement Award was awarded to Janelle McMillan. Janelle has cerebral palsy and is non-verbal, but this has not stopped her from raising over \$3,000 for the National Breast Cancer Foundation after a friend was diagnosed with breast cancer. Janelle raises funds by auctioning sporting memorabilia. She also produces calendars, post cards and gift cards, which she creates on her computer.

## METRO NIGHTRIDER

For the fifth consecutive year, the MAIB partnered with Metro by providing \$30,000 sponsorship for the promotion and provision of the "Nightrider" late night bus service for New Year's Eve within Hobart, Launceston and Burnie. The service was well patronised, with an overall increase in patronage of 12% from the previous year.

## SUPPORT FOR COMMUNITY GROUPS

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

During 2013-14 financial support was provided to a number of community groups, including the Harley Owners Group, the Lions Club of Riverside and the Southern and Northern Motorcycle Riders Associations.



MAIB Injury Management Advisor, Andrea Bucher, MAIB Disability Achievement Award winner, Janelle McMillan, with Natasha Barron.



Chief Operating Officer, Christopher Hill (second from the right) at the launch of the Nightrider Service in Launceston.

# Board of Directors



Front row: (left) Peter Roche, Kim Barker, David St. John. Back row: (left) Mark Scanlon, Don Challen, Michael Dontschuk, Daniel (Danny) McCarthy.

**DON CHALLEN** AM BEc (Hons), MEc, FCA, FCPA, FAICD, FIPAA

**Chairman (Independent)**

Appointed as Chairman: 7 December 2010

**MEMBER:**

- Audit Committee
- Foundation Committee

Don Challen is an economist specialising in public finance. He is Chairman of the Tasmanian Public Finance Corporation, a Director of Tasmanian Networks Pty Ltd and Tasmanian Symphony Orchestra Holdings Ltd and a Trustee Director of the Retirement Benefits Fund. He is Independent Chair of the Audit and Risk Management Committee of the Independent Broad-Based Anti-Corruption Commission of Victoria.

Don was formerly Secretary of the Department of Treasury and Finance in Tasmania.

**KIM BARKER** BA, DipEd, MAICD

**Director (Independent)**

Appointed as Director: 15 September 2003

**CHAIRPERSON:**

- Claims Committee

**MEMBER:**

- Foundation Committee

Kim Barker has a background in injury management as a rehabilitation consultant, counsellor and mediator.

Currently, Kim works as a part time member of the Social Security Appeals Tribunal, the Guardianship and Administration Board and the Parole Board. She is also Chair of the Tasmanian Traineeship and Apprenticeship Committee, a member of the Tasmanian Board of the Medical Board of Australia and a Director of the Relationships Australia (Tasmania) Board.





**MICHAEL DONTSCHUK** BSc (Hons), FFTP, MAICD

**Director (Independent)**

Appointed as Director: 1 May 2013

MEMBER:

- Claims Committee

Michael Dontschuk has over 30 years' experience in investment, finance, treasury and financial risk management. He is also currently Group Treasurer with Grange Resources Limited and oversees all of their commercial activities as well as treasury. He has previously been Group Treasurer of ANZ Bank, Managing Director and CEO of Treasury Corporation Victoria, President and Director of the Finance and Treasury Association of Australia and worked in corporate debt advisory and investment banking.

Michael is also a Director of Australia Ratings, Grange Resources (Southdown) Pty Ltd and Grange Resources (Tasmania) Pty Ltd.

**DANIEL (DANNY) MCCARTHY** BEc (Hons), FCA

**Director (Independent)**

Appointed as Director: 1 February 2010

MEMBER:

- Audit Committee

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 of Tasracing Pty Ltd.

**PETER ROCHE** ANZIIF (Assoc) CIP, FAICD

**Director and Chief Executive Officer**

Appointed as Director: 10 May 2004

MEMBER:

- Claims Committee

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 been employed in the insurance industry for 50 years.

**MARK SCANLON** BBus, MBA, FCPA, FAICD

**Director (Independent)**

Appointed as Director: 5 November 2007

CHAIRPERSON:

- Audit Committee

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, a member of the Governing Council, Tasmanian Health Organisation – North (THO-N), Chairman of the THO-N Audit and Risk Committee and Independent Chairman of the Launceston City Council Audit Committee.

**DAVID ST. JOHN** BAgSc, Grad Dip in App Fin & Invest, MBA, SF FIN, FAICD

**Director (Independent)**

Appointed as Director: 16 May 2011

MEMBER:

- Audit Committee

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.

# Human Resources

**The 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.**

## EMPLOYEE SATISFACTION SURVEY

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

Some of the results of the 2014 survey are listed in the table below:

Overall Staff Satisfaction	57%
Satisfaction with training received at the MAIB	75%
Respondents who believe that management are flexible about family/personal obligations	80%
Respondents who feel by doing their job well, they are making a valuable contribution to the community	80%

## ENTERPRISE AGREEMENT 2013

The 2013 Enterprise Agreement (Agreement) was approved by the Fair Work Commission on 28 October 2013. The Agreement maintains all previous staff retention initiatives as well as enhanced maternity leave provisions and flexible annual leave entitlements. The flexible leave scheme allows the CEO to approve agreements under which participating staff take a reduction in normal salary for at least one year, in exchange for additional leave that is of equal value to the amount of salary forfeited. The nominal expiry date of the Agreement is 30 June 2015.

## STAFF ETHICS

The MAIB has a Staff Code of Conduct (Code), to which all employees must adhere. The Code is reviewed on an annual basis and updated accordingly. All employees must sign an agreement stating that they have read the Code and will abide by it and advise their manager immediately of any known conflicts of interest that may arise.

Senior staff attended a training session presented by the Integrity Commission relating to practical application of integrity in public administration. The requirement for staff to act ethically is reinforced on an ongoing basis.

## WORKPLACE EQUITY

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

The MAIB is an EEO employer and ensures compliance with all relevant legislation.

## 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. The MAIB has taken the opportunity to utilise the skills and expertise of a number of stakeholders, primarily legal professionals, to provide training on issues related to the MAIB's core business.

A number of employees are currently undertaking study, including a Diploma of Community Services (Care Management) and certificates in Business Administration and Personal Injury Management. Four staff members are enrolled in a Diploma in Personal Injury Management conducted through the Personal Injury Education Foundation. One staff member successfully completed a Certificate in Governance and Risk Management.

## HEALTH, SAFETY AND WELFARE

The MAIB has a Health and Safety (H&S) Committee which ensures that every effort is made to identify risks and address any issues promptly.

In October each year the H&S Committee participates in Health and Safety Month. In 2013 the theme was "General Health". Posters regarding general health were put up around the office and a guest speaker from the Cancer Council presented to all staff.

An employee assistance program is available to all staff, offering counselling services for both work and personal issues.



## WORKFORCE

The MAIB has an average workforce of 35 FTEs, which comprises 25 full time staff and 16 part time staff (who are predominantly working parents).

The average length of service is 11.58 years. The MAIB recognises significant years of service, commencing at five years, with a formal presentation acknowledging years of service. Eleven awards were presented to staff this year ranging from 5 to 30 years. The MAIB prides itself on a high level of staff retention.

### Years of Service Profile

Years of Service	Number of Employees
0 – 5	11
6 – 10	13
11 – 20	11
→20	6

## SUPPORT FOR CHARITIES

The MAIB and its staff supported a variety of charities throughout the year.

### Red Cross Meals on Wheels

The MAIB and its employees continue to support Red Cross by undertaking fortnightly Meals on Wheels deliveries on a rostered basis. During 2013-14, 30% of employees participated in this valuable community service.

### Casual Clothes Day

Casual clothes day occurs once a month to raise funds for charities nominated by staff members. Charities supported included The McGrath Foundation, Red Kite, We're for the Bush Drought Appeal and the Make a Wish Foundation.

### Women's 5km Walk/Run

The MAIB provided sponsorship for 11 staff members to participate in the Women's 5km walk/run held in Launceston in March 2014. The annual event raises funds for breast cancer research.



MAIB staff (and some family members) prior to the Women's 5km Walk/Run

### Samaritan's Purse Operation Christmas Child

For the last seven years many MAIB employees have participated in the Samaritans Purse unique project which gives gift-filled "shoe boxes" to needy children in over 100 countries. For the last two years, Tasmanian boxes have been delivered to children in Cambodia and Thailand. In 2013, MAIB employees and their extended families and friends filled 30 shoe boxes.

### Pollie Pedal

The MAIB sponsored staff members, Grant Young and Clare Klapche, to participate in Pollie Pedal 2014, a cycling event in its ninth year which raises awareness and funds for Diabetes Tasmania. The three day ride commenced in the Tamar Valley and proceeded through the Meander Valley and Deloraine, finishing in Relbia - 321 kilometres in total. The event raised \$50,000, the highest amount raised in its history.



MAIB Staff Members, Clare Klapche and Grant Young (in middle)

# Corporate Governance

## LEGISLATIVE AUTHORITY

The MAIB was established pursuant to the Act and is constituted as a Government Business Enterprise (GBE) under section 6 of the 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

Members – Mark Scanlon (Chair), Don Challen AM, Danny McCarthy and David St. John

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.

PricewaterhouseCoopers is the appointed internal auditor and the external audit function is undertaken by the Tasmanian Audit Office.

### Claims Committee

Members – Kim Barker (Chair), Michael Dontschuk and Peter Roche

The Claims Committee meets regularly and considers all settlement decisions on larger common law claims, approving damages exceeding \$300,000 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

Members – Don Challen AM (Chair) and Kim Barker

The Foundation Committee assesses 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 reviews 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 an external and an internal process in place for the annual performance assessments of the Board as a whole, its committees, individual Directors and the Chairman.

External Board assessments are undertaken every three years; the most recent occurring in 2012-13.

For internal evaluations, 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. Internal Director evaluations were undertaken in 2013-14.

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

Section 28 of the GBE Act provides a mechanism for the disclosure of interests of the Directors. The relevant interests of the Directors are disclosed at the monthly Board meetings.

## 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 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.

Value is placed upon transparency and accountability in administrative and management practices, and support is given to 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. Natural justice is afforded 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 2013-14.

## 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 internal risk mitigators is made 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 Tasmanian Economic Regulator (the Regulator) as a mechanism for independent pricing oversight.

In 2013-14 the Regulator delivered the Final Report in relation to the setting of maximum premiums for the four years commencing 1 December 2013. Following the Regulator's recommendations, the maximum premium for each vehicle classification was set by Government for a period of four years commencing 1 December 2013. Premiums for all vehicle classifications were reduced for the first year.

# Tasmanian Emergency Services – Critical Incident Stress Management Program

The Critical Incident Stress Management Program (CISM Program) was founded in 1988 by emergency services workers who were concerned for their colleagues who were showing signs of stress after attending repeated critical incidents. A critical incident is any event that has a stressful impact sufficient to overwhelm usual coping strategies; they can be sudden, shocking and outside the range of ordinary human experience.

A management committee was formed and within 12 months, 23 emergency services personnel had volunteered their time to be trained in psychological first aid for emergency services workers. The team has since grown to 50 emergency services workers and five team psychologists who take care of the psychological welfare of the 10,000 emergency services workers throughout Tasmania.

The CISM program has developed into one of the leading stress management programs within Australia.

In its infancy the CISM program was almost purely reactive to incidents but over time it has become more and more proactive in educating emergency services workers to try and avoid exposure where possible, to look out for mates/colleagues at incident scenes and to make sure that they are coping post incident. The services that are provided through the CISM program include:

1. Education and information sessions;
2. Assessment;
3. Defusing and on scene support;
4. Group debriefing;
5. Individual debriefing;
6. Follow up assistance; and
7. Advice to partners, family and friends.

The CISM program is funded through a cost share model based on program usage averaged over the previous three years. Contributors to the cost of the CISM program are the Tasmanian Emergency Services (TES), including



**Critical Incident Stress Management**



**Helping normal people get over normal reactions to abnormal events.**

24 HOUR CONTACT

**0427 181 207**

SERVICES

- Education and information sessions
- Defusing and on scene support
- Group debriefing
- Individual debriefing
- Follow-up assistance
- Advice to partners, families and friends

#### 3 WAYS TO ACTIVATE THE TEAM

1. Contact your communications/control room and request the CISM Program
2. Contact a Program member who is known to you
3. **PREFERABLY** call 0427 181 207 direct (Do not text this number).

**Tasmanian Emergency Services**

CISM proudly sponsored by MAIB

Tasmania Police, Tasmania Fire Service, Ambulance Tasmania and the State Emergency Service. In 2013, TES made an application to the MAIB's Foundation for funding to assist in supporting the CISM program associated with road crashes and trauma experienced by emergency services volunteers and salaried responders. The TES was successful in obtaining funding from the Foundation for a period of three years for a total amount of \$75,000. The funding provided in the 2013-14 period has enabled the TES to develop a website for enhancing education and an online case management program that has streamlined the time it takes to manage incidents and personnel.

When an incident occurs the responsible officer can consult the TES website and see the comprehensive list of services that are offered and find advice on the signs and symptoms to look out for in their staff. The funding has also enabled the CISM program to train six peers as new educators, adding to the existing 11 educators, who are now tasked with attending the workplace of all emergency services workers and presenting education sessions at least once every three years.

Through the Foundation the MAIB is proud to be able to provide sponsorship to such a worthy program to support those emergency services personnel who provide assistance to all Tasmanians in times of need.



# Statement of Corporate Intent

## DIRECTORS STATEMENT OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

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

In signing the Statement of Corporate Intent, the Board of the Motor Accidents Insurance Board commits to the targets proposed for the 2014-15 financial year (to the extent that the targets are in the control of the MAIB).

This Statement of Corporate Intent has been agreed between:



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



**Hon. Peter Gutwein MP**  
Treasurer



**Hon. M.T. (Rene) Hidding MP**  
Minister for Infrastructure

# Statement of Corporate Intent

## INTRODUCTION

This 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 2014-15, as agreed between the Board and the Shareholding Ministers through the 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. Financial markets impact on investment revenue and economic events impact heavily on claims expense. Additionally, the business performance could be significantly affected should the dividend payable under the dividend policy be 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.

## PERFORMANCE AGREEMENT

### FINANCIAL RETURNS TO GOVERNMENT

	Target	Estimates		
	2014 – 15	2015 – 16	2016 – 17	2017 – 18
Profit dividend paid (\$M)	44.6	41.4	39.6	39.3
Tax equivalents paid (\$M)	48.4	3.2	2.7	2.8
<b>Total</b>	<b>93.0</b>	<b>44.6</b>	<b>42.3</b>	<b>42.1</b>

### FINANCIAL TARGETS

	Target	Estimates		
	2014 – 15	2015 – 16	2016 – 17	2017 – 18
Financial result after tax (\$M)	48.1	36.5	35.4	36.7
Funding ratio level (%)	120.0	124.6	124.3	124.1
Return on equity (%)	8.0	9.2	9.3	9.7
Return on assets (%)	3.0	3.0	2.8	2.8
Real return on investments (%)	3.0	3.0	3.0	3.0
Premium increase (%)	4.0	4.0	4.0	4.0
Capital expenditure (\$'000)	230	250	300	300

### NON-FINANCIAL TARGETS

	Target	Estimates		
	2014 – 15	2015 – 16	2016 – 17	2017 – 18
Claim rate per 1,000 vehicles	6	6	6	6
Number of outstanding claims	2,750	2,750	2,750	2,750
Client satisfaction (%)	82.5	82.5	82.5	82.5
Staff satisfaction (%)	70	70	70	70
Premium affordability of AWOTE (%)	27.5	27.5	27.5	27.5
Operating costs against peers (%)	<100	<100	<100	<100



# 2013-14

MOTOR ACCIDENTS INSURANCE BOARD  
FINANCIAL REPORT



# Financial Report Contents

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# Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Continuing operations</b>			
Premium revenue	5	139,539	139,143
Outwards reinsurance expense		(6,025)	(5,923)
		<b>133,514</b>	133,220
Claims expense	7	(124,602)	(87,348)
Recovery revenue	8	4,767	3,514
Unexpired risk expense	24	(912)	(1,331)
Underwriting expenses	22	(2,631)	(2,644)
		<b>10,136</b>	45,411
<b>Underwriting result</b>			
Investment income	10	172,627	174,321
Investment expenses	10	(1,633)	(1,430)
Other income	11	446	(136)
Other expenses	12	(305)	(234)
General and administration expenses	13	(5,783)	(6,000)
Road Safety Advisory Council	32	(3,480)	(3,480)
Injury Prevention and Management Foundation	27	(55)	(680)
Motorcycle Safety Strategy	33	(11)	(5)
		<b>171,942</b>	207,767
<b>Profit/(loss) before tax</b>			
Tax (expense)/benefit	6	(46,444)	(60,322)
		<b>125,498</b>	147,445
<b>Profit/(loss) from continuing operations</b>			
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit plan actuarial gains/(losses)	25	(450)	1,033
Tax (expense)/benefit on other comprehensive income	6	135	(310)
<b>Other comprehensive income net of tax</b>		<b>(315)</b>	723
<b>Total comprehensive result</b>		<b>125,183</b>	148,168

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

# Statement of Financial Position

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Assets</b>			
Cash and cash equivalents	19	286,658	138,326
Trade and other receivables	14	1,357	2,161
Investments	16	1,216,378	1,173,351
Other assets	18	-	24
Reinsurance recoveries receivable	15	22,336	26,429
Plant and equipment	20	572	530
Investment properties	17	14,605	14,740
Net deferred tax asset	6	-	3,102
Deferred acquisition costs	22	-	-
Intangibles	21	339	417
<b>Total assets</b>		<b>1,542,245</b>	<b>1,359,080</b>
<b>Liabilities</b>			
Trade and other payables	29	1,966	2,117
Provision for tax	6	39,209	6,347
Net deferred tax liability	6	471	-
Injury Prevention and Management Foundation	27	89	781
Unearned premium liability	28	56,274	59,951
Unexpired risk liability	24	1,486	640
Outstanding claims liability	23	952,683	901,916
Provision for employee benefits	25	5,687	4,912
<b>Total liabilities</b>		<b>1,057,865</b>	<b>976,664</b>
<b>Net assets</b>		<b>484,380</b>	<b>382,416</b>
<b>Equity</b>			
Retained earnings attributable to equity holders	26	484,380	382,416
<b>Total equity</b>		<b>484,380</b>	<b>382,416</b>

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

# Statement of Changes in Equity

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Retained earnings attributable to equity holders at beginning of year		382,416	240,388
Profit/(loss) from continuing operations		125,498	147,445
Other comprehensive income net of income tax		(315)	723
<b>Total comprehensive result</b>		<b>125,183</b>	<b>148,168</b>
Dividends paid		(23,219)	(6,140)
<b>Retained earnings attributable to equity holders at end of year</b>	26	<b>484,380</b>	<b>382,416</b>

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



# Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Premiums received		150,155	154,452
Reinsurance and other recoveries received		8,939	572
Dividends received		29,805	42,211
Interest received		10,837	8,880
Rent received		611	424
Other investment revenue received		1,744	2,036
Claims paid		(79,050)	(84,129)
Reinsurance paid		(6,283)	(6,187)
Other claim payments		(362)	(428)
Underwriting expenses paid		(2,967)	(2,934)
General and administration expenses paid		(5,491)	(5,565)
Other expenses		(244)	(189)
Investment expenses paid		(1,606)	(1,491)
Road Safety Advisory Council		(3,828)	(3,828)
Motorcycle Safety Strategy		(11)	(3)
Injury Prevention and Management Foundation		(752)	(781)
Tax equivalent paid		(9,874)	-
Goods and services tax paid		(7,067)	(7,352)
<b>Net cash flows from operating activities</b>	31	<b>84,556</b>	<b>95,688</b>
<b>Cash flows used in investing activities</b>			
Purchases of investments		(1,574,313)	(967,024)
Sale of investments		1,661,534	865,531
Purchase of investment property		-	(270)
Purchase of plant and equipment		(229)	(199)
Purchase of intangibles		(17)	(34)
Sale of plant and equipment		20	85
<b>Net cash flows used in investing activities</b>		<b>86,995</b>	<b>(101,911)</b>
<b>Cash flows used in financing activities</b>			
Dividends paid		(23,219)	(6,140)
<b>Net cash flows used in financing activities</b>		<b>(23,219)</b>	<b>(6,140)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>148,332</b>	<b>(12,363)</b>
Cash and cash equivalents at the beginning of the financial year		138,326	150,689
<b>Cash and cash equivalents at the end of the financial year</b>	19	<b>286,658</b>	<b>138,326</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2014

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 and Guidelines.

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

The financial statements cover the MAIB for the year ended 30 June 2014 and were certified and authorised for issue by the Board of Directors on 12 August 2014.

### (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 is 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. Unless otherwise disclosed, an asset or liability is expected to be recovered either wholly within 12 months or wholly subsequent to this period.

#### 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 2014. The MAIB has not adopted the following standards early when preparing the 2013-14 financial statements and will apply them for the annual reporting periods beginning on or after the effective dates set out below. MAIB has reviewed the pending standards and consider the following standards may apply. Standards that are not considered relevant to the MAIB have not been included.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AAS 9 and Transitional Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual framework, Materiality and Financial Instruments (effective from 1 January 2017)*

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. Initial review has indicated that there is not expected to be a significant impact on the MAIB's financial statements from adopting the standards.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 1 Summary of Significant Accounting Policies *continued*

### (ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets

The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the MAIB recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The MAIB will apply the amended standard from 1 July 2014.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented in the financial statements for the year ended 30 June 2013.

### (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.

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 consists of compulsory third party insurance premiums paid by motor vehicle owners. Premiums are levied at the rates prescribed under the Premiums Order(s) applicable during the year.

Premium revenue is collected on behalf of the MAIB under a service level agreement with the Department of State Growth (formerly the Department of Infrastructure, Energy and Resources). Premium collection fees are levied under this agreement and recognised as underwriting expenses in the statement of comprehensive income.

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.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 1 Summary of Significant Accounting Policies *continued*

### (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 outstanding claims liability, 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% (2013: not less than 75%) that the liability 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.

### (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 exceeds the unearned premium liability, then the unearned premium liability is deemed to be deficient. The deficiency is initially accounted for by a write-down in deferred acquisition costs with any remaining deficiency recognised as an unexpired risk liability.

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 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 fair value with any resultant gains or losses recognised in profit or loss.



# Notes to the Financial Statements

For the year ended 30 June 2014

## 1 Summary of Significant Accounting Policies *continued*

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.

### **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.
- Securities that are listed or traded on an exchange are marked to market based on quoted bid prices at the reporting date.
- Units in unlisted trusts are valued at redemption value per unit as reported by the managers of such funds at the reporting date.
- 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.

### **(k) 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. Derivatives are valued at fair value at reporting date based on published market quotations or market valuation rates.

### **(l) 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 which is based predominantly on market evidence. Gains or losses arising from changes in fair value are included in the statement of comprehensive income 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 investment properties is not materially different from their fair values.

### **(m) 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.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 1 Summary of Significant Accounting Policies *continued*

### (n) 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.

### (o) Trade and other payables

Trade and other payables 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.

### (p) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will be generated, and the cost of the item can be reliably measured. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

### (q) 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.

### (r) 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.

### (s) 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. 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 2014

## 1 Summary of Significant Accounting Policies *continued*

### (t) Employee benefits

#### Annual leave, long service leave and sick leave

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

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

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

#### Superannuation

The Retirement Benefits Fund (RBF) defined benefits scheme covers eligible employees who commenced prior to 15 May 1999. The defined benefits scheme was closed to new members from that date.

The benefit is calculated as a function of the members' salaries, level of contributions and length of service.

Each year, at the reporting date, the State Actuary conducts a valuation of the past service and accrued liabilities within the 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.

For all employees who are not a member of the RBF defined benefits scheme, the MAIB contributes at least the minimum level of support required by the *Commonwealth Superannuation Guarantee (Administration) Act 1992*. Contributions are made to nominated accumulation schemes and are expensed as they are made.

### (u) 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.

### (v) Cash and cash equivalents

Cash and cash equivalents reported in the statement of financial position and statement of cash flows includes cash on hand and at bank and cash equivalent investments. Cash equivalent investments are readily convertible to known amounts of cash at the option of the MAIB.

### (w) Comparative figures

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

### (x) Rounding

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

# Notes to the Financial Statements

For the year ended 30 June 2014

## 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.



# Notes to the Financial Statements

For the year ended 30 June 2014

## 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 the long term funding ratio of the scheme in the target range of 120% to 145% - refer note 19(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. Only firms that have at least a Standard and Poor's 'A' rating are considered when selecting reinsurers.
- An external consultant is engaged to provide a range of investment advisory services. A primary function of the engagement is to undertake a strategic asset allocation assessment annually and recommend an appropriate investment portfolio, within acceptable bounds of risk. The mix of growth and defensive asset classes selected is structured to ensure long term matching of investment funds with future financial obligations.
- An independent actuary is engaged to value the claim liabilities (including the establishment of an appropriate risk margin), assess premium requirements annually, assess capital adequacy requirements and monitor and report on trends in costs.
- As the Tasmanian government monopoly compulsory third party insurer, the MAIB is subject to a periodic review of its operations by the Tasmanian Economic Regulator. The regulator's role is to recommend maximum premiums to be charged for the ensuing four years. The most recent review was undertaken in 2013, during which the regulator engaged the services of an independent actuary to review the MAIB's proposal.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 3 Risk management policies and procedures *continued*

### (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 23(a).

Note 23(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.

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>5 Premium Revenue</b>		
Direct	135,862	140,433
Movement in unearned premium liability	3,677	(1,290)
	<b>139,539</b>	<b>139,143</b>
<b>6 Income Tax</b>		
<b>(a) Income tax expense/(benefit) recognised in the Statement of Comprehensive Income</b>		
<b>Tax expense/(benefit) comprises:</b>		
Current tax expense/(benefit)	42,738	16,893
Deferred tax adjustment	3,708	43,429
Prior year adjustments	(2)	-
Tax expense/(benefit) attributable to operating result	<b>46,444</b>	<b>60,322</b>
<b>Reconciliation between operating result and income tax expense/(benefit)</b>		
Operating result before tax	171,942	207,767
Income tax expense/(benefit) calculated at 30%	51,583	62,330
Permanent differences	2	-
Tax offsets for franked dividends	(4,221)	(3,974)
Prior year losses utilised	-	(155)
(Over)/under provision of income tax in previous year	(920)	2,121
Income tax expense/(benefit) attributable to operating result	<b>46,444</b>	<b>60,322</b>
<b>(b) Tax liability</b>		
Tax payable in respect of current year	42,738	13,710
Less tax instalments paid	(3,529)	-
Increase/(decrease) in prepaid tax	-	(7,363)
Provision for tax	<b>39,209</b>	<b>6,347</b>
<b>(c) Tax expense/(benefit) recognised directly in equity</b>		
Actuarial movement in defined benefit liability	(135)	310
Tax expense/(benefit) recognised directly in equity	<b>(135)</b>	<b>310</b>
<b>(d) Deferred tax balances</b>		
<b>Deferred tax assets comprise:</b>		
Claims handling expense included in outstanding claims liability	19,666	18,631
Provisions currently not deductible	2,534	2,244
Difference in depreciation of plant and equipment for accounting and tax purposes	73	77
	<b>22,273</b>	<b>20,952</b>
<b>Deferred tax liabilities comprise:</b>		
Property investment	1,440	1,410
Unrealised gain on investment	21,304	16,440
	<b>22,744</b>	<b>17,850</b>
<b>Net deferred tax asset /(liability)</b>	<b>(471)</b>	<b>3,102</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>7 Claims Expense</b>		
Paid	73,505	78,836
Outstanding claims liability movement	50,767	8,165
Gross claims incurred	124,272	87,001
Other claim payments	330	347
	124,602	87,348
<b>8 Recovery Revenue</b>		
Reinsurance recoveries received	8,294	256
Reinsurance recoveries receivable movement	(4,093)	2,960
Other recoveries received	566	298
	4,767	3,514

## 9 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.

	30 June 2014			30 June 2013		
	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000
<b>Gross claims expense</b>						
Gross claims incurred	298,261	(273,830)	24,431	319,034	118,897	437,931
Reinsurance recoveries	-	2,925	2,925	-	(21,872)	(21,872)
Net claims incurred	298,261	(270,905)	27,356	319,034	97,025	416,059
<b>Discount movement</b>						
Gross claims incurred	(166,039)	265,315	99,276	(189,322)	(161,906)	(351,228)
Reinsurance recoveries	-	(7,127)	(7,127)	-	18,656	18,656
Net discount movement	(166,039)	258,188	92,149	(189,322)	(143,250)	(332,572)
<b>Discounted</b>						
Gross claims incurred	132,222	(8,515)	123,707	129,712	(43,009)	86,703
Reinsurance recoveries	-	(4,202)	(4,202)	-	(3,216)	(3,216)
Net claims incurred	132,222	(12,717)	119,505	129,712	(46,225)	83,487
<b>Reconciliation of net claims incurred</b>						
Gross claims incurred (refer Note 7)			124,272			87,001
Recovery revenue (refer Note 8)			(4,767)			(3,514)
Net claims incurred			119,505			83,487

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>10 Investment Income</b>		
Interest	11,561	6,794
Dividends	28,975	43,027
Other	1,853	2,034
Changes in fair value of investments		
Realised	51,237	(1,252)
Unrealised	79,001	123,718
	<b>172,627</b>	<b>174,321</b>
Investment expenses	(1,633)	(1,430)
	<b>170,994</b>	<b>172,891</b>
<b>11 Other Income</b>		
Bank interest	6	11
Rent	581	449
Profit/(loss) on sale of plant and equipment	(6)	(27)
Unrealised change in fair value of investment properties	(135)	(569)
	<b>446</b>	<b>(136)</b>
<b>12 Other expenses</b>		
Investment properties	305	234
	<b>305</b>	<b>234</b>
<b>13 General and administration expenses</b>		
Salaries and staff related expenses	3,568	3,567
Depreciation and amortisation	214	184
Information technology	315	290
International travel <sup>1</sup>	39	37
Other operating costs	1,647	1,922
	<b>5,783</b>	<b>6,000</b>
<sup>1</sup> In both the 2012-13 and 2013-14 financial years the Chairman and the Chief Executive Officer completed one international trip to meet with reinsurers in Singapore and London.		
<b>14 Trade and other receivables</b>		
Premiums receivable	1,344	2,052
Other receivables	13	109
	<b>1,357</b>	<b>2,161</b>

## 15 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.



## Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>15 Reinsurance Recoveries Receivable <i>continued</i></b>		
Expected future reinsurance recoveries undiscounted	90,711	101,931
Discount to present value	(68,375)	(75,502)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	22,336	26,429
Expected future reinsurance recoveries on unexpired risk liability	-	-
	<b>22,336</b>	<b>26,429</b>
<b>16 Investments</b>		
Listed equities	21,790	88,223
Listed unit trusts	-	3,039
Listed property	2,170	6,012
Unlisted trusts	1,039,605	870,565
Fixed interest bonds	118,679	184,935
Inflation linked bonds	31,222	18,972
Other financial instruments	2,912	1,605
	<b>1,216,378</b>	<b>1,173,351</b>
Due within 12 months	2,912	1,605
Due in more than 12 months	1,213,466	1,171,746
	<b>1,216,378</b>	<b>1,173,351</b>
<b>17 Investment properties</b>		
<b>(a) Reconciliation of carrying amount</b>		
<b>At fair value</b>		
Balance at 1 July	14,740	15,040
Acquisitions	-	-
Capitalised subsequent expenditure	-	269
Net gain/(loss) from fair value adjustment	(135)	(569)
Balance at 30 June	<b>14,605</b>	<b>14,740</b>

**(b) Measurement of fair value**

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.
- Level 2 fair value measurements are based on inputs, other than quoted prices, that are observable for the asset.
- Level 3 fair value measurements are based on unobservable inputs for the asset.

The fair value of the investment properties is determined by an external independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuations are completed annually.

Based on the inputs to the valuation techniques the fair value measurement of the investment properties has been categorised as follows:

- Non-specialised properties - level 2; and
- Specialised properties - level 3.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 17 Investment properties *continued*

The following tables present the investment properties measured and recognised at fair value at 30 June 2014 and 30 June 2013.

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Investment properties at fair value through profit or loss</b>				
Non-specialised properties	-	6,950	-	6,950
Specialised properties	-	-	7,655	7,655
	-	6,950	7,655	14,605

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Investment properties at fair value through profit or loss</b>				
Non-specialised properties	-	6,900	-	6,900
Specialised properties	-	-	7,840	7,840
	-	6,900	7,840	14,740

### (c) Valuation techniques used to derive fair values

Investment properties are valued using the following techniques:

- Non-specialised properties are valued on the basis of market value with reference to observable prices in an active market, using traditional valuation methods including sales comparison. Points of difference are taken into account by the valuer including the location, difference in sizes and the quality of accommodation and land.
- Specialised investment properties have been valued on a depreciated replacement cost basis which takes into account current replacement cost estimates derived from construction cost and actual development cost information of similar buildings. There are insufficient sales of similar properties to reliably assess market values.

There were no transfers between levels 2 and 3 in 2013-14 or 2012-13.

The following table shows a reconciliation between the opening and closing balances for level 3 fair values.

	2014 \$'000	2013 \$'000
Balance at 1 July	7,840	7,840
Acquisitions and reclassification from property, plant and equipment	-	-
Changes in fair value (unrealised)	(185)	-
Balance at 30 June	7,655	7,840

# Notes to the Financial Statements

For the year ended 30 June 2014

## 17 Investment properties *continued*

The following table shows the valuation techniques used in measuring the fair value of investment property, in addition to the significant unobservable inputs used.

Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Non-specialised properties	Market value.	<ul style="list-style-type: none"> <li>Annual rental reviews as per the lease agreements.</li> <li>Rental agreements covering 3-7 years.</li> <li>Occupancy rate 90-95%.</li> <li>Total economic life of buildings 75 years.</li> </ul>	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>Expected market rental growth was higher/(lower);</li> <li>Void occupancy periods was shorter/(longer).</li> </ul>
Specialised properties	Depreciated replacement cost basis.	<ul style="list-style-type: none"> <li>Total economic life of buildings 40-75 years.</li> <li>Direct cost per square metre of \$2,400 to \$2,750.</li> </ul>	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>the estimated useful life of the properties was higher/(lower);</li> <li>the direct cost per square metre was significantly higher/(lower).</li> </ul>

	2014 \$'000	2013 \$'000
<b>(d) Recognised income and expenses</b>		
Amounts recognised in the statement of comprehensive income for investment properties that generated rental income		
Rental income	581	449
Operating expenses	244	161
Amounts recognised in the statement of comprehensive income for investment properties that did not generate rental income		
Operating expenses	61	73
Lease payments receivable for rental properties		
Less than 1 year	394	394
1 to 5 years	1,340	216
Greater than 5 years	532	26
Prepaid insurance	-	24
	-	24

## 18 Other assets

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>19 Financial Instruments</b>		
<b>Financial assets</b>		
The fair value of the financial assets equals the carrying amount.		
Cash and cash equivalents		
Cash at bank	112	108
Cash investments	286,546	138,218
	<b>286,658</b>	<b>138,326</b>
Financial assets at fair value through profit or loss		
Listed equities	21,790	88,223
Listed unit trusts	-	3,039
Listed property	2,170	6,012
Unlisted trusts	1,039,605	870,565
Fixed interest bonds	118,679	184,935
Inflation linked bonds	31,222	18,972
Other financial instruments	2,912	1,605
	<b>1,216,378</b>	<b>1,173,351</b>
Loans and receivables		
Trade and other receivables	1,357	2,161
Reinsurance recoveries receivable	22,336	26,429
	<b>23,693</b>	<b>28,590</b>
	<b>1,526,729</b>	<b>1,340,267</b>
<b>Financial liabilities</b>		
The amortised cost of the financial liabilities approximates the fair value.		
Financial liabilities at amortised cost		
Trade and other payables	1,966	2,117
Injury Prevention and Management Foundation liability	89	781
	<b>2,055</b>	<b>2,898</b>

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.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 19 Financial Instruments *continued*

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires significant judgement and it is considered that observable data is market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

The following tables present the financial assets measured and recognised at fair value at 30 June 2014 and 30 June 2013.

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Listed instruments	23,960	-	-	23,960
Fixed interest bonds	-	118,679	-	118,679
Inflation linked bonds	-	31,222	-	31,222
Unlisted trusts	-	1,039,605	-	1,039,605
Other financial instruments	4,021	(1,109)	-	2,912
	<u>27,981</u>	<u>1,188,397</u>	<u>-</u>	<u>1,216,378</u>

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Listed instruments	97,274	-	-	97,274
Fixed interest bonds	-	184,935	-	184,935
Inflation linked bonds	-	18,972	-	18,972
Unlisted trusts	-	870,565	-	870,565
Other financial instruments	3,881	(2,276)	-	1,605
	<u>101,155</u>	<u>1,072,196</u>	<u>-</u>	<u>1,173,351</u>

The pricing for the majority of financial instruments is generally obtained from independent pricing sources, the relevant investment managers or reliable brokers' quotes.

Financial instruments whose values are based on quoted market prices in active markets, such as recognised stock exchanges, are classified as level 1, primarily comprising listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. Level 2 instruments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Level 3 instruments could include investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 instruments could also include those that have a stale price, i.e. where the pricing for a particular security has remained static for an extended period of time.

There were no transfers between levels 1 and 2 in 2013-14 or 2012-13.



# Notes to the Financial Statements

For the year ended 30 June 2014

## 19 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.

### Sensitivity

The table overleaf 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.

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>19 Financial Instruments <i>continued</i></b>		
Impact on profit and equity of a 10% increase in equity prices:		
Listed instruments	1,672	6,809
Unlisted trusts	45,264	34,952
Impact on profit and equity of a 10% decrease in equity prices:		
Listed instruments	(1,672)	(6,809)
Unlisted trusts	(45,264)	(34,952)

## (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. Where the MAIB invests directly through Australian domiciled trusts that invest in international markets, the impact of currency movement is dealt with as a component of price risk. Consequently the disclosure of currency risk may not represent the true currency risk profile of the MAIB.

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

	2014 \$'000	2013 \$'000
United States Dollar	(2,976)	(22,118)
Euro	(11,799)	(5,449)
Japanese Yen	(7,345)	(1,913)
British Pound	(8,073)	(3,074)
Canadian Dollar	(3,818)	(459)
Swiss Franc	(3,445)	-
	<b>(37,456)</b>	<b>(33,013)</b>

## 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.

	2014 \$'000	2013 \$'000
Impact on profit and equity of a 10% increase in foreign exchange rates	2,384	2,101
Impact on profit and equity of a 10% decrease in foreign exchange rates	(2,913)	(2,568)

# Notes to the Financial Statements

For the year ended 30 June 2014

## 19 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		
<b>30 June 2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	286,658	-	-	-	-	286,658
Other investments	30,155	-	53,644	65,035	1,067,544	1,216,378
Trade and other receivables	-	-	-	-	1,357	1,357
Reinsurance recoveries receivable	-	-	-	-	22,336	22,336
Total financial assets	<u>316,813</u>	<u>-</u>	<u>53,644</u>	<u>65,035</u>	<u>1,091,237</u>	<u>1,526,729</u>
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	1,966	1,966
Injury Prevention and Management Foundation liability	-	-	-	-	89	89
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,055</u>	<u>2,055</u>
Net financial assets/(liabilities)	<u>316,813</u>	<u>-</u>	<u>53,644</u>	<u>65,035</u>	<u>1,089,182</u>	<u>1,524,674</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		
<b>30 June 2013</b>						
<b>Financial assets</b>						
Cash and cash equivalents	138,326	-	-	-	-	138,326
Other investments	19,057	9,868	15,906	159,162	969,358	1,173,351
Trade and other receivables	-	-	-	-	2,161	2,161
Reinsurance recoveries receivable	-	-	-	-	26,429	26,429
Total financial assets	<u>157,383</u>	<u>9,868</u>	<u>15,906</u>	<u>159,162</u>	<u>997,948</u>	<u>1,340,267</u>
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	2,117	2,117
Injury Prevention and Management Foundation liability	-	-	-	-	781	781
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,898</u>	<u>2,898</u>
Net financial assets/(liabilities)	<u>157,383</u>	<u>9,868</u>	<u>15,906</u>	<u>159,162</u>	<u>995,050</u>	<u>1,337,369</u>

# Notes to the Financial Statements

For the year ended 30 June 2014

## 19 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.

	2014 \$'000	2013 \$'000
Impact on profit and equity of a 0.5% increase in interest rates	(3,061)	(3,029)
Impact on profit and equity of a 0.5% decrease in interest rates	3,062	3,030

### (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 trade and other receivables comprises premiums collected on behalf of the MAIB by the Department of State Growth. Premiums collected are transferred to the MAIB within two business days.

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 2014

## 19 Financial Instruments *continued*

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

	Investment Grade <sup>1</sup> \$'000	Non-Investment Grade <sup>1</sup> \$'000
<b>30 June 2014</b>		
<b>Financial assets</b>		
Trade and other receivables	1,344	13
Reinsurance recoveries receivable	22,104	233
Cash and cash equivalents	286,658	-
Fixed interest bonds	103,967	14,712
Inflation linked bonds	31,222	-
	<u>445,295</u>	<u>14,958</u>
	Investment Grade <sup>1</sup> \$'000	Non-Investment Grade <sup>1</sup> \$'000
<b>30 June 2013</b>		
<b>Financial assets</b>		
Trade and other receivables	2,145	16
Reinsurance recoveries receivable	26,202	227
Cash and cash equivalents	138,326	-
Fixed interest bonds	168,665	16,270
Inflation linked bonds	18,972	-
	<u>354,310</u>	<u>16,513</u>

<sup>1</sup> 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 at-call 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 2014

## 19 Financial Instruments *continued*

### Maturities of financial instruments

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

30 June 2014	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
<b>Financial liabilities</b>				
Trade and other payables	1,966	-	-	1,966
Injury Prevention and Management Foundation liability	-	44	45	89
	<u>1,966</u>	<u>44</u>	<u>45</u>	<u>2,055</u>

30 June 2013	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
<b>Financial liabilities</b>				
Trade and other payables	2,117	-	-	2,117
Injury Prevention and Management Foundation liability	333	448	-	781
	<u>2,450</u>	<u>448</u>	<u>-</u>	<u>2,898</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, while the MAIB is not subject to any externally imposed capital requirements, for the purposes of good governance and sound commercial practice, in conjunction with its external actuary it has developed a Capital Adequacy Policy suitable to a government compulsory monopoly insurer.

The capital position is measured by reference to the funding ratio which is defined as the ratio of total assets less non-claims related liabilities, deferred tax asset and future dividends owing to the net outstanding claims and premium liabilities. A target range of 120% to 145% 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 2014 the funding ratio is 133.9% (2013: 130.7%).

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

During 2013-14 the MAIB and its actuary reviewed the approach to capital management and changed the measure of capital adequacy from the solvency ratio to the funding ratio to bring it in line with its peers. In adopting the new measure a broader target range was established which reflects the volatility in financial results.

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>20 Plant and Equipment</b>		
<b>Cost</b>		
Balance at 1 July	1,460	1,524
Additions	232	199
Disposals	(83)	(263)
Balance at 30 June	1,609	1,460
<b>Accumulated depreciation</b>		
Balance at 1 July	930	912
Disposals	(58)	(151)
Depreciation expense	165	169
Balance at 30 June	1,037	930
<b>Net book value</b>	572	530
<b>21 Intangibles</b>		
<b>Computer software</b>		
<b>Cost</b>		
Balance at 1 July	2,459	2,425
Additions	17	34
Disposals	-	-
Balance at 30 June	2,476	2,459
<b>Accumulated amortisation</b>		
Balance at 1 July	2,042	1,957
Disposals	-	-
Amortisation expense	95	85
Balance at 30 June	2,137	2,042
<b>Net book value</b>	339	417
<b>22 Deferred Acquisition Costs</b>		
Balance at 1 July	-	668
Acquisition costs in the year	2,697	2,667
Amortisation charged to income	(2,631)	(2,644)
Write down for premium deficiency (refer note 24)	(66)	(691)
Balance at 30 June	-	-

# Notes to the Financial Statements

For the year ended 30 June 2014

## 23 Outstanding Claims Liability

### (a) Actuarial assumptions and methods

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

	2014			2013		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	5.8	2.8	35.6	6.2	2.8	36.7
Discounted mean term (years)	3.7	2.6	20.6	3.9	2.6	20.7
Number of claims incurred but not reported (IBNR)	461	229	14	439	226	14
Average claim size (\$'000)	9.5	55.8	5,196.6	9.9	49.9	4,942.9
Superimposed inflation	1.50%	1.50%	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	
	2014	2013	2014	2013
Year 1 (following end of financial year)	3.16%	2.80%	2.45%	2.46%
Year 2	3.25%	3.78%	2.62%	2.64%
Year 3	3.80%	3.62%	3.04%	3.17%
Year 4	3.54%	3.70%	3.39%	3.58%
Year 5	3.54%	3.70%	3.68%	3.95%
Year 6	3.54%	3.70%	3.94%	4.27%
Year 7	3.54%	3.70%	4.17%	4.54%
Year 8	3.54%	3.70%	4.37%	4.76%
Year 9	3.54%	3.70%	4.54%	4.93%
Year 10	3.54%	3.70%	4.68%	5.05%
Year 11	3.54%	3.70%	4.86%	5.12%
Year 12	3.54%	3.70%	5.01%	5.17%
Year 13	3.54%	3.70%	5.15%	5.23%
Year 14	3.54%	3.70%	5.23%	5.32%
Year 15	3.54%	3.70%	5.29%	5.42%
Thereafter	3.54%	3.70%	5.29%	5.45%

# Notes to the Financial Statements

For the year ended 30 June 2014

## 23 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 shown in current dollars on 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 2014 are included at the rate of 7% of future claim payments (2013: 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 2014 a 20% (2013: 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% (2013: 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 2014

## 23 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; and
  - (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 2014

## 23 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) from continuing operations \$'000	Equity \$'000
Recognised amounts as per the financial statements	125,498	484,380
Inflation increase by 0.5%	73,063	431,945
Inflation decrease by 0.5%	171,017	529,899
Discount rate increased by 0.5% all durations	170,571	529,453
Discount rate decreased by 0.5% all durations	73,176	432,058
Long term discount rate increased by 0.5%	144,424	503,306
Long term discount rate decreased by 0.5%	104,050	462,932
Cost of current year Future Care IBNR claims increased by 10%	122,038	480,920
Cost of current year Future Care IBNR claims decreased by 10%	128,959	487,841
Common Law settlement size increased by 10%	109,973	468,855
Common Law settlement size decreased by 10%	141,001	499,883
Scheduled Benefits average size increased by 10%	121,983	480,865
Scheduled Benefits average size decreased by 10%	129,013	487,895
Increase in hospital cost adjustment from double to triple current rates	122,099	480,981
Hospital cost adjustment effective immediately rather than 30 June 2015	122,256	481,138
Reinsurance recoveries increased by 20% due to favourable commutations	129,251	488,133
Increase in discounted mean term by 1 year due to a delay in payments	131,572	490,454
Decrease discounted mean term by 1 year by bringing forward payments	119,366	478,248

# Notes to the Financial Statements

For the year ended 30 June 2014

## 23 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:

	2014 \$'000	2013 \$'000
<b>Scheduled benefits claims</b>		
Expected future claims payments (inflated/undiscounted)	43,930	42,898
Discount to present value	(7,103)	(7,632)
Claims handling expenses	2,738	2,619
Risk margin	7,913	7,577
	<u>47,478</u>	<u>45,462</u>
<b>Common law claims</b>		
Expected future claims payments (inflated/undiscounted)	192,987	182,940
Discount to present value	(14,631)	(14,191)
Claims handling expenses	13,312	12,595
Risk margin	38,334	36,269
	<u>230,002</u>	<u>217,613</u>
<b>Future care claims</b>		
Expected future claims payments (inflated/undiscounted)	1,848,691	1,897,631
Discount to present value	(1,320,877)	(1,397,398)
Claims handling expenses	38,578	36,539
Risk margin	108,811	102,069
	<u>675,203</u>	<u>638,841</u>
<b>All claims</b>		
Expected future claims payments (inflated/undiscounted)	2,085,608	2,123,469
Discount to present value	(1,342,611)	(1,419,221)
Claims handling expenses	54,628	51,753
Risk margin	155,058	145,915
	<u>952,683</u>	<u>901,916</u>
Due within 12 months	97,338	96,096
Due in more than 12 months	855,345	805,820
	<u>952,683</u>	<u>901,916</u>

# Notes to the Financial Statements

For the year ended 30 June 2014

23 Outstanding Claims Liability *continued***(d) Reconciliation of movement in outstanding claims liability**

	2014			2013		
	Gross \$'000	Recoveries \$'000	Net \$'000	Gross \$'000	Recoveries \$'000	Net \$'000
Balance at 1 July	901,916	26,429	875,487	893,751	23,469	870,282
Liabilities due within 12 months from previous report	(96,096)	-	(96,096)	(91,537)	-	(91,537)
	805,820	26,429	779,391	802,214	23,469	778,745
Accrual to 30 June	825,788	27,084	798,704	838,016	24,516	813,500
Effect of changes in claims experience and modelling	(10,112)	(5,292)	(4,820)	(39,226)	1,970	(41,196)
Effect of changes in economic assumptions	16,601	544	16,057	(13,701)	(57)	(13,644)
Net revision to prior years' claims costs	6,489	(4,748)	11,237	(52,927)	1,913	(54,840)
Outstanding claims cost for prior accident years	832,277	22,336	809,941	785,089	26,429	758,660
Incurred claims for current accident year	132,222	-	132,222	129,712	-	129,712
Claims (payments)/recoveries for current accident year	(11,816)	-	(11,816)	(12,885)	-	(12,885)
Outstanding claims cost for current accident year	120,406	-	120,406	116,827	-	116,827
Balance at 30 June	952,683	22,336	930,347	901,916	26,429	875,487

# Notes to the Financial Statements

For the year ended 30 June 2014

## 23 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 of reinsurance recoveries	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	Total \$'000
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	249,933	240,801	
One year later	230,477	340,652	348,300	242,314	297,639	223,297	111,109	221,189	210,096		
Two years later	261,755	307,592	205,414	214,801	291,303	198,314	116,768	106,355			
Three years later	326,823	194,869	170,510	186,141	235,532	181,337	146,081				
Four years later	194,802	193,756	166,291	158,180	251,943	237,782					
Five years later	203,161	203,967	131,362	160,118	169,404						
Six years later	174,903	175,132	137,430	116,772							
Seven years later	142,518	183,713	183,231								
Eight years later	155,762	143,850									
Nine years later	110,115										
Current estimate of cumulative claims cost	110,115	143,850	183,231	116,772	169,404	237,782	146,081	106,355	210,096	240,801	1,664,487
Cumulative payments	(55,353)	(54,626)	(69,439)	(52,434)	(63,547)	(48,200)	(42,297)	(28,704)	(21,788)	(11,749)	(448,137)
Outstanding claims (undiscounted)	54,762	89,224	113,792	64,338	105,857	189,582	103,784	77,651	188,308	229,052	1,216,350
Discount											(724,384)
2004 and prior (discounted)											251,031
Claims handling expense											54,628
Prudential margins											155,058
Outstanding claims (inflated and discounted)											952,683

# Notes to the Financial Statements

For the year ended 30 June 2014

23 Outstanding Claims Liability *continued*

Net of reinsurance recoveries	Accident year										Total
	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	
<b>Estimate of ultimate claims cost:</b>											
At end of accident year	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	249,933	240,801	
One year later	230,477	340,652	348,300	242,314	297,639	212,172	111,109	221,189	210,096		
Two years later	261,755	307,592	205,414	207,085	289,837	183,945	116,768	106,355			
Three years later	326,823	194,869	170,510	183,277	228,184	162,323	146,081				
Four years later	194,802	193,756	166,291	151,970	242,499	208,053					
Five years later	203,161	203,967	131,362	152,400	164,220						
Six years later	174,903	175,132	135,903	103,326							
Seven years later	142,518	182,128	181,704								
Eight years later	155,762	142,234									
Nine years later	109,995										
Current estimate of cumulative claims cost	109,995	142,234	181,704	103,326	164,220	208,053	146,081	106,355	210,096	240,801	1,612,865
Cumulative payments	(55,233)	(53,010)	(67,911)	(52,434)	(63,547)	(48,200)	(42,297)	(28,704)	(21,788)	(11,749)	(444,873)
Outstanding claims (undiscounted)	54,762	89,224	113,793	50,892	100,673	159,853	103,784	77,651	188,308	229,052	1,167,992
Discount											(685,998)
2004 and prior (discounted)											238,667
Claims handling expense											54,628
Prudential margins											155,058
Outstanding claims (inflated and discounted)											930,347



# Notes to the Financial Statements

For the year ended 30 June 2014

## 24 Unexpired Risk Liability

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

	2014 \$'000	2013 \$'000
<b>(a) Unexpired risk liability</b>		
Balance at 1 July	640	-
Recognition of additional unexpired risk liability in the period	1,486	640
Release of unexpired risk liability recorded in previous periods	(640)	-
Balance at 30 June	1,486	640
<b>(b) Deficiency recognised in the Statement of Comprehensive Income</b>		
Gross movement in unexpired risk liability	846	640
Reinsurance recoveries on unexpired risk liability	-	-
Net movement in unexpired risk liability	846	640
Write down of deferred acquisition costs (refer note 22)	66	691
	912	1,331
<b>(c) Unearned premium liability adequacy test</b>		
Unearned premium liability	56,274	59,951
Deferred acquisition costs	(1,186)	(1,119)
Related reinsurance asset	-	-
	55,088	58,832
Net central estimate of the present value of expected future cash flows arising from future claims	44,788	46,983
Claims handling expenses	3,345	3,509
Risk margin	9,627	10,099
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	-	-
	57,760	60,591
Deficiency net of reinsurance recoveries	2,672	1,759
Add back reinsurance element of present value of expected future cash flows for future claims	-	-
Deficiency gross of reinsurance recoveries	2,672	1,759

### Claims handling expenses

Claims handling expenses as at 30 June 2014 are included at the rate of 7% (2013: 7%).

### Risk margin

As at 30 June 2014 a risk margin of 20% (2013: 20%) 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% (2013: 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 2014

	2014 \$'000	2013 \$'000
<b>25 Provision for Employee Benefits</b>		
<b>Due within 12 months</b>		
Annual leave	238	224
Long service leave	126	9
Retirement Benefits Fund	82	16
	<b>446</b>	<b>249</b>
<b>Due in more than 12 months</b>		
Long service leave	356	462
Retirement Benefits Fund	4,885	4,201
	<b>5,241</b>	<b>4,663</b>
Total employee benefits	<b>5,687</b>	<b>4,912</b>

## Retirement Benefits Fund contributions

Defined benefit members receive lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of Retirement Benefits Funds (RBF) is closed to new members. All new members receive accumulation only benefits.

## 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.

## Regulatory framework

The scheme operates under the *Retirement Benefits Act 1993* and the *Retirement Benefits Regulations 2005*.

Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that the employer contributions may not be subject to the 15% tax (if the RBF Board elects) up to the amount of "untaxed" benefits paid to members in the year.

## Other entities responsibilities for the governance of the Scheme

The RBF Board (the Board) is responsible for the governance of the Scheme. As trustee, the Board has a legal obligation to act solely in the best interest of the Scheme beneficiaries. The Board has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets; and
- Compliance with the Heads of Government Agreement referred to above.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 25 Provision for Employee Benefits *continued*

### Risks

There are a number of risks to which the Scheme exposes the MAIB. The more significant risks relating to the defined benefits are:

- **Investment risk** – The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.
- **Salary growth risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.
- **Inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions.
- **Benefit options risk** – The risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.
- **Pensioner mortality risk** – The risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- **Legislative risk** – the risk that legislative changes could be made which increase the cost of providing the defined benefits.

### Significant events

There were no plan amendments, curtailments or settlements during the 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. 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.

### Reconciliation of the net defined benefit obligation

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

	2014 \$'000	2013 \$'000
<b>Reconciliation of the defined benefit obligation</b>		
Defined benefit obligation	5,612	4,810
(-) Fair value of plan assets	645	593
Deficit/(surplus)	4,967	4,217
(+) Adjustment for effect of asset ceiling	-	-
<b>Net superannuation liability/(asset)</b>	4,967	4,217
Due within 12 months	82	16
Due in more than 12 months	4,885	4,201
	4,967	4,217

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>25 Provision for Employee Benefits <i>continued</i></b>		
<b>Reconciliation of the fair value of scheme assets</b>		
<b>Fair value of plan assets at 1 July</b>	<b>592</b>	<b>613</b>
(+) Expected return on plan assets	25	21
(+) Actuarial gains/(losses)	17	(51)
(+) Estimated employer contributions	15	14
(+) Estimated contributions by plan participants	37	35
(-) Estimated benefits paid	36	34
(-) Estimated taxes, premiums & expenses paid	5	6
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
<b>Fair value plan assets at 30 June</b>	<b>645</b>	<b>592</b>
<b>Reconciliation of the defined benefit obligation</b>		
<b>Present value of defined benefit obligations at 1 July</b>	<b>4,810</b>	<b>5,537</b>
(+) Current service cost	136	171
(+) Interest cost	204	190
(+) Contributions by plan participants	37	35
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	280	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	295	(1,200)
(+) Actuarial (gains)/losses arising from liability experience	(108)	116
(-) Benefits paid	36	34
(-) Taxes, premiums & expenses paid	6	5
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Gains/loss on settlements	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
<b>Present value of defined benefit obligations at 30 June</b>	<b>5,612</b>	<b>4,810</b>
<b>Reconciliation of the effect of the asset ceiling</b>		
The asset ceiling has no impact on the net defined benefit liability/(asset).		

## Notes to the Financial Statements

For the year ended 30 June 2014

25 Provision for Employee Benefits *continued*

## Fair value of Scheme assets

	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
	(A\$'000)	(A\$'000)	(A\$'000)	(A\$'000)
<b>30 June 2014<sup>1</sup></b>				
<b>Asset category</b>				
Cash and cash equivalents	90	90	-	-
Equity instruments	456	231	207	18
Debt instruments	90	26	37	27
Derivatives	(3)	-	(3)	-
Real Estate	13	-	13	-
Investment funds	-	-	-	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
	<b>646</b>	<b>347</b>	<b>254</b>	<b>45</b>

<sup>1</sup> Estimated based on assets allocated to the MAIB at 30 June 2014 and asset allocation of the RBF scheme at 30 June 2013.

## Fair value of entities own financial instruments

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

- Any of the MAIB's own financial instruments; and
- Any property occupied by, or other assets used by the MAIB.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entities funded liabilities, calculated using the assumptions outlined in this report.

## Significant actuarial assumptions at the reporting date

	2014 %pa	2013 %pa
<b>Assumptions to determine defined benefit cost and start of year defined benefit obligation</b>		
Discount rate (active members)	4.25	3.45
Discount rate (pensioners)	4.25	3.45
Expected rate of increase of compulsory preserved amounts	3.75	3.75
Expected salary increase rate	3.00	3.50
Expected pension increase rate	2.50	2.50
<b>Assumptions to determine end of year defined benefit obligation</b>		
Discount rate (active members)	4.10	4.25
Discount rate (pensioners)	4.10	4.25
Expected rate of increase of compulsory preserved amounts	3.00	3.00
Expected salary increase rate	4.50	3.75
Expected pension increase rate	2.50	2.50



# Notes to the Financial Statements

For the year ended 30 June 2014

## 25 Provision for Employee Benefits *continued*

### Sensitivity analysis

The defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

Scenario A and B relate to discount sensitivity. Scenario C and D relate to expected pension increase rate sensitivity, as follows:

- Scenario A: 0.5% pa lower discount rate assumption
- Scenario B: 0.5% pa higher discount rate assumption
- Scenario C: 0.5% pa lower expected pension increase rate assumption
- Scenario D: 0.5% pa higher expected pension increase rate assumption

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D 0.5% pa pension increase rate
Discount rate	4.10% pa	3.60% pa	4.60% pa	4.10% pa	4.10% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation (A\$'000s)	5,612	6,253	5,058	5,380	5,869

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

### Asset-liability matching strategies

We are not aware of any asset and liability matching strategies adopted by the Fund.

### Funding arrangements

The employer contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

### Expected contributions

#### Financial year ending 30 June

Expected employer contributions

2015  
\$'000

82

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the MAIB is 22.1 years.

	2014 \$'000	2013 \$'000
26 Retained Earnings Attributable to Equity Holders		
Balance at 1 July	382,416	240,388
Profit/(loss) from continuing operations	125,498	147,445
Other comprehensive income net of income tax	(315)	723
Dividends paid	(23,219)	(6,140)
Balance at 30 June	484,380	382,416

# Notes to the Financial Statements

For the year ended 30 June 2014

## 27 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.

	2014 \$'000	2013 \$'000
Balance at 1 July	781	815
Payments	(752)	(781)
Net project approvals	55	680
GST on project approvals	5	67
Balance at 30 June	89	781
<b>28 Unearned Premium Liability</b>		
Balance at 1 July	59,951	58,661
Deferral of premiums on contracts written in the period	56,274	59,951
Earning of premiums written in previous periods	(59,951)	(58,661)
Balance at 30 June	56,274	59,951
<b>29 Trade and Other Payables</b>		
Sundry creditors	1,556	1,783
Accrued expenses - employee on costs	36	35
Accrued expenses - other	374	299
	1,966	2,117
<b>Due within 12 months</b>		
Sundry creditors	1,556	1,783
Accrued expenses - employee on costs	18	12
Accrued expenses - other	374	299
	1,948	2,094
<b>Due in more than 12 months</b>		
Accrued expenses - employee on costs	18	23
	18	23
	1,966	2,117

# Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>30 Commitments</b>		
<b>Road Safety Advisory Council</b>		
Less than 1 year	1,740	3,480
1 to 5 years	-	1,740
Greater than 5 years	-	-
<b>31 Statement of Cash Flows</b>		
<b>(a) Reconciliation of net cash provided by operating activities to profit and loss from continuing operations</b>		
Profit/(loss) from continuing operations	125,498	147,445
Depreciation and amortisation	260	254
Loss/(profit) on sale of plant and equipment	6	27
Net unrealised loss/(gain) in net market value of investments	(79,001)	(123,718)
Net realised loss/(gain) in net market value of investments	(51,237)	1,252
Net unrealised loss/(gain) in net market value of investment properties	135	569
Decrease/(increase) in deferred tax asset	3,708	46,612
Decrease/(increase) in reinsurance recoveries receivable	4,093	(2,960)
Decrease/(increase) in deferred acquisition costs	-	668
Decrease/(increase) in trade and other receivables	804	(17)
Decrease/(increase) in other assets	24	7,386
Decrease/(increase) in accrued dividends and interest	(14)	1,261
Increase/(decrease) in outstanding claims liability	50,767	8,165
Increase/(decrease) in tax payable	32,862	6,347
Increase/(decrease) in unexpired risk liability	846	640
Increase/(decrease) in employee benefits	325	368
Increase/(decrease) in trade and other payables	(151)	133
Increase/(decrease) in unearned premium liability	(3,677)	1,290
Increase/(decrease) in Injury Prevention and Management Foundation liability	(692)	(34)
Net cash flow from operating activities	84,556	95,688

## (b) Financing facilities

At 30 June 2014 the MAIB has seven corporate credit cards with a total limit of \$55,000 (2013: \$55,000). The balance is paid in full on a monthly basis. The MAIB has no formal credit standby arrangements or unused loan facilities.

## 32 Road Safety Advisory Council

For the year ended 30 June 2014 contributions amounting to \$3,480,000 (2013: \$3,480,000) 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 State Growth is in operation and specifies the relevant key performance indicators.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 33 Motorcycle Safety Strategy

For the year ended 30 June 2014 the MAIB contributed \$10,786 (2013: \$4,500) in sponsorship of motorcycle rider education and training under the Motorcycle Safety Strategy. Rider training is subsidised per participant.

## 34 Auditor's remuneration

The amount payable to the Tasmanian Audit Office for the year ended 30 June 2014 is \$61,675 (2013: \$59,590).

## 35 Dividends

Following the end of the financial year, a final ordinary dividend relating to the year ended 30 June 2014 of \$44,570,226 (2013: \$23,219,320) is payable.

## 36 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.

## 37 Key Management Personnel Information

### (a) Directors

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

#### (i) Non-executive Directors:

DW Challen AM  
K Barker  
M Dontschuk  
DJ McCarthy  
CJ Rockefeller (to 15 May 2014)  
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:

CMQ Hill (Chief Operating Officer)  
DW Thurm (Chief Financial Officer)

	2014 \$'000	2013 \$'000
<b>(c) Key management personnel compensation</b>		
Short term employee benefits	1,010	944
Post employment benefits	108	99
Other long term employee benefits	(1)	22
Termination benefits	-	-
	<b>1,117</b>	<b>1,065</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

## 37 Key Management Personnel Information *continued*

### (d) Non-executive director remuneration

The following table discloses the remuneration details in bands for each person that acted as a non-executive director during the financial year:

2014					
Band	Number	Director Fees \$'000	Committee Fees \$'000	Superannuation \$'000	Total \$'000
<= \$40,000	-	-	-	-	-
\$40,001 - \$80,000	6	209	36	23	268
>\$80,000	1	75	6	7	88
	7	284	42	30	356
2013					
Band	Number	Director Fees \$'000	Committee Fees \$'000	Superannuation \$'000	Total \$'000
<= \$40,000	1	5	-	-	5
\$40,001 - \$80,000	5	173	30	18	221
>\$80,000	1	73	6	7	86
	7	251	36	25	312

### (e) Executive remuneration

The following table discloses the remuneration details in aggregate for those persons who acted as senior executives during the financial year:

2014									
Band	No.	Base Salary \$'000	Bonus <sup>1</sup> \$'000	Short-Term Incentive Payments <sup>2</sup> \$'000	Super- annuation <sup>3</sup> \$'000	Vehicle <sup>4</sup> \$'000	Other Benefits <sup>5</sup> \$'000	Total 2013-14 \$'000	Total 2013-12 \$'000
<= \$150,000	-	-	-	-	-	-	-	-	-
\$150,001 - \$300,000	2	333	2	-	38	51	(2)	422	411
> \$300,000	1	247	-	18	40	28	6	339	342
	3	580	2	18	78	79	4	761	753

<sup>1</sup> Bonuses are payments in addition to base salary that do not depend on achieving specified performance goals.

<sup>2</sup> Short term incentive payments are dependent upon achieving specified performance goals within specified timeframes.

These payments are non-recurrent and do not exceed 10% of the base salary.

<sup>3</sup> Superannuation means the contribution to the superannuation fund of the individual. Where an individual is a member of a defined benefit scheme the superannuation benefit for the defined benefit component is a notional cost calculated as the base salary multiplied by 11%.

<sup>4</sup> Vehicle costs represent the total cost of business and private use of vehicles provided to executives as part of their remuneration package.

<sup>5</sup> Other benefits comprise annual and long service leave provision movements and non-cash benefits.



# Notes to the Financial Statements

For the year ended 30 June 2014

## 37 Key Management Personnel Information *continued*

2013									
Band	No.	Base Salary \$'000	Bonus <sup>1</sup> \$'000	Short-Term Incentive Payments <sup>2</sup> \$'000	Super-annuation <sup>3</sup> \$'000	Vehicle <sup>4</sup> \$'000	Other Benefits <sup>5</sup> \$'000	Total 2013-14 \$'000	Total 2013-12 \$'000
<= \$150,000	-	-	-	-	-	-	-	-	-
\$150,001 - \$300,000	2	303	2	-	35	52	19	411	381
> \$300,000	1	243	-	19	39	24	17	342	312
	3	546	2	19	74	76	36	753	693

<sup>1</sup> Bonuses are payments in addition to base salary that do not depend on achieving specified performance goals.

<sup>2</sup> Short term incentive payments are dependent upon achieving specified performance goals within specified timeframes. These payments are non-recurrent and do not exceed 10% of the base salary.

<sup>3</sup> Superannuation means the contribution to the superannuation fund of the individual. Where an individual is a member of a defined benefit scheme the superannuation benefit for the defined benefit component is a notional cost calculated as the base salary multiplied by 11%.

<sup>4</sup> Vehicle costs represent the total cost of business and private use of vehicles provided to executives as part of their remuneration package.

<sup>5</sup> Other benefits comprise annual and long service leave provision movements and non-cash benefits.

### (f) Remuneration policies

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures take into account:

- The capability and experience of key management personnel;
- The key management personnel's ability to control the MAIB's performance; and
- Achievement of strategic initiatives.

#### Non-executive directors

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed.

Non-executive directors' remuneration is administered by the Department of Premier and Cabinet. Remuneration levels are reviewed periodically, with increases subject to approval by the Treasurer and Portfolio Minister.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued or paid to directors.

Directors are entitled to reimbursement of expenses incurred while attending to MAIB business.

#### Senior executives

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, motor vehicle and salary sacrifice provisions.

The CEO is also eligible for a short term incentive payment (capped at 10% of base salary) subject to meeting agreed key performance indicators.

The performance of each senior executive is reviewed annually which includes a review of the remuneration package.

Employment contracts have durations not exceeding five years. Senior executives can be re-appointed.

The Department of Treasury and Finance issued revised Director and Executive Remuneration Guidelines for Tasmanian Government Business Enterprises in March 2014 and the MAIB is working towards meeting its obligations under that guideline.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 37 Key Management Personnel Information *continued*

### (g) Directors' Meetings

Director	Board of Directors' meetings		Audit Committee meetings	
	Number		Number	
	Meetings able to be attended	Attended	Meetings able to be attended	Attended
DW Challen AM	13	13	9	9
K Barker	13	13	-	-
M Donschuk	13	13	-	-
DJ McCarthy	13	12	9	8
PJ Roche	13	12	-	-
CJ Rockefeller <sup>1</sup>	12	10	-	-
DC St. John	13	13	9	9
ME Scanlon	13	12	9	9

<sup>1</sup> CJ Rockefeller's appointment as Director expired on 15 May 2014.

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 AM	-	-	1	1
K Barker	11	11	-	-
M Donschuk	11	11	-	-
PJ Roche	11	10	-	-
CJ Rockefeller <sup>1</sup>	10	8	1	1

<sup>1</sup> CJ Rockefeller's appointment as Director expired on 15 May 2014.

### (h) Other transactions of key management personnel and related parties

No business transactions were undertaken with Directors for the year ended 30 June 2014.

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 arm's length basis. The director related relationships are:

DW Challen AM – Deputy President of the Retirement Benefits Fund Board

DW Challen AM – Chairman of Tasmanian Public Finance Corporation

CJ Rockefeller – Director of the Tasmanian Public Trustee

ME Scanlon – Member of the Governing Council, Tasmanian Health Organisation North

# Independent Auditor's Report



## Independent Auditor's Report

To Members of the Tasmanian Parliament

Motor Accidents Insurance Board

Financial Report for the Year Ended 30 June 2014

### 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 2014 and 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 certification statement by the Directors.

### Auditor's Opinion

In my opinion:

- (a) MAIB's financial report:
  - (i) presents fairly, in all material respects, its financial position as at 30 June 2014, and its financial performance, cash flows and changes in equity for the year then ended
  - (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 of MAIB 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 report complies with International Financial Reporting Standards.

...1 of 2

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

*Strive | Lead | Excel | To Make a Difference*

### *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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered 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 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
- 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.

My independence declaration provided to the Directors dated 12 August 2014 and included in the Annual Report, would be unchanged if provided to the Directors as at the date of this auditor's report.

### **Tasmanian Audit Office**



H M Blake  
**Auditor-General**

Hobart  
18 August 2014

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# Independent Auditor's Declaration



**Tasmanian  
Audit Office**

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000  
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Web: [www.audit.tas.gov.au](http://www.audit.tas.gov.au)

12 August 2014

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

Dear Board Members

## **Auditor's Independence Declaration**

As the auditor of the financial report of Motor Accidents Insurance Board for the financial year ended 30 June 2014, 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
- (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**

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

*Strive | Lead | Excel | To Make a Difference*

# 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 2014 and the financial position as at 30 June 2014 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 2014 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 2014 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 2014 give a true and fair view.

Signed in accordance with a resolution of the directors:

Dated 12 August 2014



DW Challen  
**Chairman**



DJ McCarthy  
**Director**



# Appendix

## Interstate Scheme Comparisons - June 2014

	TAS	VIC	NT	NSW	QLD	WA	SA	ACT
No-fault	Yes <sup>1</sup>	Yes <sup>1</sup>	Yes <sup>1</sup>	No <sup>1 &amp; 2</sup>	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 <sup>3</sup>	\$318	\$431	\$511	\$598 <sup>4</sup>	\$335 <sup>4</sup>	\$255	\$368	\$579

<sup>1</sup> Includes lifetime care and support for catastrophically injured

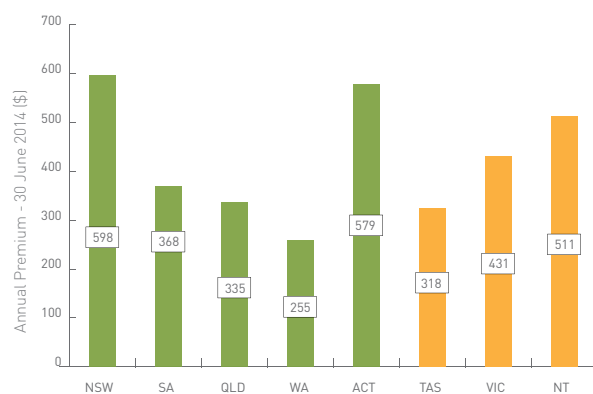
<sup>2</sup> No-fault for children only

<sup>3</sup> Inclusive of GST

<sup>4</sup> Maximum allowable

## Interstate Private Motor Car Premium Rate Comparisons

■ AT FAULT CTP<sup>5</sup> - BENEFITS PAID FOR LIABILITY ■ NO FAULT CTP - CLAIMANTS RECOVER IRRESPECTIVE OF FAULT



<sup>5</sup> - See footnotes 1 - 2 above

## Superannuation

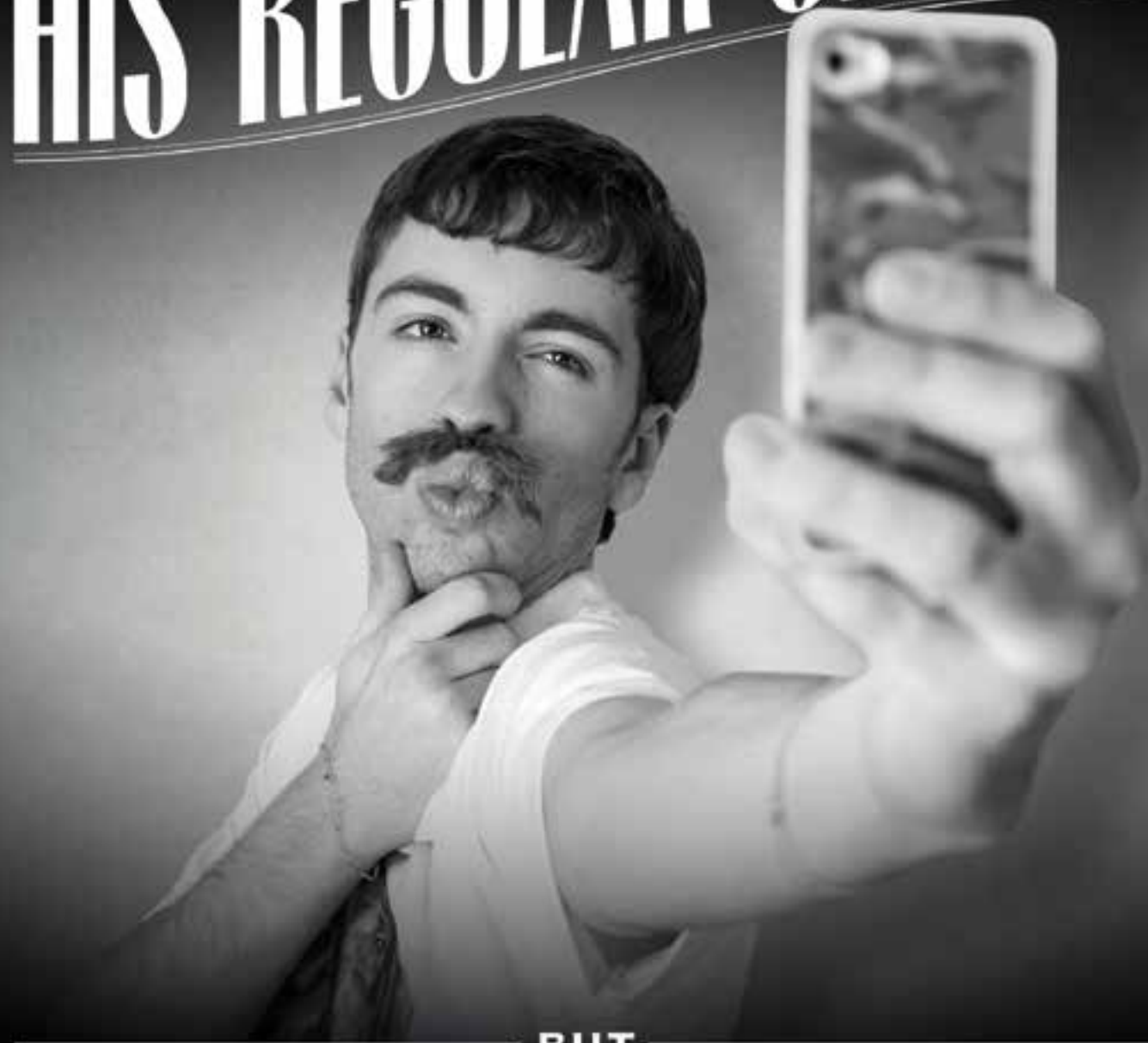
I certify that the MAIB has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the MAIB contributes.

**PJ Roche**

Chief Executive Officer

*You'd let your  
mate get away with*

**HIS REGULAR SELFIES**



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**BUT**

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**REAL MATES DON'T  
LET MATES DRINK DRIVE**

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**MOTOR ACCIDENTS INSURANCE BOARD**  
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