



MOTOR ACCIDENTS INSURANCE BOARD

2012

ANNUAL REPORT

2013



HIGHLIGHTS

- No premium increase for all vehicle classifications for a third consecutive year.
- Continued low claims frequency of less than six claims per 1,000 vehicles.
- Net investment return of 15.5%.
- Record net profit of \$147.5 million.
- Scheme solvency of 31.9% achieved, exceeding the target range of 20% - 25%.
- Dividend of \$23.2 million payable to State Government in respect of year's operations.
- Review of the MAIB's pricing policies undertaken by the Tasmanian Economic Regulator.

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.

VISION STATEMENT

To be highly regarded nationally in the provision of competitively priced, quality, service-driven personal injury motor accident insurance.

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.



Image from the Road Safety Advisory Council's "Real Mates Don't Let Mates Drink and Drive" Campaign



Contents

CHAIRMAN'S REPORT	2
CHIEF EXECUTIVE OFFICER'S REPORT	3
OVERVIEW	4
CHIEF FINANCIAL OFFICER'S REPORT	5
STATEMENT OF COMPLIANCE	7
CLAIMS MANAGEMENT	8
INJURY PREVENTION AND MANAGEMENT FOUNDATION	10
COMMUNITY INVOLVEMENT	14
BOARD OF DIRECTORS	16
HUMAN RESOURCES	18
CORPORATE GOVERNANCE	20
FEATURE - DISABILITY CARE	22
STATEMENT OF CORPORATE INTENT	23
FINANCIAL STATEMENTS	26
APPENDIX	78

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

WWW.REALMATES.COM.AU

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.

Chairman's Report

2012-13 in Review

The MAIB continued in 2012-13 as a successful Government business in the delivery of good outcomes for Tasmanian motorists, those injured in motor crashes and the shareholder, the Tasmanian Government. Claim costs were significantly below budget while the investment portfolio, a vital element in scheme sustainability, provided an excellent return.

FINANCIAL RESULT

The operating result before tax was a profit of \$207.8 million, the highest on record. The strong investment performance provided net investment revenue of \$172.9 million, a return of 15.5% which was in line with the estimated median return for growth funds. Equity markets, both domestic and international, were the main contributors to the solid performance.

Claim costs of \$83.9 million were significantly under budget. A combination of events including favourable revaluations of claim reserves and the partial reversal of economic assumptions, which were responsible for abnormal claim costs in the previous year, contributed largely to the lower than expected claims expense.

The impact on profit from the volatility of investment returns and the discount rate used in the valuation of claim liabilities is illustrated in the chart opposite.

DIVIDEND TO GOVERNMENT

The MAIB has recommended a dividend of \$23.2 million to Government in respect of this year's operations. This is based on 50% of the average of after tax profits and losses over this year and the previous four years.

CAPITAL POSITION

Given the strong financial result, the scheme's solvency has improved from 18.6% at 30 June 2012 to 31.9% at 30 June 2013, comfortably above the current target range of 20% - 25%. In the next annual review, the appropriateness of the target range will be examined having regard to the Australian Prudential Regulation Authority's (APRA) new Prudential Capital Standards.

INVESTMENT PORTFOLIO

Following a tender process in 2012, Towers Watson was engaged to provide asset consultancy services to the MAIB. Consequent upon this appointment, there has been a robust risk and reward evaluation process undertaken prior to the realignment of both the asset mix and investment style. The strategic asset allocation of 65% to growth assets and 35% to defensive assets was maintained.

With this process now concluded, the implementation phase in 2013-14 will see the inclusion of two new asset classes, a re-weighting of existing asset classes in both the growth and defensive sectors and a bias towards passive management in the public listed markets.

ACKNOWLEDGEMENTS

I welcome Michael Dontschuk who joined the MAIB Board on 1 May 2013. Mike has a strong investment background and with those skills and his broad expertise will make a good contribution to the Board.

In conclusion, I also acknowledge the contribution of my fellow Directors during the year and commend the management team and staff for their excellent commitment and dedication in the continued successful administration of our scheme.



Don Challen AM
Chairman

IMPACT ON PROFIT - 2007-08 TO 2012-13



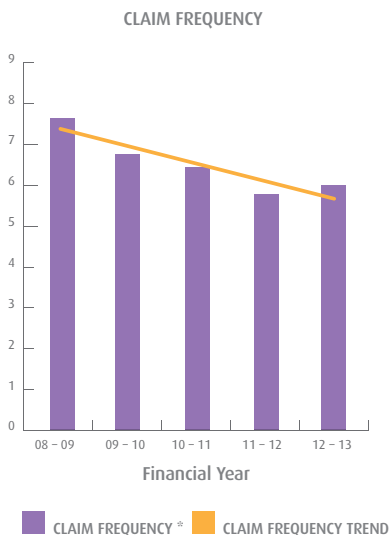
Note 1: Investment returns have been below long term expectations for three of the past six years.

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.

Affordable premiums and a continuation of claim frequency trending downwards were features of the MAIB's operations in 2012-13.

CLAIM FREQUENCY

While slightly higher than the previous year, the number of claims lodged per 1,000 registered vehicles was the second lowest ever recorded by the MAIB. The following graph demonstrates the downward trend of claim frequency over the past five years.



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

The experience over the past five years is a continuation of the sustained incremental improvements achieved since 1994-95. Contemporary road safety education, targeted enforcement, safer vehicles and better road infrastructure are the major factors that have contributed to reduced claim frequency.

CLAIMS PORTFOLIO

The claims portfolio, the MAIB's core business, saw the processing of some 60,000 benefits payments on behalf of injured people during the year.

With no-fault benefits underpinning the scheme, the MAIB is able to deliver benefits in a timely manner and respond to customers as per the Customer Service Charter. The overall client satisfaction score of the past four client surveys has averaged 85%.

Claim benefits were also enhanced following the approval of minor amendments to the *Motor Accidents (Liabilities and Compensation) Regulations 2010* (the Regulations). In particular, the maximum total sum payable for medical and disability benefits per claim (other than the catastrophically injured where no limit applies) was increased from \$400,000 to \$500,000 where a person is hospitalised for more than four days.

NATIONAL ISSUES

With the National Disability Insurance Scheme (NDIS), now known as Disability Care Australia, commencing a launch site in Tasmania from 1 July 2013, the MAIB has been working closely with Government in relation to the proposed National Injury Insurance Scheme (NIIS) and its interaction with the NDIS.

Given that the MAIB has been providing lifetime care for the catastrophically injured for the past twenty years and is largely compliant with national eligibility benchmarks, it is expected that the MAIB scheme will require minimal change.

PREMIUMS

An actuarial review of the MAIB's premium requirements identified that premiums were sufficient and premium rates were maintained at the same level as has applied since 1 December 2009. The declining claim frequency has been a major contributor to maintaining premiums at current levels.

The Tasmanian Economic Regulator undertook the scheduled investigation into the pricing policies of the MAIB in 2012-13. In the Draft Report issued in April 2013, the Regulator recommended a premium reduction of 7.4% from 1 December 2013. The Final Report will be released in July 2013.

CONCLUSION

I wish to formally acknowledge the continued support and strong leadership of my Executive team as well as the untiring efforts of all staff in the delivery of an excellent service to the people of Tasmania.



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 similar hybrid schemes under development in South Australia and New South Wales.

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 Regulations; 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 2013

PORTFOLIO MINISTER:

The Hon. David O'Byrne, MP

TREASURER:

The Hon. Lara Giddings, MP

THE BOARD OF DIRECTORS

Chairman: Don Challen AM

Directors:

Kim Barker

Michael Dontschuk*

Daniel McCarthy

Peter Roche (CEO)

Caroline Rockefeller

Mark Scanlon

David St. John

(*Appointed 1 May 2013)

MANAGEMENT TEAM

Chief Executive Officer: Peter Roche

Chief Operating Officer: Christopher Hill

Chief Financial Officer: Derek Thurm

Manager - Claims and Rehabilitation: Lisa Bingley

ICT Manager: Jo-Anne Wilson

Executive Officer: Kim Butterworth

Financial Accountant: Angie Edwards

Chief Financial Officer's Report

FINANCIAL PERFORMANCE

The MAIB recorded a before tax profit of \$207.8 million in 2012-13 compared with a loss of \$43.6 million in 2011-12.

Higher investment returns and a lower than expected claims expense has resulted in the solvency level increasing from 18.6% in 2012 to 31.9% in 2013, which is above the target range of 20-25%.

PREMIUM REVENUE

Premium revenue of \$139.1 million in 2012-13 was consistent with the previous year. There was no increase to motor vehicle premiums during the year and the premium for a standard motor car remains at \$344.

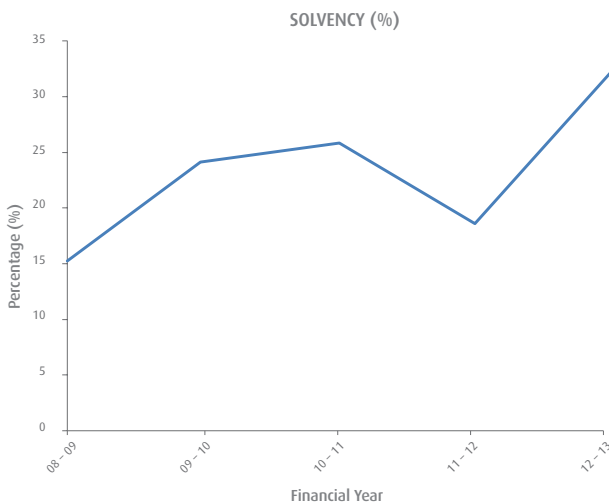
INVESTMENTS

In 2012-13 the MAIB maintained its investment strategy of ensuring that its longer term solvency requirements will be achieved within acceptable levels of risk. This is achieved by maintaining an appropriate balance between growth assets (such as equities and listed property) and more defensive asset classes (such as cash and fixed income).

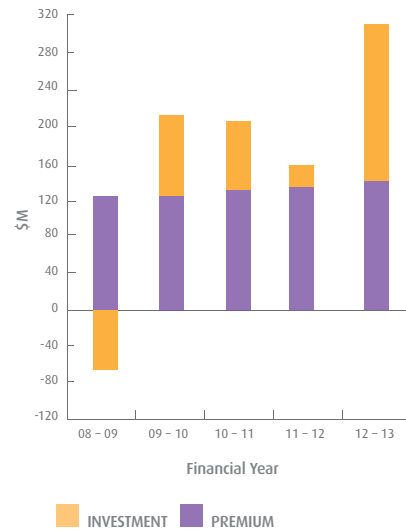
The strategic benchmark settings are reviewed annually. In addition, risks and investment opportunities that arise from time to time in changing market conditions are continually monitored.

Where exceptional opportunities or material risks are identified over the medium term, strategic decisions may be made to deviate from the chosen asset allocation benchmark to enhance fund returns or protect the fund from unnecessary risks.

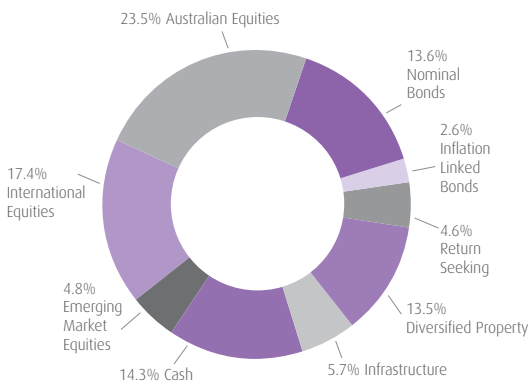
Following the stronger investment markets in 2012-13, the MAIB recorded an investment return of 15.5% after fees compared with 2.2% in 2011-12. As at 30 June 2013 the investment portfolio totalled \$1,311.7 million (2012: \$1,101.3 million).



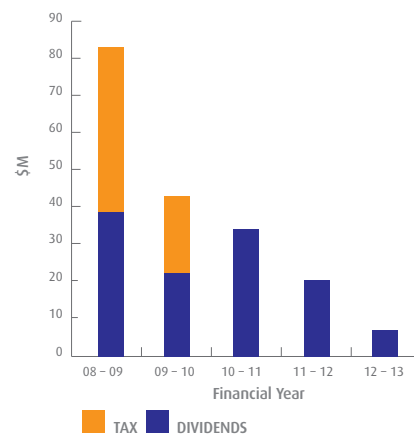
PREMIUM AND INVESTMENT INCOME



ASSET ALLOCATIONS at 30 JUNE 2013



TAX AND DIVIDEND PAYMENTS



Chief Financial Officer's Report cont'd

CLAIMS EXPENSE

A claims expense of \$87.4 million was recorded for the year compared to \$201.1 million in 2011-12. Revisions to the economic assumptions underlying the valuation of the claims liability are primarily responsible for the difference between the two years.

TAX EQUIVALENT

Under the *Government Business Enterprises Act 1995* (the 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 2012-13 financial year is \$13.7 million.

DIVIDEND

Under the GBE Act dividends are payable to the State Government. The methodology requires the dividend in a year to be calculated at the rate of 50% of the average of after tax profits and losses over the current and four preceding years. At the conclusion of the 2012-13 financial year the dividend payable to Government in the following year amounts to \$23.2 million.

KEY PERFORMANCE INDICATORS

The MAIB significantly outperformed its KPI objectives in 2012-13. However, 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
Solvency Level	20.1%	31.9%
Return on Equity	12.3%	47.4%
Return on Total Assets	3.5%	16.2%

FIVE YEAR SUMMARY - FINANCIAL	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000
Premium revenue	120,940	124,975	131,131	133,719	133,220
Claims and underwriting expenses	(68,049)	(99,334)	(129,318)	(190,697)	(87,907)
Underwriting result	52,891	25,641	1,813	(56,978)	45,313
Investment and other revenue	(68,519)	86,448	77,148	23,292	172,683
Administration, Road Safety and Foundation expenses	(10,374)	(9,895)	(9,466)	(9,874)	(10,204)
Profit/(loss) before tax	(26,002)	102,194	69,495	(43,560)	207,792
Tax (expense)/benefit	12,052	(27,616)	(17,829)	16,506	60,330
Profit/(loss) after tax	(13,950)	74,578	51,666	(27,054)	147,462
Net assets	220,240	271,436	288,638	240,388	382,416
Dividend paid	39,619	23,103	34,567	20,249	6,140

FIVE YEAR SUMMARY - OPERATIONAL	2008-09	2009-10	2010-11	2011-12	2012-13
Number of vehicles registered	441,476	452,893	463,567	469,132	473,817
Total payments made (\$'M)	74.4	77.9	79.3	78.2	84.1
Current claims	3,105	2,634	2,800	2,676	2,749
New claims received	3,367	3,053	2,977	2,707	2,839
Number of fatalities	45	53	33	20	33
Fatality rate per 1,000 vehicles	0.10	0.12	0.07	0.04	0.07
Claim rate per 1,000 vehicles	7.63	6.74	6.42	5.77	5.99
Tasmanian car premium (\$)	332	344	344	344	344



Statement of Compliance

**The Hon. Lara Giddings, MP, Premier and Treasurer and the Hon. David O'Byrne, MP,
Minister for Infrastructure**

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the report of the Motor Accidents Insurance Board for the year ended 30 June 2013. The Report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

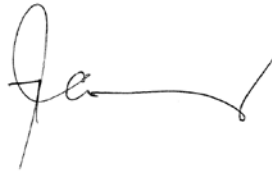
Signed in accordance with a resolution of the Directors:

Dated: 19 September 2013



D W Challen AM

Chairman



M E Scanlon

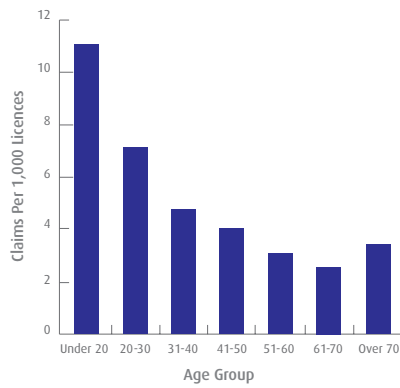
Director

Claims Management

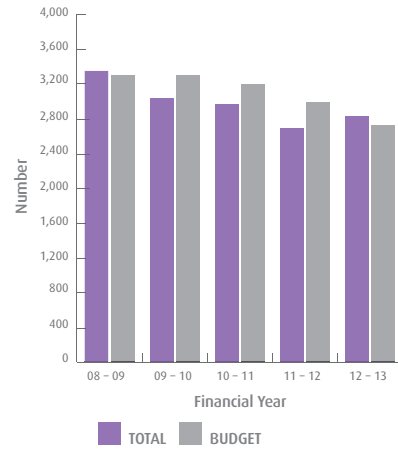
HIGHLIGHTS

- 2,839 new claims received.
- \$42.9 million in no-fault statutory benefits paid.
- 214 common law claims settled.
- 66% of referred Vocational Rehabilitation claimants returned to work.
- 37 settlement conferences attended by Claims Officers.

DRIVER CLAIMS PER 1,000 LICENCES 2012 - 13



CLAIMS RECEIVED



BUSINESS PERFORMANCE

The MAIB experienced:

- a slight increase on last year's low number of new claim lodgements;
- an increase in vehicle numbers (1.0%); and
- the second lowest recorded claim frequency of 5.99 claims per 1,000 vehicles registered.

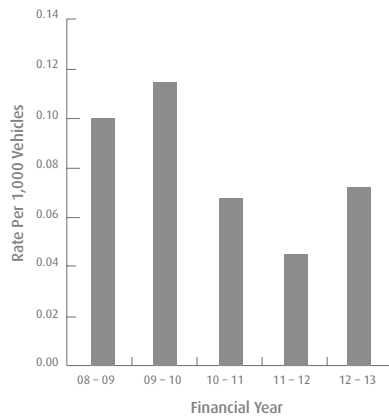
The average common law claim resolution continues to track against the target benchmark of 20 months, with the stock of open claims and settlements slightly higher than last year.

The advertising of 'no win, no fee' legal services for motor accident claims may be a contributing factor and the number of common law claim lodgements will continue to be closely monitored.

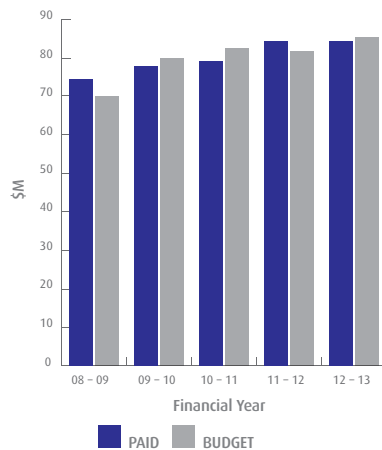
Statutory no-fault benefit payments (including future care) of \$42.9 million was in line with the budget forecast.

The total claim payments were under budget and consistent with the total paid last year.

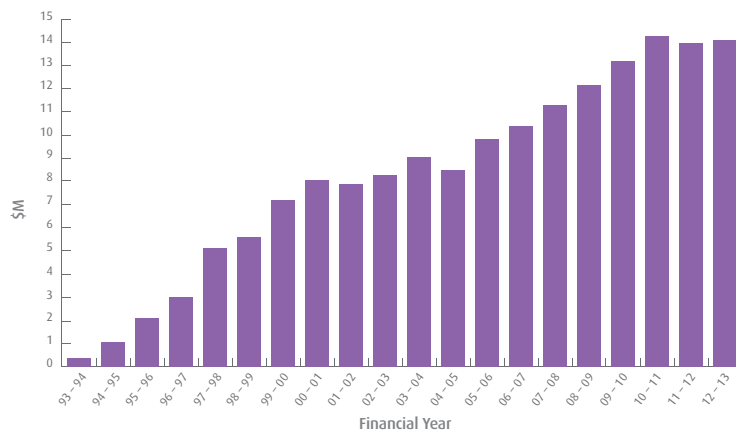
FATALITIES PER 1,000 VEHICLES



CLAIM PAYMENTS



FUTURE CARE PAYMENTS



CLAIMS MANAGEMENT TEAM

The claims management team continues to provide an outstanding service on behalf of the MAIB, delivering high level customer service. Their work is guided by the Act and in support of this, policies and guidelines are in place to assist with the decision-making process to achieve outcomes that are consistent with the MAIB's corporate values.

Over the past year there has been an increase in unsolicited letters of appreciation from claimants and their families. Some of the comments received include:

"On behalf of John and myself I take this opportunity to thank you for the wonderful assistance we have received...no one could have asked for more."

"Everyone has been wonderful and it has made a long hard process much easier."

"MAIB made things easy unlike other insurers, our calls and questions were always answered and it was never a hassle...they took time to talk things through."

"On behalf of Tom and myself, please accept our extremely grateful appreciation for all of the assistance you have provided over a long period of time, in at times, difficult circumstances... your efforts have made this journey for Tom and I that much easier."

These comments are consistent with the outcomes of the biennial customer service surveys conducted in recent years, which show a consistent overall satisfaction level of more than 85%.

REHABILITATION

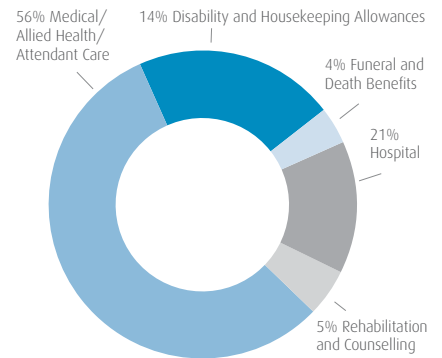
A tender process was undertaken prior to the appointment of a new rehabilitation provider panel in April 2013.

The providers have been contracted for a period of three years in the specialist services of:

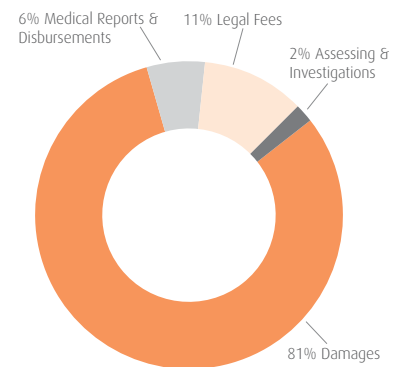
- Occupational Therapy – home modification, vehicle and equipment assessments.
- Vocational Rehabilitation – return to work programs and injury management.
- Support Needs Assessments – activities of daily living assessments with a focus on support/supervision requirements. Underpinning the assessment tool for support needs is a suite of respected measurement tools.
- Case Management – co-ordination of multiple services, access and integration back into community life following a serious injury.

Regular forums, designed to facilitate networking and training, will continue to be held with providers throughout the contract period.

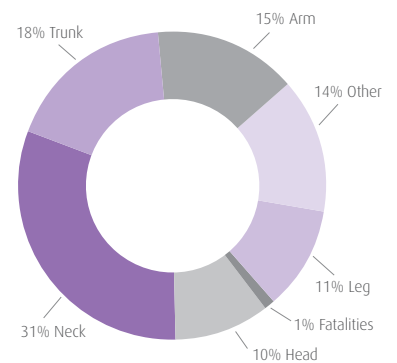
SCHEDULED BENEFITS PAYMENTS 2012 – 13



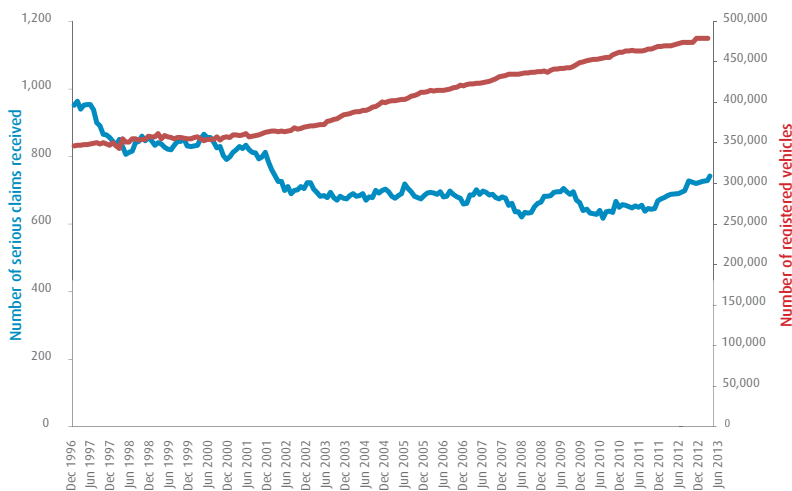
COMMON LAW PAYMENTS 2012 – 13



INJURIES 2012 – 13



SERIOUS CLAIMS VERSUS REGISTERED VEHICLES



Injury Prevention and Management Foundation

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

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

Through the funding of projects, the MAIB aims, 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 2012-13, 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 booklet on safe scooter use; and
- General awareness training for those dealing with people suffering from an acquired brain injury.

PROJECTS FUNDED 2012 – 13

YOLLA DISTRICT HIGH SCHOOL

All Terrain Vehicle Rider Training

This project delivered national competency based All Terrain Vehicle (ATV) rider training to 30 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

Thirty six 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.

JORDAN RIVER SCHOOL FARM

ATV Training – Youth on the Land

Twenty students studying VET Agriculture (Certificate II) at the Jordan River School Farm participated in ATV training.

The training included:

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

All students successfully completed the course and received vocational accreditation for the unit "Operate Quad Bikes".

AUSTRALIAN RED CROSS

North West Coast Learner Driver Mentor Program

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

As at the end of June 2013, 24 volunteer mentor drivers are actively participating in the program with three more waiting for the next induction. There were 24 young drivers currently participating in the program and there were 20 on the waiting list. Five young drivers have passed their L2 licence test and one has obtained their provisional licence. Positive feedback has been received from both the young drivers and mentors who are participating in this program.

UNIVERSITY OF TASMANIA –
SCHOOL OF MEDICINE

Wilderness Skills Weekend

This project allowed 35 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.

Students were presented with a range of scenarios including a road crash, a mental health emergency and a multi-trauma incident that took place at night.

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 completely different situations to what they are used to. Students also learned the values of clear communication, team work, leadership and the principles of patient comfort.



Wilderness Skills Weekend - Road Crash Scenario

BICHENO COMMUNITY
HEALTH GROUP INC

**Bicheno Community
Car Awareness Program**

The Bicheno Community Health Group is a self-sustaining and independent group. One of the programs that the group runs is a Community Health Car for which they currently have 26 drivers. This project provided the volunteer drivers with a driver awareness program, which was a one day course delivered by Motor Safe Tasmania.

BRAIN INJURY ASSOCIATION OF
TASMANIA (BIAT) AND SYNAPSE

**Synapse Training Tasmania –
Understanding Acquired Brain Injury
(ABI)**

The second year of this two year project allowed Synapse to focus on providing ABI training to the housing sector, child protection, education and paediatric sector, Community Youth Justice and Mission Australia.

Synapse delivered a number of training sessions throughout the year including, but not limited to, Introduction to ABI, Introduction to ABI for Mental Health Workers and Working with People with ABI – Understanding and Responding to Behaviour. Feedback received from the training sessions was positive.

INDEPENDENT LIVING CENTRE

Printing of Scooter Booklet

The Scooter Booklet contains information on choosing and using motorised mobility devices (scooters and powered wheelchairs). It was developed in collaboration with the Department of Infrastructure, Energy and Resources; Tasmania Police; Occupational Therapists; and other individuals and organisations with knowledge about scooters, safety, legislation and Australian Standards. The Foundation provided funding that enabled 10,000 copies of the booklet to be printed. This is the first booklet of its kind to be developed specifically for Tasmania.

Injury Prevention and Management Foundation cont'd

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.



PARAPLEGIC AND QUADRIPLÉGIC ASSOCIATION OF TASMANIA INC. (ParaQuad)

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



HEADWAY NORTH WEST TASMANIA INC.

Headway North West 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.



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.



HEADWAY REBUILDING LIVES (HrI)

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



TASMANIAN ACQUIRED BRAIN INJURY SERVICES INC. (TABIS)

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



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

APPLICANT	NAME OF PROJECT	FUNDING APPROVED
Jordan River High School Farm (formerly Bridgewater School Farm)	ATV Training – Youth on the Land	\$8,800
Yolla District High School	Crash Free Driving	\$1,000
Yolla District High School	All Terrain Vehicle Rider Training	\$15,400
UTAS School of Medicine	Wilderness Skills Weekend	\$16,836
Australian Red Cross	North West Coast Learner Driver Mentor Program (Year 2 of 3)	*\$27,236
Brain Injury Association in partnership with Synapse	Synapse Training Tasmania – Understanding Acquired Brain Injury (Year 2 of 2)	**\$39,765
Independent Living Centre	Printing of Scooter Booklet	\$14,755
Bicheno Community Health Group Inc.	Bicheno Community Car Driver Awareness Program	\$1,100
Road Trauma Support Team (Tasmania) Inc.	Hobart Office	\$40,000
TOTAL FUNDING COMMITTED to PROJECTS 2012-13		\$164,892

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

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

(NB: All amounts are exclusive of GST)

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
TOTAL FUNDING COMMITTED to PROJECTS 2013-14		\$125,341

* 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)



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 2012-13 the major campaign was "Real Mates Don't Let Mates Drink And Drive". The multimedia campaign was launched in August 2012 and a competition encouraging the public to come up with their own slogan of "Real Mates Don't...". The campaign focused on the message that you may let your mates get away with some questionable choices, but not with drink driving.



A "Real Mates" Facebook page was launched at the same time as the campaign with the aim of engaging the younger audience.

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

The MAIB again supported the RSAC at Agfest 2013 as part of the joint initiative of the "Working for a Safer Tasmania" site, with the RSAC's display being focused on the "Real Mates" campaign.

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 gap.

The course is available to eligible motorcyclists at a maximum cost of \$50 per participant. The MAIB encourages more riders to take advantage of this program by encouraging providers to promote the availability of the subsidised course.



Agfest 2013 - Working For a Safer Tasmania Site

GEARING UP EXPO

The Gearing Up Living your Potential Expos are co-ordinated by the University of Tasmania and held every two years. The Expos provide people with a disability the opportunity to access information on education, training, employment, life skills support and recreational services as well as an opportunity to speak directly with the organisations that provide these services. The MAIB provided sponsorship to assist with the running of the Expos which were held in Burnie, Launceston and Hobart.



Gearing Up Expo, Hobart

TASMANIAN COMMUNITY ACHIEVEMENT AWARDS

In 2012 the MAIB continued the sponsorship of the Disability Achievement Award category of the Tasmanian Community Achievement Awards.

Eight nominations were received for the MAIB Disability Achievement Award in 2012, from which three finalists were selected. The finalists and winners of the Community Achievement Awards for Tasmania were announced at an awards presentation dinner held in October 2012 at the Hotel Grand Chancellor in Hobart.

The MAIB 2012 Disability Achievement Award recipient was Cathy Bantick. Cathy has made an invaluable contribution to the Riding for Disabled Association (RDA) for the past 11 years at a State and National level. Despite suffering a stroke in 2004 that left her in a wheelchair for six months and with long lasting disability, Cathy has continued to fulfil her voluntary role as Coaching Director while also sharing the Executive Officer's role. In 2011, Cathy was awarded RDA Australia's highest award for service.



MAIB CEO, Peter Roche and MAIB Disability Achievement Award winner, Cathy Bantick

METRO NIGHTRIDER

For the fourth consecutive year, the MAIB partnered with Metro by providing \$44,000 sponsorship for the promotion and provision of the "Nightrider" late night bus service for New Year's Eve within Hobart, Launceston and Burnie. This service was well patronised.

SUPPORT FOR COMMUNITY GROUPS

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

During 2012-13 financial support was provided to a number of community groups, including the Volunteer Ambulance Officers Association of Tasmania Incorporated, the Australian Driver Training Association and the Southern and Northern Motorcycle Riders Associations.

Board of Directors



DON CHALLEN AM

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

MEMBER:

- Audit Committee
- Foundation Committee

Appointed as Chairman: 17 December 2010

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



KIM BARKER

BA, DipEd, MAICD
Director (Independent)

CHAIRPERSON:

- Claims Committee

Appointed as Director: 15 September 2003

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



MICHAEL DONTSCHUK

BSc (Hons), FFTP, MAICD
Director (Independent)

Appointed as Director: 1 May 2013

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 and worked in corporate debt advisory and investment banking. Michael is also a Director of Australia Ratings and was recently President and Director of the Finance and Treasury Association of Australia.



DANIEL (DANNY) MCCARTHY

BEC (Hons), FCA
Director (Independent)

MEMBER:

- Audit Committee

Appointed as Director: 1 February 2010

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



PETER ROCHE

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

MEMBER:
· Claims Committee
Appointed as Director: 10 May 2004

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



CAROLINE ROCKEFELLER

BCom, GAICD
Director (Independent)

MEMBER:
· Claims Committee
· Foundation Committee
Appointed as Director: 16 May 2011

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



MARK SCANLON

MBA, BBus, FCPA, FAICD
Director (Independent)

CHAIRPERSON:
· Audit Committee
Appointed as Director: 5 November 2007

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



DAVID ST. JOHN

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

MEMBER:
· Claims Committee
Appointed as Director: 16 May 2011

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



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 2013 survey are listed in the table below:

Overall Staff Satisfaction	73%
Satisfaction with training received at the MAIB	87%
Respondents who believe that management are flexible about family/personal obligations	86%
Respondents who feel by doing their job well, they are making a valuable contribution to the community	82%

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, will abide by the Code 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 Equal Employment Opportunity 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. A number of employees are currently undertaking study, including 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 has also recently completed a Masters Degree in Health Services 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 that all problems are addressed promptly. All Health and Safety policies were reviewed in 2012 to ensure compliance with the new Work Health and Safety Laws, with a number of new policies and procedures being introduced to enhance staff safety.

The MAIB has twice weekly exercise sessions for staff which are 15 minutes in duration. Sessions consist of either a walk or indoor exercise that encourage staff to be active, even while at work.

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

WORKFORCE

As at 30 June 2013, the MAIB had a workforce of 35.6 FTEs, similar to the previous year. This is comprised of 26 full time staff and 16 part time staff (who are predominantly working parents).

The average length of service is 10.77 years. The MAIB recognises significant years of service, commencing at five years, with a formal presentation of a gift and a certificate acknowledging the employee's years of service. The MAIB prides itself on a high level of staff retention.

Years of service	Number of employees
0 - 5	12
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 assisting fortnightly Meals on Wheels deliveries on a rostered basis. During 2012-13, 25% of employees participated in this community service.

Casual Clothes Day

Casual clothes day occurs once a month to raise funds for charities nominated by staff members. Charities supported included Big Ears Animal Sanctuary, The Benevolent Society, Royal Flying Doctors and TLC for Kids.

Women's 5km Walk/Run

The MAIB provided sponsorship for 17 staff members to participate in the Women's 5km walk/run held in Launceston in March 2013. The event raised funds for breast cancer research.

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 2012, MAIB employees and their extended families and friends filled 43 shoe boxes.

Pollie Pedal

The MAIB sponsored staff members, Grant Young and Clare Klapche, to participate in Pollie Pedal 2013; a cycling event in its eighth year that raises awareness and funds for Diabetes Tasmania. The three day ride commenced in Dunalloy and proceeded around the Tasmanian Peninsula and Hobart area. The event raised \$45,000 which is an excellent contribution for Tasmanians living with diabetes.



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



Participants in Pollie Pedal 2013

LEGISLATIVE AUTHORITY

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

CORPORATE PLAN AND MINISTERIAL CHARTER

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

BOARD OF DIRECTORS AND ITS COMMITTEES

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

The Board is responsible for the corporate governance and strategic direction of the MAIB, ensuring that its business and affairs are conducted and managed in accordance with sound commercial practice and are consistent with the goals specified in the Plan. The Board is responsible to the Shareholding Ministers for the operation and performance of the MAIB.

There are four sub-committees of the Board:

Audit Committee

Members – Mark Scanlon (Chair), Don Challen AM and Danny McCarthy

The Audit Committee is constituted in accordance with section 16 of the GBE Act.

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

Claims Committee

Members – Kim Barker (Chair), Peter Roche, Caroline Rockefeller and David St. John

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

Injury Prevention and Management Foundation (Foundation) Committee

Members – Don Challen AM (Chair) and Caroline Rockefeller

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. The results of the external assessment were positive. Feedback was provided to individual Directors and the Chairman by the external consultant.

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. No internal Board of Director evaluations were undertaken in 2012-13 due to the external evaluation.

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 2012-13.

RISK MANAGEMENT

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

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

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

PRICING POLICIES

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

In 2012-13 the Regulator commenced a review of the MAIB's pricing policies. The MAIB provided the Regulator with a submission in relation to the setting of maximum premiums. It is expected that the Regulator will release its final report in July 2013 recommending maximum premiums payable for the four years commencing from 1 December 2013.

Disability Care

Challenges in providing care in regional areas of Tasmania

It is an unfortunate fact that, following a motor accident, some claimants require care, which may be short term or ongoing. The majority of cases that require ongoing care are the MAIB's future care claimants (those who are catastrophically injured and require at least two hours of care per day).

Working in the care industry in regional areas in Tasmania (such as the North West and West Coast) can present challenges for carers and for those people requiring care. The North West/West Coast of Tasmania extends from south of Strahan to Port Sorell on the North Coast and includes King Island. The North West/West Coast area makes up 33% of the total area of Tasmania but has only around 20% of the population.

Two not-for-profit care agencies, Anglicare and ARC Support Services (ARC), are contracted by the MAIB to provide care to claimants. Anglicare currently has around 100 carers in the North West, who provide care for around 280 people (including aged care). ARC, a recently contracted agency, currently has seven carers in the State, who provide care to 13 people. ARC is growing rapidly and is regularly employing staff to provide support in most areas of Tasmania. Each organisation has experienced challenges in providing care in regional areas of Tasmania.

The main areas of challenge include:

Staff recruitment

Due to the small size of regional communities most people know each other, so it can often be difficult to assign a carer where there would be no conflict of interest. Also some people requiring care do not want to be cared for by someone that they know.

Access to treatment

Some of the regional communities in the North West do not have access to medical providers such as physiotherapists and there is often no specialist care in regional communities, which means that the patients have to travel to obtain medical treatment.

Access to safe and reliable transport

There are limited options for people who are wheel chair bound, especially those in larger wheel chairs. The only options for these people are a modified van (which is located at Lomandra - the MAIB's purpose-built care facility in Ulverstone) or Patient Transport (for medical issues only). There is no access to a wheel chair safe taxi in the North West.

Provision of equipment

The time to get the appropriate equipment in place or repaired can be lengthy, due to the distance from the nearest city to the regional area. Providers often try to combine a number of jobs in the area to save on transport costs.

Location of Carers

Some North West carers are based in Burnie and it is often not financially feasible to send carers from Burnie to Smithton to undertake short periods of care.

Whilst providing care in regional areas of Tasmania can provide challenges, the MAIB continues to work with its service providers to maximise opportunities to ensure that claimants requiring care receive the optimum support and treatment required.



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 2013-14 financial year (to the extent that the targets are in the control of the MAIB).

This Statement of Corporate Intent has been agreed between:



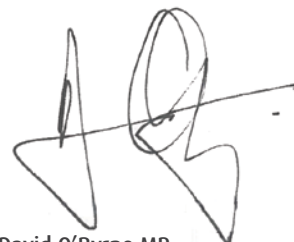
D W Challen AM

Chairman
Motor Accidents Insurance Board
On behalf of the Board



Lara Giddings MP

Treasurer



David O'Byrne MP

Minister for Infrastructure

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 2013-14, 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. International financial markets impact on investment revenue and economic events impact heavily on claims expense. Additionally, the business performance could be significantly affected should the proposed changes to APRA capital requirements be adopted or the dividend payable under the dividend policy is increased above 50%. It is therefore not possible to predict annual profits with certainty.

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

1. Financial Management

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

2. Accident Prevention and Injury Management

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

3. Claims and Rehabilitation

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

4. Service to Claimants

To continually improve service to claimants.

5. Business Systems

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

6. Human Resources

To provide a competent, efficient and well-motivated workforce capable of delivering quality service to both internal and external clients in accordance with the MAIB's Vision, Mission and Values Statements.

PERFORMANCE AGREEMENT

FINANCIAL RETURNS TO GOVERNMENT

	Target	Estimates		
	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Dividends paid (\$M)	23.2	28.8	24.0	21.6
Tax equivalents paid (\$M)	9.3	10.3	5.2	7.0
Total	32.5	39.1	29.2	28.6

FINANCIAL TARGETS

	Target	Estimates		
	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Financial result after tax (\$M)	42.0	25.8	28.0	27.8
Solvency level (%)	25.0	31.7	30.7	29.7
Return on equity (%)	8.0	6.5	7.0	6.8
Return on assets (%)	3.0	2.5	2.6	2.4
Real return on investments (%)	3.0	3.0	3.0	3.0
Premium increase (%)	0.0	4.0	4.0	4.0
Capital expenditure (\$'000)	420	230	250	300

NON-FINANCIAL TARGETS

	Target	Estimates		
	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Claim rate per 1,000 vehicles	6	6	6	6
Number of outstanding claims	2,800	2,850	2,850	2,850
Client satisfaction (%)	85	85	85	85
Staff satisfaction (%)	75	75	75	75
Premium affordability of AWOTE (%)	30	30	30	30
Operating costs against peers (%)	<100	<100	<100	<100



2012

MOTOR ACCIDENTS INSURANCE BOARD

FINANCIAL REPORT

2013

Financial Report Contents

2012 - 2013

STATEMENT OF COMPREHENSIVE INCOME	28	18 FINANCIAL INSTRUMENTS	46
STATEMENT OF FINANCIAL POSITION	29	19 PLANT AND EQUIPMENT	54
STATEMENT OF CHANGES IN EQUITY	30	20 INTANGIBLES	54
STATEMENT OF CASH FLOWS	31	21 DEFERRED ACQUISITION COSTS	54
NOTES TO THE FINANCIAL STATEMENTS	32	22 OUTSTANDING CLAIMS LIABILITY	55
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	32	23 UNEXPIRED RISK LIABILITY	63
2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES	38	24 PROVISION FOR EMPLOYEE BENEFITS	64
3 RISK MANAGEMENT POLICIES AND PROCEDURES	39	25 RETAINED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	68
4 VOLATILITY IN RESULTS	40	26 INJURY PREVENTION AND MANAGEMENT FOUNDATION LIABILITY	68
5 GENERAL AND ADMINISTRATION EXPENSES	40	27 UNEARNED PREMIUM LIABILITY	68
6 PREMIUM REVENUE	40	28 TRADE AND OTHER PAYABLES	68
7 INCOME TAX	40	29 COMMITMENTS	69
8 CLAIMS EXPENSE	42	30 STATEMENT OF CASH FLOWS	69
9 RECOVERY REVENUE	42	31 ROAD SAFETY ADVISORY COUNCIL	69
10 NET CLAIMS INCURRED	43	32 MOTORCYCLE SAFETY STRATEGY	70
11 INVESTMENT INCOME	43	33 DIVIDENDS	70
12 OTHER INCOME	44	34 EVENTS AFTER THE REPORTING PERIOD	70
13 TRADE AND OTHER RECEIVABLES	44	35 KEY MANAGEMENT PERSONNEL INFORMATION	70
14 REINSURANCE RECOVERIES RECEIVABLE	44	INDEPENDENT AUDITOR'S REPORT	74
15 INVESTMENTS	44	AUDITOR'S INDEPENDENCE DECLARATION	76
16 INVESTMENT PROPERTIES	45	CERTIFICATION	77
17 OTHER ASSETS	45		

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Continuing operations			
Premium revenue	6	139,143	139,167
Outwards reinsurance expense		(5,923)	(5,448)
		<u>133,220</u>	<u>133,719</u>
Claims expense	8	(87,446)	(201,094)
Recovery revenue	9	3,514	13,490
Unexpired risk expense	23	(1,331)	(428)
Underwriting expenses	21	(2,644)	(2,665)
		<u>45,313</u>	<u>(56,978)</u>
Underwriting result			
Investment income	11	174,321	24,418
Investment expenses	11	(1,430)	(1,333)
Other income	12	(208)	207
General and administration expenses	5	(6,040)	(5,693)
Road Safety Advisory Council	31	(3,480)	(3,480)
Injury Prevention and Management Foundation	26	(680)	(698)
Motorcycle Safety Strategy	32	(4)	(3)
		<u>207,792</u>	<u>(43,560)</u>
Profit/(loss) before tax			
Tax (expense)/benefit	7	(60,330)	16,506
		<u>147,462</u>	<u>(27,054)</u>
Profit/(loss) from continuing operations			
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	24	1,008	(1,353)
Tax (expense)/benefit on other comprehensive income	7	(302)	406
		<u>706</u>	<u>(947)</u>
Other comprehensive income net of tax			
		<u>148,168</u>	<u>(28,001)</u>
Total comprehensive result			

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

Statement of Financial Position

AS AT 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Assets			
Cash and cash equivalents	18	138,326	150,689
Trade and other receivables	13	2,161	2,144
Investments	15	1,173,351	950,652
Other assets	17	24	7,410
Reinsurance recoveries receivable	14	26,429	23,469
Plant and equipment	19	530	612
Investment properties	16	14,740	15,040
Net deferred tax asset	7	3,102	50,024
Deferred acquisition costs	21	-	668
Intangibles	20	417	468
Total assets		1,359,080	1,201,176
Liabilities			
Trade and other payables	28	2,117	1,984
Provision for tax	7	6,347	-
Injury Prevention and Management Foundation	26	781	815
Unearned premium liability	27	59,951	58,661
Provision for unexpired risk	23	640	-
Outstanding claims liability	22	901,916	893,751
Provision for employee benefits	24	4,912	5,577
Total liabilities		976,664	960,788
Net assets		382,416	240,388
Equity			
Retained earnings attributable to equity holders	25	382,416	240,388
Total equity		382,416	240,388

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

MOTOR ACCIDENTS INSURANCE BOARD

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Retained earnings attributable to equity holders at beginning of year		240,388	288,638
Profit/(loss) from continuing operations		147,462	(27,054)
Other comprehensive income net of income tax		706	(947)
Total comprehensive result		<u>148,168</u>	<u>(28,001)</u>
Dividends paid		(6,140)	(20,249)
Retained earnings attributable to equity holders at end of year	25	<u>382,416</u>	<u>240,388</u>

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Inflows (Outflows) \$'000	2012 Inflows (Outflows) \$'000
Cash flows from operating activities			
Premiums received		154,452	152,463
Reinsurance and other recoveries received		572	3,481
Dividends received		42,211	34,336
Interest received		8,880	8,669
Rent received		424	472
Other investment revenue received		2,036	2,370
Claims paid		(84,129)	(78,228)
Reinsurance paid		(6,187)	(5,743)
Other claim payments		(428)	(397)
Underwriting expenses paid		(2,934)	(2,873)
General and administration expenses paid		(5,714)	(5,271)
Investment expenses paid		(1,491)	(1,578)
Road Safety Advisory Council		(3,828)	(3,828)
Motorcycle Safety Strategy		(3)	(4)
Injury Prevention and Management Foundation		(781)	(835)
Tax equivalent paid		-	-
Goods and services tax paid		(7,352)	(7,544)
Net cash flows from operating activities	30	<u>95,728</u>	<u>95,490</u>
Cash flows used in investing activities			
Purchases of investments		(967,024)	(523,353)
Sale of investments		865,531	433,669
Purchase of investment property		(296)	-
Purchase of plant and equipment		(256)	(208)
Sale of plant and equipment		94	6
Net cash flows used in investing activities		<u>(101,951)</u>	<u>(89,886)</u>
Cash flows used in financing activities			
Dividends paid		(6,140)	(20,249)
Net cash flows used in financing activities		<u>(6,140)</u>	<u>(20,249)</u>
Net increase/(decrease) in cash and cash equivalents held		(12,363)	(14,645)
Cash and cash equivalents at the beginning of the financial year		150,689	165,334
Cash and cash equivalents at the end of the financial year	18	<u><u>138,326</u></u>	<u><u>150,689</u></u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

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.

The financial statements cover the MAIB for the year ended 30 June 2013 and were certified and authorised for issue by the Board of Directors on 13 August 2013.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

Australian Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2013. The MAIB has not adopted the following standards early when preparing the 2012-13 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 considers 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 (December 2010) and Amendments to Australian Accounting Standards – Mandatory Effective Date of AAS 9 and Transitional Disclosures (effective from 1 January 2015)***

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 2015 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.

- (ii) ***AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)***

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The MAIB has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The MAIB will adopt the new standard from 1 January 2013, which means it will be applied in the annual reporting period ending 30 June 2014.

- (ii) ***AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)***

In September 2011, the AASB released a revised standard on accounting for employee benefits. The revised standard requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income, the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense/income by applying the discount rate to the net defined benefit liability/asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will be implemented retrospectively. The changes required of the revised standard are being reviewed and are not expected to be material in relation to MAIB's statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in the financial statements for the year ended 30 June 2012.

(c) Income tax

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

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

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

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the assets and liabilities giving rise to them are realised or settled, based on tax rates that have been enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the MAIB expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

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

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

(d) Dividends

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

Special dividends are brought to account in the financial statements in the year in which the dividend receives Parliamentary approval.

(e) Premium revenue

Premium revenue 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 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.

(f) Deferred acquisition costs

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

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

(g) Outstanding claims liability

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

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

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

In determining the provision for outstanding claims, a risk margin is added to the total of the net central estimate of the discounted future claim payments plus the estimated claims handling expenses. The addition of the risk margin recognises the inherent uncertainties contained within the actuarial valuation and provides a probability not less than 75% (2012: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by the Australian Prudential Regulation Authority.

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



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

(h) Unexpired risk liability

At each reporting date the unearned premium liability is actuarially assessed to determine if it is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test. If the present value of the expected future cash flows relating to future claims plus claims handling expenses and a risk margin 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 cost, which is equal to fair value, and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in profit or loss.

Dividends are recognised as revenue when the right to receive payment is established. Interest income is recognised on an accrual basis. Differences between the net fair values of investments at the reporting date and their net fair values at the previous reporting date (or cost of acquisition, if acquired during the financial year) are recognised as a revenue or expense in the statement of comprehensive income in the reporting period in which the changes occur.

Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the MAIB has transferred substantially all the risks and rewards of ownership. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised as realised gains or losses on financial instruments.

Derivatives

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

The MAIB and its fund managers are authorised to invest in derivative financial instruments subject to those derivatives complying with the guidelines set out in the MAIB's Investment Policy Statement. Derivative financial instruments include futures, forward contracts, options and interest rate swaps. Derivatives may be used as an alternative to buying or selling the physical security, as a risk management tool or to manage exposure to relevant markets. Derivatives may not be used in a speculative manner or for gearing the investment portfolio.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

Fair value

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

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

(k) Investment properties

Investment properties are held to earn rental income and/or capital appreciation. They are initially recorded at cost at the date of acquisition and are subsequently measured at fair value at reporting date. Fair value is determined on the basis of an annual independent valuation prepared by external valuers 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.

(l) Trade and other receivables

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

(m) Reinsurance recoveries receivable

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

(n) Accounts payable

These amounts are recognised at cost and represent amounts owing for goods and services provided prior to the end of the financial year and which are unpaid as at the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Plant and equipment

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

(p) Depreciation

Depreciation of plant and equipment is made on the straight line basis using rates designed to write off the net cost or revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful lives of plant and equipment are 4-10 years.

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

Investment properties are not depreciated.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

(q) Intangible assets

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

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

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

(r) Impairment

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

(s) Employee benefits

Annual leave, long service leave and sick leave

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

(t) Goods and services tax

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 Summary of Significant Accounting Policies *continued*

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

(u) 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.

(v) Comparative figures

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

(w) Rounding

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

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).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2 Critical accounting judgements and estimates *continued*

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.

3 Risk management policies and procedures

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

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

As the sole underwriter of compulsory third party insurance in Tasmania the main insurance risks include claims and rehabilitation management, maximising investment returns within acceptable bounds of risk and ensuring collection of appropriate premium revenue. The risk management objectives in regard to these categories are to maintain long term scheme solvency in the target range of 20% to 25% - refer note 18(d) - and to ensure that a balance exists between premium income, the cost of claims and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.

Risk management principles

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

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

The objectives of the Policy are to:

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

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

Insurance risk

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

- acceptance of valid claims;
- accurate assessment of claim liabilities;
- cost control measures are in place;
- fraud prevention and detection;
- provision of accurate information into the premium setting process; and
- establishment of appropriate investment strategies to meet future liabilities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

3 Risk management policies and procedures *continued*

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

- A comprehensive database of accident data is maintained which facilitates the provision of a wide range of up-to-date information.
- Exposure to catastrophic motor accidents is managed through taking out appropriate reinsurance cover. The retention and limits are approved by the Board of Directors and reinsurance treaties are re-negotiated annually via a broker. When selecting a reinsurer only firms that have at least a Standard and Poor's 'A' rating are considered.
- An external consultant is engaged to provide a range of investment advisory services. A primary function of the engagement is to undertake a strategic asset allocation assessment annually and recommend an appropriate investment portfolio, within acceptable bounds of risk. The mix of growth and defensive asset classes selected is structured to ensure long term matching of investment funds with future financial obligations.
- 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. In undertaking the 2013 review the regulator engaged the services of an independent actuary to review the MAIB's proposal.

(b) Terms and conditions of insurance business

The MAIB offers one class of insurance, compulsory third party. The terms and conditions are established under the *Motor Accidents (Liabilities and Compensation) Act 1973*.

(c) Concentration of insurance risk

The MAIB operates the Tasmanian compulsory third party insurance scheme. Concentrations of insurance risk are determined by the nature and potential impact of the risk. The major concentration of insurance risk is a catastrophic motor accident. To limit its exposure to the financial impact of catastrophic motor accidents the MAIB purchases reinsurance cover.

(d) Interest rate risk

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into are directly exposed to interest rate risk. Insurance and reinsurance contracts are entered into annually. At the time of entering into the contract all terms and conditions are negotiable or, in the case of renewals, renegotiable.

(e) Credit risk

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

There are no significant concentrations of credit risk.

4 Volatility in results

Outstanding claims liability

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

4 Volatility in results *continued*

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.

	2013 \$'000	2012 \$'000
5 General and administration expenses		
Salaries and staff related expenses	3,497	3,303
Depreciation and amortisation	184	175
Information technology	290	278
External Audit Fees ¹	61	77
International travel ²	37	23
Other operating costs	1,971	1,837
	<u>6,040</u>	<u>5,693</u>

¹ Fees paid for the audit of the financial statements.

² During 2012-13 the Chairman and the Chief Executive Officer completed one international trip to meet with reinsurers in Singapore and London. During 2011-12 the Chief Executive Officer and the Chief Operating Officer completed one international trip to meet with reinsurers in Singapore and London.

	2013 \$'000	2012 \$'000
6 Premium Revenue		
Direct	140,433	139,271
Movement in unearned premium liability	(1,290)	(104)
	<u>139,143</u>	<u>139,167</u>
7 Income Tax		
(a) Income tax expense/(benefit) recognised in the Statement of Comprehensive Income		
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	16,901	(3,190)
Deferred tax adjustment	43,429	(13,124)
Prior year adjustments	-	(192)
Tax expense/(benefit) attributable to operating result	<u>60,330</u>	<u>(16,506)</u>
Reconciliation between operating result and income tax expense/(benefit)		
Operating result before tax	207,792	(43,560)
Income tax expense/(benefit) calculated at 30%	62,338	(13,068)
Tax offsets for franked dividends	(3,974)	(3,246)
Prior year losses utilised	(155)	-
(Over)/under provision of income tax in previous year	2,121	(192)
Income tax expense/(benefit) attributable to operating result	<u>60,330</u>	<u>(16,506)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
7 Income Tax <i>continued</i>		
(b) Tax liability		
Tax payable in respect of current year	13,710	-
Less tax instalments paid	-	-
(Over)/under provision of income tax expense/(benefit) in previous year	-	(192)
Increase/(decrease) in prepaid tax	(7,363)	192
Provision for tax	<u>6,347</u>	<u>-</u>
(c) Tax expense/(benefit) recognised directly in equity		
Actuarial movement in defined benefit liability	302	(406)
Tax expense/(benefit) recognised directly in equity	<u>302</u>	<u>(406)</u>
(d) Deferred tax balances		
Deferred tax assets comprise:		
Unrealised loss on investments	-	27,933
Claims handling expense included in outstanding claims liability	18,631	18,445
Provisions currently not deductible	2,244	1,973
Difference in depreciation of plant and equipment for accounting and tax purposes	77	-
Tax losses	-	3,190
	<u>20,952</u>	<u>51,541</u>
Deferred tax liabilities comprise:		
Property investment	1,410	1,510
Difference in depreciation of plant and equipment for accounting and tax purposes	-	7
Unrealised gain on investment	16,440	-
	<u>17,850</u>	<u>1,517</u>
Net deferred tax assets	<u>3,102</u>	<u>50,024</u>
8 Claims Expense		
Paid	78,836	72,984
Outstanding claims liability movement	8,165	127,682
Gross claims incurred	87,001	200,666
Other claim payments	445	428
	<u>87,446</u>	<u>201,094</u>
9 Recovery Revenue		
Reinsurance recoveries received	256	3,040
Reinsurance recoveries receivable movement	2,960	10,037
Other recoveries received	298	413
	<u>3,514</u>	<u>13,490</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

10 Net Claims Incurred

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

	At 30 June 2013			At 30 June 2012		
	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000	Current Year Claims \$'000	Prior Years' Claims \$'000	Total \$'000
Gross claims expense						
Gross claims incurred	319,034	118,897	437,931	278,559	(641,535)	(362,976)
Reinsurance recoveries	-	(21,872)	(21,872)	-	(20,010)	(20,010)
Net claims incurred	<u>319,034</u>	<u>97,025</u>	<u>416,059</u>	<u>278,559</u>	<u>(661,545)</u>	<u>(382,986)</u>
Discount movement						
Gross claims incurred	(189,322)	(161,906)	(351,228)	(150,026)	713,255	563,229
Reinsurance recoveries	-	18,656	18,656	-	6,933	6,933
Net discount movement	<u>(189,322)</u>	<u>(143,250)</u>	<u>(332,572)</u>	<u>(150,026)</u>	<u>720,188</u>	<u>570,162</u>
Discounted						
Gross claims incurred	129,712	(43,009)	86,703	128,533	71,720	200,253
Reinsurance recoveries	-	(3,216)	(3,216)	-	(13,077)	(13,077)
Net claims incurred	<u>129,712</u>	<u>(46,225)</u>	<u>83,487</u>	<u>128,533</u>	<u>58,643</u>	<u>187,176</u>
Reconciliation of net claims incurred						
Gross claims incurred (refer Note 8)			87,001			200,666
Recovery revenue (refer Note 9)			(3,514)			(13,490)
Net claims incurred			<u>83,487</u>			<u>187,176</u>

	2013 \$'000	2012 \$'000
11 Investment Income		
Interest	6,794	10,685
Dividends	43,027	34,277
Other	2,034	2,370
Changes in fair value of investments		
Realised	(1,252)	9,637
Unrealised	<u>123,718</u>	<u>(32,551)</u>
	<u>174,321</u>	<u>24,418</u>
Investment expenses	<u>(1,430)</u>	<u>(1,333)</u>
	<u><u>172,891</u></u>	<u><u>23,085</u></u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
12 Other Income		
Bank interest	11	28
Rent	377	448
Profit/(loss) on sale of plant and equipment	(27)	(9)
Unrealised change in fair value of investment properties	(569)	(260)
	<u>(208)</u>	<u>207</u>
13 Trade and Other Receivables		
Premiums receivable	2,052	2,027
Other receivables	109	117
Total trade and other receivables	<u>2,161</u>	<u>2,144</u>

14 Reinsurance Recoveries Receivable

Inflated reinsurance recoveries are based on an assessment of the amounts due from reinsurers, based on current gross claim amounts, assuming that the reinsurance recoveries are made in the same proportions over time as the gross future care liabilities.

Discounted reinsurance recoveries are based on an assessment of the amounts due from reinsurers, based on current gross claim amounts, discounted by two years to allow for the average delay between payment by the MAIB and recovery from reinsurers.

	2013 \$'000	2012 \$'000
Expected future reinsurance recoveries undiscounted	101,931	80,315
Discount to present value	(75,502)	(56,846)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	<u>26,429</u>	<u>23,469</u>
Expected future reinsurance recoveries on unexpired risk liability	-	-
Total reinsurance recoveries receivable	<u>26,429</u>	<u>23,469</u>
15 Investments		
Listed equities	88,223	74,121
Listed unit trusts	3,039	2,272
Listed property	6,012	2,243
Unlisted trusts	870,565	671,816
Fixed interest bonds	184,935	177,903
Inflation linked bonds	18,972	22,112
Other financial instruments	1,605	185
Total investments	<u>1,173,351</u>	<u>950,652</u>
Due within 12 months	1,605	186
Due in more than 12 months	<u>1,171,746</u>	<u>950,466</u>
Total investments	<u>1,173,351</u>	<u>950,652</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
16 Investment Properties		
At fair value		
Opening balance at 1 July	15,040	15,300
Acquisitions	-	-
Capitalised subsequent expenditure	269	-
Net gain/(loss) from fair value adjustment	(569)	(260)
Closing balance at 30 June	<u>14,740</u>	<u>15,040</u>
Amounts recognised in the statement of comprehensive income for investment properties that generated rental income		
Rental income	377	448
Operating expenses	42	58
Amounts recognised in the statement of comprehensive income for investment properties that did not generate rental income		
Operating expenses	32	43
Lease payments receivable for rental properties		
Less than 1 year	394	428
1 to 5 years	216	375
Greater than 5 years	26	-
17 Other Assets		
Prepaid insurance	24	47
Prepaid NTER tax instalments	-	7,363
Total other assets	<u>24</u>	<u>7,410</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
18 Financial Instruments		
The fair value of the MAIB's financial assets equals the carrying amount.		
Financial assets		
Cash and cash equivalents		
Cash at bank	108	351
Cash investments	138,218	150,338
Total cash and cash equivalents	<u>138,326</u>	<u>150,689</u>
Financial assets at fair value through profit or loss		
Listed equities	88,223	74,121
Listed unit trusts	3,039	2,272
Listed property	6,012	2,243
Unlisted trusts	870,565	671,816
Fixed interest bonds	184,935	177,903
Inflation linked bonds	18,972	22,112
Other financial instruments	1,605	185
Total financial assets at fair value through profit or loss	<u>1,173,351</u>	<u>950,652</u>
Loans and receivables		
Trade and other receivables	2,161	2,144
Reinsurance recoveries receivable	26,429	23,469
Total loans and receivables	<u>28,590</u>	<u>25,613</u>
Total financial assets	<u>1,340,267</u>	<u>1,126,954</u>
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	2,117	1,984
Injury Prevention and Management Foundation liability	781	815
Total financial liabilities at amortised cost	<u>2,898</u>	<u>2,799</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

18 Financial Instruments *continued*

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

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

The following tables present the financial assets measured and recognised at fair value at 30 June 2013 and 30 June 2012.

At 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
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
Total financial assets at fair value through profit or loss	101,155	1,072,196	-	1,173,351

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

There have been no other movements between levels 1, 2 or 3.



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

18 Financial Instruments *continued*

Financial risk management

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

- (a) market risk (including foreign exchange risk, interest rate risk and price risk);
- (b) credit risk; and
- (c) liquidity risk.

The Risk Management Plan addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance in order to achieve the MAIB's investment objectives of satisfactory long term real growth and to maintain an acceptable level of solvency.

(a) Market risk

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

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

The MAIB, in consultation with its investment advisor, master custodian and external fund managers, is responsible for the management and control of financial risks. The MAIB's Investment Policy Statement provides written principles for the overall risk management of the investment framework and outlines the approach for managing specific risk areas including foreign exchange risk, interest rate risk, equity price risk, credit risk and liquidity risk.

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

(i) Price risk

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

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

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

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 2013

18 Financial Instruments *continued*

	2013 \$'000	2012 \$'000
Impact on profit and equity of a 10% increase in equity prices:		
Listed instruments	6,809	5,505
Unlisted trusts	34,952	27,644
Impact on profit and equity of a 10% decrease in equity prices:		
Listed instruments	(6,809)	(5,505)
Unlisted trusts	(34,952)	(27,644)

(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.

	2013 \$'000	2012 \$'000
United States Dollar	(22,118)	-
Euro	(5,449)	-
Japanese Yen	(1,913)	-
British Pound	(3,074)	-
Canadian Dollar	(459)	-
Total foreign currency investments	(33,013)	-

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.

	2013 \$'000	2012 \$'000
Impact on profit and equity of a 10% increase in foreign exchange rates	2,101	-
Impact on profit and equity of a 10% decrease in foreign exchange rates	(2,568)	-



FOR THE YEAR ENDED 30 JUNE 2013

18 Financial Instruments *continued*

(iii) Interest rate risk

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

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

As at 30 June 2013	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		
Financial assets						
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>
Financial liabilities						
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>

As at 30 June 2012	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		
Financial assets						
Cash and cash equivalents	150,689	-	-	-	-	150,689
Other investments	21,039	133,183	33,520	11,201	751,709	950,652
Trade and other receivables	-	-	-	-	2,144	2,144
Reinsurance recoveries receivable	-	-	-	-	23,469	23,469
Total financial assets	<u>171,728</u>	<u>133,183</u>	<u>33,520</u>	<u>11,201</u>	<u>777,322</u>	<u>1,126,954</u>
Financial liabilities						
Trade and other payables	-	-	-	-	1,984	1,984
Injury Prevention and Management Foundation liability	-	-	-	-	815	815
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,799</u>	<u>2,799</u>
Net financial assets/(liabilities)	<u>171,728</u>	<u>133,183</u>	<u>33,520</u>	<u>11,201</u>	<u>774,523</u>	<u>1,124,155</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

18 Financial Instruments *continued*

Sensitivity

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

	2013 \$'000	2012 \$'000
Impact on profit and equity of a 0.5% increase in interest rates	(3,029)	(2,949)
Impact on profit and equity of a 0.5% decrease in interest rates	3,030	2,950

(b) Credit risk

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

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

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

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

The majority of accounts receivable comprises premiums collected on behalf of the MAIB by the Department of Infrastructure Energy and Resources. 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 2013

18 Financial Instruments *continued*

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

	Investment Grade ¹ \$'000	Non-Investment Grade ¹ \$'000
30 June 2013		
Financial assets		
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	-
Total	<u>354,310</u>	<u>16,513</u>
	Investment Grade ¹ \$'000	Non-Investment Grade ¹ \$'000
30 June 2012		
Financial assets		
Trade and other receivables	2,128	16
Reinsurance recoveries receivable	23,267	202
Cash and cash equivalents	150,689	-
Other financial instruments	177,616	287
Unlisted trusts	22,112	-
Total	<u>375,812</u>	<u>505</u>

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

(c) Liquidity risk

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

Liquidity risk is managed in accordance with the Cash Management and Rebalancing Policy under which:

- Short term liquidity requirements are monitored on a daily basis with excesses/(shortfalls) in the trading account deposited/(withdrawn) from the overnight cash account.
- Medium/long term liquidity requirements are assessed at least monthly and cash holdings within the investment portfolio are accumulated to meet known future financial obligations as they fall due. This approach also provides access at very short notice to substantial amounts of cash in the unlikely event of an unforeseen obligation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

18 Financial Instruments *continued*

Maturities of financial instruments

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

	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
At 30 June 2013				
Financial liabilities				
Trade and other payables	2,117	-	-	2,117
Injury Prevention and Management Foundation liability	333	448	-	781
Total	2,450	448	-	2,898
	Less than 6 months \$'000	6-12 months \$'000	1+ years \$'000	Total \$'000
At 30 June 2012				
Financial liabilities				
Trade and other payables	1,984	-	-	1,984
Injury Prevention and Management Foundation liability	445	315	55	815
Total	2,429	315	55	2,799

(d) Capital management

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

The capital position is measured by reference to the solvency ratio which is defined as the ratio of net assets to the outstanding claims liability adjusted for deferred tax and future dividends owing. A target range of 20% to 25% has been established by the MAIB following consultation with its actuary and takes account of the liability profile and an assessment of the investment risk profile. At 30 June 2013 the solvency position is 31.9% (2012: 18.6%).

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
19 Plant and Equipment		
Cost		
Balance at beginning of year	1,524	1,533
Additions	199	189
Disposals	(263)	(198)
Balance at end of year	<u>1,460</u>	<u>1,524</u>
Accumulated depreciation		
Balance at beginning of year	912	943
Disposals	(151)	(184)
Depreciation expense	169	153
Balance at end of year	<u>930</u>	<u>912</u>
Net book value		
Balance at end of year	<u>530</u>	<u>612</u>
20 Intangibles		
Computer software		
Cost		
Balance at beginning of year	2,425	2,425
Additions	34	-
Disposals	-	-
Balance at end of year	<u>2,459</u>	<u>2,425</u>
Accumulated amortisation		
Balance at beginning of year	1,957	1,872
Disposals	-	-
Amortisation expense	85	85
Balance at end of year	<u>2,042</u>	<u>1,957</u>
Net book value		
Balance at end of year	<u>417</u>	<u>478</u>

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

	2013 \$'000	2012 \$'000
21 Deferred Acquisition Costs		
Deferred acquisition costs as at 1 July	668	1,119
Acquisition costs in the year	2,667	2,642
Amortisation charged to income	(2,644)	(2,665)
Write down for premium deficiency (refer Note 23)	(691)	(428)
Deferred acquisition costs as at 30 June	<u>-</u>	<u>668</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability

(a) Actuarial assumptions and methods

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

	2013			2012		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	6.2	2.8	36.7	6.7	2.8	35.2
Discounted mean term (years)	3.9	2.6	20.7	4.4	2.7	20.5
Number of claims incurred but not reported (IBNR)	439	226	14	460	246	14
Average claim size (\$'000)	9.9	49.9	4,942.9	9.1	52.0	4,851.6
Superimposed inflation	1.50%	0.75%	0.00%	1.50%	0.75%	0.00%
Claims handling expenses	7%	7%	7%	7%	7%	7%
Risk margin	20%	20%	20%	20%	20%	20%

Claims expected to be paid in:	Wage inflation rates		Discount rates	
	2013	2012	2013	2012
Year 1 (following end of financial year)	2.80%	3.10%	2.46%	2.60%
Year 2	3.78%	3.34%	2.64%	2.40%
Year 3	3.62%	3.50%	3.17%	2.47%
Year 4	3.70%	3.29%	3.58%	2.66%
Year 5	3.70%	3.29%	3.95%	2.88%
Year 6	3.70%	3.29%	4.27%	3.17%
Year 7	3.70%	3.29%	4.54%	3.49%
Year 8	3.70%	3.29%	4.76%	3.77%
Year 9	3.70%	3.29%	4.93%	4.00%
Year 10	3.70%	3.29%	5.05%	4.19%
Year 11	3.70%	3.29%	5.12%	4.45%
Year 12	3.70%	3.29%	5.17%	4.69%
Year 13	3.70%	3.29%	5.23%	4.90%
Year 14	3.70%	3.29%	5.32%	5.09%
Year 15	3.70%	3.29%	5.42%	5.27%
Thereafter	3.70%	3.29%	5.45%	5.29%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability *continued*

Inflated mean term

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

Discounted mean term

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

Number of claims incurred but not reported

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

Average claim size

The average claim size is 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 2013 are included at the rate of 7% of future claim payments (2012: 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.

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.

Given the long tail nature of the scheme and sources of uncertainty described above at 30 June 2013 a 20% (2012: 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% (2012: 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 2013

22 Outstanding Claims Liability *continued*

(b) Sensitivity analysis

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

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

- a) Models used to estimate outstanding liabilities represent a simplification of a complex claims process.
- b) Even if a model were a perfect representation of the nature of the underlying claims process, past random fluctuations in the claims experience mean that uncertainty arises from estimating the parameters of the model.
- c) Any shortcomings of and/or errors in the data available increase uncertainty regarding the estimated parameters of the model.
- d) Even if the true underlying parameters could be determined precisely for a perfect model, the amount of the liability would still be uncertain because of:
 - i. Random fluctuations in the future claim experience; 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 2013

22 Outstanding Claims Liability *continued*

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

	Profit/(loss) from continuing operations \$'000	Equity \$'000
Recognised amounts as per the financial statements	147,462	382,416
Inflation increase by 0.5%	97,632	332,585
Inflation decrease by 0.5%	190,619	425,572
Discount rate increased by 0.5% all durations	190,155	425,108
Discount rate decreased by 0.5% all durations	97,778	332,731
Long term discount rate increased by 0.5%	165,666	400,619
Long term discount rate decreased by 0.5%	126,808	361,762
Cost of current year Future Care IBNR claims increased by 10%	145,195	380,148
Cost of current year Future Care IBNR claims decreased by 10%	149,730	384,683
Common Law settlement size increased by 10%	133,381	368,334
Common Law settlement size decreased by 10%	159,913	394,866
Scheduled Benefits average size increased by 10%	145,532	380,485
Scheduled Benefits average size decreased by 10%	149,393	384,346
Increase in hospital cost adjustment from double to triple current rates	144,245	379,199
Hospital cost adjustment effective immediately rather than 30 June 2014	144,215	379,168
Reinsurance recoveries increased by 20% due to favourable commutations	148,202	383,156
Increase in discounted mean term by 1 year due to a delay in payments	153,570	388,523
Decrease discounted mean term by 1 year by bringing forward payments	141,295	376,249

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability *continued*

(c) Outstanding claims liability by benefit type

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

	2013 \$'000	2012 \$'000
Scheduled benefits claims		
Expected future claims payments (inflated/undiscounted)	42,898	52,101
Discount to present value	(7,632)	(9,210)
Claims handling expenses	2,619	3,187
Risk margin	7,577	9,215
Sub-total outstanding scheduled benefits claims liability	<u>45,462</u>	<u>55,293</u>
Common law claims		
Expected future claims payments (inflated/undiscounted)	182,940	175,137
Discount to present value	(14,191)	(12,064)
Claims handling expenses	12,595	12,170
Risk margin	36,269	35,049
Sub-total outstanding common law claims liability	<u>217,613</u>	<u>210,292</u>
Future care claims		
Expected future claims payments (inflated/undiscounted)	1,897,631	1,617,376
Discount to present value	(1,397,398)	(1,125,872)
Claims handling expenses	36,539	35,879
Risk margin	102,069	100,783
Sub-total outstanding future care claims liability	<u>638,841</u>	<u>628,166</u>
All claims		
Expected future claims payments (inflated/undiscounted)	2,123,469	1,844,614
Discount to present value	(1,419,221)	(1,147,146)
Claims handling expenses	51,753	51,236
Risk margin	145,915	145,047
Total outstanding claims liability	<u>901,916</u>	<u>893,751</u>
Due within 12 months	96,096	91,537
Due in more than 12 months	805,820	802,214
Total outstanding claims liability	<u>901,916</u>	<u>893,751</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability *continued*

(d) Reconciliation of movement in outstanding claims liability

	2013			2012		
	Gross \$'000	Recoveries \$'000	Net \$'000	Gross \$'000	Recoveries \$'000	Net \$'000
Brought forward	893,751	23,469	870,282	766,069	13,432	752,637
Liabilities due within 12 months from previous report	(91,537)	-	(91,537)	(82,445)	-	(82,445)
	802,214	23,469	778,745	683,624	13,432	670,192
Accrual to 30 June	838,016	24,516	813,500	714,133	14,032	700,101
Effect of changes in claims experience and modelling	(39,226)	1,970	(41,196)	(39,396)	8,393	(47,789)
Effect of changes in economic assumptions	(13,700)	(57)	(13,643)	101,666	1,044	100,622
Net revision to prior years' claims costs	(52,926)	1,913	(54,839)	62,270	9,437	52,833
Outstanding claims cost for prior accident years	785,090	26,429	758,661	776,403	23,469	752,934
Incurred claims for current accident year	129,712	-	129,712	128,533	-	128,533
Claims (payments)/recoveries for current accident year	(12,886)	-	(12,886)	(11,185)	-	(11,185)
Outstanding claims cost for current accident year	116,826	-	116,826	117,348	-	117,348
Carried forward	901,916	26,429	875,487	893,751	23,469	870,282

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability *continued*

(e) Claims development table

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

Gross	Accident year										Total \$'000
	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	
Estimate of ultimate claims cost:											
At end of accident year	509,641	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	249,933	
One year later	211,623	230,477	340,652	348,300	242,314	297,639	223,297	111,109	221,189		
Two years later	244,428	261,755	307,592	205,414	214,801	291,303	198,314	116,768			
Three years later	227,705	326,823	194,869	170,510	186,141	235,532	181,337				
Four years later	207,869	194,802	193,756	166,291	158,180	251,943					
Five years later	143,484	203,161	203,967	131,362	160,118						
Six years later	123,769	174,903	175,132	137,430							
Seven years later	127,894	142,518	183,713								
Eight years later	116,557	155,762									
Nine years later	121,823										
Current estimate of cumulative claims cost	121,823	155,762	183,713	137,430	160,118	251,943	181,337	116,768	221,189	249,933	1,780,016
Cumulative payments	(56,039)	(62,948)	(56,957)	(63,248)	(52,115)	(53,088)	(44,128)	(32,289)	(23,285)	(12,835)	(456,932)
Outstanding claims (undiscounted)	65,784	92,814	126,756	74,182	108,003	198,855	137,209	84,479	197,904	237,098	1,323,084
Discount											(853,279)
2003 and prior (discounted)											234,443
Claims handling expense											51,753
Prudential margins											145,915
Outstanding claims (inflated and discounted)											901,916

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22 Outstanding Claims Liability *continued*

Net	Accident year										Total \$'000
	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	
Estimate of ultimate claims cost:											
At end of accident year	476,082	236,766	288,839	397,697	363,894	281,693	263,884	201,081	218,081	249,933	
One year later	211,623	230,477	340,652	348,300	242,314	297,639	212,172	111,109	221,189		
Two years later	244,428	261,755	307,595	205,414	207,085	289,837	183,945	116,768			
Three years later	227,705	326,823	194,869	170,510	183,277	228,184	162,323				
Four years later	200,670	194,802	193,756	166,291	151,970	242,499					
Five years later	141,836	203,161	203,967	131,362	152,400						
Six years later	123,769	174,903	175,132	135,903							
Seven years later	127,894	142,518	182,128								
Eight years later	116,557	155,762									
Nine years later	<u>121,823</u>										
Current estimate of cumulative claims cost	121,823	155,762	182,128	135,903	152,400	242,499	162,323	116,768	221,189	249,933	1,740,728
Cumulative payments	<u>(56,039)</u>	<u>(62,948)</u>	<u>(55,372)</u>	<u>(61,720)</u>	<u>(52,115)</u>	<u>(53,088)</u>	<u>(44,128)</u>	<u>(32,289)</u>	<u>(23,285)</u>	<u>(12,835)</u>	<u>(453,819)</u>
Outstanding claims (undiscounted)	<u>65,784</u>	<u>92,814</u>	<u>126,756</u>	<u>74,183</u>	<u>100,285</u>	<u>189,411</u>	<u>118,195</u>	<u>84,479</u>	<u>197,904</u>	<u>237,098</u>	<u>1,286,909</u>
Discount											<u>(826,678)</u>
2003 and prior (discounted)											217,589
Claims handling expense											51,753
Prudential margins											<u>145,914</u>
Outstanding claims (inflated and discounted)											<u>875,487</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

23 Unexpired Risk Liability

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

	2013 \$'000	2012 \$'000
(a) Unexpired risk liability		
Gross movement in unexpired risk liability	-	-
Recognition of additional unexpired risk liability in the period	640	-
Release of unexpired risk liability recorded in previous periods	-	-
Unexpired risk liability as at 30 June	<u>640</u>	<u>-</u>
(b) Deficiency recognised in the Statement of Comprehensive Income		
Gross movement in unexpired risk liability	640	-
Reinsurance recoveries on unexpired risk liability	-	-
Net movement in unexpired risk liability	<u>640</u>	<u>-</u>
Write down of deferred acquisition costs (refer Note 21)	691	428
Total deficiency recognised in the Statement of Comprehensive Income	<u>1,331</u>	<u>428</u>
(c) Unearned premium liability adequacy test		
Unearned premium liability	59,951	58,661
Deferred acquisition costs	(1,119)	(1,096)
Related reinsurance asset	-	-
	<u>58,832</u>	<u>57,565</u>
Net central estimate of the present value of expected future cashflows arising from future claims	46,983	44,969
Claims handling expenses	3,509	3,358
Risk margin	10,099	9,666
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	-	-
	<u>60,591</u>	<u>57,993</u>
Deficiency net of reinsurance recoveries	1,759	428
Add back reinsurance element of present value of expected future cash flows for future claims	-	-
Deficiency gross of reinsurance recoveries	<u>1,759</u>	<u>428</u>

Claims handling expenses

Claims handling expenses as at 30 June 2013 are included at the rate of 7% (2012: 7%).

Risk margin

As at 30 June 2013 a risk margin of 20% (2012: 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% (2012: 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 2013

	2013 \$'000	2012 \$'000
24 Provision for Employee Benefits		
Due within 12 months		
Annual leave	224	244
Long service leave	9	7
Retirement benefits fund	16	16
	<u>249</u>	<u>267</u>
Due in more than 12 months		
Long service leave	462	402
Retirement benefits fund	4,201	4,908
	<u>4,663</u>	<u>5,310</u>
Total employee benefits	<u>4,912</u>	<u>5,577</u>

Retirement benefits fund contributions

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

Compulsory preserved benefits

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

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

Pensioners

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

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

Methodology

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Reconciliation of the defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	5,537	3,852
(+) Current service cost	171	110
(+) Interest cost	190	211
(+) Estimated contributions by plan participants	35	34
(+) Actuarial (gains)/losses	(1,084)	1,378
(-) Estimated benefits paid	34	43
(-) Estimated taxes, premiums and expenses paid	6	5
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Curtailments	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	<u>4,810</u>	<u>5,537</u>
Reconciliation of the defined benefit obligation		
The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.		
Reconciliation of the fair value of scheme assets		
Fair value of plan assets at the beginning of the year	613	547
(+) Expected return on plan assets	46	41
(+) Actuarial gains/(losses)	(75)	22
(+) Estimated employer contributions	14	17
(+) Estimated contributions by plan participants	35	34
(-) Estimated benefits paid	34	43
(-) Estimated taxes, premiums and expenses paid	6	5
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value plan assets at year end	<u>593</u>	<u>613</u>
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position		
Defined benefit obligation	4,810	5,537
(-) Fair value of plan assets	593	613
Deficit/(surplus)	<u>4,217</u>	<u>4,924</u>
(-) Unrecognised past service cost	-	-
(-) Unrecognised net (gain)/loss	-	-
(+) Adjustment for limitation on net asset	-	-
Net superannuation liability/(asset)	<u>4,217</u>	<u>4,924</u>
Due within 12 months	16	16
Due in more than 12 months	<u>4,201</u>	<u>4,908</u>
	<u>4,217</u>	<u>4,924</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Expense recognised in Statement of Comprehensive Income		
Service cost	171	110
Interest cost	190	211
Expected return on assets	(46)	(41)
Actuarial loss/(gain)	-	-
Past service cost	-	-
Movement in limitation on net asset	-	-
Effect of curtailments/settlements	-	-
Superannuation expense/(income)	315	280
The superannuation expense is recognised within general and administration expenses.		
Amounts recognised in Other Comprehensive Income		
Actuarial (gains)/losses	(1,008)	1,353
Adjustment for limit on net asset	-	-
Cumulative amount recognised in the Other Comprehensive Income		
Cumulative amount of actuarial (gains)/losses at end of prior year	1,979	626
Actuarial (gains)/losses recognised during the year end	(1,008)	1,353
Cumulative amount of actuarial (gains)/losses at end of year	971	1,979

	2013	2012
Fund assets		
The percentage invested in each asset class at balance date:		
Australian equity	27%	25%
International equity	19%	18%
Fixed income	12%	12%
Property	15%	17%
Alternatives/Other	24%	24%
Cash	3%	4%

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

Fair value of fund assets

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

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

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

Expected rate of return on fund assets

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
24 Provision for Employee Benefits <i>continued</i>		
Actual return on fund assets		
Financial year ending 30 June		
Actual return on plan assets ¹	(29)	63
	2013 % pa	2012 % pa
Principal actuarial assumptions at the balance date		
Discount rate	4.25	3.45
Expected return on plan assets ¹	n/a	7.50
Expected salary increase rate	3.00	3.50
Expected rate of increase compulsory preserved amounts	3.75	3.75
Expected pension increase rate	2.50	2.50

¹ As separate assets are not held for each authority, the actual return includes any difference in the allocation to each authority.

¹ The expected return on assets is no longer applicable from 30 June 2013 due to the revised accounting standard.

The discount rate is based on the market yields on the longest dated Government bonds as at 30 June 2013 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest Government bond. The decrement rates used (e.g. mortality and retirement rates) have been updated since the last valuation.

Operating costs

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

Temporary invalidity expense

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

Historical information	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Financial year ending 30 June					
Present value of defined benefit obligation	4,810	5,537	3,852	3,991	3,385
Fair value of plan assets	593	613	547	520	508
(Surplus)/deficit in plan	4,217	4,924	3,305	3,471	2,877
Experience adjustments (gain)/loss - plan assets	76	(22)	201	18	38
Experience adjustments (gain)/loss - plan liabilities	116	(161)	(227)	64	179

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

	2014 \$'000
Expected contributions	
Financial year ending 30 June	
Expected employer contributions	16

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
25 Retained Earnings Attributable to Equity Holders		
Balance at the beginning of the financial year	240,388	288,638
Profit/(loss) from continuing operations	147,462	(27,054)
Other comprehensive income net of income tax	706	(947)
Dividends paid	(6,140)	(20,249)
Balance at the end of the financial year	<u>382,416</u>	<u>240,388</u>

26 Injury Prevention and Management Foundation Liability

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

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

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

	2013 \$'000	2012 \$'000
Balance at the beginning of the financial year	815	889
Payments	(781)	(835)
Net project approvals	680	698
GST on outstanding project approvals	67	63
Balance at the end of the financial year	<u>781</u>	<u>815</u>

27 Unearned Premium Liability

Balance at the beginning of the financial year	58,661	58,557
Deferral of premiums on contracts written in the period	59,951	58,661
Earning of premiums written in previous periods	(58,661)	(58,557)
Balance at the end of the financial year	<u>59,951</u>	<u>58,661</u>

28 Trade and Other Payables

Trade and other payables	1,783	1,584
Accrued expenses - employee on costs	35	33
Accrued expenses - other	299	367
Trade and other payables	<u>2,117</u>	<u>1,984</u>
Due within 12 months		
Trade and other payables	1,783	1,584
Accrued expenses - employee on costs	12	13
Accrued expenses - other	299	367
Trade and other payables due within 12 months	<u>2,094</u>	<u>1,964</u>
Due in more than 12 months		
Accrued expenses - employee on costs	23	20
Trade and other payables due in more than 12 months	<u>23</u>	<u>20</u>
Trade and other payables	<u>2,117</u>	<u>1,984</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$'000	2012 \$'000
29 Commitments		
Road Safety Advisory Council		
Less than 1 year	3,480	3,480
1 to 5 years	1,740	5,220
Greater than 5 years	-	-
30 Statement of Cash Flows		
(a) Reconciliation of net cash provided by operating activities to total comprehensive result		
Total comprehensive result	148,168	(28,001)
Depreciation and amortisation	254	238
GST (receivable)/payable on non operating activities	40	18
Loss/(profit) on sale of plant and equipment	27	9
Net unrealised loss/(gain) in net market value of investments	(123,718)	32,551
Net realised loss/(gain) in net market value of investments	1,252	(9,637)
Net unrealised loss/(gain) in net market value of investment properties	569	260
Decrease/(increase) in deferred tax asset	46,922	(16,719)
Decrease/(increase) in reinsurance recoveries receivable	(2,960)	(10,037)
Decrease/(increase) in deferred acquisition costs	668	451
Decrease/(increase) in trade and other receivables	(17)	(838)
Decrease/(increase) in other assets	7,386	(215)
Decrease/(increase) in accrued dividends and interest	1,261	(1,983)
Increase/(decrease) in outstanding claims liability	8,165	127,682
Increase/(decrease) in tax payable	6,347	-
Increase/(decrease) in unexpired risk liability	640	-
Increase/(decrease) in employee benefits	(665)	1,698
Increase/(decrease) in trade and other payables	133	(17)
Increase/(decrease) in unearned premium liability	1,290	104
Increase/(decrease) in Injury Prevention and Management Foundation liability	(34)	(74)
Net cash flow from operating activities	<u>95,728</u>	<u>95,490</u>

(b) Financing facilities

At 30 June 2013 the MAIB has seven corporate credit cards with a total limit of \$55,000 (2012: \$20,000). The balance is paid in full on a monthly basis. The MAIB has no formal credit standby arrangements or unused loan facilities.

31 Road Safety Advisory Council

For the year ended 30 June 2013 contributions amounting to \$3,480,000 (2012: \$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 Infrastructure, Energy and Resources is in operation and specifies the relevant key performance indicators.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

32 Motorcycle Safety Strategy

For the year ended 30 June 2013 the MAIB contributed \$4,500 (2012: \$3,191) in sponsorship of motorcycle rider education and training under the Motorcycle Safety Strategy. Rider training is subsidised per participant.

33 Dividends

Following the end of the financial year, a final ordinary dividend relating to the year ended 30 June 2013 of \$23,219,320 (2012: \$6,140,123) is payable.

34 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.

35 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 Donschuk (from 1 May 2013)

DJ McCarthy

CJ Rockefeller

DC St. John

ME Scanlon

(ii) Executive Director:

PJ Roche (Chief Executive Officer)

(b) Other key management personnel

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

CMQ Hill (Chief Operating Officer)

DW Thurm (Chief Financial Officer)

	2013 \$'000	2012 \$'000
(c) Key management personnel compensation		
Short-term employee benefits	942	889
Post employment benefits	100	95
Other long-term employee benefits	22	13
Termination benefits	-	-
	<u>1,064</u>	<u>997</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

35 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:

2013					
Band	Number	Director Fees \$'000	Committee Fees \$'000	Superannuation \$'000	Total \$'000
<= \$40,000	1 ¹	5	-	-	5
\$40,001 - \$80,000	5	173	30	18	221
>\$80,000	1	73	6	7	86
	6	251	36	25	312

¹ Commenced 1 May 2013

2012					
Band	Number	Director Fees \$'000	Committee Fees \$'000	Superannuation \$'000	Total \$'000
<= \$40,000	-	-	-	-	-
\$40,001 - \$80,000	5	171	30	18	219
>\$80,000	1	73	6	7	86
	6	243	36	25	304

(e) Executive remuneration

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

Number	Base Salary \$'000	Bonus ¹ \$'000	Short-Term Incentive Payments ² \$'000	Super-annuation \$'000	Vehicle ³ \$'000	Other Benefits ⁴ \$'000	Total 2012-13 \$'000	Total 2011-12 \$'000	Total 2010-11 \$'000
3	546	2	19	74	76	1	718	661	653

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

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

³ Vehicle costs represent the total cost of business and private use of vehicles provided to executives as part of their remuneration package.

⁴ Other benefits comprise non-cash benefits.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

35 Key Management Personnel Information *continued*

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

35 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	16	15	7	7
K Barker	16	14		
M Donschuk ¹	4	4		
DJ McCarthy	16	16	7	6
PJ Roche	16	16		
CJ Rockefeller	16	15		
DC St. John	16	16		
ME Scanlon	16	15	7	7

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			2	2
K Barker	12	11		
M Donschuk ¹	2	2		
PJ Roche	12	12		
CJ Rockefeller	12	12	2	2
DC St. John	12	12		

¹ M Donschuk was appointed Director from 1 May 2013.

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

No business transactions were undertaken with Directors for the year ended 30 June 2013.

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 Parliament of Tasmania

Motor Accidents Insurance Board

Financial Report for the Year Ended 30 June 2013

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 2013 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 2013, and its financial performance, cash flows and changes in equity for the year then ended; and
 - (ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

The Responsibility of the Directors for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

...1 of 2

Auditor's Responsibility

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

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

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

Independence

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

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

My independence declaration provided to the Directors dated 13 August 2013 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
19 August 2013

...2 of 2



Auditor's Independence Declaration



Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

13 August 2013

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

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Motor Accidents Insurance Board for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely



HM Blake
AUDITOR-GENERAL

...1 of 1

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

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 2013 and the financial position as at 30 June 2013 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 2013 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 2013 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 2013 give a true and fair view.

Signed in accordance with a resolution of the directors:

Dated 15 August 2013



DW Challen AM
Chairman



ME Scanlon
Director

Appendix

Interstate Scheme Comparisons

	TAS	VIC	NT	NSW	QLD	WA	SA	ACT
No-fault	Yes ¹	Yes ¹	Yes ¹	No ^{1 & 2}	No	No	No	No
Common Law Rights	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Monopoly Scheme	Yes	Yes	Yes	No	No	Yes	Yes	No
Motor Car Premium ³	\$344	\$422	\$501	\$530 ⁴	\$324 ⁴	\$245	\$512	\$579

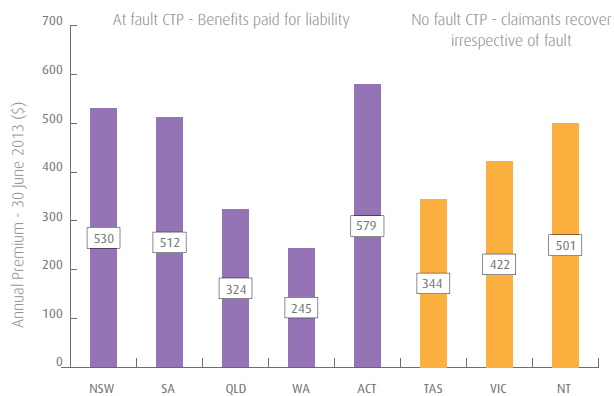
¹ Includes lifetime care and support for catastrophically injured

² No-fault for children only

³ Inclusive of GST

⁴ Maximum allowable

Interstate Private Motor Car Premium Rate Comparisons



- NSW and QLD maximum premium allowable
- No-fault for children only
- All premiums are inclusive of GST

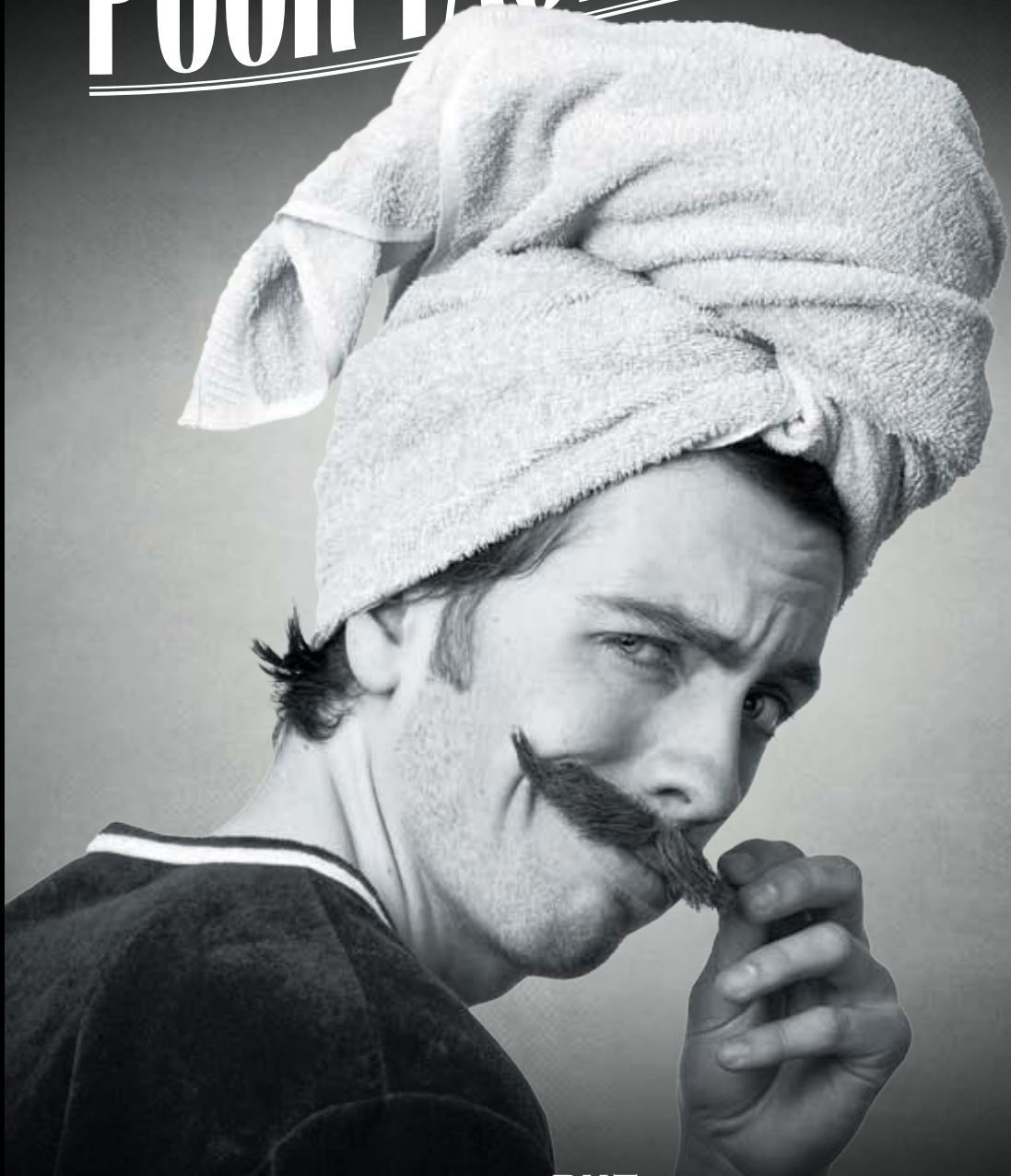
Superannuation

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

PJ Roche
Chief Executive Officer

*You'd let your
mate get away with*

POOR FACIAL ATTIRE



BUT

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



Proudly Promoting Road Safety in Tasmania

MOTOR ACCIDENTS INSURANCE BOARD

ABN 93 610 406 210
Address Level 1, 33 George Street
Launceston 7250
Tasmania
Telephone (03) 6336 4800
Toll Free 1800 006 224
Facsimile (03) 6336 4848
Email info@maib.tas.gov.au
Web www.maib.tas.gov.au