Motor Accidents Insurance Board

Annual Report 2005/06

MAIB

Highlights

- Continued solid investment return.
- Nil premium increase in 2005 across all vehicle classes.
- GPOC releases Draft Report – Pricing Policies Investigation 2006.
- Claim benefits increased.
- Client Market Survey confirms high level of satisfaction.
- Road Safety Task Force achieves ten years of accident prevention initiatives, with Board funding approaching $20 million.

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

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

Contents

just 5 less makes
all the difference.
Road Safety Task Force.
just like that

Introduction

Compulsory Third Party personal injury motor accident insurance (CTP) provides compensation to people injured as the result of a motor accident. This is funded through the application of compulsory premiums on registered motor vehicles. CTP is compulsory in all states and Territories of Australia.

What is the Motor Accidents Insurance Board?

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

Two types of compensation are paid by the Board, no-fault (statutory) benefits and common law damages.

No-fault benefits cover the cost of:

- Hospital;
- Medical;
- Rehabilitation treatment;
- Attendant care;
- Disability allowance (as a partial replacement of lost earnings); and
- Funeral expenses and dependency benefits (in the case of fatal injuries, where applicable).

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

The Tasmanian scheme is one of only three no-fault CTP schemes in Australia. This means that reasonable medical expenses and loss of income benefits are paid for all accepted claims, irrespective of who caused the motor accident.

Primary Functions of the Board

Provision of Compensation

The core business of the Board is to provide Tasmanian CTP cover to allow for appropriate compensation to people injured as the result of a motor accident and, where applicable, their families.

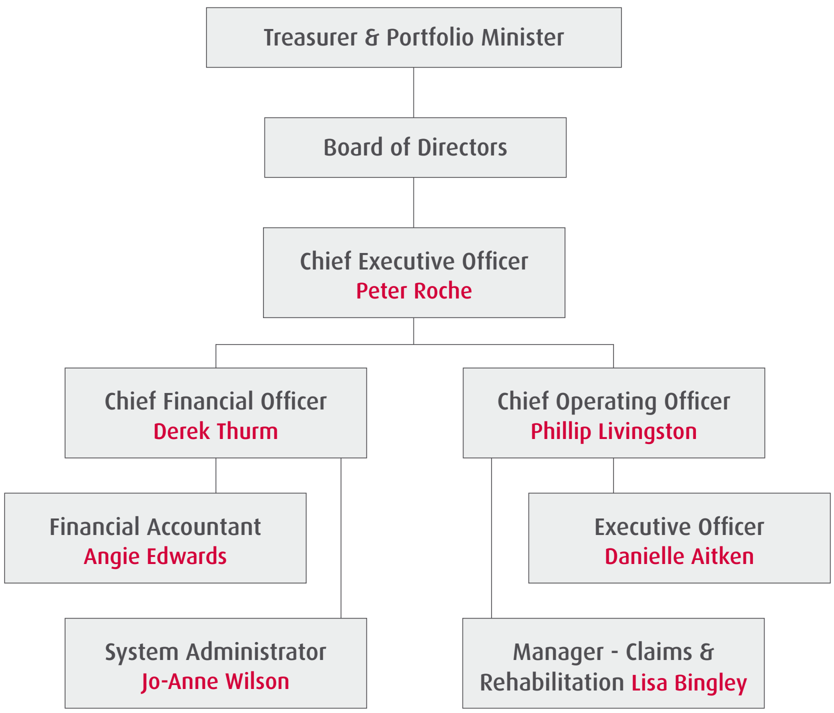
Financial Management

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

Injury and Accident Prevention

The Board makes contributions to road safety programs, primarily through the funding of the Road Safety Task Force and the Injury Prevention and Management Foundation. The support of injury prevention and management initiatives is a priority.

Organisational Structure



Statement of Compliance

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

In accordance with section 55 of the *Government Business Enterprises Act 1995,* we hereby submit for your information and presentation to Parliament the report of the Motor Accidents Insurance Board for the year ended 30 June 2006. The Report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

G J Humphreys
Chairperson

J W Harry
Director

Vision Statement

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

Mission Statement

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

Values Statement

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

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

Corporate Citizenship Statement

Corporate citizenship for the Board involves:

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

Chairperson's Report

Highlights

- **Target solvency level reached.**
- **$96.2 million after tax profit.**
- **Strong underwriting performance.**
- **Motor car premiums frozen for both the 2005/06 and 2006/07 years.**

It is particularly pleasing to announce that the Board enjoyed a most successful 2005/06 year. A strong underwriting performance, along with excellent investment income, contributed to an after tax profit of $96.2 million. This follows a sound financial performance the previous year.

Buoyant financial markets, a feature of recent years, once again contributed to both the end of year result and improved scheme solvency. The investment return of 14.2% (before fees and charges) was in line with the median investment return achieved by fund managers with balanced portfolios. It is unlikely that investment income will continue at this level. Over the past five years, an average return of 9.1% has been achieved.

The Board's current solvency level of 23.6%, which excludes dividends payable to Government, is now slightly above the target range of 15% - 20% set by the Board in 2000/01. The current solvency level places the Board in a strong financial position to withstand unexpected adverse events which otherwise may have placed pressure on the scheme.

The claims expense, based on claim payments made and independent actuarial analysis, was under budget by 35%. Consistent with the previous year, a favourable run-off of prior years' claims contributed to this performance. The reduction in the claims expense was achieved at the same time as legislative amendments increased both no-fault and common law benefits.

As foreshadowed last year, Road Safety Task Force (RSTF) funding has been increased from 1 January 2006 from $2.25 million to $2.6 million (to be indexed in 2007 and 2008). Although vehicle numbers have increased by 20%, new claims received and serious injury claims have reduced by around 25% since RSTF funding commenced on 1 July 1996. The investment in road safety, which is approaching $20 million, has been a prudent investment for the Board and has provided significant benefits to the Tasmanian community through reduced trauma.

Despite the success in the reduction of road trauma, the Board is awaiting information on other investment options that may further drive down the incidence of motor accidents.

The fourth investigation of the Board's pricing policies by the Government Prices Oversight Commission (GPOC) commenced in February 2006. GPOC issued a Draft Report in June 2006 and I am pleased to report that, with the exception of adjustments to premiums for a small number of vehicles, GPOC has recommended that premiums remain unchanged for 12 months from 1 December 2006.

This is particularly good news for motorists and follows the decision by the Board not to increase premiums in 2005. GPOC is scheduled to submit its Final Report to Government by 31 July 2006.

The construction of a four bedroom residence for the catastrophically injured responded to the need for further accommodation in Southern Tasmania. Additional accommodation requirements in Northern Tasmania are being addressed and will be finalised in 2006/07.

The achievements in 2005/06 should not be underestimated. Target solvency level was reached and claims frequency further reduced. In addition, costs resulting from enhanced claim benefits have been absorbed with premiums frozen for both the 2005/06 and 2006/07 years.

In conclusion, I would like to acknowledge the contribution of my fellow Directors during this most profitable year. I would commend the Chief Executive Officer, Peter Roche, senior management and staff for their commitment, compassion and dedication in the successful administration of our innovative scheme.

Gordon Humphreys
Chairperson

Chief Executive Officer's Report

Highlights

- **Claim benefits increased.**
- **Investment and premium revenue above budget.**
- **Claim frequency further reduced.**
- **International Financial Reporting Standards fully adopted.**
- **Independent Client Market Survey confirmed high satisfaction rating.**

In 2005/06, the Board consolidated on the achievements of recent years. High profitability, record investment revenue, reduced claim frequency and enhanced claim benefits were features of the year.

The number of claims received in 2005/06 was slightly less than the number received the previous year. However, with increased vehicle numbers, claim frequency has reduced from 8.4 to 8.0 claims per thousand vehicles. Given the significant reduction in claim frequency since the commencement of the RSTF in 1996, this latest improvement is a notable achievement.

The following comparison with budget highlights the contributions to the pre-tax profit of $133.2 million:

- Net investment revenue of $124.5 million was $57.5 million above budget;
- Net premium revenue was $5.5 million above budget;
- Claims expense was $53.1 million under budget; and
- Administration expenses were $0.3 million under budget.

Claim benefits have increased significantly following amendments to the *Motor Accidents (Liabilities and Compensation) Regulations 2000*. The new statutory benefits apply in respect of injuries received in motor accidents on or after 23 November 2005.

The maximum amount payable to a person in respect of medical benefits and disability benefits has been increased from $300,000 to $400,000 per accident (no maximum applies if a person requires two hours or more care per day indefinitely). The amendments also provided increased benefits to low income earners and seriously injured people.

Amendments to the *Civil Liability Act 2002* reduced the discount rate used in the calculation of future losses under damages claims from 7% to 5%. This has the effect of increasing damages payable to claimants in respect of injuries sustained in motor accidents on or after 15 December 2005.

An independent Client Market Survey undertaken in October 2005 indicated that overall satisfaction was high in all 32 elements covered by the survey. The findings were consistent with previous surveys undertaken.

The Australian equivalents to International Financial Reporting Standards have now been fully adopted in the 2005/06 financial accounts. The most significant change was the creation of a $10 million unexpected risk provision.

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

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

Once again, staff members have performed admirably in the efficient administration of the Board's business. Working within the scheme framework, they have provided high quality service delivery to injured Tasmanians through their commitment and dedication.

Peter Roche
Chief Executive Officer

Composition of the Board of Directors

Gordon Humphreys

LLB, AREI, FAICD
- Director and Chairperson

Gordon Humphreys is a Director of Harrison Humphreys Pty Ltd, real estate agents, property consultants and auctioneers. Previously, he was a Partner in Shields Heritage, Solicitors, specialising in Property and Commercial Law until retiring from legal practice in 1981.

Mr Humphreys has been a former Chairman of Metro Tasmania Pty Ltd, inaugural Chairman and a Director of the Tasmanian International Velodrome Management Authority, a Director of the Launceston Bank for Savings and the Menzies Centre for Population Health Research and President of the Launceston Chamber of Commerce.

Kim Barker

BA, DipEd, MAICD
- Director

Kim Barker has extensive experience as a rehabilitation consultant, counsellor and mediator.

Ms Barker sits on the Mental Health Tribunal and the Guardianship and Administration Board and Chairs the Tasmanian Training Agreements Committee.

Christine Bell

BEc, MComLaw, CA, FAICD, MIAMA
– Director

Christine Bell has experience at a senior level in both the public and private sectors. Her fields of expertise include consulting, management, accounting and auditing. She has qualifications in accounting, law, arbitration and mediation.

Kate Brown

BA, LLB, MAICD
– Director

Kate Brown has combined Arts Law Degrees from the University of Tasmania. Mrs Brown is a solicitor and practises primarily in the field of personal injury litigation.

She also sits on the Guardianship and Administration Board and the Racing Regulatory Panel.

Stephen Coutts

BA (Hons), MAICD
- Director

Stephen Coutts is Executive Director of Profile Ray and Berndtson, an international executive search firm. Prior to this, Mr Coutts was Chief of Staff to the NSW Minister for Community Services, Assistant Minister for Health and Minister for Aboriginal Affairs. From 1988 to 1992 he was an advisor in the Office of the NSW Premier and Treasurer.

Mr Coutts is a former Director of the Australia-Asia Young Leaders Program, a former Councillor of the Royal Australian Historical Society and a former Observer on the Board of Soccer Australia.

John Harry

LLB (Hons), ASA, FAICD
- Director

John Harry is a partner in the Hobart legal firm of Page Seager and practises in the area of commercial law.

Mr Harry is currently the Chairman of Salmon Industries of Tasmania Pty Ltd, a Director of Roberts Limited, Ruralco Holdings Limited and a number of private companies.

Peter Roche

ANZIIF (Aff), FAICD
– Director and Chief Executive Officer

Peter Roche was appointed Chief Executive Officer of the Board in 1996 and a Director in 2004.

Mr Roche previously held the position of Deputy General Manager of the Workers Compensation Board of Queensland (now Workcover Queensland) and has over 40 years experience in the insurance industry.

Mr Roche is currently the Board's representative on the RSTF.

Kate Stephenson

BA, DipEd, DipBus, DipFP, FAICD, FFPA, CFP
- Director

Kate Stephenson has been a Certified Financial Planner and has brought to the Board skills and technical knowledge in the investment area.

In 2005/06, Mrs Stephenson lectured in Financial Planning at the University of Tasmania and was also a Director of Hobart Ports Corporation.

Corporate Governance

Board of Directors and its Committees

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

The composition of the Board of Directors is governed by section 11 of the GBE Act. The Chairperson and Directors are appointed by the Governor on the joint recommendation of the Treasurer and Portfolio Minister. The terms and conditions of the appointments are set out in an Instrument of Appointment.

Audit Committee

The Committee is constituted in accordance with section 16 of the GBE Act with its primary goal being to assist the Board's fiduciary responsibilities relating to financial and reporting practices. The Committee reviews its operations annually in accordance with its Charter.

Claims Committee

The Committee considers common law settlements, where damages exceed $175,000, and meets regularly to expedite claim settlements.

Injury Prevention and Management Foundation Committee

The Committee calls for, and reviews, project applications in respect of the Injury Prevention and Management Foundation guidelines and provides recommendations to the Board of Directors.

Risk Management

Risk management is a necessary business practice and is governed by the adoption and active implementation of a Risk Management Policy and a Risk Management Plan. This formalised approach to risk management assists with the mitigation of risks and the fostering of a risk management culture.

Code of Conduct

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

Legislative Authority

The Board was established pursuant to the Act and is constituted as a GBE under section 6 of the GBE Act.

On 6 April 2006, the Hon. James Glennister Cox, MHA, Minister for Infrastructure, succeeded the Hon. Bryan Green, MHA as Portfolio Minister and the Hon. Michael Anthony Aird, MLC succeeded the Hon. Paul Lennon, MHA as Treasurer.

Pricing Policies

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

Public Interest Disclosures Act 2002

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

CEO Performance

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

Board Processes

The Board of Directors monitors and evaluates its performance and the performance of Board Committees to ensure continuous improvement in Board procedures and practices.

Ministerial Charter and Corporate Plan

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

Highlighting Community Involvement and Partnerships

Highlights

- **10th year of operation of the Road Safety Task Force, with Board funding approaching $20 million.**
- **Increased funding for the State Emergency Service (SES).**
- **Financial contribution made to Volunteer Ambulance Association, Community Road Safety Partnerships and the Responsible Serving of Alcohol initiative.**

Community Involvement

Community partnerships are embraced by the Board as a way to contribute to the greater Tasmanian community. These partnerships strengthen the Board's commitment to decreasing the number and severity of motor accidents.

Road Safety Task Force

The Board makes a significant contribution to road safety and accident prevention on an annual basis. The funding of the RSTF is paramount to this contribution with a primary objective to lower the number of serious road casualties and thereby the number of claims received by the Board.

The University of Adelaide's Centre for Automotive Safety Research conducted the third independent review of the RSTF in 2005. The evaluation highlighted that improvements in road safety and reductions in motor accident frequency documented in the previous two reviews had been consolidated. The Board approved a RSTF investment of $2.6 million per annum (indexed at 5%) for a period of three years from 1 January 2006.

Random drug testing commenced in Tasmania on 1 July 2005. RSTF police officers have been trained in the use of the drug testing devices.

Testing has been well received by the public. To coincide with the commencement of random drug testing, the RSTF launched an enforcement campaign on both television and radio "Now a Booze Bus is also a Drug Bus".

The 18 – 25 year age group continues to be a high risk group and it is important that the road safety message reaches this target. The RSTF has agreed to continue sponsorship of the Falls Festival in Tasmania with a three year commitment from 2005 to 2007. This sponsorship provides the RSTF with an excellent opportunity to deliver messages to a significant number of young people and fits nicely with the continued support of the Recording Artists, Athletes and Actors against Drink Drive (RADD) campaign.

The RSTF continues to be perceived as the premier independent face of road safety in Tasmania.

Safer Communities

"Working for a Safer Tasmania" Site Agfest Field Days 5 – 7 May 2006

The "Working for a Safer Tasmania" site at Agfest once again gave the Board an opportunity to join forces with Tasmania Police, SES, Tasmanian Ambulance, the Department of Infrastructure, Energy and Resources and Neighbourhood Watch to inform and educate visitors on the key roles undertaken by each exhibitor. The relationship between these organisations when responding to an emergency was also highlighted.

The key attraction of the site was the interactive Bosch Electronic Stability Control simulator which drew attention to vehicle safety. The simulator was supported by the interactive website "how safe is your car".

The simulator was popular with the public with in excess of 600 patrons experiencing the benefit of electronic stability programming in vehicles through the simulator experience.

The RSTF display was well received by patrons and the Board is looking forward to being involved in the "Working for a Safer Tasmania" site in 2007.

The interactive Bosch Electronic Stability Control Simulator drew attention to vehicle safety at Agfest 2006.

Injury Prevention and Management Foundation (Foundation)

The Foundation was established under the Act in 1993 with the objective of promoting measures that will reduce the number and severity of accidents. To achieve this objective, the Board may conduct or participate in, and/or provide financial support to, people and organisations through the sponsorship of appropriate projects.

The Foundation funding allocation is reviewed annually, with the Board setting aside up to 1% of its gross annual premiums.

Funding Allocation 2005/06

The following not-for-profit organisations received Foundation funding:

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

These organisations are invited by the Board to actively participate in the allocation of funding set aside for their specific organisations and are required to report on outcomes achieved at bi-annual meetings.

Event-related potentials (ERP) as a diagnostic tool of attention dysfunction in closed head injury

Dr Mathew Summers and Dr Frances Martin, School of Psychology, University of Tasmania

This project examined P300 activity in closed head injury as a diagnostic tool. It is envisaged that the development of a specific ERP measure of attentional performance may reduce the need for lengthy neuropsychological assessment which may expedite rehabilitation and treatment.

Neurotrauma Research Group (NRG)

Centre for Clinical Research (University of Tasmania)

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

Super Drivers on Rural Roads

Tasmanian Women in Agriculture

This project provided rural people with an opportunity to undertake an affordable defensive driving course. The course examined on-road safety and explored driver obligations for themselves and other road users. The project is co-coordinated by Tasmanian Women in Agriculture and Rural Youth.

Road Safety Trauma Course

Launceston Clinical School, Launceston General Hospital

This project educated fifth and sixth year medical science students of the traumas encountered by rural GPs.

The course gave students the opportunity to work alongside experienced clinicians, SES and ambulance officers, etc using role play to simulate incidents (including road trauma) that are commonplace in rural areas.

SpineSafe Week

Paraplegic and Quadriplegic Association of Tasmania

ParaQuad Associations across Australia nominated November 14-20, 2005 as Spinal Cord Injury Awareness Week. Activities undertaken by ParaQuad Tasmania for this week included, TV advertising, School SpineSafe Quiz and the production and distribution of promotional material.

ParaQuad Respite Unit

Paraplegic and Quadriplegic Association of Tasmania

It has been a long term goal of ParaQuad Tasmania to set up respite units for people with disabilities. The units will be made available to people with disabilities who live outside of the Hobart area who are required to travel for medical appointments or need somewhere to stay while their own home is undergoing modification, etc.

Seating Clinic Expansion Project

St Giles Society Incorporated

The St Giles Society supports children and adults with varying degrees of disability throughout Tasmania. One of their core business activities is the Seating Clinic. This involves being a major provider of specialised equipment and customised seating for people with disabilities and injuries including assessment, prescription and supply of equipment. The aim of the project is to double the size of the existing seating clinic workshop and build new assessment/consultation rooms.

Motorcycle Road Skill Refresher Course

Tasmanian Motor Cycle Council Inc

The aim of this project was to upgrade road skills of motorcyclists using Tasmanian roads through the conduct of refresher courses. It is anticipated that courses will continue to be conducted over a period of years.

All Terrain Vehicle Rider Training

Yolla District High School

This project consisted of two full-time training days, conducted through TAFE Tasmania and Stay Upright, which provided Yolla District High School students (aged 16 or above) with the opportunity to learn how to operate All Terrain Vehicles safely and correctly.

Driver Awareness and Training

Yolla District High School

This program delivered two, 10 week Driver Awareness and Training courses to all Yolla District High School grade 10 students. The course consisted of theoretical and practical components and covered motivation, optimism bias, cognitive dissonance, risk, casual attribution and critical thinking. It is hoped that formal training will significantly reduce the risk of young driver accidents.

Derwent Valley Road Safety

Maree Pinnell

Maree Pinnell is employed by the Department of Infrastructure, Energy and Resources (DIER) as a School Crossing Officer. For the past two and a half years, Maree has been working as a Volunteer Road Safety Advocate delivering road safety programs to primary schools in the Derwent Valley region.

Crash Free School

Penguin High School

Crash Free School was a complete road safety program concept formulated to educate grade 10 students on elements of safe driving. Relying on an entire community approach, the program consisted of cognitive and psychomotor elements, which integrated basic vehicle operational skills with sophisticated educational intervention.

The cerebellum in the monitoring of stimuli: a transcranial magnetic stimulation study

Discipline of Psychiatry, University of Tasmania/Royal Hobart Hospital

This project assisted in the purchase and import into Hobart of a prototype stimulation device developed by engineers at the University of Hanover. People who have been injured as the result of a motor accident frequently suffer chronic pain. This study aimed to increase clinicians' knowledge of sensation processing and thereby the ability to prevent and treat post accident chronic pain. The results will establish a basis for subsequent studies on sensation and will influence the design of further studies in this area.

Data Projector

George Town Ambulance & SES Volunteer Group

This project enabled the George Town Ambulance and SES Volunteer Group to purchase a data projector to assist in the delivery of a more consistent and professional training structure. The data projector will also be used to conduct first aid lectures for community and professional organisations.

Participants undertaking the practical component of the Motorcycle Road Skill Refresher Course in Launceston.

Yolla District High School students undertaking the All Terrain Vehicle Rider Training Course.

Penguin High School students undertaking the classroom portion of the Crash Free School Program.

Top Gear Road Safety Education/Awareness Initiative

The Migrant Resource Centre

Tasmania has welcomed over 1000 refugees over the past three years with a large majority coming from Ethiopia, Sudan, Sierra Leone and Burundi.

One of the major problems faced by the newly arrived refugees is obtaining a drivers licence to assist them in accessing education, employment and essentials, such as, medical treatment, shopping and childcare.

The Migrant Resource Centre (MRC) became aware that an increasing number of refugees now living in Tasmania are driving without holding a drivers licence. This is an increasing problem among young male refugees who state that a lack of income and difficulty in logging 50 hours of driving experience on Tasmanian roads with an experienced driver as the major barriers to obtaining a licence.

In a first for Tasmania, the MRC introduced the "Top Gear" learn to drive program for refugees. With funding from the Foundation, the MRC was able to offer eligible refugees discount driving vouchers and match them with a volunteer driving instructor, who continues to teach the refugee until they are confident enough to complete their driving test to obtain "P" Plates.

The project has been a success with a number of refugees learning the road rules and gaining driving experience. An increasing number have also obtained their "P" plates. The Foundation has continued funding for the project in 2006/07. It is anticipated that this funding will allow the project to develop beyond the pilot stage and assist in addressing road safety and social outcomes for many refugees.

Statement from David Duku (the first person to gain his "P" plates from the TOP GEAR program):

"I would like to express my gratitude to the staff and management of the TOP GEAR program for having initiated this helpful program for the disadvantaged Tasmanians who are struggling with many of life's challenges. It was through this program that I gained my "P" plates allowing me a normal life both in work and in my personal life. Currently I am able to go to work without any problems; access my training (as I am currently doing an apprenticeship); and more importantly, execute my household duties. The previous experiences of riding a pushbike to work and enduring the cold morning frosts are now a matter of history. For this reason, I would like to thank all the volunteer drivers, the MAIB and the Migrant Resource Centre for their assistance."

Statement from Elizabeth Ruthven (Volunteer Driver with the TOP GEAR program):

"I have long had a strong personal interest in developing safe and confident driving skills and have also been involved in the Older Driver Program through DIER. For some time I had considered it important to assist newly arrived migrants settle in Hobart, but had not done anything about it. When I first read about the Top Gear Program (Mercury article), I was immediately inspired by the possibility of being able to contribute positively. Here was an identified need where I had skills to help. After security checks and completion of a training program designed specifically for volunteer supervising drivers, I was allocated my first Learner driver, David. Generally we drove at least once a week for 1-2 hours. Ongoing support, provision of the car we use and insurance has been available through the Migrant Resource Centre, Hobart. It was extremely rewarding to observe David's strong motivation to improve his driving skills and techniques. He has now gained his "P" plates and I am supervising another learner. Again I am impressed by his enthusiasm and motivation. An indirect benefit to me has been the refinement of my own driving skills. I am also pleased to observe that Hobart drivers generally seem to be tolerant and patient around "L" plated cars."

Injury Prevention & Management Foundation - Projects Approved for 2005/2006

School of Psychology (University of Tasmania)	**ERP as a diagnostic tool of attention dysfunction in closed head injury**	$37,621
Centre for Clinical Research (University of Tasmania)	**Neurotrauma Research Group**	$190,000
Tasmanian Women in Agriculture	**Super Drivers on Rural Roads**	$11,600
Paraplegic and Quadriplegic Association of Tasmania	**SpineSafe Week (November 14-20, 2005)**	$10,700
Paraplegic and Quadriplegic Association of Tasmania	**ParaQuad Respite Unit**	$53,000
Tasmanian Motorcycle Council Inc	**Motorcycle Road Skill Refresher Course**	$13,000
Yolla District High School	**All Terrain Vehicle Rider Training**	$4,000
Yolla District High School	**Driver Awareness and Training**	$1,500
Penguin High School	**Crash Free School**	$15,420
The Migrant Resource Centre	**Top Gear Road Safety Education/Awareness Initiative**	$23,420
Launceston Clinical School of Medicine	**Oatlands Trauma Course 2005**	$5,000
St Giles Society Inc	**Seating Clinic Expansion Project**	$50,000
Maree Pinnell	**Derwent Valley Road Safety**	$10,000
George Town Ambulance & SES Volunteer Group	**Data Projector**	$2,225
Professor Saxby Pridmore	**The cerebellum in the monitoring of stimuli: a transcranial magnetic stimulation study.**	$1,900
	TOTAL FUNDING COMMITTED 05/06	**$429,386**

(NB: All Amounts are exclusive of GST)

Injury Prevention & Management Foundation - Projects Approved for 2006/2007

Neurotrauma Research Group Centre for Clinical Research	**Neurotrauma Research Group**	$240,000
Paraplegic and Quadriplegic Association of Tasmania	**Employment of People with a Spinal Cord Injury in Tasmania, A Scoping Study**	$49,808
Tasmanian Ambulance Service	**Tasmanian Ambulance Simulation and Skills Centre**	$176,177
College of Emergency Nursing Australasia Ltd (Tasmanian Branch)	**Trauma Nursing Program**	$20,000
Yolla District High School	**All Terrain Vehicle Rider Training**	$8,400
Yolla District High School	**Driver Awareness and Training**	$1,820
Penguin High School	**Crash Free School**	$10,416
The Migrant Resource Centre	**Top Gear Road Safety Education/Awareness Initiative**	$30,000
Launceston Clinical School of Medicine	**Oatlands and Smithton Trauma Courses**	$6,000
	TOTAL FUNDING COMMITTED 06/07	**$542,621**

(NB: All Amounts are exclusive of GST)

Human Resources

Highlights

- Three year HR Strategic Plan approved.
- Ten courses and seminars attended by various staff.
- Fundraising for 12 charities.
- Voluntary staff involvement in charity work.
- Seven new staff members welcomed.
- Staff Satisfaction Survey undertaken.
- Four staff members engaged in tertiary study.
- All staff participated in a variety of OH&S week activities.
- No OH&S incidents recorded.

Our HR aim is to provide a fully competent, efficient and well-motivated workforce capable of delivering quality service to both internal and external clients in accordance with the Board's Vision, Mission and Values Statements.

The Board strives to create a culture where individuals are accountable for their performance and where constructive feedback is provided by supervisors and management. It is through this strategy that the Board is able to recruit, develop and retain suitable people with knowledge, skills and abilities that will assist in the achievement of excellent customer service.

Approval of HR Strategic Plan 2006

A three year HR Strategic Plan was approved by the Board of Directors in March 2006. The plan sets out a series of HR guiding principles and identifies strategies and objectives in the areas of recruitment and selection, training and development, working environment and occupational health and safety.

It is envisaged that objectives in the plan will be substantially met by 30 June 2007.

Staff Satisfaction Survey

A staff satisfaction survey has been conducted over recent years as a method of collecting data, as well as giving staff the opportunity to make suggestions and identify issues in all areas of their employment. 76% of staff responded to the survey.

83% of survey respondents believed that they were making a valuable contribution to the community by performing their job to a high standard. Overall staff satisfaction has improved from 56% in 2004 to 76% in 2006.

The Board is committed to ensuring continual improvement regarding staff satisfaction and will proactively develop strategies and consider staff comments to assist with this process.

Competency Mapping

The Board understands the importance of long term employability for all staff. While the Board uses a competency system tailored for the organisation, it is also important that these competencies are mapped against competencies that are Nationally recognised. Through this process, 15 staff have already been awarded certificates in Financial Services.

Workplace Equity

The Board is committed to equal opportunity and equity principles. An Equal Employment Opportunity (EEO) Co-ordinator is appointed to promote an understanding of EEO issues and developments. An Employee Assistance Program is available to all staff for personal counselling and support, as required.

Claims Management

Highlights

- 3,315 new claims received.
- Paid $26.7 million in no-fault statutory benefits.
- Settled 331 common law claims.
- Assisted 70% of claimants return to work.
- Claims Officers attended 46 Settlement conferences.
- Processed 80,000 accounts.
- Continuously reviewed and improved claims management practices.
- Use of innovative methods for rehabilitation and treatment.
- Two Victorian Spinal Cord Service visits.
- Hosted Life Time Care Symposium.
- Implemented software to centralise management of daily care claims.
- 239,291 hits on website.

Claim Management Team

The claim management team deals directly with the public on a day to day basis, either in person or by telephone.

When an individual lodges a claim they are nominated a dedicated claims officer who, in most cases, is the primary contact person for the period of that claim. Members of the claim management team must have empathy for, and understanding of, claimants' experiences (many of which can be life changing) and focusing on best understanding individual circumstances.

In 2005/06 staff training specifically focused on effective customer service and proficient letter writing skills.

The continued high satisfaction rating produced in recent client market surveys can be attributed to the Board's commitment to employee training and development and the dedication of employees to provide superior customer service.

Rehabilitation Providers

Quarterly forums were held with panel rehabilitation provider managers (Occupational Therapy, Vocational Rehabilitation and Case Management). These forums have proven to be successful in training, networking and the sharing of common problems. A new initiative to flow from these forums has been the introduction of peer review sessions for Vocational Rehabilitation providers whereby consultants are encouraged to prepare a difficult case study to share with their peers. Feedback, to date, has been very positive.

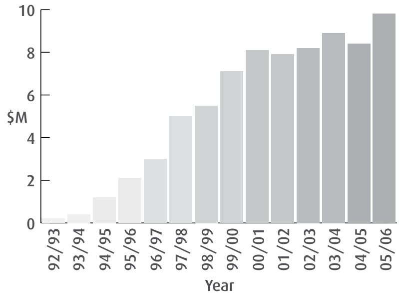
Lifetime Support Symposium

The Board hosted the second annual lifetime support symposium which was attended by delegates from other CTP schemes from Australia and New Zealand, as well as scheme actuaries, a leading Tasmanian rehabilitation physician and other lifetime support practitioners.

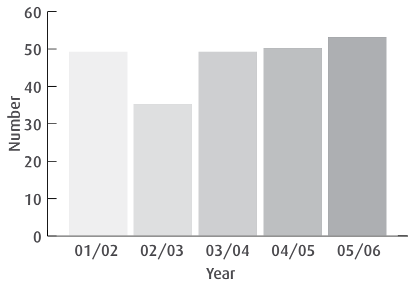
One of the goals arising out of the forum was to seek a more co-ordinated National approach towards research into traumatic brain injury. The development of consistent brain injury codes across jurisdictions would enable the CTP schemes to better compare data and also assist long term reserving for actuarial purposes.

The Board's involvement in National symposiums ensures the continuation of best practice in this area.

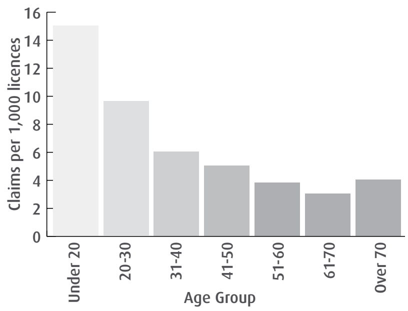
Future Care Payments



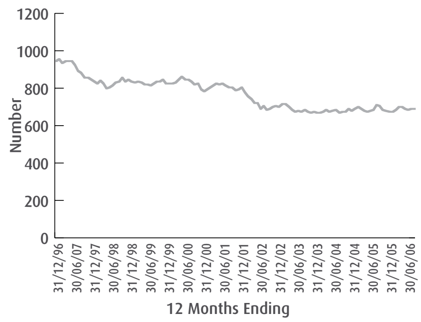
Fatalities Reported



Driver Claims Per 1,000 licences 05/06



Serious Claims



Legislative Amendments

Amendments to the *Motor Accidents (Liabilities and Compensation) Regulations 2000* were gazetted in November 2005. These amendments allowed for significant increases in claim benefits for injuries arising from motor accidents on or after 23 November 2005.

Medical and disability benefits (which include the cost of medical, hospital, allied health professional services, medical appliances and attendant care) increased from a maximum of $300,000 to a maximum of $400,000 for each person injured in a motor accident. This increase will benefit those who have suffered a serious injury who do not qualify for lifetime support.

Increases were also made to the following benefits:

- Taxi transport - allowable for 39 weeks from the date of injury where a medical practitioner provides certification.
- Housekeeping assistance - the 26 week limitation period has been extended to 39 weeks where a person was a hospital inpatient for a continuous period of more than four (4) days commencing on the day of the accident.
- Weekly disability allowance - those with earnings less than $250 per week has been increased.

Sponsored Visits of the Victorian Spinal Cord Service (VSCS)

In 2002, the VSCS approached the Board for assistance with sponsoring a satellite surgical program for spinal cord injury (SCI) clients in Tasmania.

Approximately 50% of SCI victims admitted to Austin Health in Melbourne are diagnosed with some form of upper limb impairment (tetraplegia). Many of these people have the potential to gain new or improved function via specialised reconstructive surgery. However, in the past, people living in Tasmania tended not to access this treatment due to reduced awareness/exposure to specialists in the field, limitations imposed by travel to Melbourne and long waiting lists.

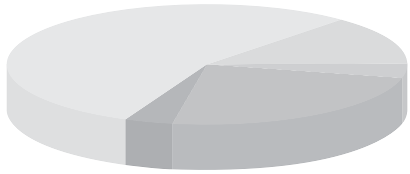
Since 2002, with Board support, the VSCS surgical team has travelled to both Hobart and Launceston on seven occasions specifically to perform this surgery and conduct support clinics for people within the community with tetraplegia.

Through this initiative, suitable candidates have access to surgery, performed by experts in the field, undertaken at their local hospital where they have easy access to friends and family for support.

During these visits the team also conducts specialist clinics to assess new clients and to review past or difficult cases, along with training local surgeons in these specialist procedures. The team also undertakes in-service presentations and education in hospital settings and liaises with local providers.

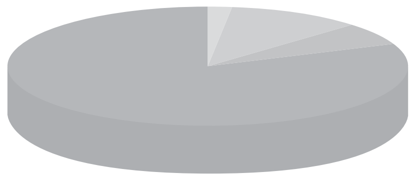
An additional benefit from the Board's initiative of sponsoring the VSCS on their visits to Tasmania is that non-compensable people with tetraplegia may access services of these professionals to improve their quality of life. This demonstrates the Board's commitment to the broader community in a practical and meaningful way.

Scheduled Benefits Payments for the Year Ended 30 June 2006



55% Medical etc & Attendant Care
13% Disability & Housekeeping Allowances
4% Funeral & Death Benefits
24% Hospital
4% Rehabilitation

Common Law Payments for the Year Ended 30 June 2006

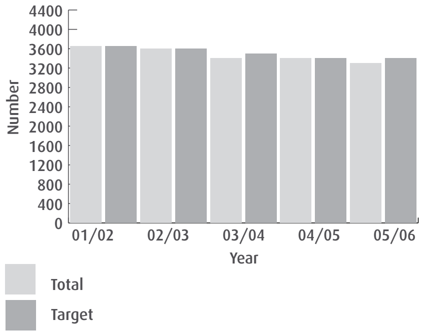


2% Assessing
11% Legal Fees
6% Medical Reports Disbursements
81% Damages

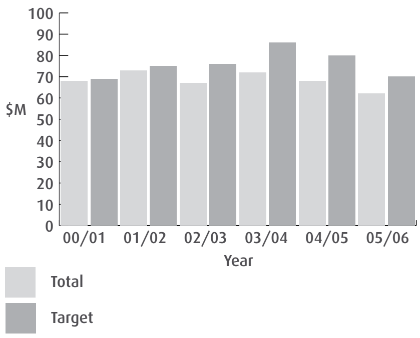
Injuries 2005/06

2% Fatalities
10% Head
30% Neck
19% Trunk
15% Arm
12% Leg
12% Other

Claims Received



Claim Payments



Residences for the Catastrophically Injured

The Board recognised many years ago that offering accommodation choice for people catastrophically injured was very important to both the injured person and their families.

Over the last 10 years, the Board has taken a leading role in this area with the design and construction of purpose built group residences in Hobart and Launceston.

In 2005/06 an additional residence in Hobart was designed and constructed to provide a further group home which can accommodate up to four catastrophically injured residents.

The building works were awarded to a Tasmanian building company following a selective tender process.

Some of the special design features of the new residence are:

- "barrier free" kitchen;
- wheelchair friendly doorways;
- electric tracking hoists from bedrooms to ensuites;
- small sleep-over bedroom and ensuite for after hours staffing;
- two large living rooms provide flexibility for individual therapy sessions and private resident occasion or function;
- carport design is wider for improved access into speciality vehicles; and
- constructed on a site with level access to all areas.

Options are being considered for the construction of an additional purpose-built facility in the Northern part of Tasmania. When completed, the proposed construction will bring the total number of MAIB beds available in Tasmania suitable for those catastrophically injured in a motor accident to 22.

The management of these group residences has been outsourced to Anglicare.

In addition, the Board also provides the necessary support for those people catastrophically injured in a motor accident who reside in the community at large.

The Board also has a number of one, two and three bedroom transitional residences suitable for respite care or for people who maintain a reasonable level of independence following their motor accident.

December 2005

February 2006

June 2006

Financial Management

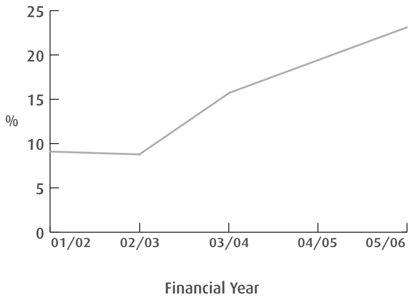
Highlights

- Operating profit before tax $133.2 million.
- Premium revenue $117.4 million.
- Net investment revenue $124.5 million.
- Claims expense $94.5 million.
- Dividend payable to Government of $22.1 million.
- Tax payable of $23.7 million.

Financial Performance

The Board recorded an operating profit after tax for the year ended 30 June 2006 of $96.2 million (2005: $58.4 million) due to the combined effect of strong investment performance, increased premium revenue and continued favourable claims experience. As a result, the solvency level at 30 June 2006 has increased to 23.6% (2005: 19.8%).

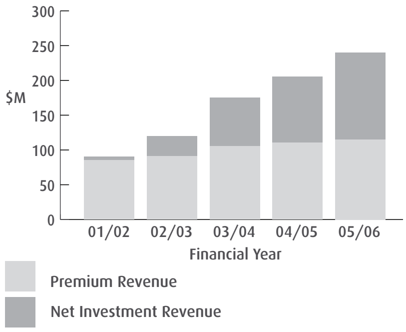
Solvency



Premium Revenue

Premium revenue in 2005/06 amounted to $117.4 million (2004/05: $111.4 million). The increase in premiums received resulted primarily from a 2.7% increase in motor vehicle registrations. The continuing reduction in motor accidents and favourable claims experience resulted in there being no increase to individual premiums during the year. The premium for a standard motor vehicle remains at $332.

Income Components



Claims Expense

A reduction in claim frequency, lower than expected payments and generally favourable claims experience has resulted in a claims expense for 2005/06 of $94.5 million (2004/05: $108.2 million). The provision for outstanding and unreported claims at 30 June 2006 is $654.1 million (2005: $617.9 million).

Administration Expenses

The Board continues to have one of the lowest costs of administration for schemes of this type. Ongoing management of this cost has seen the ratio of administration expenses to premium revenue of 3.5% for 2005/06 remain at a similar level to last year (2004/05: 3.4%).

Australian Equivalents to International Financial Reporting Standards

The financial statements for 2005/06 and the 2004/05 comparatives contained in this annual report have been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (A-IFRS).

The adoption of A-IFRS has had no material impact on the 2005/06 financial statements as at the commencement of the year, the Board's statements were materially compliant with those standards.

In addition, a restatement of the previously reported 2004/05 financial statements is required for inclusion as comparatives alongside the 2005/06 year's financial statements. The comparatives show a substantially different result to that actually reported in 2004/05,mostly as a consequence of a comprehensive actuarial review undertaken in 2004/05 of the economic assumptions underlying the valuation of the provision for outstanding and unreported claims. Included in that review, among other changes, was the adoption of a risk free discount rate which, when restating the 2004/05 reported financial statements to comply with A-IFRS requirements, resulted in a much lower claims expense with a corresponding increase to the operating profit.

The restated 2004/05 financial statements are for A-IFRS comparative purposes only and do not impact on the calculation of tax equivalent and dividend payments.

Investment Strategy

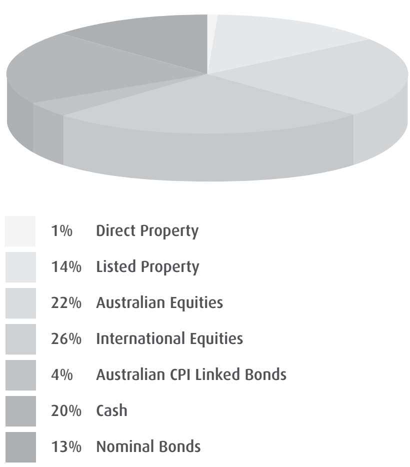
In 2005/06 the Board maintained its investment strategy of ensuring that its longer term solvency requirements will be achieved within acceptable levels of profit volatility by maintaining an appropriate balance between growth assets (such as equities, listed property) and more defensive asset classes (such as cash, fixed income) in its asset allocation benchmark. This benchmark represents the "risk neutral" reference point which, based on historical returns, is expected to achieve a satisfactory return for an acceptable level of risk. In reviewing the benchmark settings during the period, the prior year's benchmark was retained.

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

Asset Class Allocations

At 30 June 2006, the investment portfolio totalled $1.03 billion allocated across the asset classes detailed in the graph below:

Asset Allocations at 30 June 2006



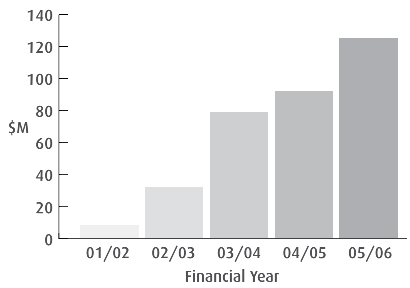
Investment Performance

Global economic activity remained strong this year, with the international and domestic equities indices producing returns of 17.4% unhedged (19.9% hedged) and 24.0% respectively.

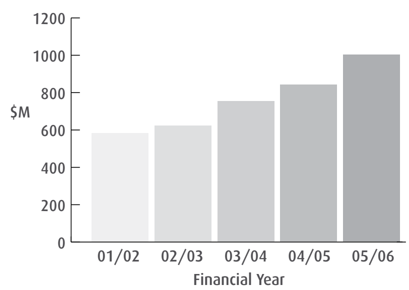
The Board invests its funds in a mix of growth and defensive asset classes. A return of 14.2% (2004/05: 13.1%) was achieved across the entire portfolio.

External fund managers were employed in all asset classes with the exception of direct property. The performance of external managers is monitored on a monthly basis. New international equity managers commenced operation during the year.

Gross Investment Revenue



Investment Portfolio Growth



Tax Equivalent

Although the Board is a Tasmanian GBE and exempt from Commonwealth income tax, the GBE Act requires the payment of tax equivalents to the State Government under the National Tax Equivalents Regime. The total tax payable in respect of 2005/06 amounts to $23.7 million (2004/05: $5.6 million).

Dividend

Under the GBE Act, dividends are payable to the State Government. The current methodology for calculating dividends requires the dividend in a year to be calculated on a five year rolling average based on 50% of the average of after tax profits and losses over the current and four preceding years. Application of this model at the conclusion of the 2005/06 financial year results in a dividend payable to Government of $22.1 million (2004/05 $12.8 million).

Key Performance Indicators (KPIs)

The combination of a strong investment result and a lower than expected claims expense has resulted in the targets for the KPIs being substantially exceeded in 2005/06. Being a long tail insurer with a significant allocation of investments to growth assets, the Board is targeting long term investment growth but is then subject to short term market volatility in the investment markets. Forecasts for the next three years show these KPIs returning to levels more representative of longer term trends.

The KPIs for the year ending 30 June 2006 are listed below:

KPI	Forecast	Actual
Solvency Level	17.2%	23.6%
Return on Equity	9.9%	45.6%
Return on Total Assets	2.50%	14.2%

Five Year Summary - Financial

	2001/02 $	2002/03 $	2003/04 $	2004/05 $	2005/06 $
Net Premium Revenue	81,346,566	86,111,129	98,767,389	107,252,715	112,642,959
Claims & Underwriting Expenses	(83,941,077)	(104,525,884)	(99,194,682)	(110,451,100)	(96,376,176)
UNDERWRITING RESULT	(2,594,511)	(18,414,755)	(427,293)	(3,198,385)	16,266,783
Net Investment Revenue on Insurance Funds	7,191,461	27,949,551	67,618,968	73,095,368	92,793,744
Administration, Road Safety and Foundation Expenses	(6,245,957)	(6,655,025)	(7,195,912)	(6,847,620)	(7,584,342)
INSURANCE RESULT	(1,649,007)	2,879,771	59,995,763	63,049,363	101,476,185
Investment Revenue on Retained Earnings	695,204	2,630,980	10,307,509	18,744,522	31,718,328
OPERATING RESULT BEFORE TAX	(953,803)	5,510,751	70,303,272	81,793,885	133,194,513
Tax Expense Attributable to Operating Result	5,148,802	5,186,304	(19,190,471)	(23,368,895)	(37,007,771)
OPERATING RESULT AFTER TAX	4,194,999	10,697,055	51,112,801	58,424,990	96,186,742
NET ASSETS	61,670,367	72,343,459	121,855,519	173,011,646	248,452,329
Dividend Paid/Provided	910,431	0	1,600,741	7,268,863	12,804,746

Five Year Summary - Operational

	2001/02	2002/03	2003/04	2004/05	2005/06
Number Of Vehicles Registered	364,761	376,316	390,506	403,827	414,590
Total Payments Made ($'000)	73,308	68,235	73,202	68,021	62,098
Current Claims	4,473	3,976	3,695	3,546	3,459
New Claims Received	3,655	3,609	3,386	3,385	3,315
Number of Fatalities	49	35	49	50	52
Fatality Rate Per 10,000 Vehicles	0.13	0.09	0.13	0.12	0.13
Claim Rate Per 1,000 Vehicles	10.02	9.59	8.67	8.38	8.00
Tasmanian Car Premium ($)	288	307	324	332	332

Statement of Corporate Intent

Statement of Compliance

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

1.1 Business Definition

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

The core business activities are:

- Assessment for, and payment of, Scheduled Benefits and Common Law damages in accordance with the requirements of the Act;
- Setting of premiums in accordance with Part 6 of the Ministerial Charter;
- Investment of the assets of the Board; and
- Funding of motor accident and injury prevention programs.

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

1.2 Key Limitations

Key limitations on the operations of the Board are:

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

1.3 Solvency

The measures identified in the 2000/01 Fund Solvency Review have been implemented. Target solvency level is in the range of 15 - 20%. This range was adopted after a review of capital requirements and actuarial advice following the introduction by the Australian Prudential Regulation Authority of new standards applicable to general insurers in the private sector, effective 1 July 2002.

1.4 Pricing Policies

The proposed premium increases during the period of the Plan are those contained in the Board's submission to GPOC.

1.5 Strategic Directions and Key Results Areas

OBJECTIVES	DESIRED OUTCOME
Financial Management To ensure that a balance exists between premium income, the cost of claims (including a prudential margin) and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.	Maintain solvency within target range (15% – 20%). Sustainable financial viability. Affordable premiums.
Accident and Injury Prevention To reduce serious casualty claims through contributions to road safety programs.	Reduction in the incidence and severity of accidents.
Claims and Rehabilitation To have in place best practice solutions to meet the challenges in providing no-fault insurance (with common law overlay).	Contain unreasonable growth in claims costs. Continual improvement in service to claimants. Timely and appropriate rehabilitation. High quality care delivered cost effectively.
Service to Claimants To continually improve the service to claimants.	Prompt acceptance of valid claims. Prompt delivery of benefits and compensation. Claimant satisfaction.
Information Technology To provide efficient and reliable information technology systems that enhance customer service, increase business productivity and support decision making.	Development of modern, innovative information technology systems consistent with business objectives.
Human Resources To provide a fully competent, efficient and well motivated workforce capable of delivering quality service to both internal and external clients in accordance with the Board's Vision, Mission and Values Statements.	Development and/or maintenance of HR policies and procedures which address recruitment and selection, training and development, working environment and occupational, health and safety.

1.6 Business Performance Targets

	2005/06 (Forecast)	2005/06 (Actual)	2006/07	2007/08	2008/09
			(Forecast as per Corporate Plan)		
Premium Increase	3.0%	0.0%	2.0%	4.0%	4.0%
Financial Result After Tax	$15.7M	$96.2M	$12.7M	$13.3M	$11.2M
Solvency Level	17.2%	23.6%	23.2%	21.3%	19.6%
Financial Return on Equity	9.9%	45.6%	5.2%	5.6%	4.9%
Financial Return on Total Assets	2.5%	14.2%	1.7%	1.7%	1.3%
Dividends Paid	$11.2M	$12.8M	$21.6M	$22.4M	$22.7M
Tax Equivalents Paid	$1.0M	$7.5M	$20.0M	$4.0M	$0.0M

Motor Accidents Insurance Board

Financial Report 2005/06

Income Statement

for the year ended 30 June 2006

	Note	2006 $	2005 $
Premium Revenue	4	117,353,634	111,412,133
Outwards Reinsurance Expense	1(i)	(4,710,675)	(4,159,418)
		112,642,959	107,252,715
Claims Expense	6	(94,546,133)	16,209,366
Recovery Revenue	7	(529,490)	2,351,999
Unexpired Risk Expense	17	1,060,645	(3,805,774)
Underwriting Expenses		(2,361,198)	(2,235,677)
UNDERWRITING RESULT		16,266,783	119,772,629
Investment Revenue on Insurance Funds	9	92,793,744	73,095,368
General and Administration Expenses		(4,135,740)	(4,050,660)
Road Safety Task Force	25	(2,425,000)	(2,284,491)
Injury Prevention and Management Foundation	20	(1,023,602)	(748,132)
		85,209,402	66,012,085
INSURANCE RESULT	1(s)	101,476,185	185,784,714
Investment Revenue on Retained Earnings	9	31,718,328	18,744,522
OPERATING RESULT BEFORE TAX		133,194,513	204,529,236
Tax Expense Attributable to Operating Result	5(a)	(37,007,771)	(63,032,394)
OPERATING RESULT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS		96,186,742	141,496,842

The accompanying notes form an integral part of this Statement.

Balance Sheet

as at 30 June 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Investments	10	895,783,583	749,182,702
Cash in Hand and at Bank	23(a)	448,416	351,264
Prepaid Expense		35,225	38,911
Accounts Receivable	13	1,918,566	1,743,543
		898,185,790	751,316,420
NON-CURRENT ASSETS			
Investments	10	94,994,503	89,382,785
Investment Property	10	11,965,000	10,960,000
Deferred Tax Asset	5(c)	4,674,162	5,053,918
Reinsurance Recoveries Receivable	14	14,220,423	17,100,000
Plant and Equipment	12	575,135	534,916
		126,429,223	123,031,619
TOTAL ASSETS		1,024,615,013	874,348,039
CURRENT LIABILITIES			
Provision for Outstanding and Unreported Claims	16(c)	75,655,919	73,292,003
Provision for Unearned Premium	21	52,143,344	49,978,502
Provision for Unexpired Risk	17	9,986,123	11,046,768
Provision for Tax	5(b)	20,433,934	4,679,649
Foundation	20	1,054,835	819,553
Provision for Employee Benefits	18	328,269	512,765
Accounts Payable		1,830,691	1,692,118
Accrued Expenses	22	18,492	19,319
		161,451,607	142,040,677
NON-CURRENT LIABILITIES			
Provision for Outstanding and Unreported Claims	16(c)	578,472,535	544,607,997
Provision for Deferred Tax	5(c)	34,180,701	20,810,377
Provision for Employee Benefits	18	2,055,625	1,815,365
Accrued Expenses	22	2,216	3,290
		614,711,077	567,237,029
TOTAL LIABILITIES		776,162,684	709,277,706
NET ASSETS		**248,452,329**	**165,070,333**
EQUITY			
Retained Earnings Attributable to Equity Holders	19	248,452,329	165,070,333
TOTAL EQUITY		**248,452,329**	**165,070,333**

The accompanying notes form an integral part of this Statement.

Statement of Changes in Equity

for the year ended 30 June 2006

	Note	2006 $	2005 $
Total Retained Earnings Attributable to Equity Holders at Beginning of Year		165,070,333	30,842,363
Operating Result After Tax for the Period		96,186,742	141,496,842
Total Income and Expense for the Year Attributable to Equity Holders		261,257,075	172,339,205
Dividends Paid	1(d)	12,804,746	7,268,872
Total Retained Earnings Attributable to Equity Holders at End of Year	19	**248,452,329**	**165,070,333**

Cash Flows Statement

for the year ended 30 June 2006

	Note	2006 Inflows (Outflows) $	2005 Inflows (Outflows) $
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums Received		131,243,352	122,931,781
Reinsurance Paid		(4,892,708)	(4,579,817)
Claims Paid		(62,098,050)	(68,020,555)
Other Claim Related Payments		(413,808)	(381,250)
Reinsurance & Other Recoveries		2,366,067	997,204
Underwriting Expenses Paid		(2,559,674)	(2,422,083)
Interest Received		11,098,756	11,348,640
Dividends Received		36,998,183	32,498,751
Rent Received		418,693	501,962
Other Investment Revenue		555,652	358,375
Investment Related Payments		(1,809,165)	(1,362,377)
General & Administration Expenses		(3,993,756)	(3,797,880)
Road Safety Task Force		(2,667,500)	(2,512,940)
Injury Prevention and Management Foundation		(894,072)	(933,665)
Tax Equivalents Paid		(7,503,406)	(938,959)
Goods and Services Tax Paid		(6,744,143)	(7,103,700)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23(b)	89,104,421	76,583,487
CASH FLOWS USED IN INVESTING ACTIVITIES			
Net Investment Transactions		(75,978,645)	(70,816,370)
Purchase of Plant and Equipment		(311,846)	(211,489)
Proceeds on Sale of Plant and Equipment		87,968	80,841
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(76,202,523)	(70,947,018)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends Paid		(12,804,746)	(7,268,864)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(12,804,746)	(7,268,864)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		97,152	(1,632,395)
Cash and Cash Equivalents at the Beginning of the Financial Year		351,264	1,983,659
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23(a)	448,416	351,264

The accompanying notes form an integral part of this Statement.

Notes to the Financial Statements

for the year ended 30 June 2006

1 Summary of significant accounting policies

The financial report is a general purpose financial report prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritive pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations corresponding to the Interpretations approved by the International Accounting Standards Board (IASB), the *Government Business Enterprises Act 1995*, and the Treasurer's Instructions.

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

Standard	Title	Operative date
2005-10	Amendments to Australian Accounting Standards AASB 132,101,139,1,4,1023	Annual reporting periods beginning on or after 1 January 2006.

The following accounting standards have been amended and issued by the Australian Accounting Standards Board (AASB). These standards are not yet effective.

The Board did not apply the above standards when preparing the 2005/06 financial statements. The Board will apply these standards for the reporting period beginning 1 July 2006.

(a) Financial report

This financial report covers the Motor Accidents Insurance Board for the year ended 30 June 2006. The financial report is presented in Australian dollars and no rounding has been applied.

(b) Basis of accounting

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of an opening A-IFRS balance sheet at 1 July 2004. The Board has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions.

1 Summary of significant accounting policies *cont.*

(c) Tax equivalents

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

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

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

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

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

(d) Dividends

Dividends are payable annually to the State Government. While a dividend is payable in respect of the current year, no provision has been made in the financial statements due to the requirements of AASB 101. The amount of the dividend payable relating to the 2005/06 financial year is disclosed in note 27. The dividend paid during the year in respect to 2004/05 is $12,804,746 (refer note 19).

(e) Premium revenue

Premium revenue comprises amounts paid for the use of vehicles and is levied under the *Government Prices Oversight (MAIB Premiums) Order 2003.*

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

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

(f) Deferred acquisition costs

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

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

1 Summary of significant accounting policies *cont.*

(g) Provision for outstanding and unreported claims

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

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

Claim handling expenses include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be directly associated with individual claims, such as claims administration costs.

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% (2005: not less than 75%) that the provision is sufficient to meet the cost of claims incurred.

Also refer to comments made in note 16.

(h) Provision for unexpired risk

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

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

Further details of the provision for unexpired risk are contained in note 17.

(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

The Board has determined that all investments, including investment properties, are held to back the provision for outstanding and unreported claims. Investments are valued at the end of the reporting period at fair value through the income statement in accordance with the provisions of AASB 1023. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the income statement.

The investment portfolio is managed to grow in accordance with the expected pattern of cash flows arising from the claims liability.

Differences between the net fair values of investments at the reporting date and their net fair values at the previous reporting date (or cost of acquisition, if acquired during the financial year) are recognised as a revenue or expense in the income statement in the reporting period in which the changes occur.

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

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

1 Summary of significant accounting policies *cont.*

(k) Derivative financial instruments

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

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

All exchange gains and losses relating to forward foreign exchange contracts are brought to account in the income statement in the same period as the exchange differences on the investments covered by those transactions (refer note 11a).

(l) Accounts receivable

Accounts receivable (refer note 13) are recognised at amortised cost less impairment. They are due for settlement no more than 30 days from the date of recognition.

(m) Accounts payable

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

(n) Plant and equipment

AASB 116 requires each class of assets to be valued by applying either a cost model or the revaluation model. Plant and equipment is valued under the cost model. Refer to note 12 for further details.

(o) Depreciation

Depreciation of plant and equipment is made on the straight line basis using rates designed to write off the net cost or revalued amount of each asset over its expected useful life to its estimated residual value. This usually represents a period of 3 to 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

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

(p) Employee benefits

Annual leave, long service leave and sick leave

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

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

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

Defined benefit superannuation

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

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

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

1 Summary of significant accounting policies *cont.*

(q) Goods and services tax

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

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

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

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

(r) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. This is the first financial report to be prepared in accordance with A-IFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. Reconciliations of A-IFRS equity and profit for 2005 under A-IFRS to the balances reported in the 30 June 2005 financial report are detailed in note 28.

(s) Insurance result

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

2 Critical accounting judgements and estimates

The below note detailing the Board's critical accounting judgements and estimates is a new requirement under AASB 101. This is the first year this note has been included.

The Board makes judgements, estimates and assumptions in respect of key assets and liabilities as detailed below.

(a) Provision for outstanding and unreported claims

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

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

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

Details of specific assumptions used in deriving the provision for outstanding and unreported claims liability at year end are detailed in note 16.

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.

2 Critical accounting judgements and estimates *cont.*

Common law

Common Law projections take into account the following:

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

Future care

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

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

(b) Assets arising from reinsurance contracts

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

(c) Investments

The investment portfolio is managed to grow in accordance with the expected pattern of cash flows arising from the provision for outstanding and unreported claims liability.

The Board has determined that the investments are to be classified as held for trading as the investment portfolio is managed as a whole and is actively traded to benefit from profit making.

Notes to the Financial Statements

for the year ended 30 June 2006

3 Risk management policies and procedures

The below note detailing the Board's risk management policies and procedures is a new requirement under AASB 1023. This is the first year this note has been included.

(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 scheme solvency in the target range of 15% to 20% and to ensure that a balance exists between premium income, the cost of claims and the requirement to achieve a sustainable commercial rate of return that maximises value for the State.

Risk management principles

The Board has a sound risk management structure and practices in place. Underpinning the process is a Risk Management Policy (the 'Policy') and a Risk Management Plan (the 'Plan'). These documents are designed to:

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

The objectives of the Policy are to:

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

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

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

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

Insurance risk

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

- acceptance of valid claims;
- accurate assessment of claim liabilities;
- cost control measures;
- fraud prevention and detection;
- provision of accurate information into the premium setting process;
- establishment of appropriate investment strategies to meet future liabilities; and
- retention of long term scheme solvency within the target range of 15% to 20%.

3 Risk management policies and procedures *cont.*

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

- Claim management procedures are documented in a series of policies and guidelines which are provided to all staff and reviewed regularly in accordance with the Board's document control procedures.
- A comprehensive database of accident data is maintained which facilitates the provision of a wide range of up-to-date information for review by management including, for example, monitoring of claim costs, common law progress and provider management.
- Exposure to catastrophic motor accidents is managed through taking out appropriate reinsurance cover. Reinsurance treaties are re-negotiated annually via a broker. When selecting a reinsurer the Board only considers firms that have at least a Standard and Poors 'A' rating. In order to limit risk, the Board has several reinsurers.
- The Board engages the services of an external consultant 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. Between strategic reviews, tactical departures from benchmark are made where appropriate to take advantage of opportunities within the market.
- An independent actuary is engaged to value the claim liabilities (including the establishment of an appropriate risk margin), assess premium requirements annually, assess capital adequacy requirements and monitor and report on trends in costs.
- As the Tasmanian government monopoly compulsory third party insurer the Board is subject to a tri-ennial review of its operations by the Government Prices Oversight Commission in order that the Commission can recommend maximum premiums to be charged for the three year period following the review. In undertaking this review the Commission engages the services of an independent actuary to review the Board's claim costs and provision for outstanding and unreported claims liability and the assumptions underlying the valuation.

(b) Terms and conditions of insurance business

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

(c) Concentration of insurance risk

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

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Board's obligations at the end of a contract period. The tables in note 16 show estimates of total claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

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

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

Refer to note 11(d).

(f) Credit risk

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

There are no significant concentrations of credit risk.

Refer to note 11(b).

Notes to the Financial Statements

for the year ended 30 June 2006

	2006 $	2005 $
4 Premium revenue		
Direct	119,518,476	113,108,279
Unearned premium revenue	(2,164,842)	(1,696,146)
	117,353,634	111,412,133
5 Income tax		
(a) Income tax expense recognised in the income statement		
Tax expense/(income) comprises:		
Current tax expense/(income)	23,709,144	5,618,608
Deferred tax expense/(income) relating to the origination and reversal of Temporary differences	13,750,080	57,413,786
Tax expense/(income) attributable to continuing operations	37,459,224	63,032,394
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating result. The differences are reconciled as follows:		
Profit from continuing operations	133,194,513	204,529,236
Income tax expense calculated at 30%	39,958,354	61,358,771
Previously unrecognised and unused tax losses and offsets now recognised deferred tax assets	(2,499,130)	1,673,623
Income tax expense attributable to operating result[1]	37,459,224	63,032,394
(Over)/under provision of income tax expense in previous year	(451,453)	-
Income tax expense attributable to operating result	37,007,771	63,032,394
(b) Current tax liabilities[1]		
Current tax payable for 2005/06	23,709,144	5,618,608
Less tax instalments paid	(3,275,210)	(938,959)
Provision for tax	20,433,934	4,679,649
(c) Deferred tax balances		
Deferred tax liability comprise:		
Temporary differences	34,180,701	20,810,377
Deferred tax assets comprise:		
Temporary differences	4,674,162	5,053,918

Note 1 -The difference between income tax expense of $37,459,224 and current tax payable of $23,709,144 is predominately made up of the tax effect of the timing differences resulting from unrealised investment income.

5 Income tax *cont.*

Taxable and temporary differences arise from the following:

2006	Opening Balance $	Charged to Income $	Charged to Equity $	Acquisitions and Disposals $	Closing Balance $
Gross deferred tax liabilities					
Property, plant & equipment	(95,274)	(146,785)	-	-	(242,059)
Investments	(20,702,650)	(13,235,992)	-	-	(33,938,642)
Other	(12,453)	12,453	-	-	-
Total	(20,810,377)	(13,370,324)	-	-	(34,180,701)
Gross deferred tax assets					
Provisions	5,053,918	(379,756)	-	-	4,674,162
Total	5,053,918	(379,756)	-	-	4,674,162
2005					
Gross deferred tax liabilities					
Property, plant & equipment	(18,917)	(76,357)	-	-	(95,274)
Investments	(1,481,164)	(19,221,486)	-	-	(20,702,650)
Other	(13,987)	1,534	-	-	(12,453)
Total	(1,514,068)	(19,296,309)	-	-	(20,810,377)
Gross deferred tax assets					
Provisions	4,124,220	929,698	-	-	5,053,918
Provision outstanding and unreported claims uplift	39,047,175	(39,047,175)	-	-	-
Total	43,171,395	(38,117,477)	-	-	5,053,918

	2006 $	2005 $
6 Claims expense		
Paid	57,939,202	64,488,494
Outstanding and unreported claims	36,228,454	(81,046,738)
Gross claims incurred	94,167,656	(16,558,244)
Other claim payments	378,477	348,878
	94,546,133	(16,209,366)
7 Recovery revenue		
Reinsurance recoveries received	1,394,000	-
Reinsurance recoveries receivable movement	(2,879,577)	1,530,050
Other recoveries received	956,087	821,949
	(529,490)	2,351,999

Notes to the Financial Statements

for the year ended 30 June 2006

8 Net claims incurred

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

AT 30 JUNE 2006	Current Year Claims $	Prior Years' Claims $	Total $
Gross claims expense			
Gross claims incurred (inflated/undiscounted)	366,469,717	214,359,847	580,829,564
Discount movement	-	7,132,217	7,132,217
Net claims incurred	366,469,717	221,492,064	587,961,781
Movement Gross claims incurred	(233,781,349)	(253,852,334)	(487,633,683)
Reinsurance recoveries	-	(5,630,952)	(5,630,952)
Net discount movement	(233,781,349)	(259,483,286)	(493,264,634)
Discounted Gross claims incurred	132,688,368	(39,492,487)	93,195,881
Reinsurance recoveries	-	1,501,265	1,501,265
Net claims incurred	132,688,368	(37,991,222)	94,697,146
Reconciliation of net claims incurred:			
Gross claims incurred (refer note 6)			94,167,656
Other recoveries received (refer note 7)			529,490
Net claims incurred			94,697,146

AT 30 JUNE 2005	Current Year Claims $	Prior Years' Claims $	Total $
Gross claims expense			
Gross claims incurred (inflated/undiscounted)	293,493,118	(1,661,327,534)	(1,367,834,416)
Reinsurance recoveries	-	123,671,108	123,671,108
Net claims incurred	293,493,118	(1,537,656,426)	(1,244,163,308
Movement			
Gross claims incurred	(155,013,760)	1,505,467,982	1,350,454,223
Reinsurance recoveries	-	(125,201,158)	(125,201,158)
Net discount movement	(155,013,760)	1,380,266,824	1,225,253,065
Discounted			
Gross claims incurred	138,479,359	(155,859,552)	(17,380,193)
Reinsurance recoveries	-	(1,530,050)	(1,530,050)
Net claims incurred	138,479,359	(157,389,602)	(18,910,243)
Reconciliation of net claims incurred:			
Gross claims incurred (refer note 6)			(16,558,244)
Other recoveries received (refer note 7)			(2,351,999)
Net claims incurred			(18,910,243)

9 Investment revenue

	2006 $	2005 $
Interest	11,089,895	11,357,364
Rentals	381,438	465,125
Dividends	36,998,183	32,498,752
Other	523,829	340,935
Changes in net market values		
Investments held at the end of the reporting period	71,006,363	42,079,385
Investments realised during the reporting period	6,241,452	6,348,297
	126,241,160	93,089,858
Investment related expenses	(1,729,088)	(1,249,968)
	124,512,072	91,839,890
Allocation of investment revenue refer note 1(s)		
Investment revenue on insurance funds	92,793,744	73,095,368
Investment revenue on retained earnings	31,718,328	18,744,522
	124,512,072	91,839,890

10 Investments

	2006 $	2005 $
Current investments		
At net market value		
Short term deposits and other investments[1]	895,783,583	749,182,702
Total current investments	895,783,583	749,182,702
Non-current investments		
At net market value		
Fixed interest bonds	94,994,503	89,382,785
Total non-current investments	94,994,503	89,382,785
Property – at fair value[2]		
Freehold land and buildings		
Commercial	7,200,000	7,150,000
Care facilities	4,765,000	3,725,000
Other property[3]	-	85,000
Total property	11,965,000	10,960,000

Note

1 - Includes investments in unit trusts.

2 - At 30 June 2006, property owned by the Board was restated to valuations determined by independent valuers Brothers & Newton. Valuations are at fair value.

3 - Land included as other property at 30 June 2005 was developed during the financial year and has subsequently been classified as a care facility at 30 June 2006.

Notes to the Financial Statements

for the year ended 30 June 2006

11 Financial instruments

(a) Derivatives

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

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

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

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

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

	2006		2005	
Outstanding contracts	**Average Weighted Exchange Rate**	**Fair Value $**	**Average Weighted Exchange Rate**	**Fair Value $**
Sell Australian Dollar				
Over 3 to 12 months	1.0000	81,667,000	1.0000	17,624,000
Sell Euro Dollar				
Over 3 to 12 months	0.5765	(17,096,000)	0.6263	(4,152,000)
Sell UK Pound				
Over 3 to 12 months	0.3995	(9,470,000)	0.4211	(1,831,000)
Sell Japanese Yen				
Over 3 to 12 months	83.7400	(9,759,000)	83.1300	(2,023,000)
Sell US Dollars				
Over 3 to 12 months	0.7280	(44,451,000)	0.7590	(9,625,000)
		891,000		(7,000)

(b) Credit risk exposures

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

(c) Fair value of financial assets and liabilities

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

(d) Interest rate risk exposures

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

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

11 Financial instruments *cont.*

AT 30 JUNE 2006

	Floating interest rate	Fixed interest maturing in:					
	$	1 year or less $	1 to 5 years $	More than 5 years $	No maturity specified $	Non-interest bearing $	Total $
Financial assets							
Short term deposits and other investments		181,599,190					181,599,190
Cash in hand and at bank	448,416						448,416
Investment properties						11,965,000	11,965,000
Accounts receivable						1,918,566	1,918,566
Reinsurance recoveries receivable						14,220,423	14,220,423
Australian equities					29,498,836		29,498,836
Fixed interest bond	50,693,530		145,782,930				196,476,460
Property trusts					137,688,180		137,688,180
Unit trusts					445,515,420		445,515,420
	51,141,946	181,599,190	145,782,930	-	612,702,436	28,103,989	1,019,330,49
Weighted average interest rate	6.54%	4.88%	2.29%				
Financial liabilities							
Sundry creditors and accrued expenses						1,851,399	1,851,399
Provision for injury prevention and management foundation						1,054,835	1,054,835
	-	-	-	-	-	2,906,234	2,906,234
Net financial assets (liabilities)	**51,141,946**	**181,599,190**	**145,782,930**	**-**	**612,702,436**	**25,197,755**	**1,016,424,257**

Notes to the Financial Statements

for the year ended 30 June 2006

11 Financial instruments *cont.*

AT 30 JUNE 2005

	Floating interest rate	Fixed interest maturing in:					
		1 year or less	1 to 5 years	More than 5 years	No maturity specified	Non-interest bearing	Total
	$	$	$	$	$	$	$
Financial assets							
Short term deposits and other investments		146,340,770					146,340,770
Cash in hand and at bank	351,264						351,264
Investment properties						10,960,000	10,960,000
Accounts receivable						1,743,543	1,743,543
Reinsurance recoveries receivable						17,100,000	17,100,000
Australian equities					23,680,527		23,680,527
Fixed interest bond	50,510,080	1,476,850	125,117,110	31,622,210			208,726,250
Property trusts					125,643,620		125,643,620
Unit trusts					334,174,320		334,174,320
	50,861,344	147,817,620	125,117,110	31,622,210	483,498,467	29,803,543	868,720,294
Weighted average interest rate	6.78%	4.55%	2.05%	2.58%			
Financial liabilities							
Sundry creditors and accrued expenses						1,714,727	1,714,727
Provision for injury prevention and management foundation						819,553	819,553
	-	-	-	-	-	2,534,280	2,534,280
Net financial assets (liabilities)	**50,861,344**	**147,817,620**	**125,117,110**	**31,622,210**	**483,498,467**	**27,269,263**	**866,186,014**

12 Plant and equipment

	2006 $	2005 $
Gross carrying amount		
Balance at beginning of year	3,066,415	3,127,009
Additions	311,845	169,976
Disposals	(147,588)	(230,570)
Balance at end of year	3,230,672	3,066,415
Accumulated depreciation		
Balance at beginning of year	2,531,499	2,514,918
Disposals	(27,844)	(130,581)
Depreciation expense	151,882	147,162
Balance at end of year	2,655,537	2,531,499
Net book value		
As at end of financial year	575,135	534,916

13 Accounts receivable

Current		
Premiums receivable	1,846,890	1,699,726
Other receivables	71,676	43,817
	1,918,566	1,743,543

14 Reinsurance recoveries receivable

Non-Current		
Expected future reinsurance recoveries undiscounted	87,755,122	94,860,303
Discount to present value	(73,534,699)	(77,760,303)
Provision for impairment of reinsurance assets	-	-
Reinsurance recoveries receivable on incurred claims	14,220,423	17,100,000
Expected future reinsurance recoveries on unexpired risk liability	-	-
Reinsurance recoveries receivable	14,220,423	17,100,000

15 Deferred acquisition costs

Current		
Deferred acquisition costs as at 1 July	-	-
Acquisition costs deferred	1,038,794	970,209
Amortisation charged to income	(970,209)	(1,168,516)
Write down for premium deficiency (refer note 17)	(68,585)	198,307
Deferred acquisition costs as at 30 June	-	-

Notes to the Financial Statements

for the year ended 30 June 2006

16 Provision for outstanding and unreported claims

(a) Actuarial assumptions and methods

The below note detailing the actuarial assumptions and methods is a new requirement under AASB 1023. This is the first year this note has been included.

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

	2006			2005		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	9.2	3.4	36.7	9.0	3.4	34.1
Discounted mean term (years)	5.1	3.0	18.8	5.1	3.0	18.6
Number of claims incurred but not reported (IBNR)	427	333	19	454	351	18
Average claim size	$3,062	$17,723	$4,232,506	$2,957	$18,159	$4,077,373
Wage inflation	4.25%	4.25%	4.25%	4.00%	4.00%	4.00%
Superimposed inflation	1.50%	0.75%	0.00%	1.50%	0.75%	0.00%
Total claims inflation	5.75%	5.00%	4.25%	5.50%	4.75%	4.00%
Claim handling expenses	6%	6%	6%	4%	4%	4%
Risk margin	20%	20%	20%	20%	20%	20%

	Discount rates	
	2006	2005
Claims expected to be paid in:		
Year 1 (following end of financial year)	5.90%	5.26%
Year 2	5.84%	5.14%
Year 3	5.84%	5.13%
Year 4	5.87%	5.15%
Year 5	5.88%	5.16%
Year 6	5.88%	5.19%
Year 7	5.88%	5.21%
Year 8	5.89%	5.25%
Year 9	5.89%	5.27%
Year 10	5.91%	5.30%
Year 11	6.03%	5.42%
Year 12	6.21%	5.61%
Year 13	6.32%	5.80%
Year 14	6.39%	5.96%
Year 15	6.40%	6.12%
Years 16 and later	6.40%	6.15%

Inflated mean term

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

Discounted mean term

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

Number of claims incurred but not reported

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

16 Provision for outstanding and unreported claims *cont.*

Average claim size

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

Inflation

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

Superimposed inflation

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

Total claims inflation

Total claims inflation is the sum of wage inflation and superimposed inflation as above.

Claim handling expenses

Claim handling expenses are calculated by reference to past experience of claim handling costs as a percentage of past payments. In the 2005/06 financial year a review of the claim handling expenses was undertaken with the result being that claim handling expenses at 30 June 2006 are included at the rate of 6% of future claim payments (2005: 4%).

Risk margin

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

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

Given the long tail nature of the scheme and sources of uncertainty described above a 20% (2005: 20%) risk margin on top of the actuarially assessed central estimate and future costs of handling those claims net of reinsurance recoveries is included. This prudential margin provides a probability of not less than 75% (2005: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. Refer note 1(g).

Discount rates

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

(b) Sensitivity Analysis

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

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

(a) Models used to estimate outstanding liabilities represent a simplification of a complex claims process.

(b) Even if a model were a perfect representation of the nature of the underlying claims process, past random fluctuations in the claims experience mean that uncertainty arises from estimating the parameters of the model.

(c) Any shortcomings of and/or errors in the data available increase uncertainty regarding the estimated parameters of the model.

(d) Even if the true underlying parameters could be determined precisely for a perfect model, the amount of the liability would still be uncertain because of:

   i. Random fluctuations in the future claim experience.

   ii. The possibility of future systemic, i.e. non-random, changes in the claims experience.

16 Provision for outstanding and unreported claims *cont.*

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

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

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

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

	Profit/(loss) after tax		**Equity**
	Gross of reinsurance $	**Net of reinsurance $**	**$**
Recognised amounts as per the financial statements	97,226,651	96,186,742	248,452,329
		Adjusted amounts	
Inflation increase by 0.5%	62,192,122	65,652,693	217,918,275
Discount rate increased by 0.5%	123,129,610	122,209,552	274,475,134
Future care cost saving for 2005/06 accident year of 10%	101,170,423	100,130,519	252,396,101
Common law settlement size increased by 10%	83,755,164	82,715,260	234,980,842
Scheduled benefits average size reduced by 10%	101,052,631	100,012,727	252,278,309

16 Provision for outstanding and unreported claims *cont.*

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

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

	2006 $	2005 $
Scheduled benefits claims		
Expected future claims payments (inflated/undiscounted)	62,059,552	57,644,862
Discount to present value	(20,657,553)	(17,807,423)
Claims handling expenses[1]	2,613,057	1,678,005
Risk margin[1]	8,803,011	8,303,089
Sub-total provision for outstanding and unreported scheduled benefits claims	52,818,067	49,818,532
Common law claims		
Expected future claims payments (inflated/undiscounted)	170,252,706	182,672,897
Discount to present value	(28,345,611)	(27,315,656)
Claims handling expenses[1]	9,077,821	6,635,706
Risk margin[1]	30,196,983	32,398,589
Sub-total provision for outstanding and unreported common law claims	181,181,899	194,391,537
Future care claims		
Expected future claims payments (inflated/undiscounted)	1,692,943,125	1,290,648,840
Discount to present value	(1,361,282,525)	(989,009,523)
Claims handling expenses[1]	20,816,544	12,614,153
Risk margin[1]	67,651,344	59,436,462
Sub-total provision for outstanding and unreported future care claims	420,128,488	373,689,931
All Claims		
Expected future claims payments (inflated/undiscounted)	1,925,255,383	1,530,966,600
Discount to present value	(1,410,285,689)	(1,034,132,603)
Claims handling expenses[1]	32,507,422	20,927,864
Risk margin[1]	106,651,338	100,138,140
Total provision for outstanding and unreported claims	654,128,454	617,900,000
Current	75,655,919	73,292,003
Non-current	578,472,535	544,607,997
	654,128,454	617,900,000

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

16 Provision for outstanding and unreported claims *cont.*

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

	2006 Gross $	2006 Recoveries $	2006 Net $	2005 Gross $	2005 Recoveries $	2005 Net $
Brought forward	617,900,000	17,100,000	600,800,000	699,295,616	15,569,950	683,725,666
Effect of changes in assumptions	(16,893,981)	(529,490)	(16,364,491)	(98,475,182)	2,351,999	(100,827,181)
Increase in claims incurred/ recoveries anticipated over the year	111,061,639	-	111,061,639	81,568,060	-	81,568,060
Incurred claims recognised in the income statement	94,167,658	(529,490)	94,697,146	(16,907,122)	2,351,999	(19,259,121)
Claims payments/ recoveries during the year	(57,939,202)	(2,350,087)	(55,589,115)	(64,488,494)	(821,949)	(63,666,545)
Carried forward	654,128,456	14,220,423	639,908,031	617,900,000	17,100,000	600,800,000

16 Provision for outstanding and unreported claims *cont.*

(e) Claims development table

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

	Accident year					
	2002 $	2003 $	2004 $	2005 $	2006 $	Total $
Gross of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	254,796,521	283,262,548	509,640,998	236,765,623	288,838,891	1,573,304,582
One year later	220,654,823	341,977,993	211,622,991	230,476,666	-	1,004,732,473
Two years later	277,231,985	193,865,169	244,428,064	-	-	715,525,217
Three years later	152,125,080	189,663,639	-	-	-	341,788,720
Four years later	146,391,967	-	-	-	-	146,391,967
Current estimate of cumulative claims cost	146,391,967	189,663,639	244,428,064	230,476,666	288,838,891	1,099,799,228
Cumulative payments	(38,686,559)	(29,351,026)	(26,152,562)	(23,303,040)	(12,112,008)	(129,605,195)
Outstanding claims - undiscounted	107,705,407	160,312,614	218,275,502	207,173,626	276,726,884	970,194,033
Discount						(695,402,270)
2000/01 and prior (discounted)						204,177,929
Claims handling expense						32,507,423
Prudential margins						106,651,338
Outstanding claims (inflated & discounted)						654,128,454
Net of reinsurance recoveries						
Estimate of ultimate claims cost:						
At end of accident year	254,796,521	283,262,548	476,082,321	236,765,623	288,838,891	1,539,745,905
One year later	220,654,823	341,977,993	211,622,991	230,476,666	-	1,004,732,473
Two years later	277,231,985	193,865,169	244,428,064	-	-	715,525,217
Three years later	152,125,080	189,663,639	-	-	-	341,788,720
Four years later	146,391,967	-	-	-	-	146,391,967
Current estimate of cumulative claims cost	146,391,967	189,663,639	244,428,064	230,476,666	288,838,891	1,099,799,228
Cumulative payments	(38,686,559)	(29,351,026)	(26,152,562)	(23,303,040)	(12,112,008)	(129,605,195)
Outstanding claims - undiscounted	107,705,407	160,312,614	218,275,502	207,173,626	276,726,884	970,194,033
Discount						(659,402,270)
2000/01 and prior (discounted)						189,957,506
Claims handling expense						32,507,423
Prudential margins						106,651,338
Outstanding claims (inflated & discounted)						639,908,031

Notes to the Financial Statements

for the year ended 30 June 2006

17 Provision for unexpired risk

The below note detailing the unexpired risk provision is a new requirement under AASB 101 and AASB 1023. This is the first year this note has been included.

		2006 $	2005 $
(a) Unexpired risk liability			
Unexpired risk liability as at 1 July		11,046,768	7,240,994
Recognition of additional unexpired risk liability in the period		9,986,123	11,046,768
Release of unexpired risk liability recorded in previous periods		(11,046,768)	(7,240,994)
Unexpired risk liability as at 30 June		9,986,123	11,046,768
(b) Deficiency recognised in the income statement			
Gross movement in unexpired risk liability		(992,060)	3,607,467
Reinsurance recoveries on unexpired risk liability		-	-
Net movement in unexpired risk liability		(992,060)	3,607,467
Write down of deferred acquisition costs (refer note 15)		(68,585)	198,307
Total deficiency recognised in the income statement		(1,060,645)	3,805,774
(c) Calculation of deficiency			
Provision for unearned premiums		52,143,344	49,978,502
Related reinsurance asset		-	-
Related deferred acquisition costs		(1,038,794)	(970,208)
	(A)	51,104,550	49,008,294
Net central estimate of the present value of expected future cashflows arising from future claims		46,713,204	46,821,994
Claim handling expenses		2,990,370	1,998,223
Risk margin		12,425,894	12,205,054
Present value of expected future cash inflows arising from		-	-
	(B)	62,129,468	61,025,271
Deficiency net of reinsurance recoveries	(B) – (A)	11,024,918	12,016,977
Add back reinsurance element of present value of expected future cash flows for future claims		-	-
Deficiency gross of reinsurance recoveries		11,024,918	12,016,977

Claim handling expenses

Claim handling expenses as at 30 June 2006 are included at the rate of 6% (2005: 4%). Refer note 1(g).

Risk margin

A risk margin of 25% of the net central estimate of the present value of expected future cashflows arising from future claims plus claim handling expenses has been added. The risk margin is higher than the 20% risk margin applied to the provision for outstanding and unreported claims (refer note 16) in recognition of the increased volatility of estimated costs in respect of events which have yet to occur. The 25% risk margin provides a probability of not less than 75% (2005: not less than 75%) that the provision is sufficient to meet the cost of claims incurred. Refer note 1(g).

18 Provision for employee benefits

	2006 $	2005 $
Current		
Annual leave	139,890	143,151
Long service leave	168,306	202,461
Retirement benefits fund	20,073	167,153
	328,269	512,765
Non-current		
Long service leave	36,935	54,812
Retirement benefits fund	2,018,690	1,760,553
	2,055,625	1,815,365
Aggregate employee benefits (refer note 1p)	2,383,894	2,328,130

Retirement benefits fund contributions

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

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

Included in the above are:

Contributory scheme

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

Compulsory preserved benefits

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

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

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.

18 Provision for employee benefits *cont.*

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

Net liability as at 30 June 2006	**2006** $	**2005** $
Defined benefit obligation	2,432,176	2,246,971
Contributions tax liability	146,974	151,461
Total defined benefit obligations	2,579,150	2,398,431
RBF contributory scheme assets	(540,387)	(470,725)
Deficit/(Surplus)	2,038,763	1,927,707
Unrecognised past service cost	-	-
Unrecognised net (gain)/loss	-	-
Net liability/(asset)	2,038,763	1,927,707

The main economic assumptions used in the actuarial valuation were:

Discount rate		
Gross of tax	5.80%	5.30%
Net of tax	5.70%	5.20%
Salary rate	4.5%	4.50%
Expected return on plan assets (net of tax)	7.00%	7.00%
Inflation (pensions)	2.5%	2.50%
Tax rate for employer contributions	7.21%[1]	7.86%
Tax rate for discount rate	2.25%	2.25%
Decrement rates	As per the most recent actuarial investigation and report	As per the most recent actuarial investigation and report

Note 1: This tax rate is based on the balance of pre-July 1988 funding credits as at 30 June 2005 as this was the most recent information available.

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

Plan assets

Asset disclosure	**2006**	**2005**
Australian equities	38%	36%
International equities	20%	20%
Fixed interest securities	21%	25%
Property	21%	19%

Funded status

Defined benefit obligations	$	$
Funded	566,993	556,553
Unfunded	2,012,157	1,841,878
Total	2,579,150	2,398,431

18 Provision for employee benefits *cont.*

Reconciliations

Fair value of plan assets		**2006 $**	**2005 $**
Fair value of plan assets at end of prior year	1	470,725	462,277
Employer contributions from accounts	2	48,264	10,635
Actual contributions tax paid	3	-	-
Actual participants contributions	4	28,337	38,296
Actual operating costs	5	4,878	3,189
Actual benefit payments	6	68,949	15,193
Foreign currency exchange rate assets	7	-	-
Business combination assets	8	-	-
Curtailments/settlement assets	9	-	-
Expected return on assets	10	33,048	33,429
Expected assets at year end	11=1+2-3+4-5+6+7+8+9+10	506,547	526,254
Actuarial gain/(loss) on assets	12=13-11	33,840	(55,530)
Actual assets at year end	13	540,387	470,725
Actual return on plan assets		64,284	59,689

Total defined benefit obligations (inclusive of contributions tax)			
Total defined benefit obligation at end of prior year	14a	2,398,431	2,063,486
Employer service cost plus operating costs	15a	75,209	72,328
Interest cost 16	16	115,050	117,898
Actual participant contributions	17	28,337	38,296
Actual operating costs (admin & insurance)	18	4,878	3,189
Actual benefit payments plus contributions tax	19a	68,949	15,193
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments/settlements liabilities	22	-	-
New past service costs	23	-	-
Expected defined benefit obligations at year end	24a=14a+15a+16+17 -18-19a+20+21=22+23	2,543,201	2,273,625
Actuarial (gain)/loss on liabilities	25a	35,949	124,806
Actual total defined benefit obligations at year end	26a=24a=25a	2,579,150	2,398,431

18 Provision for employee benefits *cont.*

		2006	2005
Defined benefit obligations (exclusive of contributions tax)		**$**	**$**
Defined benefit obligations at the end of prior year	14	2,246,971	1,972,567
Employer service cost plus operating costs	15	66,649	64,028
Interest Cost	16	115,050	117,898
Actual participant contributions	17	28,337	38,296
Actual operating costs (admin & insurance)	18	4,878	3,189
Actual benefit payments	19	68,949	15,193
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments/settlements liabilities	22	-	-
New past service costs	23	-	-
Expected defined benefit obligations at year end	24=14+15+16+17-18 -19+20+21+22+23	2,383,180	2,174,406
Actuarial (gain)/loss on liabilities	25	48,996	72,564
Actual defined benefit obligations at year end	26=24+25	2,432,176	2,246,971
Contributions tax			
Defined benefit obligations at end of prior year	27	2,246,971	1,972,567
Fair value Plan assets at end of prior year	28	470,725	462,277
Net obligation	29=27-28	1,776,246	1,510,290
Contributions tax at end of prior year	30	151,461	90,919
Contributions tax expense	31=32-30+3	8,560	8,299
Actual contributions tax paid	3	-	-
Expected contributions tax at year end		160,021	99,219
Actuarial (gain) / loss on contributions tax		(13,046)	52,242
Actual contributions tax at year end		146,974	151,461
Reconciliation of actuarial (gain) / loss			
Unrecognised actuarial (gain) / loss at end of prior year	35	-	-
Actuarial (gain) / loss on assets	12(a)=(12)	(33,840)	55,530
Actuarial (gain) / loss on liabilities	25	48,996	72,564
Actuarial (gain) / loss on contributions tax	33	(13,046)	52,242
Amount recognised during year in income statement	36	2,109	180,336
Immediate recognition gains/losses related to curtailment/settlement	37	-	-
Unrecognised actuarial (gain) / loss at end of year	38=35+12(a) +25+33-36-37	-	-
Interest cost			
Defined benefit obligations at end of prior year (net discount rate)	14	2,246,971	1,972,567
Actual benefit payments	abp	68,949	15,193
Weighted for timing	51=abp/2	34,475	7,597
Average benefit obligations	52=14-51	2,212,496	1,964,970
Discount rate	d	5.20%	6.00%
Calculated interest cost	53=d times 52	115,050	117,898
Interest cost used in calculation		115,050	117,898

18 Provision for employee benefits *cont.*

Expected return on assets		2006 $	2005 $
Fair value plan assets at end of prior year	1	470,725	462,277
Actual employer contributions	2	48,264	10,635
Weighted for timing	54=2/2	24,132	5,318
Actual contributions tax paid	3	-	-
Weighted for timing	55=3/2	-	-
Actual participants contributions	4	28,337	38,296
Weighted for timing	56=4/2	14,169	19,148
Actual operating costs (admin & insurance)	5	4,878	3,189
Weighted for timing	57=5/2	2,439	1,595
Actual benefit payments	6	68,949	15,193
Weighted for timing	58=6/2	34,475	7,597
Average expected assets	59=1+54-55+56-57-58	472,112	477,551
Assumed rate of return	r	7.00%	7.00%
Calculated expected return on assets	60=r times 59	33,048	33,429
Expected return on assets used in calculation	33,048	33,429	

Net liability / (asset) at year end			
Actual defined benefit obligations at year end	26	2,432,176	2,246,971
Actual contributions tax at year end	34	146,974	151,461
Total defined benefit obligation at year end	61=26+34	2,579,150	2,398,431
Actual assets at year end	13(a)=(13)	(540,387)	(470,725)
Deficit / (surplus)	62=61+13(a)	2,038,763	1,927,707
Unrecognised past service cost	50	-	-
Unrecognised net (gain) / loss	b	-	-
Net liability / (asset)	63=62-50-b	2,038,763	1,927,707

Actuarial gain / (loss) for year			
Defined benefit obligations (net of tax, prior year assumptions)	64	2,582,541	2,027,478
Contributions tax (prior year assumptions)	65=(64-13)/(1-t0)*t0	174,135	93,717
Defined benefit obligations (net of tax, current year assumptions)	26	2,432,176	2,246,971
Actual contributions tax at year end	34	146,974	151,461
Actuarial (gain)/loss for year due to assumptions	66=26+34-(64+65)	(177,526)	277,236
Actuarial (gain)/loss for year due to experience	67=25+33-66	213,475	(152,430)
Actuarial (gain)/loss on assets	12	(33,840)	(55,530)
Actuarial (gain)/loss for year	68=66+67-12	2,109	180,336

Notes to the Financial Statements

for the year ended 30 June 2006

18 Provision for employee benefits *cont.*

History

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

	30 June 2006 $	30 June 2005 $	30 June 2004 $
Total defined benefit obligation at year end	2,579,150	2,398,431	2,063,486
Actual assets at year end	(540,387)	(470,725)	(462,277)
Deficit/(surplus)	2,038,763	1,927,707	1,601,209
Experience adjustment on liabilities	213,475	(152,430)	-
Experience adjustment on assets	(33,840)	55,530	-

Funding and contribution information

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

Liabilities for accrued benefits	**30 June 2005 $**
Liability for the Scheme as a whole	3,892,933,000
Net market value of Scheme assets	1,255,312,000
Surplus/(deficit)	2,637,621,000

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

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

The economic assumptions used to calculate these figures were:

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

19 Retained earnings

	Note	2006 $	2005 $
Balance at the beginning of the financial year		165,070,333	30,842,363
Operating result after tax		96,186,742	141,496,842
Dividend paid	1(d)	(12,804,746)	(7,268,872)
Balance at the end of the financial year		248,452,329	165,070,333

20 Provision for Injury Prevention and Management Foundation reconciliation

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

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

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

Balance at the beginning of the financial year	819,553	939,165
Payments	(884,214)	(939,165)
Project approvals less project funds with held	1,023,602	748,132
GST on outstanding project approvals	95,894	71,421
Balance at the end of the financial year	1,054,835	819,553

21 Provision for unearned premium

Balance at beginning of financial year	49,978,502	48,282,356
Deferral of premiums on contracts written in the period	52,143,344	49,978,502
Earning of premiums written in previous periods	(49,978,502)	(48,282,356)
Balance at end of financial year	52,143,344	49,978,502

22 Accrued expenses

Current		
Employee on costs – annual leave	8,394	7,880
Employee on costs – long service leave	10,098	10,872
Other accrued expenses	-	567
Total current accrued expenses	18,492	19,319
Non current		
Employee on costs – long service leave	2,216	3,290

Notes to the Financial Statements

for the year ended 30 June 2006

23 Cash Flow Statement

(a) Reconciliation of cash

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

	2006 $	2005 $
Cash on hand	200	200
Cash at bank	448,216	351,064
	448,416	351,264

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

	2006 $	2005 $
Operating result after tax	96,186,742	141,496,842
Depreciation	151,882	147,162
Loss (profit) on sale of assets	31,777	19,148
Increase (decrease) in employee provisions	55,764	303,387
Increase (decrease) in creditors and accruals	136,672	(132,500)
Increase (decrease) in claims provisions for new claims and the effect of existing claims provisions increases/decreases	36,228,454	(81,046,738)
Decrease (increase) in prepaid insurance expenses	3,686	7,714
Unrealised change in net market value of investments	(77,247,815)	(48,427,682)
Decrease (increase) in deferred tax asset	379,756	38,117,477
Decrease (increase) in accrued income	8,861	(10,468)
Decrease (increase) in accounts receivable	(175,023)	(1,719,071)
Decrease (increase) in reinsurance recoveries receivable	2,879,577	(1,530,050)
Increase (decrease) in provision for unearned income	2,164,842	1,696,146
Increase (decrease) in tax payable	15,754,285	4,679,649
Increase (decrease) in provision for injury prevention and management foundation	235,282	(119,612)
Increase (decrease) in unexpired risk provision	(1,060,645)	3,805,774
Increase (decrease) in provision for deferred tax	13,370,324	19,296,309
Net cash flow from operating activities	89,104,421	76,583,487

(c) Financing facilities

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

24 Key management personnel information

The names of persons who were key management personnel at any time during the relevant period are:

- Mr G J Humphreys
- Ms K Barker
- Ms C E Bell
- Mrs L J Bingley
- Mrs K Brown
- Mr S W J Coutts
- Mr J W Harry
- Mr P A Livingston
- Mr P J Roche
- Mrs K L Stephenson
- Mr D W Thurm

24 Key management personnel information *cont.*

(a) Key management personnel compensation

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

	2006 $	2005 $
Short term employee benefits	540,590	544,829
Other long-term benefits	-	-
Post employment benefits	160,915	174,131
Termination benefits	-	-
	701,505	718,960

(b) Directors' meetings

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

	Board of directors meetings Number		Audit committee meetings Number	
Director	**Held**	**Attended**	**Held**	**Attended**
G J Humphreys	13	13		
K Barker	13	13		
C E Bell	13	13	10	10
K Brown	13	12		
S W J Coutts	13	13	10	10
J W Harry	13	13	10	10
P J Roche	13	12		
K L Stephenson	13	12		

	Claims committee meetings Number		Injury Prevention and Management Foundation committee meetings Number	
Director	**Held**	**Attended**	**Held**	**Attended**
G J Humphreys	11	11	2	2
K Barker	11	11		
K Brown	11	10	2	2
P J Roche	11	10		
K L Stephenson	11	10		

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

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

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

The aggregate amount in respect of transactions with Directors and Director-related entities for legal fees and other services for the year was $221,455 (2005: $153,275).

Notes to the Financial Statements

for the year ended 30 June 2006

25 Road Safety Task Force

For the year ended 30 June 2006 contributions amounting to $2,425,000 (2005: $2,250,000) were paid to the Road Safety Task Force (RSTF).

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

26 Auditor's remuneration

The amount due and receivable by the Tasmanian Audit Office for auditing the financial statements is $23,500 (2005: $22,220).

27 Dividends

Since the end of the financial year, a final ordinary dividend relating to the 2005/06 financial year in the amount of $22,061,659 has been calculated in accordance with the methodology contained in the Board's Ministerial Charter and is payable during the 2006/07 financial year.

This dividend has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports.

28 Impact of adopting Australian equivalents to international financial reporting standards

All Australian Reporting Entities are required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) for reporting periods beginning on or after 1 January 2005. This requirement applies to comparative information included within the financial report. This is the Board's first A-IFRS compliant financial report and includes comparative figures prepared under A-IFRS as at 30 June 2005. To complete the A-IFRS 30 June 2005 comparative Balance Sheet the initial impact of A-IFRS was determined and reflected at the beginning of that year, 1 July 2004. This is referred to as the transition date.

The impacts of the adoption of A-IFRS on total equity at the date of transition and at 30 June 2005 reported under previous Australian Generally Accepted Accounting Principles (AGAAP) are detailed below.

Table 1 - Reconciliation of total equity as presented under previous AGAAP to that under A-IFRS

	Note	30 June 2005 $	1 July 2004 $
Retained earnings as reported under AGAAP		173,011,646	121,855,519
Increase in deferred tax asset	A	5,053,918	42,924,525
Increase in investment property		-	152,748
Decrease in provision for deferred tax	A	-	263,012
Increase in deferred tax liability	A	(1,377,142)	-
Increase in provision for outstanding claims	C	-	(126,776,788)
Increase in provision for employee benefits	B	(571,321)	(335,658)
Increase in provision for unexpired risk	D	(11,046,768)	(7,240,995)
Retained earnings under A-IFRS	E	165,070,333	30,842,363

28 Impact of adopting Australian equivalents to international financial reporting standards *cont.*

Table 2 - Reconciliation of 30 June 2005 profit after tax under previous AGAAP to A-IFRS:

The impact of the adoption of A-IFRS on the profit at 30 June 2005 reported under AGAAP is detailed below.

		2005 **$**
2004/05 Operating result after tax as reported under AGAAP		58,424,990
Decrease in claims expense	C	126,776,788
Increase in general and administration expenses (RBF)	B	(235,663)
Increase in unexpired risk expense	D	(3,805,774)
Increase in tax expense	A	(39,663,499)
2005 Operating result after tax under A-IFRS		141,496,842

A Income tax

Table 1 above shows the adjustment required to the deferred tax asset at 1 July 2004 by applying the balance sheet approach to accounting for income tax as prescribed under A-IFRS. The increase of $42,924,525 is primarily the tax effect of the adjustment to the provision for outstanding and unreported claims (refer note C below).

Table 2 above shows the restated profit after tax. Due to the impact of the change to the provision for outstanding and unreported claims (refer note C below) the tax expense is higher by $39,663,499 which partially serves to reverse the increase in the deferred tax asset in Table 1.

As the adjustment to the provision for outstanding and unreported claims is not required at 30 June 2005 (refer note C below) the tax calculation prepared at 30 June 2005 under A-IFRS results in a increase of $1,377,142 to the deferred tax liability calculated under AGAAP as detailed in table 1 above.

B Provision for employee entitlements

The introduction of A-IFRS has resulted in changes to the calculation of liabilities for all long term employee benefits. These changes have had an impact on the liability for the defined benefit superannuation provided for RBF contributory members.

The main changes introduced under A-IFRS are the inclusion of the member funded portion of the superannuation liability that is not matched by assets, a change in the discount rate applied and the attribution of the 15% contribution tax to the fund deficit.

The result of the State Actuary's calculation of the defined benefit liability under A-IFRS at 30 June 2004 and 30 June 2005 resulted in an increase in the shortfall between the liability to RBF contributory members and the liability provided for in the balance sheet. At the date of transition to A-IFRS the shortfall of $335,658 was adjusted to retained earnings. At 30 June 2005 the shortfall amounted to $571,321 of which $335,658 was recognised on the date of transition whilst the remaining $235,663 has been recognised as an expense in the income statement and therefore increasing general and administration expenses by the same amount.

28 Impact of adopting Australian equivalents to international financial reporting standards *cont.*

C Provision for outstanding and unreported claims and claims expense

Under A-IFRS a risk free discount rate must be applied to the provision for outstanding and unreported claims where previously (up to, and including, the valuation undertaken as at 30 June 2004) the discount rate was based on the rate of return on investment opportunities available to the Board. This reduction to the discount rate has resulted in an increase to liabilities as at 1 July 2004 of $126,776,788 as shown in table 1.

An actuarial review of the economic assumptions underlying the valuation of the provision for outstanding and unreported claims was undertaken during the 2004/05 financial year. The result of this review was to change the discount and superimposed inflation rates applied in the valuation as at 30 June 2005 (refer note 1(g)). Hence, as the 30 June 2005 valuation of the provision for outstanding and unreported claims includes a risk free discount rate and the valuation meets the other A-IFRS requirements no adjustment is required for A-IFRS purposes as at 30 June 2005.

Table 2 above shows the restated profit after tax. With regard to the impact on the provision for outstanding and unreported claims in adopting A-IFRS the downwards revisions in table 1 are reversed in table 2 with the net effect on the income statement as at 30 June 2005 in table 2 being nil.

D Provision for unexpired risk and unexpired risk expense

The introduction of A-IFRS has resulted in the introduction of a liability adequacy test where, at each reporting date, the Board's actuary assesses whether the provision for unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. If the present value of the expected future cash flows relating to future claims plus claim handling expenses and a risk margin to reflect the inherent uncertainty in the central estimate exceeds the provision for unearned premium liability then the provision for unearned premium liability is deemed to be deficient. The movement in the deficiency net of reinsurance is recognised in the income statement.

Table 1 shows that at 1 July 2004 a deficiency of $7,240,995 existed which was adjusted to retained earnings. As at 30 June 2005, the deficiency had increased to $11,046,768 with the movement of $3,805,774 being recognised in the income statement (refer table 2 above).

E Retained earnings

Adjustments required on first time adoption of A-IFRS are recognised directly in retained earnings, as required by AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards, at the date of transition to A-IFRS, 1 July 2004. The net impact of A-IFRS on 1 July 2004 retained earnings is a decrease of $91,013,156 as shown in table 1 above.

At 30 June 2005 following the reversal of the 1 July 2004 equity adjustments in the normal course of business in the financial year, the net impact on retained earnings of the remaining A-IFRS adjustments is a $7,941,313 reduction as shown in table 1 above.

Certification

CERTIFICATION

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

(a) the financial statements and notes of the Enterprise are in accordance with the *Government Business Enterprises Act 1995*, including:

i. giving a true and fair view of the results and cash flows for the year ended 30 June 2006 and the financial position as at 30 June 2006 of the Enterprise; and
ii. subject to the Treasurer's Instructions, complying with Australian Accounting Standards and Urgent Issues Group Interpretations; and

(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 2006 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 2006 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 2006 give a true and fair view.

Signed in accordance with a resolution of the Directors.

Dated 15 August 2006

GJ Humphreys
Chairperson

JW Harry
Director

Independent Audit Report

Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To the Members of the Parliament of Tasmania

MOTOR ACCIDENTS INSURANCE BOARD

Financial Report for the Year Ended 30 June 2006

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report published in both the annual report and on the website of the Motor Accidents Insurance Board for the year ended 30 June 2006. The Directors are responsible for the integrity of both the annual report and the website.

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

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

Scope

The financial report and the Directors' responsibilities

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the statement from Directors for the year ended 30 June 2006.

The Directors are responsible for the preparation and true and fair presentation of the financial report in accordance with Section 52 (1) of the *Government Business Enterprises Act 1995*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the Members of the Parliament of Tasmania. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

Accountability on Your Behalf

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Government Business Enterprises Act 1995*, the Treasurer's Instructions, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Motor Accidents Insurance Board's financial position, and of its performance as represented by the results of its operations, cash flows and changes in equity.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Independence

In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial report of the Motor Accidents Insurance Board:

i. Presents fairly, in all material respects, the financial position of the Motor Accidents Insurance Board as at 30 June 2006, and the results of its operations, cash flows and changes in equity for the year then ended; and

ii. Is in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995* and applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL

HOBART
8 September 2006

Accountability on Your Behalf

Appendix

Interstate Scheme Comparisons

	TAS	VIC	NT	NSW	QLD	WA	SA	ACT
No Fault	Yes [3]	Yes [3]	Yes [1,3]	No [5]	No	No	No	No
Common Law Rights	Yes	Yes	Yes [2]	Yes	Yes	Yes	Yes	Yes
Monopoly Scheme	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Motor Car Premium	$332	$347	$426	$354 4	$311	$250	$375	$386

[1] - NT Residents only

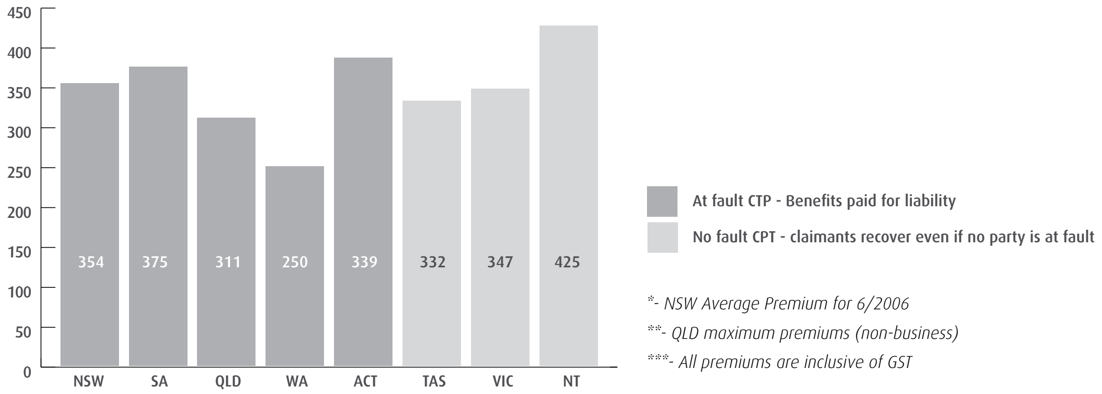
[2] - NT Non-residents only

[3] - Includes lifetime care and support for catastrophically injured

[4] - Latest Average Premium

[5] - No-fault for children to commence 10/06 and no-fault catastrophically injured to commence 10/07

Interstate Private Motor Car Premium Rate Comparisons



**- NSW Average Premium for 6/2006*

***- QLD maximum premiums (non-business)*

****- All premiums are inclusive of GST*

Managing Diversity

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

Tenders and Contracts ($50,000 and over)

This disclosure is made in accordance with Treasurer's Instruction GBE 08-57-02 for contracts awarded during 2005/06.

	Awarded to Tasmanian Businesses	Awarded to other Australian businesses	Awarded to International businesses	Total
No of Contracts awarded	1	1		2
Value of Contracts Awarded	$505,503	85,000		590,503

Staffing

As at 30 June 2006, the Board employed 38 staff on a full or part-time basis.

Proudly Promoting Road Safety in Tasmania

Motor Accidents Insurance Board

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